

REPORT AND ISSUER IDENTIFICATION DATA

Quarterly report according to the provisions of art. 227 of Law no. 297/2004

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Company name: SNTGN TRANSGAZ SA

Headquarters: Medias, 1 Constantin I. Motas Square, code: 551130

Telephone/fax: 0269-803333/0269-839029

Tax identification code: RO13068733

Trade Register number: J32/301/2000

Subscribed and paid-up capital: Lei 117,738,440

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

QUARTERLY REPORT
ON THE ECONOMIC AND FINANCIAL ACTIVITY OF SNTGN TRANSGAZ SA
as of 30.09.2021
(1 January-30 September 2021)

Overview

SNTGN Transgaz SA is a public limited liability company operated according to the Romanian laws and to the Articles of Incorporation.

According to Government Resolution 334/2000 and to the Articles of Incorporation, Transgaz aims at giving effect to the national strategic goals set for gas transmission, international transit, dispatching, research and design, by performing trading acts according to its object of activity, in line with the Romanian laws in force.

The revenue obtained by Transgaz results from the following activities:

- 👉 **Domestic gas transmission**, which, due to its monopolistic feature, is regulated by the National Energy Regulatory Authority.

For the period ended on 30 September 2021 the revenue obtained from the transmission activity is regulated by **ANRE Order 41/15 March 2019 on the approval of the Regulated Gas Transmission Tariff Setting Methodology**.

The above-mentioned methodology establishes the regulated revenue resulting from the transmission activity, based on which the regulated gas transmission tariffs are set, considering the capacities booked and the amounts of gas transmitted.

The following items are included into the total regulated revenue:

- ✎ *operating expense* allowed by the authority (materials, energy and water, technological consumption, salaries, maintenance and repair, and others);
- ✎ *pass-through costs*, which are beyond the control of the operator (national transmission system royalty, transmission licence fee, wage fund contributions, other taxes and duties).

According to ANRE Order 41/15 March 2019, from 1 October 2019 the monopoly tax is not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.

By ANRE Order 2/20 January 2021 the Tariff Setting Methodology was amended, the royalties for the concession of the assets owned by the State and the royalties established under the contracts for the concession of the gas transmission service and/or related assets owned by the State or an administrative-territorial unit being recognised as gas transmission activity expenses, with the exception of those relating to the period between the date of entry into force of the provisions of Law 155/2020 on the amending and supplementation of Electricity and Gas Law 123/2012 and on the amending and supplementation of other normative acts, and the date of entry into force of Law 244/2020 on the approval of Government Emergency Ordinance 103/2020 for the prorogation of the time limit for the application of the measures established by Government Emergency Ordinance 26/2018 on some electric energy safety of supply measures (30 July 2020 – 11 November 2020). Law 244/9 November 2020 established the annual royalty rate paid by the gas transmission operator to 0.4% of the gross revenue obtained from gas transmission and transit operations through the national transmission systems, owned by the State.

- ✎ *regulated depreciation* of the assets related to the transmission activity;
- ✎ *regulated profit* set by applying the regulatory rate of return to the regulatory value of the assets used for the performing of the transmission activity.

The substantiation of the regulated revenue is made by regulatory periods of 5 years (the current regulatory period started on 1 October 2019 and will end on 30 September 2024), and the regulated revenue is adjusted annually within the regulatory period, based on the annual inflation rate minus the growth factor of economic efficiency, the operational fixed assets value (through the related regulated depreciation and regulated profit) and on obtaining or non-obtaining the approved regulated revenue for the previous gas year, as follows:

- if during the previous year the regulated revenue obtained is higher than the approved regulated revenue, the difference is subtracted from the regulated revenue of the following year;
- if during the previous year the regulated revenue obtained is lower than the approved regulated revenue, the difference is added to the regulated revenue of the following year.

