

## RELEASE

### on the economic and financial indicators as at 30 June 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 June 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 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) is 60% transferred by linearization to natural gas consumers and 40% is 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 difference being classified as similar income.

- 👉 **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 June 2021 compared to the indicators obtained at 30 June 2020

### 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	100%

*\*thousand lei\**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Obtained First half 2021	Obtained First half 2020	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	701.291	768.733	-9%
Revenue from the balancing activity	142.059	111.953	27%
Revenue from the construction activity according to IFRIC12	345.847	673.000	-49%
Financial revenue	60.645	45.498	33%
Operating costs before the balancing and construction activity, according to IFRIC12	576.659	521.453	11%
Balancing activity costs	142.059	111.953	27%

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Obtained First half 2021	Obtained First half 2020	Increase
0	1	2	3=1/2x100-100
Cost of constructed assets according to IFRIC12	345.847	673.000	-49%
Financial costs	21.426	10.383	106%
<b>GROSS PROFIT, of which:</b>	<b>163.851</b>	<b>282.396</b>	<b>-42%</b>
• from operation	124.633	247.281	-50%
• from the financial activity	39.219	35.115	12%
<b>Income tax</b>	<b>30.554</b>	<b>46.023</b>	<b>-34%</b>
<b>NET PROFIT</b>	<b>133.297</b>	<b>236.373</b>	<b>-44%</b>

*\*thousand lei\**

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Obtained First half 2021	Obtained 2020	Increase
1	2	3	4=2/3x100-100
<b>Fixed assets</b>			
Tangible assets	744.750	731.438	2%
Rights of use for the leased assets	20.535	19.192	7%
Intangible Assets	4.115.339	3.931.693	5%
Financial assets	9.070	9.082	0%
Trade receivables and other receivables	1.412.835	1.364.269	4%
Deferred tax	8.865	4.985	78%
<b>Total fixed assets</b>	<b>6.311.393</b>	<b>6.060.659</b>	<b>4%</b>
<b>Current assets</b>			
Inventories	186.726	194.142	-4%
Commercial receivables and other receivables	511.322	677.396	-25%
Cash and cash equivalent	228.111	289.452	-21%
<b>Total current assets</b>	<b>926.159</b>	<b>1.160.990</b>	<b>-20%</b>
<b>Total assets</b>	<b>7.237.552</b>	<b>7.221.649</b>	<b>0%</b>
<b>Equity</b>	<b>3.788.733</b>	<b>3.746.269</b>	<b>1%</b>
<b>Long-term debts</b>			
Long-term borrowings	1.629.034	1.593.385	2%
Other long-term debts	1.175.935	1.178.729	0%
<b>Total long-term debts</b>	<b>2.804.969</b>	<b>2.772.114</b>	<b>1%</b>
<b>Current debts</b>			

<b>STATEMENT OF CONSOLIDATED FINANCIAL POSITION</b>			
<b>Indicator</b>	<b>Obtained First half 2021</b>	<b>Obtained 2020</b>	<b>Increase</b>
1	2	3	4=2/3x100-100
Short-term borrowings	95.444	121.410	-21%
Other short-term debts	548.407	581.856	-6%
<b>Total current debts</b>	<b>643.851</b>	<b>703.266</b>	<b>-8%</b>
<b>Total debts</b>	<b>3.448.820</b>	<b>3.475.380</b>	<b>-1%</b>
<b>Equity and debts</b>	<b>7.237.552</b>	<b>7.221.649</b>	<b>0%</b>

The variation of the consolidated economic-financial indicators at 30 June 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 June 2021 compared to the indicators obtained in the similar period of 2020.

