

REPORT AND ISSUER IDENTIFICATION DATA

Quarterly report according to the provisions of art. 69 of Law no. 24/2017

Date of report: 14 November 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 30.09.2023
(1 January-30 September 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 30 September 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 - 30 September 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.

By Order 68/30 May 2023 ANRE approved for 01.10.2023 - 30.09.2024 the corrected regulated revenue amounting to lei 1.647.348 thousand and the revised transmission tariffs.

👉 **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.

The invoices issued under the Termination Agreement from October 2022 have not been paid by Gazprom Export. As at 30 September 2023 the balance of outstanding receivables from Gazprom Export was EUR 23.080.131,74 (lei 114.814.423,37), fully provisioned as at 30 September 2023.

👉 **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 30 September 2023 compared to the indicators obtained at 30 September 2022

The main economic and financial indicators during the 1 January 2023 – 30 September 2023 reporting period

No.	Indicator	31.09.2023	Consolidated statements result	Individual statements result
1.	Current liquidity indicator	Current assets/Current liabilities	1,26	1,30
2.	Leverage indicators			
2.1	Leverage indicator 1	Borrowed capital/Equity	51,93%	47,52%
2.2	Leverage indicator 2	Borrowed capital/Invested capital	34,18%	32,21%
3.	Days' sales outstanding	Average accounts receivable x 273 / Turnover	156,38	158,68
4.	Fixed assets turnover	Turnover/Fixed assets	0,189	0,198

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 the Republic of Moldova by EUROTRANSGAZ SRL, SNTGN Transgaz SA, 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 9 months 2023	Achieved 9 months 2022	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.098.884	1.108.713	-1%
Revenue from the balancing activity	321.672	765.029	-58%
Revenue from the construction activity according to IFRIC12	56.414	166.667	-66%
Financial revenue	219.191	371.227	-41%
Operating costs before the balancing and construction activity, according to IFRIC12	1.135.399	1.011.359	12%
Balancing activity costs	321.672	765.029	-58%
Cost of constructed assets according to IFRIC12	56.414	166.667	-66%
Financial costs	128.321	143.762	-11%
GROSS PROFIT , of which:	54.355	324.819	-83%
• from operation	-36.516	97.355	-138%
• from the financial activity	90.870	227.465	-60%
Income tax	15.702	58.659	-73%
NET PROFIT	38.653	266.160	-85%

thousand lei

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Achieved 9 months 2023	Achieved 2022	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	781.333	801.194	-2%
Rights of use of the leased assets	199.809	16.935	1.080%
Intangible assets	3.627.869	3.909.592	-7%
Financial assets	10.244	9.567	7%
Trade receivables and other receivables	2.370.053	2.141.205	11%
Deferred tax	644	-	X
Total fixed assets	6.989.953	6.878.493	2%
Current assets			
Inventories	575.147	613.183	6%
Commercial receivables and other receivables	218.124	346.799	-37%
Cash and cash equivalent	664.506	418.667	59%

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Achieved 9 months 2023	Achieved 2022	Increase
1	2	3	4=2/3x100-100
Total current assets	1.457.777	1.378.648	6%
Total assets	8.447.730	8.257.141	2%
Equity	3.979.303	4.058.090	-2%
Non-controlling interests	94.460	82.818	14%
Long-term debts			
Long-term loans	2.066.559	2.054.247	1%
Other long-term debts	1.153.086	1.097.277	5%
Total long-term debts	3.219.645	3.151.524	2%
Current debts			
Short-term loans	448.070	136.645	228%
Other short-term debts	706.252	828.063	-15%
Total current debts	1.154.322	964.708	20%
Total debts	4.373.967	4.116.233	6%
Equity and debts	8.447.730	8.257.141	2%

The variation of the consolidated economic and financial indicators at 30 September 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 30 September 2023 compared to the indicators achieved in the similar period of 2022.

In 1 January 2023 – 30 September 2023 Vestmoldtransgaz SRL of the Republic of Moldova provided natural gas delivery services amounting to lei 19.144 thousand.

As of 19 September 2023, according to ANRE MD Resolution 434/2023, Vestmoldtransgaz SRL of the Republic of Moldova was appointed as operator of the entire gas transmission system in the Republic of Moldova.

