

**REPORT AND ISSUER IDENTIFICATION DATA**

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

Date of report: 15 May 2023

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 1.883.815.040

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

**QUARTERLY REPORT**  
**ON THE ECONOMIC AND FINANCIAL ACTIVITY OF SNTGN TRANSGAZ SA**  
**as at 31.03.2023**  
**(1 January-31 March 2023)**

**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 domestic and international gas transmission, 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 31 March 2023 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 achieved 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 achieving or non-achieving 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 1 October 2019 – 30 April 2020, 5,66% for 30.04.2020-12.05.2020 and 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.

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 at 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 achieved at 31 March 2023 compared to the indicators obtained at 31 March 2022

### The main economic and financial indicators during the 1 January 2023 – 31 March 2023 reporting period

No.	Indicator	31.03.2023	Consolidated statements result	Individual statements result
1.	Current liquidity indicator	Current assets/Current liabilities	1,42	1,32
2.	Leverage indicators			
2.1	Leverage indicator 1	Borrowed capital/Equity	39,71%	34,96%
2.2	Leverage indicator 2	Borrowed capital/Invested capital	28,42%	25,90%
3.	Days' sales outstanding	Average accounts receivable x 273 / Turnover	98,74	98,74
4.	Fixed assets turnover	Turnover/Fixed assets	0,111	0,114

## 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%

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

*\*thousand lei\**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Achieved Q I 2023	Achieved Q I 2022	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	460.324	457.112	1%
Revenue from the balancing activity	197.962	316.952	-38%
Revenue from the construction activity according to IFRIC12	10.756	26.440	-59%
Financial revenue	73.708	156.886	-53%
Operating costs before the balancing and construction activity, according to IFRIC12	352.760	217.550	62%
Balancing activity costs	197.962	316.952	-38%
Cost of constructed assets according to IFRIC12	10.756	26.440	-59%
Financial costs	31.392	81.713	-62%
<b>GROSS PROFIT</b> , of which:	149.879	314.734	-52%
• from operation	107.564	239.561	-55%
• from the financial activity	42.316	75.172	-44%
<b>Income tax</b>	26.259	56.376	-53%
<b>NET PROFIT</b>	<b>123.620</b>	<b>258.357</b>	<b>-52%</b>

<b>STATEMENT OF CONSOLIDATED FINANCIAL POSITION</b>			
<b>Indicator</b>	<b>Achieved Q I 2023</b>	<b>Achieved Q I 2022</b>	<b>Increase</b>
1	2	3	4=2/3x100-100
<b>Fixed assets</b>			
Tangible assets	797.170	801.194	-1%
Rights of use of the leased assets	16.618	16.935	-2%
Intangible assets	3.811.366	3.909.592	-3%
Financial assets	9.736	9.567	2%
Trade receivables and other receivables	2.216.653	2.141.205	4%
<b>Total fixed assets</b>	<b>6.851.543</b>	<b>6.878.493</b>	<b>0%</b>
<b>Current assets</b>			
Inventories	590.055	613.183	-4%
Commercial receivables and other receivables	292.735	346.799	-16%
Cash and cash equivalent	382.011	418.667	-9%
<b>Total current assets</b>	<b>1.264.801</b>	<b>1.378.648</b>	<b>-8%</b>
<b>Total assets</b>	<b>8.116.344</b>	<b>8.257.141</b>	<b>-2%</b>
<b>Equity</b>	<b>4.180.669</b>	<b>4.058.090</b>	<b>3%</b>
<b>Non-controlling interests</b>	<b>88.317</b>	<b>82.818</b>	<b>7%</b>
<b>Long-term debts</b>			
Long-term loans	1.990.132	2.054.247	-4%
Other long-term debts	1.060.164	1.097.277	-3%
<b>Total long-term debts</b>	<b>3.050.296</b>	<b>3.151.524</b>	<b>-3%</b>
<b>Current debts</b>			
Short-term loans	144.494	136.645	6%
Other short-term debts	652.568	828.063	-21%
<b>Total current debts</b>	<b>797.062</b>	<b>964.708</b>	<b>-17%</b>
<b>Total debts</b>	<b>3.847.358</b>	<b>4.116.233</b>	<b>-7%</b>
<b>Equity and debts</b>	<b>8.116.344</b>	<b>8.257.141</b>	<b>-2%</b>

The variation of the consolidated economic and financial indicators at 31 March 2023, compared to the indicators achieved in the similar period of 2022 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA at 31 March 2023 compared to the indicators achieved in the similar period of 2022.

