

REPORT AND ISSUER IDENTIFICATION DATA

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

Date of report: 14 November 2022

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 30.09.2022
(1 January-30 September 2022)

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 2022 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.

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 6,39% of the amount of capital invested in this activity 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.

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 natural gas transmission tariffs in 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, applicable from 1 April 2022. The resulting tariffs remain unchanged for the period 1 April 2022 - 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

By Order 95/18.05.2022, ANRE extends the deadlines laid down in ANRE Order 32/2021 on the approval of the adjusted regulated revenue and transmission tariffs for the natural gas transmission activity through the National Transmission System until 30 September 2023 and establishes that the differences resulting from the recalculation of the regulated revenue and the adjusted regulated revenue for the fourth regulatory year, 1 October 2022 - 30 September 2023, of the fourth regulatory period, are 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. for 1 October 2023 - 30 September 2024.

👉 **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 2021 - 30 September 2022 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 2022 compared to the indicators obtained at 30 September 2021

The main economic and financial indicators during the 1 January 2022 – 30 September 2022 reporting period

No.	Indicator	30.09.2022	Consolidated statements result	Individual statements result
1.	Current liquidity indicator	Current assets/Current liabilities	1,39	1,30
2.	Leverage indicators			
2.1	Leverage indicator 1	Borrowed capital/Equity	49,48%	44,88%
2.2	Leverage indicator 2	Borrowed capital/Invested capital	33,10%	30,98%
3.	Days' sales outstanding	Average accounts receivable x 273 / Turnover	117,17	117,17
4.	Fixed assets turnover	Turnover/Fixed assets	0,261	0,269

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%

thousand lei

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Obtained 9 months 2022	Obtained 9 months 2021	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.108.713	955.092	16%
Revenue from the balancing activity	765.029	203.780	275%
Revenue from the construction activity according to IFRIC12	166.667	516.188	-68%
Financial revenue	371.227	95.749	288%
Operating costs before the balancing and construction activity, according to IFRIC12	1.011.359	879.222	15%
Balancing activity costs	765.029	203.780	275%
Cost of constructed assets according to IFRIC12	166.667	516.188	-68%
Financial costs	143.762	27.559	422%
GROSS PROFIT , of which:	324.819	144.060	125%
• from operation	97.355	75.870	28%
• from the financial activity	227.465	68.190	234%
Income tax	58.659	38.562	52%
NET PROFIT	266.160	105.498	152%

thousand lei

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Obtained 9 months 2022	Obtained 2021	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	831.393	852.179	-2%
Rights of use of the leased assets	17.919	19.617	-9%
Intangible assets	3.876.263	3.997.052	-3%
Financial assets	10.268	9.705	6%
Trade receivables and other receivables	2.059.754	1.788.571	15%
Deferred tax	0	353	-100%

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Obtained 9 months 2022	Obtained 2021	Increase
1	2	3	4=2/3x100-100
Total fixed assets	6.795.598	6.667.476	2%
Current assets			
Inventories	595.487	311.708	91%
Commercial receivables and other receivables	254.613	612.007	-58%
Cash and cash equivalent	411.319	414.955	-1%
Total current assets	1.261.419	1.338.671	-6%
Total assets	8.057.018	8.006.146	1%
Equity	3.986.861	3.874.820	3%
Non-controlling interests	91.802	93.549	-2%
Long-term debts			
Long-term loans	1.972.613	1.899.193	4%
Other long-term debts	1.100.535	1.192.554	-8%
Total long-term debts	3.073.148	3.091.747	-1%
Current debts			
Short-term loans	132.112	132.104	0%
Other short-term debts	773.095	813.926	-5%
Total current debts	905.206	946.030	-4%
Total debts	3.978.355	4.037.778	-1%
Equity and debts	8.057.018	8.006.146	1%

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

Indicators of the SNTGN Transgaz SA individual economic and financial results

The main economic and financial indicators obtained at 30 September 2022, compared to the indicators obtained in the same period of 2021 are as follows:

thousand lei

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Obtained 9 months 2022	Obtained 9 months 2021	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	1.108.711	954.585	16%
-revenue from domestic transmission	955.680	813.812	17%
-revenue from international transmission and similar	50.684	61.914	-18%

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Obtained 9 months 2022	Obtained 9 months 2021	Increase
0	1	2	3=1/2x100-100
Operating costs before the balancing and construction activity, according to IFRIC12	998.852	868.715	15%
Operating profit before the balancing and construction activity, according to IFRIC12	109.859	85.871	28%
Revenue from the balancing activity	765.029	203.780	275%
Balancing activity costs	765.029	203.780	275%
Revenue from the construction activity according to IFRIC12	166.667	516.188	-68%
Cost of constructed assets according to IFRIC12	166.667	516.188	-68%
Operating profit	109.859	85.871	28%
Financial revenue	339.861	79.392	328%
Financial costs	118.016	14.992	687%
Financial result	221.846	64.400	244%
GROSS PROFIT	331.705	150.271	121%
Income tax	58.146	38.051	53%
NET PROFIT	273.559	112.220	144%

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by 16% than the one obtained at 30 September 2021, which is higher than lei 154.126 thousand.