Indicators of the SNTGN Transgaz SA individual economic and financial results

The main economic and financial indicators achieved at 30 September 2023, compared to the indicators achieved in the same period of 2022 are as follows:

thousand lei

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Achieved 9 months 2023	Achieved 9 months 2022	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	1.079.328	1.108.711	-3%
-revenue from domestic transmission	886.787	955.680	-7%
-revenue from international transmission and similar	88.739	50.684	75%

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Achieved 9 months 2023	Achieved 9 months 2022	Increase
0	1	2	3=1/2x100-100
Operating costs before the balancing and construction activity, according to IFRIC12	1.115.263	998.852	12%
Operating profit before the balancing and construction activity, according to IFRIC12	-35.935	109.859	X
Revenue from the balancing activity	321.672	765.029	-58%
Balancing activity costs	321.672	765.029	-58%
Revenue from the construction activity according to IFRIC12	56.414	166.667	-66%
Cost of constructed assets according to IFRIC12	56.414	166.667	-66%
Operating profit	-35.935	109.859	X
Financial revenue	194.508	339.861	-43%
Financial costs	106.079	118.016	-10%
Financial result	88.429	221.846	-60%
GROSS PROFIT	52.494	331.705	-84%
Income tax	15.029	58.146	-74%
NET PROFIT	37.464	273.559	-86%

Operating revenue before the balancing and construction activity, according to IFRIC12 are decreased by 3% compared to the one achieved at 30 September 2022, which is lower by lei 29.383 thousand.

This revenue was obtained under the conditions of the prorogation for the period 1 October 2022 - 30 September 2023 of the tariffs approved by Order 32/26.05.2021 of ANRE President.

The decrease in financial results was mainly due to the maintaining of unchanged tariffs for 1 October 2021 - 30 September 2023, while the revenue for the 1 October 2022 - 30 September 2023 gas year would have been 30,97% higher, resulting in an additional revenue of lei 274.613 thousand.

By the Order 68/30.05.2023 of the ANRE President the corrected regulated revenue for 1 October 2022 - 30 September 2023 was approved, amounting to lei 1.363.977,17 thousand, 30,97% higher than the revenue approved by ANRE Order 32/2021, amounting to lei 1.041.465,61 thousand. Neither the revenue approved by ANRE Order 68/2023 nor the related transmission tariffs were applied in 1 October 2022 - 30 September 2023 due to the unchanged transmission tariffs for 1 October 2021 - 30 September 2023.

If the revenue approved by the Order 68/30.05.2023 of ANRE President for 1 October 2022 - 30 September 2023 had been applied, the operating revenue before the balancing and construction activity in accordance with IFRIC12 would have been higher by lei 274.613 thousand and the operating profit would have been higher by lei 273.514 thousand.

From 1 October 2023, the natural gas transmission tariffs approved by the Order 68 of 30.05.2023 of the ANRE President are applicable. The approved regulated revenue for natural gas transmission for 1 October 2023 - 30 September 2024 is lei 1.647.347.820.

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* lower by **lei 69.918 thousand** due to:
 - *revenue from the auction premium* lower by lei 65.135 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points; revenue from the auction premium at 30 September 2022 amounted to lei 185.877 thousand, and at 30 September 2023 to lei 120.742 thousand;
 - *capacity booking tariff* lower by lei 0,130/MWh, with a negative influence of lei 35.262 thousand;
 - *booked capacity* higher by 9.675.797 MWh, with a positive influence of lei 22.741 thousand;
 - *capacity overrun revenue* higher by lei 7.739 thousand. Capacity overrun revenue at 30 September 2022 amounted to lei 43.430 thousand, and at 30 September 2023 to lei 51.169 thousand;
- *commodity revenue* higher by **lei 1.026 thousand** due to:
 - *the gas transmitted capacities* higher by 924.325 MWh/98.547 thousand cm (▲1%), as compared to 30 September 2022, with a positive influence of lei 1.026 thousand, detailed by categories of consumers as follows:

		9 months 2023	9 months 2022	Differences
Quantity transmitted for direct consumers	MWh	55.940.390	50.750.846	5.189.544
	thousand m ³	5.088.477	4.612.204	476.273
Quantity transmitted for distribution	MWh	47.146.396	51.411.615	-4.265.219
	thousand m ³	4.406.791	4.784.516	-377.725
Total	MWh	103.086.786	102.162.461	924.325
	thousand m ³	9.495.268	9.396.720	98.548

- *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 38.055 thousand**; according to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the remaining amounts will be paid over a period of maximum three years and the transmission revenue is regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based on the points where capacity is booked, the monthly difference being classified as similar income.
- *other operating revenue* higher by **lei 1.454 thousand**.