In Q I 2023 Vestmoldtransgaz SRL of the Republic of Moldova provided gas delivery services amounting to lei 2.569 thousand

## Indicators of the SNTGN Transgaz SA individual economic and financial results

The main economic and financial indicators achieved at 31 March 2023, compared to the indicators achieved in the same period of 2022 are as follows:

*\*thousand lei\**

<b>STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME</b>			
<b>Indicator</b>	<b>Achieved Q I 2023</b>	<b>Achieved Q I 2022</b>	<b>Increase</b>
0	1	2	$3=1/2 \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	457.755	457.084	0%
-revenue from domestic transmission	393.758	411.335	-4%
-revenue from international transmission and similar	29.016	11.255	158%
Operating costs before the balancing and construction activity, according to IFRIC12	347.586	213.816	63%
<b>Operating profit before the balancing and construction activity, according to IFRIC12</b>	<b>110.169</b>	<b>243.268</b>	<b>-55%</b>
Revenue from the balancing activity	197.962	316.952	-38%
Balancing activity costs	197.962	316.952	-38%
Revenue from the construction activity according to IFRIC12	10.756	26.440	-59%
Cost of constructed assets according to IFRIC12	10.756	26.440	-59%
<b>Operating profit</b>	<b>110.169</b>	<b>243.268</b>	<b>-55%</b>
Financial revenue	68.066	154.038	-56%
Financial costs	26.841	73.965	-64%
<b>Financial result</b>	<b>41.225</b>	<b>80.073</b>	<b>-49%</b>
<b>GROSS PROFIT</b>	<b>151.394</b>	<b>323.341</b>	<b>-53%</b>
<b>Income tax</b>	<b>26.027</b>	<b>55.423</b>	<b>-53%</b>
<b>NET PROFIT</b>	<b>125.366</b>	<b>267.918</b>	<b>-53%</b>

**Operating revenue before the balancing and construction activity, according to IFRIC12** are similar to the one achieved at 31 March 2022.

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

- *revenue from capacity booking* lower by **lei 13.152 thousand** due to:
  - *revenue from the auction premium* higher by lei 2.870 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 31 March 2022 amounted to lei 16.557 thousand, and at 31 March 2023 to lei 19.426 thousand;
  - *booked capacity* lower by 3.865.551 MWh, with a negative influence of lei 11.653 thousand;
  - *capacity booking tariff, determined by the structure of the booked products*, lower by lei 0,168 /MWh, with a negative influence of lei 17.337 thousand;

- *capacity overrun revenue* higher by lei 12.968 thousand. Capacity overrun revenue at 31 March 2022 amounted to lei 22.752 thousand, and at 31 March 2023 to lei 35.720 thousand;
- *commodity revenue* lower by **lei 4.425 thousand** due to:
  - *the gas transmitted capacities* lower by 3.986.603 MWh/330.119 thousand cm (▼9%), as compared to 31 March 2022, with a negative influence of lei 4.425 thousand, detailed by categories of consumers as follows:

		3 months 2022	3 months 2023	Differences
Quantity transmitted for direct consumers	MWh	9.715.385	9.967.544	252.159
	thousand m <sup>3</sup>	831.980	891.646	59.666
Quantity transmitted for distribution	MWh	33.925.631	29.686.869	-4.238.762
	thousand m <sup>3</sup>	3.170.259	2.780.474	-389.785
Total	MWh	43.641.016	39.654.413	-3.986.603
	thousand m <sup>3</sup>	4.002.239	3.672.120	-330.119

- *the commodity transmission tariff* approved by Order 32/26.05.2021 of the ANRE President was prorogated for 1 October 2022 – 30 September 2023 by ANRE Order 75/18.05.2022.
- *international gas transmission revenue and similar* higher by **lei 17.761 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 487 thousand**.

