

RELEASE

regarding the preliminary economic and financial indicators at 31 December 2022

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%

As of 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.

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 2022 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 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 6,39% of the amount of capital invested in this activity starting from 13.05.2020.

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

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

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

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption, respectively, generated by the increase in prices on the wholesale market above the value taken into account by the regulator when calculating natural gas transmission tariffs in 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, applicable from 1 April 2022. The resulting tariffs remain unchanged for the period 1 April 2022 - 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

By Order 95/18.05.2022, ANRE extends the deadlines laid down in ANRE Order 32/2021 on the approval of the adjusted regulated revenue and transmission tariffs for the natural gas transmission activity through the National Transmission System until 30 September 2023 and establishes that the differences resulting from the recalculation of the regulated revenue and the adjusted regulated revenue for the fourth regulatory year, 1 October 2022 - 30 September 2023, of the fourth regulatory period, are determined and adjusted with the adjustment of the regulated revenue and the

approval of the revenue for the last year of the fourth regulatory period, i.e. for 1 October 2023 - 30 September 2024.

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

Considering Order 34/2016 amended by Order 158/2019, by Order 149/29 July 2020 (amended by Order 92/10 August 2021 and Order 74/18 May 2022) 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 2023 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 obtained at 31 December 2022 compared to the indicators obtained at 31 December 2021

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

thousand lei

Indicator	Preliminary consolidated 2022	Preliminary Transgaz 2022	Preliminary ETG, VMTG, adjustments 2022
Revenue from the domestic transmission activity	1.356.045	1.351.931	4.114
Revenue from the international transmission activity	73.927	73.927	0
Other revenue	149.312	149.329	-17
Operating revenue before the balancing and construction activity according to IFRIC12	1.579.284	1.575.186	4.097
Depreciation	435.225	423.464	11.760
Employees costs	495.132	491.588	3.544
Technological consumption, materials and consumables used	180.268	180.268	0
Cost of royalty	5.703	5.703	0
Maintenance and transmission	37.253	36.914	339
Taxes and duties due to the state	86.782	86.782	0
Revenue/ (Costs) of provisions for risks and charges	18.096	18.088	8
Other operating cost	171.457	169.694	1.763
Operational profit before the balancing and the construction activity according to IFRIC12	149.368	162.685	-13.316
Revenue from the balancing activity	1.005.544	1.005.544	-
Cost of balancing gas	1.005.544	1.005.544	-
Revenue from the construction activity according to IFRIC12	296.791	296.791	-
Cost of constructed assets according to IFRIC12	296.791	296.791	-
Operational profit	149.368	162.685	-13.316
Financial revenue	498.370	461.287	37.083
Financial cost	225.110	183.446	41.664
Financial profit, net	273.260	277.841	-4.581
Profit before tax	422.628	440.526	-17.898
Profit tax expense	72.625	71.837	789
Net profit for the period	350.003	368.689	-18.686
Attributable to the parent company	354.830	-	-
Attributable to the non-controlling interests	-4.827	-	-
Exchange rate differences	-8.396	-	-8.396
Actuarial (gain)/loss for the period	2.452	2.452	-

Indicator	Preliminary consolidated 2022	Preliminary Transgaz 2022	Preliminary ETG, VMTG, adjustments 2022
Total comprehensive income for the period	344.059	371.141	-27.082
Attributable to the parent company	348.885	-	-
Attributable to the non-controlling interests	-4.827	-	-

1.1. Analysis of the preliminary consolidated revenue and expense at 31 December 2022 compared to the consolidated achievements at 31 December 2021

The main preliminary consolidated economic and financial indicators on 31 December 2022, compared to the consolidated economic and financial indicators obtained in the similar period of 2021 are presented in the following table:

Thousand lei

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Preliminary 2022	Obtained 2021	Increase
0	1	2	$3=1/2 \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12	1.579.284	1.364.950	16%
Revenue from the balancing activity	1.005.544	442.200	127%
Revenue from the construction activity according to IFRIC12	296.791	704.027	-58%
Financial revenue	498.370	152.208	227%
Operating costs before the balancing and construction activity, according to IFRIC12	1.429.915	1.244.239	15%
Balancing activity costs	1.005.544	442.200	127%
Cost of constructed assets according to IFRIC12	296.791	704.027	-58%
Financial costs	225.110	42.669	428%
GROSS PROFIT, of which:	422.628	230.250	84%
• from operation	149.368	120.711	24%
• from the financial activity	273.260	109.539	149%
Income tax	72.625	53.445	36%
NET PROFIT	350.003	176.805	98%