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

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

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

*\* thousand lei \**

<b>STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME</b>			
<b>Indicator</b>	<b>Obtained First half 2021</b>	<b>Obtained First half 2020</b>	<b>Increase</b>
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	700.829	759.029	-8%
-revenue from domestic transmission	620.166	677.824	-9%
-revenue from international transmission and similar	33.912	59.231	-43%
Operating costs before the balancing and construction activity, according to IFRIC12	569.815	517.072	10%
<b>Operating profit before the balancing and construction activity, according to IFRIC12</b>	<b>131.015</b>	<b>241.957</b>	<b>-46%</b>
Revenue from the balancing activity	142.059	111.953	27%
Balancing activity costs	142.059	111.953	27%
Revenue from the construction activity according to IFRIC12	345.847	673.000	-49%

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Obtained First half 2021	Obtained First half 2020	Increase
0	1	2	3=1/2x100-100
Cost of constructed assets according to IFRIC12	345.847	673.000	-49%
<b>Operating profit</b>	<b>131.015</b>	<b>241.957</b>	<b>-46%</b>
Financial revenue	49.207	42.417	16%
Financial costs	8.541	7.228	18%
<b>Financial result</b>	<b>40.666</b>	<b>35.189</b>	<b>16%</b>
<b>GROSS PROFIT</b>	<b>171.680</b>	<b>277.146</b>	<b>-38%</b>
<b>Income tax</b>	<b>30.206</b>	<b>45.978</b>	<b>-34%</b>
<b>NET PROFIT</b>	<b>141.474</b>	<b>231.168</b>	<b>-39%</b>

**Operating revenue before the balancing and construction activity, according to IFRIC12** decreased by **8%** as compared to the first half of 2020, which is lower by **Lei 58.200 thousand**.

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

- *commodity revenue* higher by **Lei 10.144 thousand** due to:
  - *the gas transmitted capacities* higher by 9.343.730 MWh/780.730 thousand mc (▲13%) as compared to the first half of 2020, with a positive influence of Lei 14.109 thousand, detailed by categories of consumers as follows:

		6 months 2021	6 months 2020	Differences
Quantity transmitted for direct consumers	MWh	29.959.272	26.331.627	3.627.645
	thousand m <sup>3</sup>	2.781.068	2.456.198	324.870
Quantity transmitted for distribution	MWh	49.346.041	43.629.956	5.716.085
	thousand m <sup>3</sup>	4.507.605	4.051.746	455.859
Total	MWh	79.305.313	69.961.583	9.343.730
	thousand m <sup>3</sup>	7.288.673	6.507.943	780.730

- *the commodity transmission tariff* lower by Lei 0,05 lei/MWh, with a negative influence of Lei 3.965 thousand;

The commodity tariffs decreased in the first half of 2021 as compared to the first half of 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 67.802 thousand** due to:
  - *revenue from the auction premium* lower by Lei 102.129 thousand, following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium in the first half of 2020 amounted to Lei 109.521 thousand and in the first half of 2021 to Lei 7.393 thousand;
  - *booked capacity* lower by 2.255.398 MWh, with a negative influence of Lei 5.128 thousand;
  - *capacity booking tariff* higher by Lei 0,103/MWh, with a positive influence of Lei 19.946 thousand;
  - *capacity surplus* revenue higher by Lei 19.509 thousand. Capacity surplus revenue in the first half of 2020 amounted to Lei 17.348 thousand and in the first half of 2021 to Lei 36.856 thousand;
- *international gas transmission revenue and similar* lower by **Lei 25.318 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 24.776 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.

*Revenue from the balancing activity* higher by **Lei 30.106 thousand** based on the following factors:

- trading price higher by Lei 44,18/MWh, with a positive influence of Lei 58.144 thousand;
- quantity lower by 439.715 MWh with a negative influence of Lei 28.038 thousand;

*Revenue from the construction activity* lower by **Lei 327.154 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.

*Financial revenue* with a positive influence of **Lei 6.791 thousand** mainly due to the recording of interest income related to the receivable for the remaining undepreciated regulated value of the regulated asset base at the end of the Concession Agreement (first half of 2021: Lei 18.410 thousand compared to first half of 2020: Lei 13.287 thousand).