Following regulation of the transmission activity according to the methodology above, the revenue from the transmission activity covers the costs generated by it and allows the possibility to obtain a regulated profit limited to 6,9% of the amount of capital invested in this activity for the 1 October 2019 - 30 April 2020 period, to 5,66 % for the 30.04.2020-12.05.2020 period and to 6,39% starting from 13.05.2020.

For the capital invested in tangible and intangible assets, assets put into service/received in the fourth regulatory period, which are objectives of the gas

transmission system, an incentive of 1 percentage point above the regulated rate of return on invested capital approved by ANRE for the natural gas transmission activity is granted.

By derogation from the previous provision for investments in tangible and intangible assets which are commissioned/accepted within the fourth regulatory period, representing natural gas transmission system facilities, achieved by equity in projects where EU grants were obtained as well, an incentive of 2 percentage points over the approved regulated rate of return on invested capital is established, except for investments in tangible and intangible assets made following the development of investment projects established in Regulation (EU) No. 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructures and repealing Decision No. 1364/2006/EC and amending Regulations (EC) No. 713/2009, (EC) No. 714/2009 and (EC) No. 715/2009, for which European grants were obtained.

From 1 October 2019 with the entry into force of ANRE Order 41/15 March 2019 the efficiency gain achieved by the TSO from the fourth regulatory period (1 October 2019 - 30 September 2024) will be 60% transferred by linearization to natural gas consumers and 40% will be retained by the TSO and the interest which was not capitalized according to the legal provisions, related to the bank credits contracted for the financing of the tangible fixed assets, for the establishing or extension of the transmission system is recovered through the regulated revenue.

👉 **international gas transmission activity and similar**, which is a gas transmission activity performed through dedicated transmission pipelines (which are not connected to the national transmission system).

Considering Order 34/2016 amended by Order 158/2019, by Order 149/29 July 2020 ANRE establishes the total regulated revenue for a gas year for the Isaccea 2- Negru Vodă 2 pipeline gas transmission activity performed by the National Gas Transmission Company TRANSGAZ S.A., and the transmission tariffs valid for the 1 October 2020 - 30 September 2021 period, tariffs applicable only if interconnection agreements with the neighbouring operators are concluded (according to Art. 3 of ANRE Order 34/2016).

At the end of 2020, the legacy transmission contract regarding the Isaccea 3 - Negru Vodă 3 pipeline was terminated by the conclusion of an Agreement for the termination of the legacy contract between SNTGN Transgaz SA and Gazprom Export LLC, which creates the necessary framework for the conclusion of the interconnection agreements for the Isaccea 2,3 and Negru Vodă/Kardam 2,3 Interconnection Points, for ensuring the free access of third party to the capacity booking on the T2 and T3 transit pipelines and for the collection of the remaining amounts to be paid under the legacy contract and puts in place the conditions to increase the use of the natural gas transmission infrastructure in Romania.

The conclusion of the Agreement for the termination of the legacy contract regarding the T3 transit pipeline between SNTGN Transgaz SA and Gazprom Export LLC, ensures the collection of the remaining amounts to be paid under the legacy contract and allows the booking of transmission capacities at NTS entry/exit points

and on international transmission pipelines. The revenue collected from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based on the points where capacity is booked, the monthly difference being classified as similar revenue.

- 👉 **balancing activity** performed as of 1 December 2015 based on ANRE Order 160/2015 establishing the obligations of the company on the balancing of the national transmission system, a financially neutral activity, any profit or loss from this activity following to be distributed to the customers for which the domestic transmission services are provided.

The total revenue from other activities with a small contribution to the turnover, such as asset sales, renting and royalty, interest revenue and foreign exchange gains, and the operating revenue and the financial revenue related to the debt for the regulated value remaining unamortised of the regulated asset base at the end of the Concession Agreement complete the total revenue of the company.

1. Analysis of the economic and financial indicators obtained at 30 September 2021 compared to the indicators obtained at 30 September 2020

The main economic and financial indicators obtained during the 1 January 2021 - 30 September 2021 reporting period.