* *Thousand lei* *

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Preliminary 2022	Obtained 2021	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	801.194	852.179	-6%
Rights of use of the leased assets	16.935	19.617	-14%
Intangible assets	3.907.143	3.997.052	-2%
Goodwill	9.567	9.705	-1%
Trade receivables and other receivables	2.140.672	1.788.571	20%
Deferred tax	0	353	x
Total fixed assets	6.875.510	6.667.476	3%
Current assets			
Inventories	612.862	311.708	97%
Commercial receivables and other receivables	347.973	612.007	-43%
Cash and cash equivalent	418.667	414.955	1%
Total current assets	1.379.502	1.338.671	3%
Total assets	8.255.012	8.006.146	3%
Equity	4.061.025	3.874.820	5%
Non-controlling interests	82.818	93.549	-11%
Long-term debts			
Long-term loans	2.054.247	1.899.193	8%
Other long-term debts	1.096.373	1.192.554	-8%
Total long-term debts	3.150.620	3.091.747	2%
Current debts			
Short-term loans	136.645	132.104	3%
Other short-term debts	823.904	813.926	1%
Total current debts	960.549	946.030	2%
Total debts	4.111.169	4.037.778	2%
Equity and debts	8.255.012	8.006.146	3%

The variation of the preliminary consolidated economic and financial indicators at 31 December 2022, compared to the indicators obtained in the similar period of 2021 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA at 31 December 2022 compared to the indicators obtained in the similar period of 2021.

From December 2022 Vestmoldtransgaz SRL in Moldova provided gas delivery services amounting to MDL 16.588.399 (lei 4.114 thousand).

2. Analysis of the economic and financial indicators according to the individual financial statements of SNTGN Transgaz SA

2.1 Analysis of the preliminary revenue and expense obtained at 31 December 2022 compared to the revenue and expense obtained at 31 December 2021

The main preliminary economic and financial indicators obtained at 31 December 2022, compared to the indicators obtained in the same period of 2021 are as follows:

* *Thousand lei* *

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Preliminary 2022	Obtained 2021	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	1.575.186	1.364.511	15%
-revenue from domestic transmission	1.351.931	1.164.419	16%
-revenue from international transmission and similar	73.927	72.037	2%
Operating costs before the balancing and construction activity, according to IFRIC12	1.412.501	1.230.118	15%
Operating profit before the balancing and construction activity, according to IFRIC12	162.685	134.393	21%
Revenue from the balancing activity	1.005.544	442.200	127%
Balancing activity costs	1.005.544	442.200	127%
Revenue from the construction activity according to IFRIC12	296.791	704.027	-58%
Cost of constructed assets according to IFRIC12	296.791	704.027	-58%
Operating profit	162.685	134.393	21%
Financial revenue	461.287	130.013	255%
Financial costs	183.446	25.138	630%
Financial result	277.841	104.875	165%
GROSS PROFIT	440.526	239.268	84%
Income tax, of which	71.837	52.327	37%
- Current tax profit	70.092	48.447	44%
- Deferred tax profit	1.745	3.880	-55%
NET PROFIT	368.689	186.941	97%

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by **15%** as compared to obtained at 31 December 2021, which is higher by **lei 210.675 thousand**.

