REPORT AND ISSUER IDENTIFICATION DATA

Quarterly report according to the provisions of art. 227 of Law no. 297/2004
Date of report: 16 May 2022
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 117,738,440
Regulated market on which issued securities are traded: Bucharest Stock Exchange

QUARTERLY REPORT
ON THE ECONOMIC AND FINANCIAL ACTIVITY OF SNTGN TRANSGAZ SA
as of 31.03.2022
(1 January-31 March 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 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 March 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.

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

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

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

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

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

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

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

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

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

Considering Order 34/2016 amended by Order 158/2019, by Order 149/29 July 2020 ANRE establishes the total regulated revenue for a gas year for the Isaccea 2-Negru Vodă 2 pipeline gas transmission activity performed by the National Gas Transmission Company TRANSGAZ S.A., and the transmission tariffs valid for the 1 October 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.

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

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

1. Analysis of the economic and financial indicators obtained at 31 March 2022 compared to the indicators obtained at 31 March 2021

The main economic and financial indicators during the 1 January 2022 - 31 March 2022 reporting period.

No.	Indicator	31.03.2022	Consolidated statements result	Individual statements result
1.	Current liquidity indicator	Current assets/Current liabilities	1,42	1,32
2.	Leverage indicators			
2.1	Leverage indicator 1	Borrowed capital/Equity	39,71%	34,96%
2.2	Leverage indicator 2	Borrowed capital/Invested capital	28,42%	25,90%
3.	Days' sales outstanding	Average accounts receivable x 90/Turnover	98,74	98,74
4.	Fixed assets turnover	Turnover/Fixed assets	0,111	0,114

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

The establishment of the company EUROTRANSGAZ SRL on the territory of the Republic of Moldova was approved by Extraordinary General Meeting of the Shareholders Resolution No. 10/12.12.2017 for enabling participation in the privatization procedure of the State Enterprise Vestmoldtransgaz.

Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

Since 2018, following the procurement of Vestmoldtransgaz SRL of Moldova by Eurotransgaz SRL, Transgaz, as a parent company, prepares consolidated group financial statements.

Consolidated companies in the Transgaz group:

		Share (%)
SNTGN Transgaz SA	Parent company	
Eurotransgaz SRL	Company held by SNTGN Transgaz SA	100%
Vestmoldtransgaz SRL	Company held by Eurotransgaz SRL	75%

Thousand lei

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	**Obtained Q I 2022**	**Obtained Q I 2021**	**Increase**
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	457.112	456.390	0%
Revenue from the balancing activity	316.952	74.253	327%
Revenue from the construction activity according to IFRIC12	26.440	158.010	-83%
Financial revenue	156.886	31.466	399%
Operating costs before the balancing and construction activity, according to IFRIC12	217.550	279.383	-22%
Balancing activity costs	316.952	74.253	327%
Cost of constructed assets according to IFRIC12	26.440	158.010	-83%
Financial costs	81.713	14.966	446%
GROSS PROFIT, of which:	**314.734**	**193.506**	**63%**
• from operation	239.561	177.006	35%
• from the financial activity	75.172	16.500	356%
Income tax	56.376	39.091	44%
NET PROFIT	**258.357**	**154.416**	**67%**

** Thousand lei **

STATEMENT OF CONSOLIDATED FIANCIAL POSITION			
Indicator	**Obtained Q I 2022**	**Obtained 31 December 2021**	**Increase**
1	2	3	4=2/3x100-100
Fixed assets			
Tangible Assets	832.876	852.179	-2%
Rights of use of the leased assets	19.214	19.617	-2%
Intangible assets	3.936.778	3.997.052	-2%
Financial assets	9.559	9.705	-2%
Trade receivables and other receivables	1.878.617	1.788.571	5%
Deferred tax	0	353	x
Total fixed assets	**6.677.043**	**6.667.476**	**0%**
Current assets			
Inventories	398.554	311.708	28%
Commercial receivables and other receivables	585.926	612.007	-4%
Cash and cash equivalent	217.194	414.955	-48%
Total current assets	**1.201.674**	**1.338.671**	**-10%**
Total assets	**7.878.717**	**8.006.146**	**-2%**
Equity	**4.129.718**	**3.874.820**	**7%**
Non-controlling interests	**89.920**	**93.549**	**-4%**
Long-term debts			
Long-term loans	1.640.549	1.899.193	-14%
Other long-term debts	1.172.095	1.192.554	-2%
Total long-term debts	**2.812.644**	**3.091.747**	**-9%**
Current debts			
Short-term loans	132.093	132.104	-97%
Other short-term debts	714.342	813.926	-12%
Total current debts	**846.435**	**946.030**	**-11%**
Total debts	**3.659.079**	**4.037.778**	**-9%**
Equity and debts	**7.878.717**	**8.006.146**	**-2%**

The variation of the consolidated economic and financial indicators at 31 March 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 March 2022 compared to the indicators obtained in the similar period of 2021.

Indicators of the SNTGN Transgaz SA individual economic and financial results

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

**** Thousand lei ****

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	**Obtained Q I 2022**	**Obtained Q I 2021**	**Increase**
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	457.084	455.789	0%
-revenue from domestic transmission	411.335	421.450	-2%
-revenue from international transmission and similar	11.255	10.342	9%
Operating costs before the balancing and construction activity, according to IFRIC12	213.816	276.002	-23%
Operating profit before the balancing and construction activity, according to IFRIC12	**243.268**	**179.787**	**35%**
Revenue from the balancing activity	316.952	74.253	327%
Balancing activity costs	316.952	74.253	327%
Revenue from the construction activity according to IFRIC12	26.440	158.010	-83%
Cost of constructed assets according to IFRIC12	26.440	158.010	-83%
Operating profit	**243.268**	**179.787**	**35%**
Financial revenue	154.038	24.024	541%
Financial costs	73.965	7.008	955%
Financial result	**80.073**	**17.016**	**371%**
GROSS PROFIT	**323.341**	**196.802**	**64%**
Income tax	**55.423**	**38.906**	**42%**
NET PROFIT	**267.918**	**157.896**	**70%**

Operating revenue before the balancing and construction activity, according to IFRIC12 is similar to the one obtained at 31 March 2021.