No.	Indicator	30.09.2021	Consolidated Result	Individual Result
1.	Current liquidity indicator	Current assets/Current liabilities	1,51	1,19
2.	Leverage indicators			
2.1	Leverage indicator 1	Borrowed capital/Equity	45,52%	40,35%
2.2	Leverage indicator 2	Borrowed capital/Invested capital	31,28%	28,75%
3.	Days' sales outstanding	Average accounts receivable x 273/Turnover	170,46	170,46
4.	Fixed assets turnover	Turnover/Fixed assets	0,167	0,169

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

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

Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

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

Consolidated companies in the Transgaz group:

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

thousands lei

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Obtained 9 months 2021	Obtained 9 months 2020	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	955.092	1.015.866	-6%
Revenue from the balancing activity	203.780	148.026	38%
Revenue from the construction activity according to IFRIC12	516.188	1.018.106	-49%
Financial revenue	95.749	55.008	74%
Operating costs before the balancing and construction activity, according to IFRIC12	879.222	803.441	9%
Balancing activity costs	203.780	148.026	38%
Cost of constructed assets according to IFRIC12	516.188	1.018.106	-49%
Financial costs	27.559	18.061	53%
GROSS PROFIT, of which:	144.060	249.371	-42%
• from operation	75.870	212.425	-64%
• from the financial activity	68.190	36.946	85%
Income tax	38.562	43.491	-11%
NET PROFIT	105.498	203.305	-49%

thousand lei

STATEMENT OF CONSOLIDATED FIANCIAL POSITION			
Indicator	Obtained 9 months 2021	Obtained 2020	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	789.946	731.438	8%
Rights of use for the leased assets	19.627	19.192	2%
Intangible Assets	4.011.982	3.931.693	2%

STATEMENT OF CONSOLIDATED FIANCIAL POSITION			
Indicator	Obtained 9 months 2021	Obtained 2020	Increase
1	2	3	4=2/3x100-100
Financial assets	9.464	9.082	4%
Trade receivables and other receivables	1.644.947	1.364.269	21%
Deferred tax	907	4.985	-82%
Total fixed assets	6.476.873	6.060.659	7%
Current assets			
Inventories	203.547	194.142	5%
Commercial receivables and other receivables	407.249	677.396	-40%
Cash and cash equivalent	235.567	289.452	-19%
Total current assets	846.364	1.160.990	-27%
Total assets	7.323.237	7.221.649	1%
Equity	3.778.493	3.746.269	1%
Non-controlling interests	93.434	-	x
Long-term debts			
Long-term borrowings	1.719.932	1.593.385	8%
Other long-term debts	1.172.546	1.178.729	-1%
Total long-term debts	2.892.478	2.772.114	4%
Current debts			
Short-term borrowings	108.831	121.410	-10%
Other short-term debts	450.001	581.856	-23%
Total current debts	558.832	703.266	-21%
Total debts	3.451.310	3.475.380	-1%
Equity and debts	7.323.237	7.221.649	1%

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

Indicators of the SNTGN transgaz SA individual economic and financial results

The main economic and financial indicators obtained at 30 September 2021, compared to the indicators obtained in the same period of 2020 are as follows:

thousand lei

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Obtained 9 months 2021	Obtained 9 months 2020	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	954.585	1.006.351	-5%
-revenue from domestic transmission	813.812	878.327	-7%
-revenue from international transmission and similar	61.914	87.077	-29%
Operating costs before the balancing and construction activity, according to IFRIC12	868.715	795.814	9%
Operating profit before the balancing and construction activity, according to IFRIC12	85.871	210.537	-59%
Revenue from the balancing activity	203.780	148.026	38%
Balancing activity costs	203.780	148.026	38%
Revenue from the construction activity according to IFRIC12	516.188	1.018.106	-49%
Cost of constructed assets according to IFRIC12	516.188	1.018.106	-49%
Operating profit	85.871	210.537	-59%
Financial revenue	79.392	50.148	58%
Financial costs	14.992	12.458	20%
Financial result	64.400	37.690	71%
GROSS PROFIT	150.271	248.227	-39%
Income tax	38.051	43.430	-12%
NET PROFIT	112.220	204.796	-45%

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by **5%** as compared to 30 September 2020, which is lower by **Lei 51.765 thousand**.