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* higher by **lei 238.854 thousand** due to:
 - *revenue from the auction premium* higher by lei 165.179 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 31 December 2021 amounted to lei 13.545 thousand, and at 31 December 2022 to lei 178.724 thousand;

- *capacity surplus revenue* higher by lei 6.175 thousand. Capacity surplus revenue at 31 December 2021 amounted to lei 69.562 thousand, and at 31 December 2022 to lei 75.737 thousand;
- *average capacity booking tariff, determined by the structure of the booked products*, higher by lei 0,365/MWh, with a positive influence of lei 130.146 thousand;
- *booked capacities* lower by 27.584.341 MWh, with a negative influence of lei 62.646 thousand;
- *commodity revenue* lower by **lei 51.342 thousand** due to:
 - *the gas transmitted capacities* lower by 11.181.596 MWh/994.203 thousand cm (▼7%), as compared to 31 December 2021, with a negative influence of lei 14.656 thousand, detailed by categories of consumers as follows:

		12 months 2022	12 months 2021	Differences
Quantity transmitted for direct consumers	MWh	68.472.756	68.657.931	-185.175
	thousand m ³	6.185.284	6.237.780	-52.496
Quantity transmitted for distribution	MWh	73.495.131	84.491.552	-10.996.421
	thousand m ³	6.846.782	7.788.489	-941.707
Total	MWh	141.967.887	153.149.483	-11.181.596
	thousand m ³	13.032.066	14.026.269	-994.203

- *the commodity transmission tariff* lower by lei 0,25 lei/MWh, with a negative influence of lei 36.686 thousand;

The commodity tariffs decreased at 31 December 2022 as compared to 31 December 2021 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 2020-2021 the variable component of the total revenue at the basis of the commodity tariffs is 20% of the total revenue, in gas year 2021-2022 it decreased to 15% of the total revenue;
- at the substantiation of the tariffs for gas years 2020-2021 and 2021-2022, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
- *international gas transmission revenue and similar* higher by **lei 1.889 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 21.273 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 24.048 thousand, the increasing of the revenue from penalties by lei 7.756 thousand and the decreasing of other revenue by lei 10.531 thousand.

The revenue from the balancing activity was higher by **lei 563.344 thousand** based on the following factors:

- trading price higher by lei 319,64/MWh, with a positive influence of lei 604.516 thousand;
- quantity lower by 194.163 MWh with a negative influence of lei 41.171 thousand.

The revenue from the construction activity lower by **lei 407.235 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 331.274 thousand**, mainly due to the recording of the updating of the debt for the regulated value remaining unamortised of the regulated asset base at the end of the Concession Agreement with the inflation rate for 2022. While in 2021 an inflation rate of 5,05% (lei 87.970 thousand) was recorded, in 2022 the inflation rate was 13,80% (lei 286.877 thousand). Revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 21,67 million, amount received by Transgaz in Q I and Q IV 2022, also had a positive influence.

Operating costs before the balancing and construction activity according to IFRIC12 increased by **15%** as compared to 31 December 2021, which is higher by **lei 182.383 thousand**.

The company made savings of lei 25.581 thousand, due to following cost elements:

- cost of auxiliary materials: lei 4.111 thousand;
- cost of monopoly tax: lei 1.257 thousand;
- other operating costs: lei 20.213 thousand, mainly due to the decrease in the expense with the impairment of current assets (lei 36.932 thousand), the capitalisation of 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 in the amount of lei 3.345 thousand and the increase in energy and water costs by lei 11.530 thousand and in security and capacity booking services by lei 9.005 thousand.

A surplus amounting to lei 207.964 thousand was recorded to the following cost elements

- transmission system gas consumption of lei 76.425 thousand due to:

- the average purchase price obtained higher by lei 100,17/MWh as compared to the one obtained at 31 December 2021, with a negative influence of lei 75.489 thousand;
- the quantity of natural gas for NTS gas consumption higher by 9.171 MWh as compared to 31 December 2021, with a negative influence of lei 936 thousand;
- employee costs: lei 26.992 thousand;
- cost of depreciation: lei 72.410 thousand, based on the completion and commissioning of the major investment projects;
- cost of royalty for NTS concession: lei 758 thousand;
- cost of provision for risks and charges: lei 25.397 thousand mainly on account of establishing the provision for voluntary departures higher by lei 12.340 thousand and write back of provisions lower in 2022 by lei 6.292 thousand;
- cost of other taxes and duties: lei 1.838 thousand;
- costs of maintenance and transport: lei 4.144 thousand.

The financial cost is higher by **lei 158.308 thousand** mainly based on the cost of financial fixed assets transferred (lei 108.667 thousand), the interest expenses (lei 38.398 thousand) and the foreign exchange loss (lei 8.962 thousand).

By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022 and by BoA Resolution 19/2022 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 8,52 million, amount received by Transgaz in Q IV 2022.