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* higher by **Lei *11.401* thousand** due to:
  - *revenue from the auction premium* higher by Lei 16.243 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 31 March 2021 amounted to Lei 314 thousand, and at 31 March 2022 to Lei 16.557 thousand;

- *booked capacity* lower by 5.370.928 MWh, with a negative influence of Lei 15.542 thousand;
- *capacity booking tariff* higher by Lei 0,121 /MWh, with a positive influence of Lei 12.944 thousand;
- *capacity surplus revenue* lower by Lei 2.243 thousand. Capacity surplus revenue at 31 March 2021 amounted to Lei 24.995 thousand, and at 31 March 2022 to Lei 22.752 thousand;

▪ *commodity revenue* lower by **Lei *21.517* thousand** due to:

- *the gas transmitted capacities* lower by 4.275.569 MWh/379.594 thousand cm (▼9%), as compared to 31 March 2021, with a negative influence of Lei 6.242 thousand, detailed by categories of consumers as follows:

		3 months 2021	3 months 2022	Differences
Quantity transmitted for direct consumers	MWh	12.444.925	9.715.385	-2.729.540
	thousand m^3	1.070.759	831.980	-238.779
Quantity transmitted for distribution	MWh	35.471.660	33.925.631	-1.546.029
	thousand m^3	3.311.074	3.170.259	-140.815
Total	MWh	47.916.585	43.641.016	-4.275.569
	thousand m^3	4.381.833	4.002.239	-379.594

- *the commodity transmission tariff lower* by Lei 0,35 lei/MWh, with a negative influence of Lei 15.274 thousand;

The commodity tariffs decreased at 31 March 2022 as compared to 31 March 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 913 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 10.498 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 8.917 thousand.

The revenue from the balancing activity was higher by **Lei 242.700 thousand** based on the following factors:

- trading price higher by Lei 381,55/MWh, with a positive influence of Lei 252.605 thousand;
- quantity lower by 101.911 MWh with a negative influence of Lei 9.905 thousand;

The revenue from the construction activity lower by **Lei 131.570 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 130.014 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for Q I 2022 (Lei 76.040 thousand at 31 March 2022 as compared to Lei 14.266 thousand at 31 March 2021) and revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **23%** as compared to 31 March 2021, which is lower by **Lei 62.186 thousand**.

***The company made savings* of Lei *105.002* thousand,** due to two factors:

- other operating costs: Lei 100.824 thousand, mainly due to the decrease in the impairment of current assets, following the collection of outstanding receivables from Electrocentrale București in the amount of Lei 116.337.652.
- cost of auxiliary materials: Lei 4.178 thousand.

***A surplus amounting* to Lei *43.327* thousand** was recorded to the following cost elements

- transmission system gas consumption of Lei 12.624 thousand due to:
  - the average purchase price obtained higher by Lei 25,21 lei/MWh as compared to the one obtained at 31 March 2021, with a negative influence of Lei 7.747 thousand;
  - the quantity of natural gas for NTS gas consumption higher by 45.377 MWh as compared to 31 March 2021, with a negative influence of Lei 4.877 thousand;
- cost of provision for risks and charges: Lei 2.452 thousand;
- employee costs: Lei 2.450 thousand;
- cost of depreciation: Lei 25.624 thousand, based on the completion and commissioning of the major investment projects;
- costs of maintenance and transport: Lei 178 thousand.

The financial cost is higher by **Lei 66.957thousand** 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.

Compared to 31 March 2021 the gross profit obtained at 31 March 2022 increased by 64%, which is higher by Lei 126.539thousand.

**** Thousand lei ****

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	**Obtained Q I 2022**	**Obtained 31.12.2021**	**Increase**
1	2	3	4=2/3x100-100
Fixed assets			
Tangible Assets	438.987	454.059	-3%
Rights of use of the leased assets	19.214	19.617	-2%
Intangible assets	3.936.756	3.997.028	-2%
Financial assets	233.673	296.576	-21%
Trade receivables and other receivables	1.878.617	1.788.571	5%
Defered tax	0	1.443	x
Total fixed assets	**6.507.247**	**6.557.294**	**-1%**
Current assets			
Inventories	395.444	308.541	28%
Commercial receivables and other receivables	518.917	536.070	-3%
Cash and cash equivalents	202.615	321.185	-37%
Total current assets	**1.116.976**	**1.165.797**	**-4%**
Total assets	**7.624.223**	**7.723.090**	**-1%**
Equity	**4.156.945**	**3.889.027**	**7%**
Long-term debts			
Long-term loans	1.453.239	1.711.802	-15%
Other long-term debts	1.170.790	1.192.555	-2%
Total long-term debts	**2.624.029**	**2.904.357**	**-10%**
Current debts			
Short-term loans	132.092	132.104	0%
Other short-term debts	711.158	797.603	-10%
Total current debts	**843.250**	**929.707**	**-9%**
Total debts	**3.467.279**	**3.834.063**	**-10%**
Equity and debts	**7.624.223**	**7.723.090**	**-1%**

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 15.072 thousand as compared to the value as at 31.12.2021, mainly due to the fact that the tangible assets inflow were exceeded by 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 403 thousand as compared to 31 December 2021 due to the fact that the initial value of the leased assets contracts was exceeded by their depreciation cost .