The revenue was influenced mainly by the following factors:

- *commodity revenue* higher by **Lei 20.459 thousand** due to:
 - *the gas transmitted capacities* higher by 17.231.620 MWh/1.517.237 thousand cm (▲18%), as compared to 30 September 2020, with a positive influence of Lei 26.020 thousand, detailed by categories of consumers as follows:

		9 months 2020	9 months 2021	Differences
Quantity transmitted for direct consumers	MWh	43.441.474	54.432.417	10.990.943
	thousand m ³	4.033.556	5.045.394	1.011.838
Quantity transmitted for distribution	MWh	50.555.424	56.796.101	6.240.677
	thousand m ³	4.692.991	5.198.390	505.399
Total	MWh	93.996.898	111.228.518	17.231.620
	thousand m ³	8.726.547	10.243.784	1.517.237

- *the commodity transmission tariff lower* by Lei 0,05 lei/MWh, with a negative influence of Lei 5.561 thousand;

The commodity tariffs decreased at 30 September 2021 as compared to 30 September 2020 mainly due to:

- Order 10/2017 of the ANRE President on the amending of Order 32/2014 of ANRE President on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariffs Methodology, which establishes the increasing by 5% per year of the percentage by which the approved revenue is recovered by the application of the capacity booking tariff, up to 85%, and the decreasing of the percentage by which the approved revenue is recovered by the application of the commodity tariff. In gas year 2019-2020 the variable component of the total revenue at the basis of the commodity tariffs is 25% of the total revenue and in gas year 2020-2021 to 20% of the total revenue;
- at the substantiation of the tariffs for gas years 2019-2020 and 2020-2021, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
- *revenue from capacity booking lower by **Lei 84.974 thousand*** due to:
 - *revenue from the auction premium lower* by Lei 146.118 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 30 September 2020 amounted to Lei 159.127 thousand, and at 30 September 2021 to Lei 13.010 thousand;
 - *booked capacity higher* by 12.128.773 MWh, with a positive influence of Lei 25.248 thousand;
 - *capacity booking tariff higher* by Lei 0,054/MWh, with a positive influence of Lei 15.184 thousand;
 - *capacity surplus revenue higher* by Lei 20.711 thousand. Capacity surplus revenue at 30 September 2020 amounted to Lei 22.102 thousand, and at 30 September 2021 to Lei 42.814 thousand;
- *international gas transmission revenue and similar lower by **Lei 25.163 thousand***. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the remaining amounts will be paid over a period of maximum three years and the transmission revenue is regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based

on the points where capacity is booked, the monthly difference being classified as similar income.

- *other operating revenue* higher by **Lei 37.913 thousand**, mainly due to the recording to revenue of the grants obtained for the financing of the major investment projects following their completion and commissioning, amounting to Lei 28.508 thousand.

The revenue from the balancing activity was higher by **Lei 55.754 thousand** based on the following factors:

- trading price higher by Lei 67,61/MWh, with a positive influence of Lei 106.029 thousand;
- quantity lower by 806.629 MWh with a negative influence of Lei 50.275 thousand;

The revenue from the construction activity lower by **Lei 501.918 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts;

The financial revenue has a positive influence of **Lei 29.244 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for 9 months 2021 (Lei 47.719 thousand at 30 September 2020 as compared to Lei 26.873 thousand at 30 September 2020) .

Operating costs before the balancing and construction activity according to IFRIC12 increased by **9%** as compared to 30 September 2020, which is higher by **Lei 72.901 thousand**.

The company made savings of Lei 112.197 thousand, in relation to the following cost elements:

- cost of NTS concession royalty: Lei 93.038 thousand; Transgaz pays a royalty of 0,4% of the value of gross revenue from the gas transmission and transit operations through the national transmission systems in the public property of the state, following the entry into force of Law 244/09.11.2020; previously the royalty payment obligation amounted to 10%;
- costs of provision for risks and charges: Lei 19.159 thousand.