Compared to 31 December 2021 the preliminary gross profit at 31 December 2022 increased by 84%, which is higher by lei 201.258 thousand.

** Thousand lei **

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Preliminary 2022	Obtained 2021	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	418.132	454.059	-8%
Rights of use of the leased assets	16.935	19.617	-14%
Intangible assets	3.907.128	3.997.028	-2%
Financial assets	191.123	296.576	-36%
Trade receivables and other receivables	2.140.672	1.788.571	20%
Deferred tax	0	1.443	X
Total fixed assets	6.673.990	6.557.294	2%
Current assets			
Inventories	609.556	308.541	98%
Commercial receivables and other receivables	336.506	536.070	-37%
Cash and cash equivalent	384.237	321.185	20%

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Preliminary 2022	Obtained 2021	Increase
1	2	3	4=2/3x100-100
Total current assets	1.330.299	1.165.797	14%
Total assets	8.004.289	7.723.090	4%
Equity	4.085.680	3.889.027	5%
Long-term debts			
Long-term loans	1.871.383	1.711.802	9%
Other long-term debts	1.094.525	1.192.555	-8%
Total long-term debts	2.965.908	2.904.357	2%
Current debts			
Short-term loans	132.099	132.104	0%
Other short-term debts	820.601	797.603	3%
Total current debts	952.700	929.707	2%
Total debts	3.918.609	3.834.063	2%
Equity and debts	8.004.289	7.723.090	4%

Tangible assets

Tangible assets include auxiliary buildings of operating assets, office buildings, land, assets used for the international transmission activity, as well as objectives related to the national transmission system taken over free of charge.

Tangible assets decreased by lei 35.927 thousand as compared to the value as at 31.12.2021, 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 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 decreased by lei 2.682 thousand as compared to 31 December 2021 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 89.900 thousand as compared with the value as at 31.12.2021, 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 by lei 105.453 thousand as compared to 31.12.2021 following the decrease 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. By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022 and by BoA Resolution 19/2022 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 8,52 million, amount received by Transgaz in Q IV 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 2022 increased by the amount of lei 352.101 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 2022 inventories increased by lei 301.015 thousand compared to the value as at 31 December 2021, due to the increase in the stock of natural gas purchased to cover technological consumption by lei 163.891 thousand, to the increase in the value of the natural gas procured within the balancing activity by lei 131.717 thousand and to the increase in the stock of raw materials and materials.

Commercial receivables and other receivables

On 31 December 2022, the balance of the commercial receivables and other receivables **decreased by lei 199.564 thousand** as compared to 31 December 2021, mainly due to the following factors:

- decrease of the client receivables balance by lei 64.567 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 40.939 thousand;
- decrease of the grants received as subventions by lei 125.585 thousand;
- increase of the balance of other receivables by lei 31.575 thousand.

Cash at hand and in bank

On 31 December 2022 the company's cash increased by lei 63.052 thousand as compared to the end of 2021. The cash in bank accounts in lei decreased by lei 55.897 thousand and the cash in bank accounts in currency increased by lei 119.008 thousand. Other cash elements and cash equivalent register an increase by lei 31 thousand compared with 2021.

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 2021:

- decrease of the balance of the commercial debt and other debt by lei 7.097 thousand;
- increase of the provision for risks and charges by lei 13.752 thousand, mainly on account of registering the provision for voluntary departures;
- increase of the provision for employees benefits over the short term by lei 577 thousand;
- increase of the deferred revenue over the short term by lei 15.767 thousand;
- decrease of short-term loans by lei 6 thousand.

Long-term debts

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

- increase of long-term loans by the amount of lei 159.580 thousand;
- increase of the provision for employees benefits by lei 4.854 thousand;
- decrease of deferred revenue and of the subsidies by lei 100.664 thousand;
- the recording of the payment deferred tax in the amount of lei 302 thousand;
- decrease of the commercial debts and other debts in the amount of lei 2.521 thousand.

Equity

In December 2022 the subscribed and paid up capital increased by lei 1.766.077 thousand, according to Extraordinary General Meeting of the Shareholders 11/07.12.2022.