Intangible Assets

IT Programmes

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

Service concession agreement

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

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

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

Intangible assets decreased by lei 60.272 thousand as compared with the value as at 31.12.2021, this decrease being mainly due to the fact that the intangible assets inflow was exceeded by the cost of amortization of intangible assets.

Financial assets

The financial assets decreased by Lei 62.903 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.

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 2022 increased by the amount of Lei 90.046 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 90.046 thousand compared to the value at 31 December 2021 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 as from 2019, as per ANRE Order 41/2019.

Inventories

On 31 March 2022 inventories increased by Lei 86.903 thousand compared to the value as at 31 December 2021, mainly due to the increasing of the value of the natural gas procured within the balancing activity.

Commercial receivables and other receivables

On 31 March 2022, the balance of the commercial receivables and other receivables **decreased by Lei 17.152 thousand** as compared to 31 December 2021, mainly due to the following factors:

- decrease of the client receivables balance by Lei 86.239 thousand mainly generated by the decrease in the balance of the outstanding receivables;
- decrease of the provisions for the impairment of the trade receivables and of other receivables by Lei 85.489 thousand;
- decrease of the grants as subventions by Lei 13.946 thousand;
- decrease of the balance of other receivables by Lei 2.456 thousand, mainly due to the receivables representing taxes and VAT to be recovered.

Cash at hand and in bank

On 31 March 2022 the company's cash decreased by Lei 118.571 thousand as compared to the end of 2021. The cash in bank accounts in lei decreased by Lei 203.861thousand and the cash in back accounts in currency increased by Lei 84.602 thousand.

Other cash elements and cash equivalent register an increase by Lei 688 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 137.314 thousand;
- increase of the provision for risks and charges by Lei 2.058 thousand mainly on account of recording of the provision for employees participation in the profit;
- the recording of the income tax payable in the amount of Lei 39.728 thousand;
-
- increase of the deferred revenue over the short term by Lei 9.082 thousand;
- decrease of short-term loans by Lei 11.981 thousand.

Long-term debts

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

- decrease of long-term loans in the amount of Lei 258.563 thousand;
- decrease of deferred revenue and of the subsidies by Lei 35.446 thousand;
- the recording of the deferred tax in the amount of Lei 14.202 thousand;
- decrease of the commercial debts and other debts in the amount of Lei 520 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The increasing of the retained earnings by Lei 267.918 thousand is determined by the registration of the profit related to Q I 2022.

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

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

**** Thousand lei ****

No.	Indicator	REB Q I 2022	Obtained Q I 2022	Increase
0	1	2	3	4=3/2x100-100
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	407.501	457.084	12%
2.	Revenue from the balancing activity	189.782	316.952	67%
3.	Revenue from the construction activity, according to IFRIC12	117.761	26.440	-78%
4.	Financial revenue	36.838	154.038	318%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	356.112	213.816	-40%
6.	Costs from the balancing activity	189.782	316.952	67%
7.	Cost of constructed assets according to IFRIC12	117.761	26.440	-78%

No.	Indicator	REB Q I 2022	Obtained Q I 2022	Increase
8.	Financial costs	8.671	73.965	753%
9.	**GROSS PROFIT**	**79.555**	**323.341**	**306%**
10.	**Income tax**	**3.768**	**55.423**	**1371%**
11.	**NET PROFIT**	**75.788**	**267.918**	**254%**

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **Lei 49.583 thousand** as compared to the REB. The revenue was influenced by the following:

- Gas transmission services increased by **Lei 57.693 thousand** due to:
  - *capacities booked* higher by 8.894.970 MWh with a positive influence of **Lei 59.042 thousand**;
  - *the gas transmitted capacities* lower than planned by 1.215.128 MWh (▼3%) with a negative influence of **Lei 1.349 thousand**;
- Revenue from international gas transmission services and similar decreased by **Lei 8.087 thousand;**
- Other operating revenue decreased by **Lei 23 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 127.170 thousand** based on the following:

- trading price higher by Lei 233,86 lei/MWh, with a positive influence of Lei 154.830 thousand;
- quantity lower by 112.955 MWh with a negative influence of Lei 27.660 thousand;

Financial revenue increased by **Lei 117.200 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 13,15 million, amount received by Transgaz in Q I 2022.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **40%** as compared to the approved plan, which is lower by **Lei 142.296 thousand** as compared to the REB.

Savings amounting to Lei 153.935 thousand were recorded mainly the following cost elements:

- employee costs: Lei 18.614 thousand;
- costs auxiliary materials and other material costs: Lei 9.221 thousand;
- costs of maintenance and transport: Lei 9.617 thousand;
- transmission system gas consumption: Lei 1.590 thousand;
- cost of taxes and duties: Lei 9.115 thousand;
- other operating costs: Lei 105.779 thousand.

An surplus of Lei 11.638 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: Lei 198 thousand;
- cost of depreciation: Lei 6.772 thousand;
- cost of provision for risks and charges: Lei 4.668 thousand;

The financial cost is higher by **Lei 65.294 thousand** 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.

The gross profit **increased by Lei 243.785 thousand** as compared to the REB**.**

3. Investment plan achievement

The ***capital expenditure*** obtained at 31 March 2022 amounted to ***Lei 32.868 thousand***.

Investments amounting to Lei 7.608 thousand were commissioned in the analysed period.

In Q I 2022, instalments were reimbursed for the loans taken by the company to finance the investment works amounting to Lei 30.879 thousand.

4. Receivables and arrears

On 31 March 2022 the outstanding receivables amounted to Lei 462.058 thousand, which is lower by Lei 117.683 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 March 2022 Transgaz has no outstanding payments.

