

RELEASE

regarding the preliminary economic and financial indicators at 31 December 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 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%

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 December 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 Emergency Ordinance 130/17.12.2021 on some fiscal and budgetary measures, extension of some deadlines, as well as for the modification of some normative acts, it was approved the extension of the monopoly tax application deadline until December 2025.

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

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

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

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

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

For the capital invested in tangible and intangible assets, assets put into service/received in the fourth regulatory period, which are objectives of the gas transmission system, an incentive of 1 percentage point above the regulated rate of return on invested capital approved by ANRE for the natural gas transmission activity is granted.

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

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

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

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

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

The conclusion of the Agreement for the termination of the legacy contract regarding the T3 transit pipeline between SNTGN Transgaz SA and Gazprom Export LLC, ensures the collection of the remaining amounts to be paid under the legacy contract and allows the booking of transmission capacities at NTS entry/exit points and on international transmission pipelines. The revenue collected from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based on the points where capacity is booked, the monthly difference being classified as similar revenue.

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

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

1. Analysis of the preliminary economic and financial indicators at 31 December 2021 compared to the indicators obtained at 31 December 2020

The main preliminary economic and financial indicators during the 1 January 2021 - 31 December 2021 reporting period.

No.	Indicator	31.12.2021	Preliminary consolidated statements	Preliminary individual statements
1.	Current liquidity indicator	Current assets/Current liabilities	1,45	1,36
2.	Leverage indicators			
2.1	Leverage indicator 1	Borrowed capital/Equity	49,12%	44,13%
2.2	Leverage indicator 2	Borrowed capital/Invested capital	32,94%	30,62%
3.	Days' sales outstanding	Average accounts receivable x 365/Turnover	165,08	165,08
4.	Fixed assets turnover	Turnover/Fixed assets	0,254	0,261

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

Thousand lei

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Preliminary 2021	Obtained 2020	Increase
0	1	2	3=1/2x100 -100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.364.950	1.338.015	2%
Revenue from the balancing activity	442.200	199.239	122%
Revenue from the construction activity according to IFRIC12	667.313	1.587.548	-58%
Financial revenue	152.085	68.929	121%
Operating costs before the balancing and construction activity, according to IFRIC12	1.242.443	1.173.521	6%
Balancing activity costs	442.200	199.239	122%
Cost of constructed assets according to IFRIC12	667.313	1.587.548	-58%
Financial costs	42.667	33.872	26%
GROSS PROFIT , of which:	231.924	199.552	16%
• from operation	122.506	164.494	-26%
• from the financial activity	109.418	35.058	212%
Income tax	64.986	34.328	89%
NET PROFIT	166.938	165.224	1%

* Thousand lei *

STATEMENT OF CONSOLIDATED FIANCIAL POSITION			
Indicator	Preliminary 2021	Obtained 2020	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible Assets	850.848	731.438	16%
Rights of use of the leased assets	19.612	19.192	2%
Intangible Assets	3.955.638	3.931.693	1%
Goodwill	9.705	9.082	7%
Trade receivables and other receivables	1.803.592	1.364.269	32%
Deferred tax	0	4.985	x
Total fixed assets	6.639.395	6.060.659	10%
Current assets			
Inventories	311.708	194.142	61%
Commercial receivables and other receivables	596.842	677.396	-12%
Cash and cash equivalent	414.955	289.452	43%
Total current assets	1.323.505	1.160.990	14%
Total assets	7.962.899	7.221.649	10%
Equity	3.866.141	3.746.269	3%
Non-controlling interests	92.361	-	x
Long-term debts			
Long-term loans	1.899.193	1.593.385	19%
Other long-term debts	1.192.611	1.178.729	1%
Total long-term debts	3.091.804	2.772.114	12%
Current debts			
Short-term loans	132.104	121.410	9%
Total current debts	780.490	581.856	34%
Total debts	912.594	703.266	30%
Equity and debts	4.004.397	3.475.380	15%
Total current debts	7.962.899	7.221.649	10%

The variation of the preliminary consolidated economic and financial indicators at 31 December 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 31 December 2021 compared to the indicators obtained in the similar period of 2020.