**Operating costs before the balancing and construction activity according to IFRIC12** increased by **10%** as compared to the first half of 2020, which is higher by **Lei 52.743 thousand**.



**The company made savings of Lei 89.335 thousand**, in relation to the following cost elements:

- cost of NTS concession royalty: Lei 71.089 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%;
- expenditure on the provision for risks and charges: Lei 18.246 thousand;

**Exceedings amounting to Lei 142.078 thousand**, were recorded to the following cost elements:

- transmission system gas consumption Lei 6.009 thousand, due to two factors:
  - the quantity of natural gas for NTS gas consumption higher by 96.084 MWh as compared to the first half of 2020, with a negative influence of Lei 10.559 thousand;
  - the average purchase price obtained lower by Lei 10,02 lei/MWh as compared to the one obtained in the first half of 2020, with a positive influence of Lei 4.550 thousand;
- employee costs: Lei 22.008 thousand;
- cost of depreciation: Lei 53.144 thousand based on the completion and commissioning of the major investment projects;
- costs of maintenance and transmission: Lei 5.370 thousand;
- costs auxiliary materials: Lei 7.849 thousand;
- costs of monopoly tax and other duties and taxes: Lei 7.529 thousand;
- other operating costs: Lei 40.169 thousand, mainly based on the increasing of the cost of the adjustment for impairment of current assets by Lei 37.285 thousand.

**The financial cost** is higher by **Lei 1.313 thousand** mainly based on the non-capitalized interest expenses related to the use of credit to finance the current activity.

**Compared to the first half of 2020 the gross profit obtained in the first half of 2021 decreased by 38%, which is lower by Lei 105.465 thousand.**

*\*thousand lei\**

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Obtained first half 2021	Obtained 2020	Increase
1	2	3	4=2/3x100-100
<b>Fixed assets</b>			
Tangible assets	435.636	449.718	-3%
Rights of use for the leased assets	20.535	19.192	7%
Intangible assets	4.115.313	3.931.662	5%
Financial assets	294.009	284.273	3%
Trade receivables and other receivables	1.412.835	1.364.269	4%
Deferred tax	9.550	5.322	79%
<b>Total fixed assets</b>	<b>6.287.878</b>	<b>6.054.436</b>	<b>4%</b>

<b>STATEMENT OF INDIVIDUAL FINANCIAL POSITION</b>			
<b>Indicator</b>	<b>Obtained first half 2021</b>	<b>Obtained 2020</b>	<b>Increase</b>
1	2	3	4=2/3x100-100
<b>Current assets</b>			
Inventories	183.658	191.061	-4%
Commercial receivables and other receivables	450.550	626.163	-28%
Cash and cash equivalent	163.887	276.174	-41%
<b>Total current assets</b>	<b>798.095</b>	<b>1.093.399</b>	<b>-27%</b>
<b>Total assets</b>	<b>7.085.973</b>	<b>7.147.835</b>	<b>-1%</b>
<b>Equity</b>	<b>3.827.777</b>	<b>3.782.142</b>	<b>1%</b>
<b>Long-term debts</b>			
Long-term borrowings	1.442.500	1.486.684	-3%
Other long-term debts	1.175.934	1.178.729	-0%
<b>Total long-term debts</b>	<b>2.618.434</b>	<b>2.665.413</b>	<b>-2%</b>
<b>Current debts</b>			
Short-term borrowings	95.444	120.993	-21%
Other short-term debts	544.317	579.287	-6%
<b>Total current debts</b>	<b>639.761</b>	<b>700.280</b>	<b>-9%</b>
<b>Total debts</b>	<b>3.258.196</b>	<b>3.365.693</b>	<b>-3%</b>
<b>Equity and debts</b>	<b>7.085.973</b>	<b>7.147.835</b>	<b>-1%</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 14.082 thousand*** as compared to the value 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 1.343 thousand as compared to 31 December 2020, this increase being due to the registration of new leased property contracts.