Exceedings amounting to Lei 185.097 thousand were recorded to the following cost elements:

- transmission system gas consumption Lei 4.926 thousand due to:
 - the quantity of natural gas for NTS gas consumption higher by 113.410 MWh as compared to 30 September 2020, with a negative influence of Lei 12.600 thousand;
 - the average purchase price obtained lower by Lei 13,64/MWh as compared to the one obtained at 30 September 2020, with a positive influence of Lei 7.674 thousand;

- employee costs: Lei 31.658 thousand;
- cost of depreciation: Lei 74.873 thousand, based on the completion and commissioning of the major investment projects;
- costs of maintenance and transmission: Lei 5.432 thousand;
- costs auxiliary materials: Lei 6.921 thousand;
- costs of monopoly tax and other duties and taxes: Lei 12.364 thousand;
- other operating costs: Lei 48.924 thousand, mainly based on the increasing of the cost of the adjustment for impairment of current assets by Lei 45.160 thousand.

The financial cost is higher by **Lei 2.535 thousand** mainly based on the non-capitalized interest expenses related to the use of credit to finance the current activity.

Compared to 30 September 2020 the gross profit obtained at 30 September 2021 decreased by 39%, which is lower by Lei 97.956 thousand.

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

thousand lei

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Obtained Q III 2021	Obtained Q III 2020	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	253.756	247.322	3%
-revenue from domestic transmission	193.646	200.503	-3%
-revenue from international transmission and similar	28.002	27.847	1%
Operating costs before the balancing and construction activity, according to IFRIC12	298.900	278.742	7%
Operating profit before the balancing and construction activity, according to IFRIC12	-45.143	-31.421	-31%
Revenue from the balancing activity	61.721	36.073	71%
Balancing activity costs	61.721	36.073	71%
Revenue from the construction activity according to IFRIC12	170.341	345.105	-51%
Cost of constructed assets according to IFRIC12	170.341	345.105	-51%
Operating profit	-45.143	-31.421	-31%
Financial revenue	30.185	7.731	290%
Financial costs	6.451	5.230	23%
Financial result	23.734	2.502	849%
GROSS PROFIT	-21.409	-28.919	31%
Income tax	7.845	-2.547	X
NET PROFIT	-29.254	-26.372	-11%

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by **3%** as compared to Q III 2020, which is higher by **Lei 6.434 thousand**.

The revenue was influenced mainly by the following factors:

- *commodity revenue* higher by **Lei 10.315 thousand** due to:
 - *the gas transmitted capacities* higher by 7.887.890 MWh/736.506 thousand cm (▲33%), as compared to Q III 2020, with a positive influence of Lei 11.911 thousand, detailed by categories of consumers as follows:

		Q III 2020	Q III 2021	Differences
Quantity transmitted for direct consumers	MWh	17.109.847	24.473.145	7.363.298
	thousand m ³	1.577.359	2.264.326	686.957
Quantity transmitted for distribution	MWh	6.925.468	7.450.060	524.592
	thousand m ³	641.245	690.784	49.539
Total	MWh	24.035.315	31.923.205	7.887.890
	thousand m ³	2.218.604	2.955.110	736.506

- *the commodity transmission tariff* lower by Lei 0,05 lei/MWh, with a negative influence of Lei 1.596 thousand;

The commodity tariffs decreased in Q III 2021 as compared to Q III 2020 mainly due to:

- Order 10/2017 of the ANRE President on the amending of Order 32/2014 of ANRE President on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariffs Methodology, which establishes the increasing by 5% per year of the percentage by which the approved revenue is recovered by the application of the capacity booking tariff, up to 85%, and the decreasing of the percentage by which the approved revenue is recovered by the application of the commodity tariff. In gas year 2019-2020 the variable component of the total revenue at the basis of the commodity tariffs is 25% of the total revenue and in gas year 2020-2021 to 20% of the total revenue;
- at the substantiation of the tariffs for gas years 2019-2020 and 2020-2021, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
- *revenue from capacity booking* lower by **Lei 17.172 thousand** due to:
 - *capacity booking tariff* lower by Lei 0,59/MWh, with a negative influence of Lei 52.322 thousand;
 - *booked capacity* higher by 15.656.821 MWh, with a positive influence of Lei 35.150 thousand;
- *international gas transmission revenue and similar* higher by **Lei 155 thousand**. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the remaining amounts will be paid over a period

of maximum three years and the transmission revenue is regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based on the points where capacity is booked, the monthly difference being classified as similar income.

- *other operating revenue* higher by **Lei 13.137 thousand**, mainly due to the recording to revenue of the grants obtained for the financing of the major investment projects following their completion and commissioning.

The revenue from the balancing activity was higher by **Lei 25.648 thousand** based on the following factors:

- trading price higher by Lei 186,36 /MWh, with a positive influence of Lei 47.022 thousand;
- quantity lower by 366.914 MWh with a negative influence of Lei 21.374 thousand;

The revenue from the construction activity lower by **Lei 174.764 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts;

The financial revenue has a positive influence of **Lei 22.454 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for Q III 2021 (Lei 19.678 thousand).

Operating costs before the balancing and construction activity according to IFRIC12 increased by **7%** as compared to Q III 2020, which is higher by **Lei 20.158 thousand**.

The company made savings of Lei 26.785 thousand, in relation to the following cost elements:

- transmission system gas consumption of Lei 1.084 thousand due to:
 - the quantity of natural gas for NTS gas consumption higher by 17.326 MWh as compared to Q III 2020, with a negative influence of Lei 2.007 thousand;
 - the average purchase price obtained lower by Lei 28,50 lei/MWh as compared to the one obtained in Q III 2020, with a positive influence of Lei 3.091 thousand;
- cost of NTS concession royalty: Lei 21.949 thousand; Transgaz pays a royalty of 0,4% of the value of gross revenue from the gas transmission and transit operations through the national transmission systems in the public property of the state, following the entry into force of Law 244/09.11.2020; previously the royalty payment obligation amounted to 10%;
- costs of gas transmission licence fee: Lei 1.911 thousand;
- costs auxiliary materials: Lei 929 thousand;
- cost of provision for risks and charges: Lei 913 thousand.

Exceedings amounting to Lei 46.942 thousand were recorded to the following cost elements:

- employee costs: Lei 9.650 thousand;

- cost of depreciation: Lei 21.730 thousand, based on the completion and commissioning of the major investment projects;
- costs of maintenance and transmission: Lei 62 thousand;
- costs of monopoly tax and other duties and taxes: Lei 6.746 thousand;
- other operating costs: Lei 8.754 thousand, mainly based on the establishing of the provisions for the impairment of current assets higher by Lei 7.875 thousand.

The financial cost is higher by **Lei 1.221 thousand** mainly based on the non-capitalized interest expenses related to the use of credit to finance the current activity.

thousand lei

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Obtained 9 months 2021	Obtained 2020	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	423.375	449.718	-6%
Rights of use for the leased assets	19.627	19.192	2%
Intangible assets	4.011.957	3.931.662	2%
Financial assets	296.576	284.273	4%
Trade receivables and other receivables	1.644.947	1.364.269	21%
Deferred tax	1.788	5.322	-66%
Total fixed assets	6.398.270	6.054.436	6%
Current assets			
Inventories	200.302	191.061	5%
Commercial receivables and other receivables	337.680	626.163	-46%
Cash and cash equivalent	113.951	276.174	-59%
Total current assets	651.933	1.093.398	-40%
Total assets	7.050.203	7.147.835	-1%
Equity	3.798.523	3.782.142	0%
Long-term debts			
Long-term borrowings	1.532.615	1.486.684	3%
Other long-term debts	1.172.546	1.178.729	-1%
Total long-term debts	2.705.161	2.665.413	1%
Current debts			
Short-term borrowings	108.831	120.993	-10%
Other short-term debts	437.687	579.287	-24%
Total current debts	546.518	700.280	-22%
Total debts	3.251.680	3.365.693	-3%
Equity and debts	7.050.203	7.147.835	-1%