3. Analysis of the preliminary revenue and expense at 31 December 2022 compared to the revenue and expense budget approved by OGMS Resolution 3/28 February 2022

The main preliminary economic and financial indicators at 31 December 2022, compared to the revenue and expense budget approved by OGMS Resolution 3/28 February 2022:

* Thousand lei *

No.	Indicator	REB 2022	Preliminary 2022	Increase
0	1	2	3	4=3/2x100-100
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	1.355.620	1.575.186	16%
2.	Revenue from the balancing activity	553.023	1.005.544	82%
3.	Revenue from the construction activity, according to IFRIC12	532.410	296.791	-44%
4.	Financial revenue	150.115	461.287	207%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	1.392.444	1.412.501	1%
6.	Costs from the balancing activity	553.023	1.005.544	82%
7.	Cost of constructed assets according to IFRIC12	532.410	296.791	-44%
8.	Financial costs	62.002	183.446	196%
9.	GROSS PROFIT	51.288	440.526	759%
10.	Income tax	9.789	71.837	634%
11.	NET PROFIT	41.499	368.689	788%

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 219.566 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 217.234 thousand** due to:
 - *capacities booked* higher by 38.354.364 MWh with a positive influence of **lei 242.777 thousand**, increase also influenced by the invoicing of the counter value of surplus capacity booked related to 2022 (lei 75.737 thousand), in accordance with ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
 - *the gas transmitted capacities* lower than planned by 8.681.957 MWh (▼6%) with a negative influence of **lei 25.543 thousand**;

- Revenue from international gas transmission services and similar decreased by **lei 3.442 thousand**;
- Other operating revenue increased by **lei 5.774 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 452.521 thousand** based on the following:

- trading price higher by lei 286,81 lei/MWh, with a positive influence of lei 542.426 thousand;
- quantity lower by 367.146 MWh with a negative influence of lei 89.905 thousand;

Financial revenue increased by **lei 311.172 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 and to the revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 21,67 million, amount received by Transgaz in Q I and IV 2022.

Operating costs before the balancing and construction activity according to IFRIC12 increased by **1%** as compared to the approved plan, which is higher by **lei 20.056 thousand** as compared to the REB.

Savings amounting to lei 154.568 thousand were recorded mainly the following cost elements:

- employee costs: lei 44.890 thousand;
- costs auxiliary materials and other material costs: lei 18.698 thousand;
- costs of maintenance and transport: lei 43.076 thousand;
- transmission system gas consumption: lei 40.153 thousand;
- cost of taxes and duties: lei 7.752 thousand.

A surplus of lei 174.624 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 855 thousand;
- cost of depreciation: lei 32.144 thousand;
- cost of provision for risks and charges: lei 13.319 thousand;
- other operating expense: lei 128.306 thousand mainly due to the impairment of current assets

Through the REB 2022, a decrease in the adjustment of customer receivables was budgeted, on account of the collection of outstanding receivables recorded by Electrocentrale București. The beneficial impact of the collection of outstanding receivables recorded by Electrocentrale București was reduced by the establishment of adjustments for outstanding receivables recorded in the relation to Electrocentrale Constanta, Black Sea Oil&Gas SA and Gazprom Export LLC;

The financial cost is higher by **lei 121.444thousand** as compared to the REB mainly based on the cost of financial fixed assets transferred. By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022 and by BoA Resolution 19/2022 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 8,52 million, amount received by Transgaz in Q IV 2022.

The gross profit increased by **lei 389.238 thousand** as compared to the REB.

4. Investment plan achievement

The preliminary **capital expenditure** at 31 December 2022 amounted to **lei 330.840 thousand**.

Investments amounting to lei 174.221 thousand were commissioned in the analysed period.

In 2022, instalments were reimbursed for the loans taken by the company to finance the investment works amounting to lei 143.485 thousand.

5. Receivables and arrears

On 31 December 2022 the outstanding receivables amounted to lei 538.012 thousand, which is lower by lei 41.729 thousand as compared 31 December 2021, mainly due to the collection of the receivables from Electrocentrale București in the amount of lei 116.337 thousand).

On 31 December 2022 Transgaz has no outstanding payments.

**DIRECTOR - GENERAL
ION STERIAN**

**Chief Financial Officer
Marius Lupean**