The revenue from the balancing activity was lower by **lei 443.357 thousand** based on the following factors:

- *trading price* lower by lei 310,72/MWh, with a negative influence of lei 397.734 thousand;
- *quantity* lower by 81.177 MWh with a negative influence of lei 45.632 thousand;

The revenue from the construction activity lower by **lei 110.253 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 145.353 thousand** mainly due to the recording of the updating of the regulated assets value with the inflation rate of 5,74% at 30

September 2023 compared to 13,06% at 30 September 2022 (lei 126.961 thousand at 30 September 2023 as compared to lei 224.836 thousand at 30 September 2022). In Q I 2022 Transgaz record revenue from shareholdings following the reduction of Eurotransgaz's share capital by EUR 13,15 million. By SNTGN Transgaz SA BoA Resolution 38/2022 it was approved the reduction of the share capital of Eurotransgaz by lei 13.504 thousand, amount received in August 2023.

Operating costs before the balancing and construction activity according to IFRIC12 increased by 12% as compared to 30 September 2022, which is higher by lei 116.411 thousand.

The company made savings of lei 31.597 thousand to the following cost elements:

- transmission system gas consumption of lei 20.982 thousand due to:
 - the quantity of natural gas for NTS gas consumption lower by 118.425 MWh as compared to 30 September 2022, with a positive influence of lei 22.024 thousand;
 - the average purchase price achieved higher by lei 2,16/MWh as compared to the one achieved at 30 September 2022, with a negative influence of lei 1.042 thousand;
- cost of royalty: lei 123 thousand;
- cost of licensing fee: lei 1.939 thousand;
- cost of provision for risks and charges: lei 8.553 thousand.

A surplus amounting to lei 148.009 thousand was recorded to the following cost elements:

- employee costs: lei 56.192 thousand;
- cost of depreciation: lei 24.606 thousand, based on the completion and commissioning of investments projects;
- cost of auxiliary materials: lei 2.682 thousand;
- cost of maintenance and transmission: lei 2.646 thousand;
- cost of monopoly tax: lei 3.985 thousand;
- other operating costs: lei 57.499 thousand. As at 30 September 2023 the company recorded costs with adjustment for clients with an increased risk of non-collection mainly for the receivables of Gazprom Export LLC (lei 91.509 thousand) and decreased the adjustment of outstanding receivables due to their collection for Electrocentrale Constanta (lei 15.946 thousand) and for Mehedinți Gaz SA (lei 3.235 thousand). As of 30 September 2023, the Company capitalized the amount of lei 3.681 thousand (lei 3.345 thousand as of 31 December 2022), representing the difference between the costs of technological consumption realized over the one approved in the transmission tariff, in accordance with GEO 27/2022;
- other costs: lei 399 thousand.

The financial cost is lower by **lei 11.936 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. By SNTGN Transgaz SA BoA Resolution 38/2022 it was approved the reduction of the share capital of Eurotransgaz by lei 13.504 thousand, amount received in August 2023.

Compared to 30 September 2022 the gross profit achieved at 30 September 2023 decreased by 84%, which is lower by lei 279.211 thousand, and the net profit is decreased by 86%, which is lower by lei 236.095 thousand.

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

thousand lei

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Achieved Q III 2023	Achieved Q III 2022	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	322.189	404.790	-20%
-revenue from domestic transmission	255.618	363.079	-29%
-revenue from international transmission and similar	29.868	8.269	261%
Operating costs before the balancing and construction activity, according to IFRIC12	397.759	331.610	20%
Operating profit before the balancing and construction activity, according to IFRIC12	-75.570	73.180	x
Revenue from the balancing activity	58.605	224.552	-74%
Balancing activity costs	58.605	224.552	-74%
Revenue from the construction activity according to IFRIC12	21.143	62.335	-66%
Cost of constructed assets according to IFRIC12	21.143	62.335	-66%
Operating profit	-75.570	73.180	x
Financial revenue	69.090	62.163	11%
Financial costs	42.298	33.541	26%
Financial result	26.792	28.622	-6%
GROSS PROFIT	-48.779	101.802	x

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by **20%** compared to the one achieved in Q III 2022, which is lower by **lei 82.601 thousand**.

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* lower by **lei 110.186 thousand** due to:
 - *revenue from the auction premium* lower by lei 112.592 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points;
 - *capacity booking tariff* lower by lei 0,03/MWh, with a negative influence of lei 2.705 thousand;
 - *booked capacity* higher by 2.707.080 MWh, with a positive influence of lei 5.111 thousand;
- *commodity revenue* higher by **lei 2.724 thousand** due to:
 - *the gas transmitted capacities* higher by 2.454.429 MWh/207.440 thousand cm (▲8%), as compared to Q III 2022, with a positive influence of lei 2.724 thousand, detailed by categories of consumers as follows:

		Q III 2023	Q III 2022	Differences
Quantity transmitted for direct consumers	MWh	28.077.920	24.621.157	3.456.763
	thousand m ³	2.592.081	2.307.195	284.886
Quantity transmitted for distribution	MWh	5.802.392	6.804.726	-1.002.334
	thousand m ³	539.223	616.669	-77.446
Total	MWh	33.880.312	31.425.883	2.454.429
	thousand m ³	3.131.304	2.923.864	207.440

- *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 21.599 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 3.261 thousand**, mainly due to the recording of revenue from sales of recovered and waste materials and from raw materials and materials obtained from scrapping/dismantling.