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* higher by **lei 190.862 thousand** due to:
 - *revenue from the auction premium* higher by lei 129.980 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points; revenue from the auction premium at 30 September 2021 amounted to lei 13.010 thousand, and at 30 September 2022 to lei 142.990 thousand;
 - *booked capacity* lower by 15.978.459 MWh, with a negative influence of lei 34.996 thousand;
 - *capacity booking tariff* higher by lei 0,35 /MWh, with a positive influence of lei 95.877 thousand;
- *commodity revenue* lower by **lei 48.994 thousand** due to:
 - *the gas transmitted capacities* lower by 9.066.057 MWh/847.063 thousand cm (▼8%), as compared to 30 September 2021, with a negative influence of lei 13.237 thousand, detailed by categories of consumers as follows:

		9 months 2022	9 months 2021	Differences
Quantity transmitted for direct consumers	MWh	50.750.846	54.432.417	-3.681.571
	thousand m ³	4.612.204	5.045.394	-433.190

		9 months 2022	9 months 2021	Differences
Quantity transmitted for distribution	MWh	51.411.615	56.796.101	-5.384.486
	thousand m ³	4.784.516	5.198.390	-413.874
Total	MWh	102.162.461	111.228.518	-9.066.057
	thousand m ³	9.396.720	10.243.784	-847.064

- *the commodity transmission tariff lower* by lei 0,35 lei/MWh, with a negative influence of lei 35.757 thousand.

The commodity tariffs decreased at 30 September 2022 as compared to 30 September 2021 mainly due to:

- Order 10/2017 of the ANRE President on the amending of Order 32/2014 of ANRE President on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariffs Methodology, which establishes the increasing by 5% per year of the percentage by which the approved revenue is recovered by the application of the capacity booking tariff, up to 85%, and the decreasing of the percentage by which the approved revenue is recovered by the application of the commodity tariff; in gas year 2020-2021 the variable component of the total revenue at the basis of the commodity tariffs is 20% of the total revenue, in gas year 2021-2022 it decreased to 15% of the total revenue;
- at the substantiation of the tariffs for gas years 2020-2021 and 2021-2022, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
- *international gas transmission revenue and similar lower* by **lei 11.230 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 23.488 thousand**, mainly due to the recording to revenue of the grants obtained for the financing of the major investment projects following their completion and commissioning, higher by lei 24.772 thousand.

The revenue from the balancing activity was higher by **lei 561.249 thousand** based on the following factors:

- trading price higher by lei 432,08/MWh, with a positive influence of lei 588.158 thousand;
- quantity lower by 207.102 MWh with a negative influence of lei 26.910 thousand;

*The revenue from the construction activity lower by **lei 349.521 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 260.469 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for the first 9 months of 2022 (13,06%; lei 224.836 thousand at 30 September 2022 as compared to lei 47.719 thousand at 30 September 2021) and revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.*

Operating costs before the balancing and construction activity according to IFRIC12 increased by 15% as compared to 30 September 2021, which is higher by lei 130.138 thousand.

The company made savings of lei 31.629 thousand, due to two factors:

- other operating costs: lei 23.057 thousand, mainly due to the decrease in the impairment of current assets, following the collection of outstanding receivables from Electrocentrale București in the amount of lei 116.338 thousand;
- cost of auxiliary materials: lei 6.707 thousand;
- cost of taxes and duties: lei 1.866 thousand.

A surplus amounting to lei 161.767 thousand was recorded to the following cost elements

- transmission system gas consumption of lei 56.857 thousand due to:
 - the average purchase price obtained higher by lei 88,51 lei/MWh as compared to the one obtained at 30 September 2021, with a negative influence of lei 53.161 thousand;
 - the quantity of natural gas for NTS gas consumption higher by 37.926 MWh as compared to 30 September 2021, with a negative influence of lei 3.696 thousand;
- cost of provision for risks and charges: lei 16.030 thousand;
- employee costs: lei 12.100 thousand;
- cost of depreciation: lei 72.592 thousand, based on the completion and commissioning of the major investment projects;
- costs of maintenance and transport: lei 3.665 thousand;
- cost of royalty: lei 523 thousand.

