

RELEASE

regarding the economic and financial indicators at 30 June 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 June 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 June 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 No 68 /30 mai 2023 ANRE approved for the period 01.10.2023 - 30.09.2024 adjusted regulated revenue of lei 1.647.348 thousand and 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.

Invoices issued under the Termination Agreement from October 2022 have not been paid by Gazprom Export. As at 30 June 2023 the balance of outstanding receivables by Gazprom Export was EUR 16.804.749,9. The Company has fully provided for the balance recorded by Gazprom Export as at 30 June 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 June 2023 compared to the indicators obtained at 30 June 2022

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

Indicator	Achieved consolidated Half I 2023	Achieved Transgaz Half I 2023	Achieved ETG, VMTG, adjustments Half I 2023
Revenue from the domestic transmission activity	634.713	631.170	3.543
Revenue from the international transmission activity	58.872	58.872	0
Other revenue	67.507	67.098	409
Operating revenue before the balancing and construction activity according to IFRIC12	761.091	757.139	3.952
Depreciation	232.814	225.162	7.651
Employees costs	278.069	276.328	1.742
Technological consumption, materials and consumables used	75.588	75.588	0
Cost of royalty	2.760	2.760	0
Maintenance and transmission	15.799	15.784	15
Taxes and duties due to the state	37.461	37.461	0
Revenue/ (Costs) of provisions for risks and charges	-21.324	-21.360	36

Indicator	Achieved consolidated Half I 2023	Achieved Transgaz Half I 2023	Achieved ETG, VMTG, adjustments Half I 2023
Other operating cost	107.057	105.780	1.277
Operational profit before the balancing and the construction activity according to IFRIC12	32.867	39.635	-6.769
Revenue from the balancing activity	263.067	263.067	-
Cost of balancing gas	263.067	263.067	-
Revenue from the construction activity according to IFRIC12	35.270	35.270	-
Cost of constructed assets according to IFRIC12	35.270	35.270	-
Operational profit	32.867	39.635	-6.769
Financial revenue	140.742	125.418	15.324
Financial cost	79.898	63.781	16.117
Financial revenue, net	60.844	61.637	-793
Profit before tax	93.711	101.272	-7.562
Profit tax expense	22.892	22.451	441
Net profit for the period	70.818	78.821	-8.003
Attributable to the parent company	83.747		83.747
Attributable to the non-controlling interests	-2.001		
Exchange rate differences	10.928		
Actuarial (gain)/loss of the period	6.395	0	-6.395
Total comprehensive income of the period	88.142	78.821	9.320
Attributable to the parent company	90.142		
Attributable to the non-controlling interests	-2.001		

The main consolidated economic and financial indicators as at 30 June 2023 compared to the indicators achieved in the same period of 2022 are presented in the tale below:

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Achieved Half I 2023	Achieved Half I 2022	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	761.091	703.917	8%
Revenue from the balancing activity	263.067	540.476	-51%
Revenue from the construction activity according to IFRIC12	35.270	104.332	-66%
Financial revenue	140.742	294.951	-52%
Operating costs before the balancing and construction activity, according to IFRIC12	728.224	674.517	8%

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Achieved Half I 2023	Achieved Half I 2022	Increase
0	1	2	3=1/2x100-100
Balancing activity costs	263.067	540.476	-51%
Cost of constructed assets according to IFRIC12	35.270	104.332	-66%
Financial costs	79.898	102.579	-22%
GROSS PROFIT , of which:	93.711	221.772	-58%
• from operation	32.867	29.400	12%
• from the financial activity	60.844	192.372	-68%
Income tax	22.892	44.494	-49%
NET PROFIT	70.818	177.278	-60%

thousand lei

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Achieved Half I 2023	Achieved 31 December 2022	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	780.766	801.194	-3%
Rights of use of the leased assets	16.588	16.935	-2%
Intangible assets	3.702.763	3.909.592	-5%
Goodwill	9.795	9.567	2%
Trade receivables and other receivables	2.313.395	2.141.205	8%
Deferred tax	997	-	x
Total fixed assets	6.824.304	6.878.493	-1%
Current assets			
Inventories	576.224	613.183	-6%
Commercial receivables and other receivables	208.696	346.799	-40%
Cash and cash equivalent	368.661	418.667	-12%
Total current assets	1.153.581	1.378.648	-16%
Total assets	7.977.885	8.257.141	-3%
Equity	4.006.533	4.058.090	-1%
Non-controlling interests	85.734	82.818	4%
Long-term debts			
Long-term loans	1.957.954	2.054.247	-5%
Other long-term debts	1.036.569	1.097.277	-5%
Total long-term debts	2.994.523	3.151.524	-5%
Current debts			