### ***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*

Starting with 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 infrastructure existing at the time the concession agreement was signed and, also, the upgrading and improvements made 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 under the SCA are recognized at fair value. The intangible assets are depreciated at zero value during the remaining period of the concession agreement.

**Intangible assets increased by lei 183.651 thousand** as opposed to the value as at 31.12.2020, this increase being mainly due to the investment works related to the main projects under the TYNDP.

### ***Financial assets***

**The financial assets increased by Lei 9.736 thousand as compared to 31.12.2020** and represent the increase in the share capital of the company EUROTRANSGAZ SRL Chisinau, established under EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA.

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

**The increase in the receivables to ANRM as at 30 June 2021 by the amount of Lei 48.566 thousand**, receivables calculated due to the effectiveness of Law 127/2014 of 5 October 2014, providing that in case of termination of the concession agreement for any reason, or upon contract ending, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider in exchange for the payment of a compensation equal to the regulated value remaining not depreciated, as established by ANRE. The increase by Lei 25.992 thousand compared to the value as at 31 December 2020 is determined mainly by the discount of the receivables with the modifications recorded 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***

**As at 30 June 2021 inventories decreased by Lei 7.403 thousand** compared to the value as at 31 December 2020, mainly due to the use of the materials procured for the execution of the investment projects.

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

**As at 30 June 2021**, the balance of the commercial receivables and other receivables decreased by **Lei 175.613 thousand** as compared to 31 December 2020, mainly due to the following factors:

- decrease of the client receivables balance by Lei 5.249 thousand mainly generated by the decrease in the balance of the receivables resulted from the transmission and international transit activity;

- increase in the provisions for the impairment of the trade receivables and of other receivables by Lei 46.392 thousand;
- decrease in the non-reimbursable loans as subsidies by Lei 34.271 thousand;
- decrease in the balance of other receivables by Lei 89.701 thousand.

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

**As at 30 June 2021 the company's cash decreased by Lei 112.287 thousand** as compared to the end of 2020. The cash in bank accounts in lei decreased by Lei 115.143 thousand and the cash in back accounts in currency increased by Lei 2.808 thousand.

Other cash elements and cash equivalent record an increase by Lei 48 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 in the balance of the commercial debt and other debt by lei 9.559 thousand;
- decrease in the provision for risks and charges by lei 26.109 thousand;
- increase in the short term deferred revenue by lei 697 thousand;
- decrease in the short-term loans by lei 25.548 thousand.

### ***Long-term debts***

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

- decrease in the long term loans by lei 44.184 thousand;
- decrease in deferred revenue and of the subsidies by lei 4.052 thousand;
- increase in the commercial debts and other debts in the amount of lei 1.258 thousand.

### ***Equity***

The subscribed and paid up capital remained unchanged.

The increase in the retained earnings by lei 45.637 thousand is determined by the recording of the consolidated profit related to the first half of 2021 which exceeded the appropriation of the profit destined for equity funding establishment.

## **2. Analysis of the revenues and expenses achieved as at 30 June 2021 as opposed to the Revenue and Expense Budget approved by OGMS Resolution no. 3/27 April 2021**

The main economic and financial indicators achieved during 01.01-30.06.2021 as compared to the Revenue and Expense Budget approved by OGMS Resolution no. 3/27 April 2021 are as follows:

***\*thousand lei\****

Tag no.	Name	REB Half I 2021	Achieved Half I 2021	Increase
0	1	2	3	$4 = \frac{3}{2} \times 100 - 100$
1.	Operating revenue before the balancing and the construction activity, according to IFRIC12	672.711	700.829	4%
2.	Revenue from the balancing activity	138.677	142.059	2%
3.	Revenue from the construction activity according to IFRIC12	141.712	345.847	144%
4.	Financial revenue	46.404	49.207	6%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	635.531	569.815	-10%
6.	Balancing activity costs	138.677	142.059	2%
7.	Cost of assets according to IFRIC12	141.712	345.847	144%
8.	Financial costs	11.844	8.541	-28%
<b>9.</b>	<b>Total GROSS RESULT, of which:</b>	<b>71.740</b>	<b>171.680</b>	<b>139%</b>
	· from operation	37.180	131.015	252%
	· from the financial activity	34.560	40.666	18%
<b>10.</b>	Income tax	<b>12.010</b>	<b>30.206</b>	<b>152%</b>
<b>11.</b>	<b>NET PROFIT</b>	<b>59.730</b>	<b>141.474</b>	<b>137%</b>

***The operating revenue before the balancing and the construction activity according to IFRIC12*** are higher by **thousand 28.118 lei** as compared to the REB.

The revenue was influenced by the following:

Gas transmission services were influenced by the following:

- gas transmission services increased by lei **63.695 thousand** due to:
  - *booked capacity higher* by 10.326.213 MWh with a positive influence of lei **53.510 thousand**, increase also influenced by the invoicing of the booking capacity surplus for Half I 2021, according to ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
  - *gas transmitted amounts higher than planned* by 6.975.697 MWh (▲10%) with a positive influence of lei **10.185 thousand**;
- revenue from international gas transmission services decreased by lei **4.716 thousand**, due to the variation of the ongoing contracts currency exchange rate;
- other operating revenue decreased by lei **30.861 thousand** as compared to the REB. 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 the International Financial Reporting Standards applicable to

companies the securities of which are admitted to trading on a regulated market.

**Revenue from the balancing activity** increased by **lei 3.382 thousand** based on the following:

- trading price higher by lei 20,61/MWh, with a positive influence of lei 27.118 thousand;
- quantity lower by 271.773 MWh with a negative influence of lei 23.737 thousand;

**Financial revenue** increased by **lei 2.803 thousand** as compared to the REB, based on the foreign currency gain.

**The 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 65.716 thousand** as compared to the REB.

Savings amounting to **lei 88.802 thousand** were recorded mainly at the following cost elements:

- cost of depreciation: lei 15.022 thousand;
- personnel costs: lei 21.266 thousand;
- costs of auxiliary materials and other materials: lei 26.299 thousand;
- costs of maintenance and transmission: lei 16.504 thousand;
- transmission system consumption: lei 2.826 thousand;
- cost of provision for risks and charges: lei 6.885 thousand.

**An expense surplus of lei 23.085 thousand** was recorded mainly at the following cost elements:

- NTS concession royalty cost: lei 236 thousand;
- cost of taxes and duties: lei 700 thousand;
- other operating costs: lei 22.149 thousand mainly on account of the increase in the adjustments related to the impairment of current assets.

**The financial cost** is lower by **lei 3.303 thousand** as compared to the REB on account of the currency exchange differences.

**The gross profit increased by 139% as compared to the plan, which is higher by lei 99.940 thousand as compared to the REB and the net profit increased by 137% as compared to the plan, which is higher by lei 81.745 thousand as compared to the REB.**

## **2. Investment Programme Achievement Status**

**Investment Costs** achieved as at 30 June 2021 amounted to **lei 372.626 thousand**.

During the reference period investments amounting to lei 25.174 thousand were commissioned.

In the first half of 2021, instalments related to the company's loans committed for the funding of the investment works in total of lei 27.866 thousand were reimbursed.

As at 30 June 2021, the volume of the outstanding receivables was lei 518.342 thousand, with lei 54.055 thousand higher than as opposed to 31 December 2020.

As at 30 June 2021, the company does not record any outstanding payments.

**ION STERIAN**  
**DIRECTOR GENERAL**

**Chief Financial Officer,**  
**Lupean Marius**