The financial cost is higher by lei 103.023 thousand mainly based on the cost of financial fixed assets transferred. By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.

Compared to 30 September 2021 the gross profit obtained at 30 September 2022 increased by 121%, which is higher by lei 181.434 thousand, and the net profit increased by 144%, which is higher by lei 161.339 thousand.

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

* thousand lei *

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Obtained Q III 2022	Obtained Q III 2021	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	404.790	253.756	60%
-revenue from domestic transmission	363.079	193.646	87%
-revenue from international transmission and similar	8.269	28.002	-70%
Operating costs before the balancing and construction activity, according to IFRIC12	331.610	298.900	11%
Operating profit before the balancing and construction activity, according to IFRIC12	73.180	-45.143	x
Revenue from the balancing activity	224.552	61.721	264%
Balancing activity costs	224.552	61.721	264%
Revenue from the construction activity according to IFRIC12	62.335	170.341	-63%
Cost of constructed assets according to IFRIC12	62.335	170.341	-63%
Operating profit	73.180	-45.143	x
Financial revenue	62.163	30.185	106%
Financial costs	33.541	6.451	420%
Financial result	28.622	23.734	21%
GROSS PROFIT	101.802	-21.409	x
Income tax	14.049	7.845	79%
NET PROFIT	87.753	-29.254	x

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by **60%** than the one obtained in Q III 2021, which is higher by **lei 151.034 thousand**.

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* higher by **lei 181.159 thousand** due to:
 - *revenue from the auction premium* higher by lei 115.533 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points;
 - *capacity booking tariff* higher by lei 0,79/MWh, with a positive influence of lei 68.706 thousand;
 - *booked capacity* lower by 1.860.306 MWh, with a negative influence of lei 3.080 thousand;
- *commodity revenue* lower by **lei 11.725 thousand** due to:
 - *the gas transmitted capacities* lower by 497.322 MWh/31.246 thousand cm (▼1,5%), as compared to Q III 2021, with a negative influence of lei 726 thousand, detailed by categories of consumers as follows:

		Q III 2022	Q III 2021	Difference
Quantity transmitted for direct consumers	MWh	24.621.157	24.473.145	148.012
	thousand m ³	2.307.195	2.264.326	42.869
Quantity transmitted for distribution	MWh	6.804.726	7.450.060	-645.334
	thousand m ³	616.669	690.784	-74.115
Total	MWh	31.425.883	31.923.205	-497.322
	thousand m ³	2.923.864	2.955.110	-31.246

- *the commodity transmission tariff lower* by lei 0,35 lei/MWh, with a negative influence of lei 10.999 thousand.

The commodity tariffs decreased in Q III 2022 as compared to Q III 2021 mainly due to:

- Order 10/2017 of the ANRE President on the amending of Order 32/2014 of ANRE President on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariffs Methodology, which establishes the increasing by 5% per year of the percentage by which the approved revenue is recovered by the application of the capacity booking tariff, up to 85%, and the decreasing of the percentage by which the approved revenue is recovered by the application of the commodity tariff; in gas year 2020-2021 the variable component of the total revenue at the basis of the commodity tariffs is 20% of the total revenue, in gas year 2021-2022 it decreased to 15% of the total revenue;
- at the substantiation of the tariffs for gas years 2020-2021 and 2021-2022, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
- *international gas transmission revenue and similar* lower by **lei 19.733 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 1.333 thousand**, mainly due to the recording to revenue from sales of recovered and waste materials from raw materials and dismantling/cassation.

The revenue from the balancing activity was higher by **lei 162.831 thousand** based on the following factors:

- trading price higher by lei 589,19/MWh, with a positive influence of lei 158.675 thousand;
- quantity higher by 16.990 MWh with a positive influence of lei 4.156 thousand;

The revenue from the construction activity lower by **lei 108.007 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 31.978 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for Q III 2022 (lei 38.907 thousand).

Operating costs before the balancing and construction activity according to IFRIC12 increased by **11%** as compared to Q III 2021, which is higher by **lei 32.710 thousand**.

The company made savings of lei 31.789 thousand, due to two factors:

- cost of auxiliary materials: lei 3.867 thousand;
- cost of taxes and duties: lei 249 thousand;
- cost of provision for risks and charges: lei 27.674 thousand.