Tangible Assets

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

Tangible assets decreased by Lei 26.343 thousand as compared to the value as at 31.12.2020, mainly due to the fact that the tangible assets inflow did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

As of 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts. The rights of use of leased assets increased by Lei 435 thousand as compared to 31 December 2020 due to the fact that the initial value of the leased assets contracts was higher than the depreciation cost.

Intangible Assets***IT Programmes***

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

Service concession agreement

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

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

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

Intangible assets increased by lei 80.295 thousand as compared with the value as at 31.12.2020, this increase being mainly due to the executed investment works related to the main projects under the TYNDP.

Financial assets

The financial assets increased by Lei 12.303 thousand as compared to 31.12.2020 and it is the increase of the share capital of the company EUROTRANSGAZ SRL Chisinau, established EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA.

Trade receivables and other receivables/Fixed assets

The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 30 September 2021 increased by the amount of Lei 280.678 thousand, receivables registered according to Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE. The increase by Lei 280.678 thousand compared to the one as at 31 December 2020 is determined mainly by the updating of the receivables with the modifications registered in the RAB and the adjustment of the regulatory asset value by the inflation rate starting with 2019, according to ANRE Order 41/2019.

Inventories

On 30 September 2021 inventories increased by Lei 9.241 thousand compared to the value as at 31 December 2020, mainly due to the increasing of the value of the natural gas procured within the balancing activity.

Commercial receivables and other receivables

On 30 September 2021, the balance of the commercial receivables and other receivables **decreased by Lei 288.483 thousand** as compared to 31 December 2020, mainly due to the following factors:

- increase of the client receivables balance by Lei 18.157 thousand mainly generated by the increase in the balance of the receivables resulted from the gas transmission activity;
- increase of the provisions for the impairment of the trade receivables and of other receivables by Lei 57.008 thousand;
- collection of the grants as subventions by Lei 147.926 thousand;
- decrease of the balance of other receivables by Lei 101.706 thousand, mainly due to the receivables representing taxes and VAT to be recovered.

Cash at hand and in bank

On 30 September 2021 the company's cash decreased by Lei 162.223 thousand as compared to the end of 2020. The cash in bank accounts in lei decreased by Lei 161.351 thousand and the cash in bank accounts in currency decreased by Lei cu 911 thousand.

Other cash elements and cash equivalent register an increase by Lei 39 thousand compared with 2020.

Debts to be paid over a one-year period

In the structure of debts to be paid over a one-year period, the following changes were noticed compared to 31 December 2020:

- decrease of the balance of the commercial debt and other debt by Lei 119.273 thousand;

- decrease of the provision for risks and charges by Lei 23.024 thousand mainly on account of reconsideration in the revenue of the provision for voluntary departures, the provision for litigations and the decrease of the provision for the participation of employees to the profit;
- increase of the deferred revenue over the short-term by Lei 698 thousand;
- decrease of short-term borrowings by Lei 12.161 thousand.

Long-term debts

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

- increase of long-term borrowings by Lei 45.931 thousand;
- decrease of deferred revenue and of the subsidies by Lei 6.581 thousand;
- increase of the commercial debts and other debts in the amount of Lei 398 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The increasing of the retained earnings by Lei 16.381 thousand is determined by the registration of the profit related to the first 9 months of 2021, which exceeded the allocation of the profit for establishing own financing sources.