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Achieved Half I 2023	Achieved 31 December 2022	Increase
1	2	3	4=2/3x100-100
Short-term loans	144.648	136.645	6%
Other short-term debts	746.448	828.063	-10%
Total current debts	891.096	964.708	-8%
Total debts	3.885.619	4.116.233	-6%
Equity and debts	7.977.885	8.257.141	-3%

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

In Half I 2023 Vestmoldtransgaz SRL of the Republic of Moldova provided gas delivery services amounting to lei 3.543 thousand.

Indicators of the SNTGN Transgaz SA individual economic and financial results

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

thousand lei

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Achieved Half I 2023	Achieved Half I 2022	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	757.139	703.921	8%
-revenue from domestic transmission	631.170	592.601	7%
-revenue from international transmission and similar	58.872	42.416	39%
Operating costs before the balancing and construction activity, according to IFRIC12	717.504	667.242	8%
Operating profit before the balancing and construction activity, according to IFRIC12	39.635	36.679	8%
Revenue from the balancing activity	263.067	540.476	-51%
Balancing activity costs	263.067	540.476	-51%
Revenue from the construction activity according to IFRIC12	35.270	104.332	-66%
Cost of constructed assets according to IFRIC12	35.270	104.332	-66%
Operating profit	39.635	36.679	8%
Financial revenue	125.418	277.698	-55%
Financial costs	63.781	84.475	-24%
Financial result	61.637	193.224	-68%

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME

Indicator	Achieved Half I 2023	Achieved Half I 2022	Increase
0	1	2	3=1/2x100-100
GROSS PROFIT	101.272	229.903	-56%
Income tax	22.451	44.097	-49%
NET PROFIT	78.821	185.805	-58%

Operating result as at 30 June 2023 increased by 8% compared to the result as at 30 June 2022.

Operating revenue before the balancing and construction activity, according to IFRIC12 are higher by **lei 53.218 thousand** than the one achieved at 30 June 2022.

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* higher by **lei 40.268 thousand** due to:
 - *revenue from the auction premium* higher by lei 47.457 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 30 June 2022 amounted to lei 21.839 thousand, and at 30 June 2023 to lei 69.296 thousand;
 - *booked capacity* higher by 3.785.642 MWh, with a positive influence of lei 9.687 thousand;
 - *capacity booking tariff, determined by the structure of the booked products*, lower by lei 0.165 /MWh, with a negative influence of lei 30.187 thousand;
 - *capacity overrun revenue* higher by lei 13.312 thousand. Capacity overrun revenue at 30 June 2022 amounted to lei 33.243 thousand, and at 30 June 2023 to lei 46.555 thousand;
- *commodity revenue* lower by **lei 1.698 thousand** due to:
 - *the gas transmitted capacities* lower by 1.530.104 MWh/108.892 thousand cm ($\nabla 2\%$), as compared to 30 June 2022, with a negative influence of lei 1.698 thousand, detailed by categories of consumers as follows:

		6 months 2022	6 months 2023	Differences
Quantity transmitted for direct consumers	MWh	26.129.688	27.862.470	1.732.782
	thousand m ³	2.305.009	2.496.396	191.387
Quantity transmitted for distribution	MWh	44.606.890	41.344.004	-3.262.886
	thousand m ³	4.167.847	3.867.568	-300.279
Total	MWh	70.736.578	69.206.474	-1.530.104
	thousand m ³	6.472.856	6.363.964	-108.892

- *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 16.456 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 lower by **lei 1.807 thousand**.

The revenue from the balancing activity was lower by **lei 277.410 thousand** based on the following factors:

- trading price lower by lei 219,14/MWh, with a negative influence of lei 208.999 thousand;
- quantity lower by 138.208 MWh with a negative influence of lei 68.410 thousand;

The revenue from the construction activity lower by **lei 69.062 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 152.280 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate 4,19% for Half I 2023 compared with 9,98% for Half I 2022 (lei 92.384 thousand at 30 June 2023 compared to lei 185.929 thousand at 30 June 2022) and to the recording of equity income as a result of the reduction of EUROTRANSGAZ share capital in Q I 2022 by EUR 13,15 million.