A surplus amounting to lei 64.498 thousand was recorded to the following cost elements

- transmission system gas consumption of lei 23.821 thousand due to:
 - the average purchase price obtained higher by lei 154,28 lei/MWh as compared to the one obtained in Q III 2021, with a negative influence of lei 21.259 thousand;
 - the quantity of natural gas for NTS gas consumption higher by 29.333 MWh as compared in Q III 2021, with a negative influence of lei 2.562 thousand;
- cost of royalty for NTS concession: lei 599 thousand;
- cost of gas transmission licence: lei 170 thousand;
- employee costs: lei 6.980 thousand;
- cost of depreciation: lei 20.977 thousand, based on commissioning actions;
- costs of maintenance and transport: lei 2.652 thousand;
- cost of monopoly tax and other taxes and duties: lei 61 thousand;
- other material costs: lei 406 thousand;
- other operating costs: lei 8.832 thousand, mainly based on the provisioning for impairment of current assets.

The financial cost is higher by **lei 27.090 thousand** mainly based on the cost of interest on the loan for financing the current activity.

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Obtained 9 months 2022	Obtained 2021	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	416.789	454.059	-8%
Rights of use of the leased assets	17.919	19.617	-9%
Intangible assets	3.876.245	3.997.028	-3%
Financial assets	233.673	296.576	-21%
Trade receivables and other receivables	2.059.754	1.788.571	15%
Deferred tax	490	1.443	-66%
Total fixed assets	6.604.870	6.557.294	1%
Current assets			
Inventories	591.877	308.541	92%
Commercial receivables and other receivables	243.710	536.070	-55%
Cash and cash equivalent	336.294	321.185	5%
Total current assets	1.171.881	1.165.797	0%
Total assets	7.776.750	7.723.090	1%
Equity	3.988.097	3.889.027	3%
Long-term debts			
Long-term loans	1.789.764	1.711.802	5%
Other long-term debts	1.099.331	1.192.554	-7%
Total long-term debts	2.889.095	2.904.357	-1%
Current debts			
Short-term loans	132.112	132.104	0%
Other short-term debts	767.447	797.602	-4%
Total current debts	899.558	929.707	-3%
Total debts	3.788.653	3.834.063	-1%
Equity and debts	7.776.750	7.723.090	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 37.270 thousand as compared to the value as at 31.12.2021, mainly due to the fact that the tangible assets inflow was exceeded by the depreciation cost for tangible assets.

Rights of use of leased assets

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

The rights of use of leased assets **decreased by lei 1.698 thousand** as compared to 31 December 2021 due to the fact that the initial value of the leased assets contracts was exceeded by their depreciation cost.

Intangible assets

IT Programs

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

Service concession agreement

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

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

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

Intangible assets decreased by lei 120.783 thousand as compared with the value as at 31.12.2021, this decrease being mainly due to the fact that the intangible assets inflow was exceeded by the cost of amortization of intangible assets.

Financial assets

The financial assets decreased by lei 62.903 thousand as compared to 31.12.2021 following the decrease of the share capital of the company EUROTRANSGAZ SRL Chisinau in the Republic of Moldova, established by EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA.

Trade receivables and other receivables/ Fixed assets

The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 30 September 2022 increased by the amount of lei 271.184 thousand, receivables registered according to Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE.

The increase of lei 271.184 thousand compared to the value at 31 December 2021 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate starting with 2019, as per ANRE Order 41/2019. The amount of the adjustment of the receivable with inflation increased in 01.01.-30.09.2022 compared to the same period of 2021 due to the increase of the inflation rate in 01.01.-30.09.2022 to 13,06% (5,55% in Half I 2021) and the increase of the regulated asset base with the fixed asset inflows in gas year October 2020-September 2021 in the amount of lei 1.297.561,31 thousand. Fixed assets recognised in the regulated asset base in a gas year are discounted with the rate of inflation from the following gas year.

Inventories

On 30 September 2022 inventories increased by lei 283.336 thousand compared to the value as at 31 December 2021, mainly due to the increasing of the value of the natural gas procured within the balancing activity.

Commercial receivables and other receivables

On 30 September 2022, the balance of the commercial receivables and other receivables **decreased by lei 292.360 thousand** as compared to 31 December 2021, mainly due to the following factors:

- decrease of the client receivables balance by lei 187.843 thousand mainly generated by the decrease in the balance of the outstanding receivables;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 21.203 thousand;
- decrease of the grants as subventions by lei 124.856 thousand;
- increase of the balance of other receivables by lei 41.542 thousand, mainly due to the receivables representing taxes and VAT to be recovered.