*The revenue from the balancing activity* was lower by **lei 118.990 thousand** based on the following factors:

- trading price lower by lei 184,00/MWh, with a negative influence of lei 123.581 thousand;
- quantity higher by 9.589 MWh with a positive influence of lei 4.591 thousand;

*The revenue from the construction activity* lower by **lei 15.684 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts;

*The financial revenue* has a negative influence of **lei 85.972 thousand**. In Q I 2022 Transgaz record revenue from shareholdings following the reduction of Eurotransgaz's share capital by EUR 13,15 million.



**Operating costs before the balancing and construction activity according to IFRIC12 increased by 63% as compared to 31 March 2022, which is higher by lei 133.770 thousand.**

**The company made savings of lei 1.927 thousand** to the following cost elements:

- transmission system gas consumption of lei 1.283 thousand due to:
  - the quantity of natural gas for NTS gas consumption lower by 113.494 MWh as compared to 31 March 2022, with a positive influence of lei 15.059 thousand;
  - the average purchase price achieved higher by lei 71,09 lei/MWh as compared to the one achieved at 31 March 2022, with a negative influence of lei 13.776 thousand;
- costs of maintenance and transport: lei 91 thousand;
- cost of monopoly tax and other taxes and duties: lei 210 thousand;
- cost of provision for risks and charges: lei 343 thousand.

**A surplus amounting to lei 135.696 thousand** was recorded to the following cost elements:

- employee costs: lei 29.792 thousand;
- cost of depreciation: lei 5.984 thousand, based on the completion and commissioning of major investments projects;
- cost of auxiliary materials: lei 1.311 thousand;
- cost of taxes and duties: lei 219 thousand;
- other operating costs: lei 98.390 thousand. In Q I 2022 the current assets impairment adjustments decreased on account of the collection of outstanding receivables from Electrocentrale București, amounting to lei 116.338 thousand.

**The financial cost** is lower by **lei 47.124 thousand**. In Q I 2022 Transgaz recorded costs regarding the financial fixed assets transferred following the reduction of Eurotransgaz's share capital by EUR 13,15 million. In Q I 2023 the interest expenses increased, mainly due to the completion of the investment projects, the interest being capitalized during their implementation.

**Compared to 31 March 2022 the gross profit achieved at 31 March 2023 decreased by 53%, which is lower by lei 171.947 thousand.**

<b>STATEMENT OF INDIVIDUAL FINANCIAL POSITION</b>			
<b>Indicator</b>	<b>Achieved Q I 2023</b>	<b>Achieved 31.12.2022</b>	<b>Increase</b>
1	2	3	4=2/3x100-100
<b>Fixed assets</b>			
Tangible assets	411.058	418.132	-3%
Rights of use of the leased assets	16.618	16.935	-2%
Intangible assets	3.811.353	3.909.577	-3%
Financial assets	191.123	191.123	0%
Trade receivables and other receivables	2.216.653	2.141.205	4%
Deferred tax	1.626	0	x
<b>Total fixed assets</b>	<b>6.648.431</b>	<b>6.676.972</b>	<b>0%</b>
<b>Current assets</b>			
Inventories	586.705	609.877	-4%
Commercial receivables and other receivables	282.806	335.331	-16%
Cash and cash equivalent	347.879	384.237	-9%
<b>Total current assets</b>	<b>1.217.390</b>	<b>1.329.445</b>	<b>-8%</b>
<b>Total assets</b>	<b>7.865.821</b>	<b>8.006.418</b>	<b>-2%</b>
<b>Equity</b>	<b>4.208.112</b>	<b>4.082.746</b>	<b>3%</b>
<b>Long-term debts</b>			
Long-term loans	1.815.049	1.871.383	-3%
Other long-term debts	1.059.675	1.095.430	-3%
<b>Total long-term debts</b>	<b>2.874.724</b>	<b>2.966.813</b>	<b>-3%</b>
<b>Current debts</b>			
Short-term loans	132.112	132.099	0%
Other short-term debts	650.873	824.760	-21%
<b>Total current debts</b>	<b>782.985</b>	<b>956.859</b>	<b>-18%</b>
<b>Total debts</b>	<b>3.657.709</b>	<b>3.923.672</b>	<b>-7%</b>
<b>Equity and debts</b>	<b>7.865.821</b>	<b>8.006.418</b>	<b>-2%</b>