DIRECTOR - GENERAL
ION STERIAN

Chief Financial Officer
Marius Lupean

THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ S.A.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION

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PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL STANDING
(expressed in lei, unless otherwise stated)

	31 March 2022 (unaudited)	31 December 2021
ASSET		
Fixed assets		
Tangible Assets	832.875.696	852.178.630
Rights of use of the leased assets	19.214.483	19.617.136
Intangible Assets	3.936.777.536	3.997.052.066
Goodwill	9.558.889	9.704.675
Trade receivables and other receivables	1.878.616.706	1.788.570.507
Deferred tax	-	352.591
	6.677.043.310	**6.667.475.605**
Current assets		
Inventories	398.553.784	311.708.204
Commercial receivables and other receivables	585.926.121	612.007.279
Cash and cash equivalent	217.193.601	414.955.056
	1.201.673.506	**1.338.670.539**
Total asset	**7.878.716.816**	**8.006.146.144**
Equity		
Share capital	117.738.440	117.738.440
Hyperinflation adjustment of share capital	441.418.396	441.418.396
Share premium	247.478.865	247.478.865
Other reserves	1.265.796.861	1.265.796.861
Retained earnings	2.044.223.570	1.785.866.415
Exchange rate differences from consolidation	13.062.164	16.520.600
	4.129.718.296	**3.874.819.577**
Shareholders` equity		
Non-controlling interests	89.919.670	93.548.755
	4.219.637.966	**3.968.368.332**
Long-term debts		
Long-term loans	1.640.549.294	1.899.193.227
Provision for employee benefits	106.041.177	106.041.177
Deferred revenue	1.034.367.031	1.069.813.639
Deferred tax payment	15.506.811	-
Commercial debt and other debts	16.179.724	16.699.325
	2.812.644.037	**3.091.747.368**

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL STANDING
(expressed in lei, unless otherwise stated)

	31 March 2022 (unaudited)	31 December 2021
Current debts		
Commercial debts and other debts	500.347.686	650.466.973
Deferred revenue	100.753.841	91.671.887
Current payable tax	39.728.742	-
Provision for risks and charges	69.504.717	67.779.988
Short-term loans	132.092.596	132.104.365
Provision for employee benefits	4.007.231	4.007.231
	846.434.813	**946.030.444**
Total debts	**3.659.078.850**	**4.037.777.812**
Total equity and debts	**7.878.716.816**	**8.006.146.144**

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupe

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(expressed in lei, unless otherwise stated)

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Revenue from the domestic transmission activity	411.334.767	421.450.362
Revenue from the international transmission activity and similar	11.255.499	10.342.360
Other revenue	34.521.352	24.597.113
Operational revenue before the balancing and construction activity according to IFRIC12	**457.111.618**	**456.389.835**
Depreciation	(107.024.986)	(81.109.952)
Employees costs	(98.348.031)	(95.732.204)
NTS gas consumption, materials and consumables used	(46.197.908)	(37.752.350)
Cost of royalty	(1.690.361)	(1.727.171)
Maintenance and transmission	(6.515.044)	(6.340.229)
Taxes and other state duties	(16.016.603)	(16.527.646)
Revenue/ (Expenses) with provisions for risks and charges	(4.668.455)	(2.157.738)
Other operating costs	62.910.924	(38.036.074)
Operational profit before the balancing and construction activity according to IFRIC12	**239.561.154**	**177.006.471**
Revenue from the balancing activity	316.952.186	74.252.638
Cost of balancing gas	(316.952.186)	(74.252.638)
Revenue from the construction activity according to IFRIC12	26.440.196	158.009.935
Cost of assets constructed according to IFRIC12	(26.440.196)	(158.009.935)
Operational profit	**239.561.154**	**177.006.471**
Financial revenue	156.885.519	31.465.558
Financial cost	(81.713.138)	(14.965.550)
Financial revenue, net	**75.172.381**	**16.500.008**
Profit before tax	**314.733.535**	**193.506.479**
Profit tax expense	(56.376.380)	(39.090.562)
Net profit for the period	**258.357.155**	**154.415.917**
Attributable to the parent company	260.740.378	154.415.917
Attributable to the non-controlling interests	(2.383.223)	-
Other items of comprehensive income		
Basic and diluted earnings per share (expressed in lei per share)	22,15	13,12
Actuarial (gain)/loss for the period	-	-
Exchange rate differences	(8.832.201)	8.164.395
Total comprehensive income for the period	**249.524.954**	**162.580.312**
Attributable to the parent company	251.908.177	162.580.312
Attributable to the non-controlling interests	(2.383.223)	-

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(expressed in lei, unless otherwise stated)