The revenue from the balancing activity was lower by **lei 165.947 thousand** based on the following factors:

- trading price lower by lei 654,22/MWh, with a negative influence of lei 213.500 thousand;
- quantity higher by 57.031 MWh with a positive influence of lei 47.553 thousand;

The revenue from the construction activity lower by **lei 41.191 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 6.927 thousand**.

Operating costs before the balancing and construction activity according to IFRIC12 increased by **20%** as compared to Q III 2022, which is higher by **lei 66.149 thousand**.

The company made savings of lei 4.886 thousand to the following cost elements:

- transmission system gas consumption of lei 4.213 thousand due to:
 - the average purchase price achieved lower by lei 48,54/MWh as compared to the one achieved in Q III 2022, with a positive influence of lei 7.311 thousand;
 - the quantity of natural gas for NTS gas consumption higher by 12.824 MWh as compared to Q III 2022, with a negative influence of lei 3.098 thousand;
- cost of NTS concession royalty: lei 343 thousand;
- cost of licensing fee: lei 330 thousand.

A surplus amounting to lei 71.035 thousand was recorded to the following cost elements:

- cost of depreciation: lei 9.080 thousand, based on the commissionings;
- employee costs: lei 13.899 thousand;
- other material costs: lei 288 thousand;
- cost of maintenance and transport: lei 2.526 thousand;

- cost of monopoly tax and other taxes and duties: lei 2.838 thousand;
- cost of other taxes and duties: lei 150 thousand;
- cost of provision for risks and charges: lei 30.402 thousand;
- other operating costs: lei 11.853 thousand, mainly based on the establishing of provisions for the impairment of current assets.

The financial cost increased by **lei 8.757 thousand**, mainly due to interest expenses on the loan to finance the current activity.

** thousand lei **

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Achieved 9 months 2023	Achieved 2022	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	383.031	418.132	-8%
Rights of use of the leased assets	15.756	16.935	-7%
Intangible assets	3.627.860	3.909.577	-7%
Financial assets	177.619	191.123	-7%
Trade receivables and other receivables	2.370.053	2.141.205	11%
Deferred tax	3.321	0	X
Total fixed assets	6.577.641	6.676.972	-1%
Current assets			
Inventories	571.665	609.877	-6%
Commercial receivables and other receivables	200.391	335.331	-40%
Cash and cash equivalent	628.117	384.237	63%
Total current assets	1.400.173	1.329.445	5%
Total assets	7.977.814	8.006.418	0%
Equity	3.994.738	4.082.746	-2%
Long-term debts			
Long-term loans	1.898.460	1.871.383	1%
Other long-term debts	1.009.839	1.095.430	-8%
Total long-term debts	2.908.299	2.966.813	-2%
Current debts			
Short-term loans	432.316	132.099	227%
Other short-term debts	642.461	824.760	-22%
Total current debts	1.074.777	956.859	12%
Total debts	3.983.076	3.923.672	2%
Equity and debts	7.977.814	8.006.418	0%

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 35.100 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 1.179 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 281.718 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 decreased compared to the value recorded at 31.12.2022 by lei 13.504 thousand. The decrease is due to the reduction 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, and was approved by SNTGN Transgaz SA BoA Resolution 38/2022. The value was received in August 2023.

Trade receivables and other receivables/ Fixed assets

The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 30 September 2023 increased by the amount of lei 228.848 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 228.848 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 30 September 2023 inventories decreased by lei 38.212 thousand compared to the value as at 31 December 2022, due to the decreasing by lei 567 thousand of the stored gas procured to cover technological consumption, the decreasing by lei 46.614 thousand of the value of the natural gas procured within the balancing activity, and the increasing by lei 8.969 thousand of the stocks of raw and other materials.

Commercial receivables and other receivables

On 30 September 2023, the balance of the commercial receivables and other receivables **decreased by lei 134.940 thousand** as compared to 31 December 2022, mainly due to the following factors:

- decrease of the client receivables balance by lei 67.520 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 71.806 thousand;
- increase of the claims against the state budget by lei 255 thousand;
- increase of the balance of other receivables by lei 4.131 thousand.