Indicators of the SNTGN Transgaz SA individual economic and financial results

The main preliminary economic and financial indicators at 31 December 2021, compared to the indicators obtained in the same period of 2020 are as follows:

* Thousand lei *

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Preliminary 2021	Obtained 2020	Increase
0	1	2	3=1/2x100 -100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	1.364.511	1.333.504	2%
-revenue from domestic transmission	1.164.419	1.150.465	1%
-revenue from international transmission and similar	72.037	114.223	-37%
Operating costs before the balancing and construction activity, according to IFRIC12	1.228.323	1.165.836	5%
Operating profit before the balancing and construction activity, according to IFRIC12	136.189	167.668	-19%
Revenue from the balancing activity	442.200	199.239	122%
Balancing activity costs	442.200	199.239	122%
Revenue from the construction activity according to IFRIC12	667.313	1.587.548	-58%
Cost of constructed assets according to IFRIC12	667.313	1.587.548	-58%
Operating profit	136.189	167.668	-19%
Financial revenue	129.890	60.666	114%
Financial costs	25.136	19.156	31%
Financial result	104.754	41.510	152%
GROSS PROFIT	240.943	209.178	15%
Income tax , of which	63.868	34.177	87%
- Current income tax	54.510	47.360	15%
- Deferred income tax	9.358	(13.183)	
NET PROFIT	177.075	175.001	1%

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by **2%** as compared to 31 December 2020, which is higher by **Lei 31.007 thousand**.

The revenue was influenced mainly by the following factors:

- *commodity revenue* higher by **Lei 9.702 thousand** due to:

- *the gas transmitted capacities* higher by 19.913.890 MWh/1.646.003 thousand cm (▲15%), as compared to 31 December 2020, with a positive influence of Lei 29.846 thousand, detailed by categories of consumers as follows:

		12 months 2020	12 months 2021	Differences
Quantity transmitted for direct consumers	MWh	57.162.565	68.657.931	11.495.366
	thousand m ³	5.309.374	6.237.780	928.406
Quantity transmitted for distribution	MWh	76.073.028	84.491.552	8.418.524
	thousand m ³	7.070.892	7.788.489	717.597
Total	MWh	133.235.593	153.149.483	19.913.890
	thousand m ³	12.380.266	14.026.269	1.646.003

- *the commodity transmission tariff* lower by Lei 0,13 lei/MWh, with a negative influence of Lei 20.144 thousand;

The commodity tariffs decreased at 31 December 2021 as compared to 31 December 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, in gas year 2020-2021 it decreased to 20% of the total revenue and in gas year 2021-2022 it decreased to 15% 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* higher by **Lei 4.251 thousand** due to:
 - *revenue from the auction premium* lower by Lei 146.248 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 31 December 2020 amounted to Lei 159.793 thousand, and at 31 December 2021 to Lei 13.545 thousand;
 - *booked capacity* higher by 27.708.174 MWh, with a positive influence of Lei 57.966 thousand;
 - *capacity booking tariff* higher by Lei 0,179/MWh, with a positive influence of Lei 68.780 thousand;

- *capacity surplus* revenue higher by Lei 23.753 thousand. Capacity surplus revenue at 31 December 2020 amounted to Lei 45.808 thousand, and at 31 December 2021 to Lei 69.562 thousand;
- *international gas transmission revenue and similar* lower by **Lei 42.185 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 59.239 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 38.168 thousand.

The revenue from the balancing activity was higher by **Lei 242.961 thousand** based on the following factors:

- trading price higher by Lei 128,15 /MWh, with a positive influence of Lei 267.253 thousand;
- quantity lower by 289.566 MWh with a negative influence of Lei 24.292 thousand;

The revenue from the construction activity lower by **Lei 920.235 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 69.224 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for year 2021 (Lei 87.973 thousand at 31 December 2021 as compared to Lei 29.394 thousand at 31 December 2020).

Operating costs before the balancing and construction activity according to IFRIC12 increased by **5%** as compared to 31 December 2021, which is higher by **Lei 62.487 thousand**.

The company made savings of Lei 120.570 thousand, due to two factors:

- transmission system gas consumption of Lei 3.181 thousand due to:
 - the average purchase price obtained lower by Lei 10,23 lei/MWh as compared to the one obtained at 31 December 2020, with a positive influence of Lei 7.619 thousand;
 - the quantity of natural gas for NTS gas consumption higher by 39.512MWh as compared to 31 December 2020, with a negative influence of Lei 4.438 thousand;
- cost of NTS concession royalty: Lei 102.677 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%;

- cost of provision for risks and charges: Lei 14.712 thousand.

A cost surplus amounting to Lei 183.058 thousand was recorded to the following cost elements:

- employee costs: Lei 32.644 thousand;
- cost of depreciation: Lei 104.051 thousand, based on the completion and commissioning of the major investment projects;
- costs of maintenance and transport: Lei 1.984 thousand;
- costs auxiliary materials: Lei 390 thousand;
- costs of monopoly tax and other duties and taxes: Lei 14.331 thousand;
- other operating costs: Lei 29.658 thousand, mainly based on the increasing of the cost of the adjustment for impairment of current assets by Lei 25.243 thousand.