	Share Capital	Share capital adjustments	Share premium	Other reserves	Retained earnings	Consolidation exchang rate differenc	Non-controlling interests	Total equity
Balance on 1 January 2021	117.738.440	441.418.396	247.478.865	1.265.796.861	1.687.776.834	(13.940.839)	-	3.746.268.557
Net profit for the period	-	-	-	-	154.415.917	-	-	154.415.917
	-	-	-	-	154.415.917	-	-	154.415.917
Transactions with shareholders: Dividends related to 2020	-	-	-	-	-	-	-	-
Consolidation exchange rate difference	-	-	-	-	-	8.164.395	-	8.164.395
Balance on 31 March 2021 (unaudited)	117.738.440	441.418.396	247.478.865	1.265.796.861	1.842.192.751	(5.776.444)	-	3.908.848.869
Net profit for the period	-	-	-	-	23.729.828		(1.341.079)	22.388.749
Actuarial gain / loss for the period	-	-	-	-	15.782.924	-	-	15.782.924
	-	-	-	-	39.512.752	-	(1.341.079)	38.171.673
Transactions with shareholders: Dividends related to 2020	-	-	-	-	(95.839.089)		-	(95.839.089)
Consolidation exchange rate difference	-	-	-	-	-	22.297.045	1.188.132	23.485.177
Non-controlling interests	-	-	-	-	-	-	93.701.702	93.701.702
Balance on 31 December 2021	117.738.440	441.418.396	247.478.865	1.265.796.861	1.785.866.415	16.520.600	93.548.755	3.968.368.332
Net profit for the period	-	-	-	-	258.357.155	-	(2.383.223)	255.973.932
	-	-	-	-	258.357.155	-	(2.383.223)	255.973.932
Transactions with shareholders:								
Dividends related to 2021	-	-	-	-	-	-	-	-
Consolidation exchange rate difference	-	-	-	-	-	(3.458.436)	(1.245.862)	(4.704.298)
Balance on 31 March 2022	117.738.440	441.418.396	247.478.865	1.265.796.861	2.044.223.570	13.062.164	89.919.670	4.219.637.966

The consolidation exchange rate difference arise from the presentation of the financial statements of the subsidiary Eurotransgaz in the reporting currency of the parent company (RON).

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

CONSOLIDATED INTERIM CASH FLOW STATEMENT
(expressed in lei, unless otherwise stated)

	Perioada de trei luni încheiată la 31 martie 2022 (neauditat)	Perioada de trei luni încheiată la 31 martie 2021 (neauditat)
Profit before tax	**314.733.535**	**193.506.479**
Adjustments for:		
Depreciation	107.024.986	81.109.952
Profit/(loss) from the transfer of tangible assets	(626)	(586.426)
Provisions for risks and charges	2.058.353	2.216.239
Revenue from connection fees, non-reimbursable funds and assets acquired free of charge	(26.774.878)	(17.451.936)
Provisions for employee benefits	-	(58.501)
Debt Adjustment on Concession Agreement	(76.039.560)	(14.266.205)
Losses on receivables and other debtors	9.051	26.292
Adjustments for impairment of receivables	(85.489.069)	21.399.500
Adjustments for impairment of financial fixed assets	(560.808)	-
Interest income	(12.310.315)	(9.221.329)
Interest expense	7.302.173	1.808.680
Effect of exchange rate changes on non-operating items	(1.865.659)	4.758.100
Operating profit before changes in working capital	**228.087.183**	**263.240.845**
(Increase)/decrease in trade and other receivables	149.935.638	13.119.825
(Increase)/decrease in inventories	(79.033.882)	10.339.379
Increase/(decrease) trade and other debts	(85.845.141)	(16.007.034)
Cash generated from operations	**213.143.798**	**270.693.015**
Interest paid	(7.185.138)	(2.246.599)
Interest received	381.736	492.827
Paid pofit tax	(15.645.056)	-
Net cash inflow from operation activities	**190.695.340**	**268.939.243**
Cash flow from investment activities		
Payments to acquire intangible assets	(142.208.644)	(270.069.999)
Payments to acquire tangible assets	(1.182.540)	(5.349.699)
Receipts from the disposal of tangible assets	12.251	688.106
Cash flow from connection fees and grants	16.550.998	41.269.246
Net cash used in investment activities	**(126.827.935)**	**(233.462.346)**
Cash flow from financing activities		
Long term loans drawings	-	81.326.787
Long term loans repayments	(30.878.880)	(21.351.360)
Credit withdrawals/repayments for working capital	(227.809.122)	(50.370.129)
Payments IFRS 16	(2.291.390)	(1.798.898)
Dividends paid	(649.468)	(253.134)
Net cash used in financing activities	**(261.628.860)**	**7.553.266**
Exchange rate difference		(2.539.970)
Net change in cash and cash equivalents	**(197.761.455)**	**40.490.193**
Cash and cash equivalent as at the beginning of the year	**414.955.056**	**289.452.040**
Cash and cash equivalent as at the end of the period	**217.193.601**	**329.942.233**

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ S.A.

INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION

This version of the interim financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INTERIM FINANCIAL STATEMENTS

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INTERIM STATEMENT OF FINANCIAL POSITION
(expressed in lei, unless otherwise stated)

	Note	31 March 2022 (unaudited)	31 December 2021
ASSET			
Fixed assets			
Tangible Assets	7	438.986.946	454.058.620
Rights of use of the leased assets	9	19.214.483	19.617.136
Intangible Assets	9	3.936.756.450	3.997.028.494
Financial assets	10	233.672.698	296.576.170
Trade receivables and other receivables	12	1.878.616.706	1.788.570.507
Deferred tax	18	-	1.442.960
		6.507.247.283	**6.557.293.887**
Current assets			
Inventories	11	395.444.102	308.541.252
Commercial receivables and other receivables	12	518.917.478	536.070.089
Cash and cash equivalent	13	202.615.020	321.185.261
		1.116.976.600	**1.165.796.602**
Total asset		**7.624.223.883**	**7.723.090.489**
EQUITY AND DEBTS			
Equity			
Share capital	14	117.738.440	117.738.440
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	2.084.512.216	1.816.594.475
		4.156.944.778	**3.889.027.037**
Long-term debts			
Long-term loans	16	1.453.239.000	1.711.802.456
Provision for employee benefits	21	106.041.177	106.041.177
Deferred revenue	17	1.034.367.031	1.069.813.639
Deferred tax payment	18	14.202.096	-
Commercial debt and other debts	19	16.179.724	16.699.325
		2.624.029.028	**2.904.356.597**

Notes 1 to 33 are part of these financial statements.