Cash at hand and in bank

On 30 September 2023 the company's cash increased by lei 243.880 thousand as compared to the end of 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 161.769 thousand;
- decrease of the provision for risks and charges by lei 26.329 thousand mainly on account of registering the provision for voluntary departures;
- increase of the current part of the provision for employee benefits by lei 1.455 thousand;
- increase of the deferred revenue over the short term by lei 4.344 thousand;
- increase of short-term loans by lei 300.217 thousand.

Long-term debts

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

- increase of long-term loans by lei 27.078 thousand;
- decrease of deferred revenue and of the subsidies by lei 88.928 thousand;
- increase of the provision for employee benefits by lei 5.683 thousand;
- decrease of deferred revenue by lei 1.206 thousand;
- decrease of the commercial debts and other debts in the amount of lei 1.441 thousand.

Equity

There was no change in the subscribed and paid-up capital.

Retained earnings decreased by lei 88.008 thousand due to the decrease of the profit recorded in 01.01-30.09.2023 compared to 2022.

2. Analysis of the revenue and expense realized at 30 September 2023 compared to the revenue and expense budget approved by OGMS Resolution 2/16 February 2023

The main economic and financial indicators realized in 01.01.- 30.09.2023, compared to the revenue and expense budget approved by OGMS Resolution 2/16 February 2023:

thousand lei

No.	Indicator	REB 9 months	Achieved 9 months	Increase
0	1	2	3	4=3/2x100-100
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	972.983	1.079.328	11%
2.	Revenue from the balancing activity	877.736	321.672	-63%
3.	Revenue from the construction activity, according to IFRIC12	662.347	56.414	-91%
4.	Financial revenue	198.909	194.508	-2%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	1.288.039	1.115.263	-13%
6.	Costs from the balancing activity	877.736	321.672	-63%
7.	Cost of constructed assets according to IFRIC12	662.347	56.414	-91%
8.	Financial costs	74.297	106.079	43%
9.	GROSS PROFIT , of which:	-190.444	52.494	x

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 106.345 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 87.671 thousand** due to:
 - *capacities booked* higher by 28.728.566 MWh with a positive influence of **lei 77.209 thousand**;
 - *average capacity booking tariff, determined by the structure of the booked products*, higher by lei 0,048/MWh, with a positive influence of lei **13.682 thousand**
 - *the gas transmitted capacities* lower than planned by 2.901.660 MWh (▼3%) with a negative influence of **lei 3.221 thousand**;
- Revenue from international gas transmission services and similar increased by **lei 36.678 thousand**;
- Other operating revenue decreased by **lei 18.004 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 556.063 thousand** based on the following:

- trading price lower by lei 298,35/MWh, with a negative influence of lei 381.904 thousand;
- quantity lower by 316.856 MWh with a negative influence of lei 174.159 thousand;

Financial revenue decreased by **lei 4.401 thousand** as compared to the REB.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **13%** as compared to the approved plan, which is lower by **lei 172.776 thousand** as compared to the REB.

Savings amounting to lei 214.965 thousand were recorded mainly the following cost elements:

- employee costs: lei 53.497 thousand;
- transmission system gas consumption: lei 53.894 thousand;
- auxiliary materials and other material costs: lei 62.671 thousand;
- cost of maintenance and transport: lei 33.711 thousand;
- cost of taxes and duties: lei 1.917 thousand;
- cost of provision for risks and charges: lei 9.275 thousand.

A surplus of lei 42.190 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 497 thousand;
- cost of depreciation: lei 10.279 thousand, based on commissionings;
- other operating costs: lei 31.414 thousand.

The financial cost is higher by **lei 31.782 thousand**, mainly due to costs regarding the financial fixed assets transferred. By SNTGN Transgaz SA BoA Resolution 38/2022 it was approved the reduction of the share capital of Eurotransgaz by lei 13.504 thousand, amount received in August 2023.

The gross profit increased by lei 242.937 thousand as compared to the REB.

3. Investment plan achievement

The capital expenditure achieved at 30 September 2023 amounted to **lei 85.407 thousand**.

Investments amounting to lei 320.567 thousand were commissioned in the analysed period.

In 1 January - 30 September 2023 instalments were reimbursed for the loans taken by the company to finance the investment works amounting to lei 103.073 thousand.

4. Receivables and arrears

On 30 September 2023 the outstanding receivables amounted to lei 613.647 thousand, which is higher by lei 75.635 thousand as compared 31 December 2022.

On 30 September 2023 Transgaz has no outstanding payments.

**DIRECTOR - GENERAL
ION STERIAN**

**Chief Financial Officer
Marius Lupean**