Operating costs before the balancing and construction activity according to IFRIC12 increased by **8%** as compared to 30 June 2022, which is higher by **lei 50.262 thousand**.

The company made savings of lei 58.251 thousand to the following cost elements: transmission system gas consumption of lei 16.769 thousand due to:

- the quantity of natural gas for NTS gas consumption lower by 131.248 MWh as compared to 30 June 2022, with a positive influence of lei 22.235 thousand;
- the average purchase price achieved higher by lei 16,49 /MWh as compared to the one achieved at 30 June 2022, with a negative influence of lei 5.466 thousand;
- cost of repair: lei 917 thousand;
- licence cost: lei 1.609 thousand;
- cost of provision for risks and charges: lei 38.955 thousand.

A surplus amounting to lei 108.512 thousand was recorded to the following cost elements:

- employee costs: lei 42.293 thousand;
- cost of depreciation: lei 15.526 thousand, based on the completion and commissioning of investments projects;
- cost of auxiliary materials: lei 2.394 thousand;
- cost of royalty: lei 220 thousand;
- cost of maintenance and transport: lei 1.037 thousand;
- cost of monopoly tax: lei 1.147 thousand;
- other taxes and duties: lei 249 thousand;
- other operating costs: lei 45.646 thousand. In Q I 2022 the current assets impairment adjustments decreased on account of the collection of outstanding receivables from Electrocentrale Bucureşti, amounting to lei 116.338 thousand. On June 30, the amount of lei 3.682 thousand was capitalized, representing the difference between the costs of the technological consumption achieved over the approved one in the transmission tariff in accordance with the provisions of GEO 27/2022

The financial cost is lower by **lei 20.693 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. Interest expenses increased in Half I 2023, mainly as a result of the completion of investment projects, the interest being capitalised during their implementation.

Compared to 30 June 2022 the gross profit achieved at 30 June 2023 decreased by 56%, which is lower by lei 128.631 thousand.

* thousand lei *

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Achieved Half I 2023	Achieved 31.12.2022	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	396.136	418.132	-5%
Rights of use of the leased assets	16.588	16.935	-2%
Intangible assets	3.702.752	3.909.577	-5%
Financial assets	191.123	191.123	0%
Trade receivables and other receivables	2.313.395	2.141.205	8%
Deferred tax	3.330	0	X
Total fixed assets	6.623.324	6.676.972	-1%
Current assets			
Inventories	572.816	609.877	-6%
Commercial receivables and other receivables	198.326	335.331	-41%
Cash and cash equivalent	331.703	384.237	-14%
Total current assets	1.102.846	1.329.445	-17%
Total assets	7.726.170	8.006.418	-4%
Equity	4.036.095	4.082.746	-1%
Long-term debts			
Long-term loans	1.782.337	1.871.383	-5%
Other long-term debts	1.036.569	1.095.430	-5%
Total long-term debts	2.818.906	2.966.813	-5%
Current debts			
Short-term loans	132.227	132.099	0%
Other short-term debts	738.942	824.760	-10%
Total current debts	871.169	956.859	-9%
Total debts	3.690.075	3.923.672	-6%
Equity and debts	7.726.170	8.006.418	-4%

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 21.996 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 347 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 licences 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 206.825 thousand as compared with the value as at 31.12.2022, this decrease being mainly due to the fact that the intangible assets entries did not exceed the cost of amortization of intangible assets.

Financial assets

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

Trade receivables and other receivables/ Fixed assets

The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 31 March 2023 increased by the amount of lei 172.190 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 172.190 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 June 2023 inventories decreased by lei 37.061 thousand compared to the value as at 31 December 2022, mainly due to the decreasing by lei 49.023 thousand of the value of the natural gas procured within the balancing activity, the increasing by lei 4.185 thousand of the stored gas procured to cover technological consumption, and the increasing by lei 7.777 thousand of the stocks of raw and other materials.

Commercial receivables and other receivables

On 30 June 2023, the balance of the commercial receivables and other receivables decreased by lei 137.005 thousand as compared to 31 December 2022, mainly due to the following factors:

- decrease of the client receivables balance by lei 83.422 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 48.733 thousand;
- decrease of the claims against the state budget by lei 16.239 thousand;
- decrease of the balance of other receivables by lei 11.389 thousand.