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INTERIM STATEMENT OF FINANCIAL POSITION
(expressed in lei, unless otherwise stated)

	Note	31 March 2022 (unaudited)	31 December 2021
Current debts			
Commercial debts and other debts	0	497.163.162	634.477.008
Deferred revenue	17	100.753.841	91.671.887
Current payable tax	18	39.728.742	-
Provision for risks and charges	20	69.504.717	67.446.364
Short-term loans	16	132.092.384	132.104.365
Provision for employee benefits	0	4.007.231	4.007.231
		843.250.077	**929.706.855**
Total debts		**3.467.279.105**	**3.834.063.452**
Total equity and debts		**7.624.223.883**	**7.723.090.489**

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INTERIM STATEMENT OF COMPREHENSIVE INCOME
(expressed in lei, unless otherwise stated)

	Note	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Revenue from the domestic transmission activity		411.334.767	421.450.362
Revenue from the international transmission activity and similar		11.255.499	10.342.360
Other revenue	22	34.493.941	23.995.858
Operational revenue before the balancing and construction activity according to IFRIC12		**457.084.207**	**455.788.580**
Depreciation	7, 9	(104.601.664)	(78.978.037)
Employees costs	24	(97.565.930)	(95.116.361)
NTS gas consumption, materials and consumables used		(46.197.908)	(37.752.350)
Expenses with royalties		(1.690.361)	(1.727.171)
Maintenance and transmission		(6.474.409)	(6.296.834)
Taxes and other amounts owed to the state		(16.016.603)	(16.527.618)
Revenue/ (Expenses) with provisions for risks and charges		(4.668.455)	(2.216.239)
Other operating cost	23	63.399.072	(37.387.352)
Operational profit before the balancing and construction activity according to IFRIC12		**243.267.949**	**179.786.618**
Revenue from the balancing activity		316.952.186	74.252.638
Cost of balancing gas		(316.952.186)	(74.252.638)
Revenue from the construction activity according to IFRIC12	32	26.440.196	158.009.935
Cost of assets constructed according to IFRIC12	32	(26.440.196)	(158.009.935)
Operational profit		**243.267.949**	**179.786.618**
Financial revenue	25	154.037.932	24.024.112
Financial cost	25	(73.964.980)	(7.008.333)
Financial revenue, net		**80.072.952**	**17.015.779**
Profit before tax		**323.340.901**	**196.802.397**
Profit tax expense	18	(55.423.160)	(38.906.402)
Net profit for the period		**267.917.741**	**157.895.995**
Basic and diluted earnings per share (expressed in lei per share)	28	22,76	13,41
Total comprehensive income for the period		**267.917.741**	**157.895.995**

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
(expressed in lei, unless otherwise stated)

	Note	Share Capital	Share capital adjustments	Share premium	Other reserves	Retained earnings	Total equity
Balance on 1 January 2021		**117.738.440**	**441.418.396**	**247.478.865**	**1.265.796.861**	**1.709.709.168**	**3.782.141.730**
Net profit for the period		-	-	-	-	157.895.995	157.895.995
Actuarial gain / loss for the period		-	-	-	-	-	-
Transactions with shareholders:							
Dividends related to 2019	15	-	-	-	-	-	-
Balance on 31 March 2021 (unaudited)		**117.738.440**	**441.418.396**	**247.478.865**	**1.265.796.861**	**1.867.605.163**	**3.940.037.725**
Net profit for the period		-	-	-	-	29.045.477	29.045.477
Actuarial gain / loss for the period		-	-	-	-	15.782.924	15.782.924
Transactions with shareholders:							
Dividends related to 2019	15	-	-	-	-	(95.839.089)	(95.839.089)
Balance on 31 December 2021		**117.738.440**	**441.418.396**	**247.478.865**	**1.265.796.861**	**1.816.594.475**	**3.889.027.037**
Net profit for the period		-	-	-	-	267.917.741	267.917.741
Transactions with shareholders:							
Dividends related to 2019	15	-	-	-	-	-	-
Balance on 31 March 2022		**117.738.440**	**441.418.396**	**247.478.865**	**1.265.796.861**	**2.084.512.216**	**4.156.944.778**

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

INTERIM CASH FLOW STATEMENT
(expressed in lei, unless otherwise stated)

	Note	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Cash generated from operations	26	**225.473.388**	**286.542.505**
Interest received		381.736	492.827
Interest paied		(4.824.665)	(1.266.115)
Paid profit tax		(15.645.056)	-
Net cash inflow from operation activities		**205.385.403**	**285.769.217**
Cash flow from investment activities			
Payments to acquire intangible assets		(140.610.965)	(269.578.257)
Payments to acquire tangible assets		(1.182.540)	(5.349.699)
Financial investment/shares		62.903.472	(2.535.205)
Receipts from the disposal of tangible assets		12.251	688.106
Cash flow from connection fees and grants		16.550.998	41.269.246
Net cash used in investment activities		**(62.326.784)**	**(235.505.809)**
Cash flow from financing activities			
Long term loans repayments		(30.878.880)	(21.351.360)
Credit withdrawals/repayments for working capital		(227.809.122)	(50.370.129)
Leasing payments (IFRS 16)		(2.291.390)	(1.798.898)
Dividends paid		(649.468)	(253.134)
Net cash used in financing activities		**(261.628.860)**	**(73.773.521)**
Net change in cash and cash equivalents		**(118.570.241)**	**(23.510.113)**
Cash and cash equivalent as at the beginning of the year	12	**321.185.261**	**276.174.270**
Cash and cash equivalent as at the end of the period	12	**202.615.020**	**252.664.157**

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (`company`) has as main activity the transmission of natural gas. Also, the company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 31 March 2022, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

The company was established in May 2000, following several reorganizations of the gas sector in Romania: its predecessor was part of the former national gas monopoly SNGN Romgaz SA (`predecessor company`), which was reorganized under Government Decision 334/2000.