The financial cost is higher by **Lei 5.980 thousand** mainly based on the non-capitalized interest expenses related to the credits to finance the completed investments.

Compared to 31 December 2020 the preliminary gross profit at 31 December 2021 increased by 15%, which is higher by Lei 31.765 thousand.

** Thousand lei **

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Preliminary 2021	Obtained 2020	Increase
1	2	3	$4=2/3 \times 100 - 100$
Fixed assets			
Tangible Assets	452.870	449.718	1%
Rights of use of the leased assets	19.612	19.192	2%
Intangible assets	3.955.614	3.931.662	1%
Financial assets	229.239	284.273	-19%
Trade receivables and other receivables	1.803.592	1.364.269	32%
Deferred tax	0	5.322	x
Total fixed assets	6.460.927	6.054.436	7%
Current assets			
Inventories	308.541	191.061	61%
Commercial receivables and other receivables	588.241	626.163	-6%
Cash and cash equivalents	321.185	276.174	16%
Total current assets	1.217.968	1.093.398	11%
Total assets	7.678.895	7.147.835	7%

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Preliminary 2021	Obtained 2020	Increase
1	2	3	$4=2/3 \times 100 - 100$
Equity	3.879.161	3.782.142	3%
Long-term debts			
Long-term loans	1.711.802	1.486.684	15%
Other long-term debts	1.191.520	1.178.729	1%
Total long-term debts	2.903.322	2.665.413	9%
Current debts			
Short-term loans	132.104	120.993	9%
Other short-term debts	764.307	579.287	32%
Total current debts	896.411	700.280	28%
Total debts	3.799.734	3.365.693	13%
Equity and debts	7.678.895	7.147.835	7%

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 increased by Lei 3.152 thousand as compared to the value as at 31.12.2020, mainly due to the fact that the tangible assets inflow did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

As of 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts. The rights of use of leased assets increased by Lei 420 thousand as compared to 31 December 2020 due to the fact that the initial value of the leased assets contracts was higher than the depreciation cost.

Intangible Assets

IT Programmes

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

Service concession agreement

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

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

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

Intangible assets increased by lei 23.952 thousand as compared with the value as at 31.12.2020, this increase being mainly due to the executed investment works related to the main projects under the TYNDP.

Financial assets

The financial assets increased by Lei 12.303 thousand as compared to 31.12.2020 following the 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. The amount of Lei 67.337 thousand was reclassified and presented at current assets, being fulfilled the conditions for the collection of the share from the decrease of the share capital in the first part of 2022.

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 December 2021 increased by the amount of Lei 439.323 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.

Inventories

On 31 December 2021 inventories increased by Lei 117.480 thousand compared to the value as at 31 December 2020, mainly due to the increasing of the value of the natural gas procured within the balancing activity by Lei 159.287 thousand and to the decreasing of the value of the materials in custody.

Commercial receivables and other receivables

On 31 December 2021, the balance of the commercial receivables and other receivables **decreased by Lei 37.922 thousand** as compared to 31 December 2020, mainly due to the following factors:

- increase of the client receivables balance by Lei 188.431 thousand mainly generated by the increase in the balance of the receivables resulted from the gas transmission activity and from balancing;

- increase of the provisions for the impairment of the trade receivables and of other receivables by Lei 90.592 thousand;
- reclassification of the EUROTRANSGAZ SRL Chişinău share amounting to Lei 67.337 thousand with a collection term in the first part of 2022;
- decrease of collection of the grants as subventions by Lei 95.331 thousand;
- decrease of the balance of other receivables by Lei 107.765 thousand, mainly due to the receivables representing income taxes and VAT to be recovered.

Cash at hand and in bank

On 31 December 2021 the company's cash increased by Lei 45.011 thousand as compared to the end of 2020. The cash in bank accounts in lei increased by Lei 63.564 thousand and the cash in bank accounts in currency decreased by Lei 18.577 thousand.

Other cash elements and cash equivalent register an increase by Lei 24 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:

- increase of the balance of the commercial debt and other debt by Lei 163.056 thousand;
- decrease of the provision for risks and charges by Lei 9.679 thousand mainly on account of reconsideration in the revenue of the provision for voluntary departures;
- the recording of the current income tax in the amount of Lei 6.013 thousand;
- increase of the provision for employee benefits over the short term by Lei 2.987 thousand;
- increase of the deferred revenue over the short term by Lei 22.641 thousand;
- decrease of short-term loans by Lei 11.112 thousand.