### ***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 7.074 thousand*** as compared to the value as at 31.12.2022, mainly due to the fact that the tangible assets entries did not exceed the depreciation cost for tangible assets.

### ***Rights of use of leased assets***

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

The rights of use of leased assets decreased by lei 317 thousand as compared to 31 December 2022 due to the fact that the initial value of the leased assets contracts was lower than the depreciation cost.

### ***Intangible assets***

#### *IT Programs*

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

#### *Service concession agreement*

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

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

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

**Intangible assets decreased by lei 98.224 thousand** as compared with the value as at 31.12.2022, this decrease being mainly due to the fact that the intangible assets entries did not exceed the cost of amortization of intangible assets.

### ***Financial assets***

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

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

***The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 31 March 2023 increased by the amount of lei 75.448 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 75.448 thousand compared to the value at 31 December 2022 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate starting with 2019, as per ANRE Order 41/2019.

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

### ***Inventories***

**On 31 March 2023 inventories decreased by lei 23.172 thousand** compared to the value as at 31 December 2022, mainly due to the decreasing by lei 33.733 thousand of the value of the natural gas procured within the balancing activity, the increasing by lei 4.198 thousand of the stored gas procured to cover technological consumption and the increasing by lei 6.363 thousand of the stocks of raw and other materials.

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

**On 31 March 2023**, the balance of the commercial receivables and other receivables **decreased by lei 52.525 thousand** as compared to 31 December 2022, mainly due to the following factors:

- decrease of the client receivables balance by lei 10.469 thousand mainly generated by the collection of the balance of the receivables from transmission and balancing;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 18.829 thousand;
- decrease of the claims against the state budget by lei 13.427 thousand;
- decrease of the balance of other receivables by lei 9.800 thousand.

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

**On 31 March 2023 the company's cash decreased by lei 36.358 thousand** as compared to the end of 2022. The cash in bank accounts in lei increased by lei 32.692 thousand and the cash in bank accounts in currency decreased by lei 69.108 thousand.

Other cash elements and cash equivalent register an increase by lei 58 thousand compared with 2022.

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

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

- decrease of the balance of the commercial debt and other debt by lei 193.101 thousand;
- increase of the provision for risks and charges by lei 3.429 thousand mainly on account of registering the provision for voluntary departures;
- registration of the corporate tax: lei 7.497 thousand;
- increase of the deferred revenue over the short term by lei 8.287 thousand;
- increase of short-term loans by lei 14 thousand.

**Long-term debts**

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

- decrease of long-term loans by lei 56.334 thousand;
- decrease of deferred revenue and of the subsidies by lei 34.094 thousand;
- decrease of deferred revenue by lei 1.206 thousand;
- decrease of the commercial debts and other debts in the amount of lei 455 thousand.

**Equity**

Retained earnings increased by the amount of net profit recorded in Q I 2023.