The natural gas sector is regulated by the `National Energy Regulatory Authority` - `ANRE`. ANRE's main responsibilities are the following:

- issuing or withdrawing licenses for companies operating in the natural gas sector;
- publishing framework contracts for the sale, transmission, acquisition and distribution of natural gas;
- setting the criteria, requirements and procedures related to the selection of eligible consumers;
- setting the pricing criteria and the calculation methods for the natural gas sector.

The company is headquartered in 1 C.I. Motaş Square, Mediaş, Romania.

From January 2008, the company is listed at the Bucharest Stock Exchange, as a Tier 1 company, under the TGN symbol.

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

The continuation of the economic reforms by the Romanian authorities is necessary for the consolidation of the internal macro-financial framework. Thus the premises of the correct administration of the possible unfavourable developments are created, developments, which may appear if the high aversion towards risk occurs again in the international financial markets. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies. In this context it can be noticed that:

(i) The World Bank has revised down its estimate for Romania's economic growth in 2022 by 2.4 percentage points to 1.9% from its January forecast, warning that downside risks, linked to the war in Ukraine and the evolution of the Covid-19 variants, are high, according to an update of the World Bank's economic forecasts for the Europe and Central Asia region.
For 2023, the World Bank has improved its estimate for the Romanian economy's growth by 0.3 percentage points to 4.1%, while for 2024 GDP growth is expected to reach 4.3%.

(ii) On 5 April 2022, the Board of the National Bank of Romania decided:

- to increase the monetary policy rate to 3 % per year, from 2,50 % per year from 6 April 2022;
- increase the interest rate on the lending facility (Lombard) to 4 per cent per year from 3.50 per cent per year and increase the interest rate on the deposit facility to 2 per cent from 1.50 per cent per year from 6 April 2022;
- to maintain firm control over money market liquidity;
- to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions;

(iii) Given the February 2022 NBR Inflation Report The annual CPI inflation rate ended 2021 significantly above the upper bound of the target range, rising to 8.19 percent, the highest in 10 years. The advance from the end of the third quarter was 1.9 percentage points, half of which was due to the energy component.
Increasing tensions in the energy market, with effects also on the price of alternative heating sources such as firewood, have been reflected in consumer prices, even if the impact has been partially mitigated by the entry into force in November 2021 of the capping and compensation scheme for electricity and gas tariffs.

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

The annual CORE2-adjusted core inflation rate also increased significantly (from 3.6 per cent in September to 4.7 per cent at the end of the year), mainly driven by supply-side factors (rising raw material costs, especially energy costs, the sluggish operation of production and supply chains) and deteriorating inflation expectations. Demand conditions, while favourable, weakened over the period under review, under the impact of the erosion of purchasing power but also of the high intensity of the fourth pandemic wave.

(iv) The international rating agency Fitch has reconfirmed on 28.06.2021 the "BBB-" rating with stable outlook of Transgaz Mediaş (TGN), according to the press release submitted to the Bucharest Stock Exchange (BVB). The confirmed 'BBB-' rating with Stable Outlook "reflects the solid profile of Transgaz' activity as concessionaire and operator of the natural gas transmission network in Romania, as well as Fitch's estimates of a progressive contraction of the company's international gas transit activity, derived from traditional routes," the agency's report stated.

(v) Fitch Ratings confirmed on 22 Oct 2021 Romania's sovereign rating at "BBB minus" with a negative outlook, which is the last rating in the "investment-grade" category (recommended for investment), according to a press release from the financial rating agency.
The negative outlook reflects continued uncertainty over the implementation of policies to address structural fiscal imbalances over the medium term and the impact on Romania's public finances from persistent pandemic-related risks and rising energy costs, Fitch assesses. The investment-grade rating is supported by government debt and debt service levels, which are below those of similarly rated countries, and GDP per capita, governance and human development indicators, which are above those of similarly rated countries and are supported by EU membership. These are offset by high budget and current account deficits, a low level of fiscal consolidation and high budget rigidities, the rating agency says.

At the end of Q I 2021, as compared to the end of 2020, the leu depreciated against the EURO (`EUR`) by 1,14% (1 EUR = lei 4.9251 at 31 March 2021; 1 EUR = 4,8694 at 31 December 2020) and by 5,82% against the US dollar (USD) (1 USD = 4,1969 lei at 31 March 2021; 1 USD = 3,9660 lei, at 31 December 2020).
At the end of Q I 2022, as compared to the end of 2021, the leu appreciated against the EURO (`EUR`) by 0,03% (1 EUR = 4,9466 lei at 31 March 2022, 1 EUR = 4,9481 lei at 31 December 20210 and depreciated by 1,83% against US dollar (USD) (1 USD = 4,4508 lei at 31 March 2022, 1 USD = 4,3707 at 31 December 2021).

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these financial statements are presented below. These policies were consistently applied to all the financial years considered, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the company were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (`EU IFRS`). The financial statements were prepared based on the historical cost convention, except for the financial assets which are measured at fair value by the profit and loss account or at the fair value among other elements of the comprehensive income.

The preparation of the financial statements in accordance with EU IFRS requires the use of critical accounting estimates. Also, the management is required to use judgment in applying the company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5.

Accounting regulations applicable as of 2016

Amendments to various Improvements to IFRSs (2014-2016 Cycle) resulting from the project to improve IFRSs (IFRS 1, IFRS 12, IAS 28) mainly to eliminate inconsistencies and to clarify certain formulations (Amendments to IFRS 12 are applicable for the annual periods beginning on or after 1 January 2017 and the Amendments to IFRS 1 and IAS 28 are applicable for the annual periods beginning on or after 1 January 2018).