2. Analysis of revenue and expense obtained at 30 September 2021 compared to the revenue and expense budget approved by OGMS Resolution 3/27 April 2021

The main economic and financial indicators obtained in 01.01.-30.09.2021, compared to the revenue and expense budget approved by OGMS Resolution 3/27 April 2021:

<i>*thousand lei*</i>				
No.	Indicator	REB 9 months 2021	Obtained 9 months 2021	Increase
0	1	2	3	$4=3/2 \times 100 - 100$
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	920.940	954.585	4%
2.	Revenue from the balancing activity	189.183	203.780	8%
3.	Revenue from the construction activity, according to IFRIC12	281.599	516.188	83%
4.	Financial revenue	69.477	79.392	14%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	963.685	868.715	-10%
6.	Costs from the balancing activity	189.183	203.780	8%

No.	Indicator	REB 9 months 2021	Obtained 9 months 2021	Increase
7.	Cost of assets built according to IFRIC12	281.599	516.188	83%
8.	Financial costs	18.619	14.992	-19%
9.	GROSS PROFIT	8.113	150.271	1.752%

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **Lei 33.645 thousand** as compared to the REB. The revenue was influenced by the following:

- Gas transmission services increased by **Lei 77.290 thousand** due to:
 - *capacities booked* higher by 15.017.888 MWh with a positive influence of **Lei 60.311 thousand**, also influenced by the invoicing of the booking capacity surplus for 9 months of 2021 (Lei 42.814 thousand), according to ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
 - *the gas transmitted capacities* higher than planned by 11.628.624 MWh (▲12%) with a positive influence of **Lei 16.978 thousand**;
- Revenue from international gas transmission services decreased by **Lei 5.010 thousand**;
- Other operating revenue decreased by **Lei 38.634 thousand** as compared to the REB. The Transgaz financial statements do not present the value of revenue from the production of tangible assets or the amount of the relevant expenses according to Order 2.844/2016 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

Revenue from the balancing activity increased by **Lei 14.597 thousand** based on the following:

- trading price higher by Lei 42,59 lei/MWh, with a positive influence of Lei 66.802 thousand;
- quantity lower by 597.720 MWh with a negative influence of Lei 52.205 thousand;

Financial revenue increased by **Lei 9.915 mii lei thousand** as compared to the REB mainly due to the recording of the updating of the regulated assets value with the inflation rate.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **10%** as compared to the approved plan, which is lower by **Lei 94.970 thousand** as compared to the REB.

Savings amounting to Lei 117.617 thousand were recorded mainly the following cost elements:

- cost of depreciation: Lei 16.100 thousand;
- employee costs: Lei 29.779 thousand;
- costs auxiliary materials and other material costs: Lei 33.531 thousand;
- costs of maintenance and transmission: Lei 27.736 thousand;
- transmission system gas consumption: Lei 6.671 thousand;
- cost of provision for risks and charges: Lei 3.800 thousand.

An expense surplus of Lei 22.646 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: Lei 289 thousand;
- cost of taxes and duties: Lei 4.658 thousand;
- other operating costs: Lei 17.699 thousand mainly based on the increase of the adjustment of impairment on receivables amounting to Lei 58.216 thousand and savings registered at other operating costs categories;

The financial cost is lower by **Lei 3.627 thousand** as compared to the REB based on the decrease of the non-capitalized interest expenses.

The gross profit increased by Lei 142.158 thousand as compared to the REB.

3. Investment plan achievement

The capital expenditure obtained at 30 September 2021 amounted to **Lei 557.171 thousand**.

Investments amounting to Lei 631.606 thousand were commissioned in the analysed period.

In 1 January - 30 September 2021, instalments were reimbursed for the loans taken by the company to finance the investment works amounting to Lei 49.217 thousand.

4. Receivables and arrears

On 30 September 2021 the outstanding receivables amounted to Lei 557.564 thousand, which is higher by Lei 93.277 thousand as compared 31 December 2020, mainly determined by the increasing of the outstanding balances registered by Electrocentrale Constanța (Lei 48.624 thousand) and North Chemical Complex SRL (Lei 28.564 thousand).

On 30 September 2021 Transgaz has no outstanding payments.

**DIRECTOR - GENERAL
ION STERIAN**

**Chief Financial Officer
Marius Lupean**