Long-term debts

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

- increase of long-term loans by Lei 225.118 thousand;
- decrease of provision for employee benefits by Lei 14.449 thousand ;
- increase of deferred revenue and of the subsidies by Lei 22.988 thousand;
- the recording of the deferred tax payment amounting to Lei 4.035 thousand;
- increase of the commercial debts and other debts in the amount of Lei 217 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The retained earnings increased by Lei 97.019 thousand.

2. Analysis of the preliminary revenue and expense at 31 December 2021 compared to the revenue and expense budget approved by OGMS Resolution 3/27 April 2021

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

* Thousand lei *

No.	Indicator	REB 2021	Preliminary 2021	Increase
0	1	2	3	$4=3/2 \times 100 - 100$
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	1.336.272	1.364.511	2%
2.	Revenue from the balancing activity	304.727	442.200	45%
3.	Revenue from the construction activity, according to IFRIC12	1.083.672	667.313	-38%
4.	Financial revenue	95.114	129.890	37%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	1.282.586	1.228.323	-4%
6.	Costs from the balancing activity	304.727	442.200	45%
7.	Cost of constructed assets according to IFRIC12	1.083.672	667.313	-38%
8.	Financial costs	32.778	25.136	-23%
9.	GROSS PROFIT	116.021	240.943	108%
10.	Income tax	18.739	63.868	241%
11.	NET PROFIT	97.282	177.075	82%

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **Lei 28.239 thousand** as compared to the REB. The revenue was influenced by the following:

- Gas transmission services increased by **Lei 84.318 thousand** due to:
 - *capacities booked* higher by 28.093.573 MWh with a positive influence of **Lei 73.167 thousand**, also influenced by the invoicing of the booking capacity surplus for 2021 (Lei 69.562 thousand), according to ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
 - *the gas transmitted capacities* higher than planned by 13.188.486 MWh (▲9%) with a positive influence of **Lei 11.150 thousand**;
- Revenue from international gas transmission services and similar decreased by **Lei 23.183 thousand**;
- Other operating revenue decreased by **Lei 32.895 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 137.473 thousand** based on the following:

- trading price higher by Lei 124,71 lei/MWh, with a positive influence of Lei 260.062 thousand;
- quantity lower by 1.403.581 MWh with a negative influence of Lei 122.589 thousand;

Financial revenue increased by **Lei 34.776 mii lei thousand** as compared to the REB mainly due to the recording of the updating of the regulated assets value with the inflation rate.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **4%** as compared to the approved plan, which is lower by **Lei 54.264 thousand** as compared to the REB.

Savings amounting to Lei 136.144 thousand were recorded mainly the following cost elements:

- employee costs: Lei 37.939 thousand;
- costs auxiliary materials and other material costs: Lei 48.186 thousand;
- costs of maintenance and transport: Lei 32.696 thousand;
- transmission system gas consumption: Lei 5.908 thousand;
- cost of provision for risks and charges: Lei 11.415 thousand.

An expense surplus of Lei 81.879 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: Lei 245thousand;
- cost of depreciation: Lei 4.971 thousand;
- cost of taxes and duties: Lei 4.788 thousand;
- other operating costs: Lei 71.875 thousand mainly based on the increase of the adjustment of impairment on receivables amounting to Lei 91.800 thousand and savings registered at other operating costs categories;

The financial cost is lower by **Lei 7.643 thousand** as compared to the REB based on the decrease of the non-capitalized interest expenses.

The gross profit increased by Lei 124.922 thousand as compared to the REB.

3. Investment plan achievement

The preliminary **capital expenditure** at 31 December 2021 amounted to **Lei 773.755 thousand**.

Investments amounting to Lei 1.381.034 thousand were commissioned in the analysed period.

In 2021, instalments were reimbursed for the loans taken by the company to finance the investment works amounting to Lei 70.179 thousand.

4. Receivables and arrears

On 31 December 2021 the outstanding receivables amounted to Lei 579.509 thousand, which is higher by Lei 115.223 thousand as compared 31 December 2020, mainly determined by the increase of the outstanding balances registered by Electrocentrale Constanța (Lei 42.152 thousand) and North Chemical Complex SRL (Lei 37.225 thousand).

On 31 December 2021 Transgaz has no outstanding payments .

**DIRECTOR - GENERAL
ION STERIAN**

**Chief Financial Officer
Marius Lupean**

**Director of Strategy and Corporate Management Division
Elisabeta Ghidiu**