Cash at hand and in bank

On 30 June 2023 the company's cash decreased by lei 52.534 thousand as compared to the end of 2022. The cash in bank accounts in lei increased by lei 57.391 thousand and the cash in bank accounts in currency decreased by lei 110.001 thousand. Other cash elements and cash equivalent register an increase by lei 76 thousand compared with 2022.

Debts to be paid over a one-year period

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

- decrease of the balance of the commercial debt and other debt by lei 62.328 thousand;
- decrease of the provision for risks and charges by lei 30.323 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 5.379 thousand;
- increase of short-term loans by lei 128 thousand.

Long-term debts

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

- decrease of long-term loans by lei 89.046 thousand;
- decrease of deferred revenue and of the subsidies by lei 62.572 thousand;
- decrease of deferred revenue by lei 1.206 thousand;
- decrease of the commercial debts and other debts in the amount of lei 766 thousand.

Equity

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

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

The main economic and financial indicators achieved at 30 June 2023, compared to the revenue and expense budget approved by OGMS Resolution 2/16 February 2023:

thousand lei

No.	Indicator	REB Half I 2023	Achieved Half I 2023	Increase
0	1	2	3	4=3/2x100-100
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	692.759	757.139	9%
2.	Revenue from the balancing activity	700.962	263.067	-62%
3.	Revenue from the construction activity, according to IFRIC12	374.705	35.270	-91%
4.	Financial revenue	132.303	125.418	-5%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	851.572	717.504	-16%
6.	Costs from the balancing activity	700.962	263.067	-62%
7.	Cost of constructed assets according to IFRIC12	374.705	35.270	-91%
8.	Financial costs	56.545	63.781	13%
9.	GROSS PROFIT	-83.056	101.272	X

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 64.380 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 54.614 thousand** due to:
 - capacities booked higher by 15.780.836 MWh with a positive influence of **lei 44.066 thousand**;
 - average capacity booking tariff, determined by the structure of the booked products, higher by lei 0,085/MWh, with a positive influence of **lei 16.410 thousand**
 - the gas transmitted capacities lower than planned by 5.281.116 MWh (**▼7%**) with a negative influence of **lei 5.862 thousand**;
- Revenue from international gas transmission services and similar increased by **lei 24.164 thousand**;
- Other operating revenue decreased by **lei 14.398 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 437.895 thousand** based on the following:

- trading price lower by lei 270,86/MWh, with a negative influence of lei 258.325 thousand;
- quantity lower by 328.463 MWh with a negative influence of lei 179.570 thousand;

Financial revenue decreased by **lei 6.884 thousand** as compared to the REB.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **16%** as compared to the approved plan, which is lower by **lei 134.069 thousand** as compared to the REB.

Savings amounting to lei 158.951 thousand were recorded mainly the following cost elements:

- employee costs: lei 37.554 thousand;
- auxiliary materials and other material costs: lei 42.212 thousand;
- cost of maintenance and transport: lei 23.658 thousand;
- transmission system gas consumption: lei 42.385 thousand;
- cost of taxes and duties: lei 3.175 thousand;
- cost of provision for risks and charges: lei 9.968 thousand;

A surplus of lei 24.883 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 315 thousand;
- cost of depreciation: lei 6.842 thousand;
- other operating costs: lei 17.726 thousand.

The financial cost is higher by **lei 7.237 thousand**, mainly due to interest expenses and exchange rate differences.

The gross profit increased by lei 184.328 thousand as compared to the REB.

3. Investment plan achievement

The capital expenditure achieved at 30 June 2023 amounted to **lei 50.542 thousand**.

Investments amounting to lei 286.371 thousand were commissioned in the analysed period.

In Half I 2023 instalments were reimbursed for the loans taken by the company to finance the investment works amounting to lei 66.054 thousand.

4. Receivables and arrears

On 30 June 2023 the outstanding receivables amounted to lei 592.348 thousand, which is higher by lei 54.336 thousand as compared 31 December 2022.

On 30 June 2023 Transgaz has no outstanding payments.

**DIRECTOR - GENERAL
ION STERIAN**

**Chief Financial Officer
Marius Lupean**