Cash at hand and in bank

On 30 September 2022 the company's cash increased by lei 15.109 thousand as compared to the end of 2021. The cash in bank accounts in lei decreased by lei 58.449 thousand and the cash in bank accounts in currency increased by lei 73.425 thousand.

Other cash elements and cash equivalent register an increase by lei 133 thousand compared with 2021.

Debts to be paid over a one-year period

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

- decrease of the balance of the commercial debt and other debt by lei 32.863 thousand;
- decrease of the provision for risks and charges by lei 11.675 thousand;
- increase of the deferred revenue over the short term by lei 14.381 thousand;
- increase of short-term loans by lei 7 thousand.

Long-term debts

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

- increase of long-term loans in the amount of lei 77.961 thousand;
- decrease of deferred revenue and of the subsidies by lei 91.628 thousand;
- decrease of the commercial debts and other debts in the amount of lei 1.595 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The increasing of the retained earnings by lei 99.071 thousand is determined by the registration of the profit related to 01.01.-30.09.2022, which exceeded the profit distribution for establishing own financing sources.

2. Analysis of the revenue and expense obtained at 30 September 2022 compared to the revenue and expense budget approved by OGMS Resolution 3/28 February 2022

The main economic and financial indicators obtained in 01.01.-30.09.2022, compared to the revenue and expense budget approved by OGMS Resolution 3/28 February 2022

thousand lei

No.	Indicator	REB 9 months 2022	Obtained 9 months 2022	Increase
0	1	2	3	$4=3/2 \times 100 - 100$
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	847.501	1.108.711	31%
2.	Revenue from the balancing activity	381.052	765.029	101%
3.	Revenue from the construction activity, according to IFRIC12	393.149	166.667	-58%
4.	Financial revenue	110.728	339.861	207%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	1.100.374	998.852	-9%
6.	Costs from the balancing activity	381.052	765.029	101%
7.	Cost of constructed assets according to IFRIC12	393.149	166.667	-58%
8.	Financial costs	38.696	118.016	205%
9.	GROSS PROFIT , of which:	-180.841	331.705	x

Operating revenue before the balancing and construction activity according to IFRIC12 increased by lei 261.210 thousand as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 271.313 thousand** due to:

- *capacities booked* higher by 31.500.691 MWh with a positive influence of **lei 276.561 thousand**;
- *the gas transmitted capacities* lower than planned by 4.728.259 MWh (▼4%) with a negative influence of **lei 5.248 thousand**;
- Revenue from international gas transmission services and similar decreased by **lei 7.342 thousand**;
- Other operating revenue decreased by **lei 2.761 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 383.977 thousand** based on the following:

- trading price higher by lei 317,14 lei/MWh, with a positive influence of lei 431.696 thousand;
- quantity lower by 194.869 MWh with a negative influence of lei 47.719 thousand;

Financial revenue increased by **lei 229.133 thousand** as compared to the REB mainly due to the recording of the updating of the regulated assets value with the inflation rate and to the revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **9%** as compared to the approved plan, which is lower by **lei 101.522 thousand** as compared to the REB.

Savings amounting to lei 139.100 thousand were recorded mainly the following cost elements:

- employee costs: lei 41.586 thousand;
- costs auxiliary materials and other material costs: lei 14.122 thousand;
- costs of maintenance and transport: lei 32.094 thousand;
- transmission system gas consumption: lei 24.389 thousand;
- cost of taxes and duties: lei 8.406 thousand;
- other operating costs: lei 18.503 thousand.

A surplus of lei 37.578 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 1.056 thousand;
- cost of depreciation: lei 22.568 thousand, based on commissioning actions;
- cost of provision for risks and charges: lei 13.954 thousand;

The financial cost is higher by **lei 79.319 thousand** as compared to the REB mainly based on the cost of financial fixed assets transferred. By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.

The gross profit increased by lei 512.545 thousand as compared to the REB.

4. Investment plan achievement

The **capital expenditure** obtained at 30 September 2022 amounted to **lei 179.489 thousand**.

Investments amounting to lei 108.236 thousand were commissioned in the analysed period.

In 1 January - 30 September 2022, instalments were reimbursed for the loans taken by the company to finance the investment works amounting to **lei 105.006 thousand**.

5. Receivables and arrears

On 30 September 2022 the outstanding receivables amounted to lei 534.227 thousand, which is lower by lei 45.514 thousand as compared 31 December 2021.

On 30 September 2022 Transgaz has no outstanding payments.

**DIRECTOR - GENERAL
ION STERIAN**

**Chief Financial Officer
Marius Lupean**