## 2. Analysis of the revenue and expense at 31 March 2023 compared to the revenue and expense budget approved by OGMS Resolution 2/16 February 2023

The main economic and financial indicators achieved at 31 March 2023, compared to the revenue and expense budget approved by OGMS Resolution 2/16 February 2023:

*\*thousand lei\**

No.	Indicator	REB Q I 2023	Achieved Q I 2023	Increase
0	1	2	3	$4=3/2 \times 100 - 100$
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	422.681	457.755	8%
2.	Revenue from the balancing activity	461.072	197.962	-57%
3.	Revenue from the construction activity, according to IFRIC12	182.358	10.756	-94%
4.	Financial revenue	66.171	68.066	3%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	434.237	347.586	-20%
6.	Costs from the balancing activity	461.072	197.962	-57%
7.	Cost of constructed assets according to IFRIC12	182.358	10.756	-94%
8.	Financial costs	16.882	26.841	59%
<b>9.</b>	<b>GROSS PROFIT</b> , of which:	<b>37.734</b>	<b>151.394</b>	<b>301%</b>
<b>10.</b>	<b>Income tax</b>	<b>5.415</b>	<b>26.027</b>	<b>381%</b>
<b>11.</b>	<b>NET PROFIT</b>	<b>32.320</b>	<b>125.366</b>	<b>288%</b>

**Operating revenue before the balancing and construction activity according to IFRIC12 increased by lei 35.074 thousand as compared to the REB.**

The revenue was influenced by the following:

- Gas transmission services increased by **lei 28.740 thousand** due to:

- *capacities booked* higher by 2.436.535 MWh with a positive influence of **lei 7.211 thousand**;
- *average capacity booking tariff, determined by the structure of the booked products*, higher by lei 0,265/MWh, with a positive influence of lei 28.723 thousand
- *the gas transmitted capacities* lower than planned by 6.480.672 MWh (▼14%) with a negative influence of **lei 7.194 thousand**;
- Revenue from international gas transmission services and similar increased by **lei 11.662 thousand**;
- Other operating revenue decreased by **lei 5.328 thousand** as compared to the REB; The financial statements of Transgaz do not present the value of revenue from the production of tangible assets or the amount of the relevant expenses according to Order 2.844/2016 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

**Revenue from the balancing** activity decreased by **lei 263.110 thousand** based on the following:

- trading price lower by lei 248,43 lei/MWh, with a negative influence of lei 166.854 thousand;
- quantity lower by 177.211 MWh with a negative influence of lei 96.255 thousand;

**Financial revenue** increased by **lei 1.894 thousand** as compared to the REB.

**Operating costs before the balancing and construction activity according to IFRIC12** decreased by **20%** as compared to the approved plan, which is lower by **lei 86.651 thousand** as compared to the REB.

**Savings amounting to lei 89.885 thousand** were recorded mainly the following cost elements:

- employee costs: lei 13.489 thousand;
- costs auxiliary materials and other material costs: lei 23.186 thousand;
- costs of maintenance and transport: lei 11.074 thousand;
- transmission system gas consumption: lei 25.471 thousand;
- cost of taxes and duties: lei 4.277 thousand;
- cost of provision for risks and charges: lei 796 thousand;
- other operating costs: lei 11.591 thousand.

**A surplus of lei 3.234 thousand** was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 162 thousand;
- cost of depreciation: lei 3.072 thousand.

**The financial cost** is higher by **lei 9.959 thousand** as compared to the REB, mainly based on the interest expenses and the exchange rate differences.

**The gross profit increased by lei 113.660 thousand as compared to the REB.**

### **3. Investment plan achievement**

***The capital expenditure*** achieved at 31 March 2023 amounted to ***lei 15.715 thousand***.

Investments amounting to lei 151.518 thousand were commissioned in the analysed period.

In Q I 2023 instalments were reimbursed for the loans taken by the company to finance the investment works amounting to lei 30.589 thousand.

### **4. Receivables and arrears**

On 31 March 2023 the outstanding receivables amounted to lei 562.441 thousand, which is higher by lei 24.429 thousand as compared 31 December 2022.

On 31 March 2023 Transgaz has no outstanding payments.

**DIRECTOR - GENERAL  
ION STERIAN**

**Chief Financial Officer  
Marius Lupean**