(a) Standards and interpretations applicable as of 2017

The following standards and amendments of the current standards, issued by the International Accounting Standard Board (`IASB`) and adopted by the European Union (EU) became applicable in 2017:

Amendments to IAS 12 "Income Tax"

Recognition of Deferred Tax Assets for Unrealised Losses (applicable for the annual periods beginning on or after 1 January 2017);

Amendments to deferred tax recognition for unrealized assets clarify the following aspects:

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Unrealized loss on debt instruments measured at fair value and at cost for tax purposes will give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the accounting value of the debit instrument by sale or by use;
- The accounting value of an asset does not limit the estimation of the future taxable profits
- Estimates of future taxable profits exclude tax deductions resulting from the lapse of taxable temporary differences;
- The entity estimates a deferred tax in combination with other deferred taxes. Where tax law restricts the use of tax loss, an entity will estimate deferred tax in combination with other deferred tax of the same type.

The Amendments are applicable for the period starting from or after 2017. The previous application is allowed;

The amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for the annual periods beginning on or after 1 January 2017);

(b) Standards and interpretations applicable as of 2018

At the date of reporting of these Financial Statements, the following standards, revisions and interpretations became applicable:

- **IFRS 9 Financial Instruments** - adopted by the UE on 22 November 2016 (applicable for the annual periods beginning on or after 1 January 2018) replaces IAS 39 – Financial Instruments - Recognition and Measurement;

IFRS 9 includes the requirements on financial instruments referring to recognition, classification, evaluation, depreciation loss, derecognition and hedge accounting against risks:

- *Classification and evaluation*: IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income elements, at fair value through profit or loss. The IFRS 9 classification is determined by the cash flow and business model in which an asset is held. This unitary approach based on principles eliminates the financial asset classification categories in IAS 39: held-to-maturity, loans and advances and available-for-sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

  According to IFRS 9, derivatives incorporated into contracts, where the host instrument is a financial instrument for the purpose of this standard, are not separate, but the entire hybrid instrument is considered for classification.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Impairment loss:* IFRS 9 introduces a new anticipated impairment loss model based on expected loss, which will require anticipated recognition of expected loss from impairment of receivables. The standard requires entities to recognize the anticipated impairment loss on receivables from the time of initial recognition of financial instruments, and to recognize the anticipated impairment loss over their lifetime. The amount of expected loss will be updated for each reporting period so as to reflect changes in credit risk as compared to initial recognition.

- *Impairment:* applies to commercial receivables that do not have a funding component is measured at amortized cost (the condition is that assets are held within a business model whose objective is to collect cash flows;

- *Hedge accounting:* IFRS 9 introduces a significantly improved hedge accounting model which includes additional disclosure requirements for risk management activity. The new model is a significant revision of the hedge accounting principles, which allows the alignment of the accounting treatment with the risk management activities.

IFRS 15 "Revenue from Contracts with Customers" as subsequently amended and amendments to IFRS 15 "Effective Date of IFRS 15" adopted by the EU on 22 September 2016 (applicable for the annual periods beginning on or after 1 January 2018);

IFRS 15 establishes a single model for the entities for revenue accounting resulting from customer contracts, replacing the following standards and interpretations from the date of entry into force:
- IAS 18 - Revenue;
- IAS 11 - Construction Contracts
- IFRIC 13 - Customer Loyalty Programmes;

Standards and interpretations that will come into force/applicable as of 2019 or at a future date
- IFRIC 15 - Agreements for the Construction of Real Estate;
- IFRIC 18 - Transfers of Assets from Customers;
- SIC 31 – Income - Barter Transactions Involving Advertising Services

The core principle of IFRS 15 is that an entity recognizes revenue when the goods or services promised to customers are transferred at a value that reflects the consideration the entity expects to have the right to exchange for those goods or services. An entity recognizes revenue in accordance with this core principle by applying the following steps: contract identification; identifying performance obligations from the contract; determining the transaction price; allocating the transaction price for the contract performance obligations; recognizing revenue when (or as) it fulfils an execution obligation.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The revenue from services provision is recognized as follows:

- based on the tariffs regulated by ANRE for firm/ interruptible natural gas transmission services through the National Transmission System;
- based on the transmission tariffs approved by ANRE for the transmission capacity booking on the entry/ exit points in/out of the natural gas transmission pipeline Isaccea 2-Negru Vodă 2;
- based on the tariffs negotiated within the transmission contract for the transmission capacity booking on the Isaccea 3-Negru Vodă 3 gas transmission pipeline;
- by auction, on the Regional Capacity Booking Platform (RBP) for the trading of bundled and unbundled capacity at cross-border interconnection points with transmission systems from European Union member countries,
- on the basis of regulated tariffs for activities related to the operation of the gas transmission system;
- prices determined on the basis of ANRE regulations for the balancing and neutrality activity within the provision of the transmission service;
- tariffs determined based on ANRE regulations for the administration of the balancing market.

For goods developed under the Concession Agreement, achieved in-house, the revenue is recognized at the level of the costs incurred.

Amendments to IAS 40 "Property Investment"–*property related to Investment transactions (applicable for the annual periods beginning on or after 1 January 2018*);

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (applicable for the annual periods beginning on or after 1 January 2018); the interpretation refers to the determination of the transaction date to determine the exchange rate to be used for the initial recognition of an asset, expense or income (or part thereof) in the derecognition of a non-monetary asset or non-monetary debt generated by a payment in advance in foreign currency. IFRIC 22 does not provide for guidance on the definition of the monetary and non-monetary items. A payment or advance payment generally leads to the recognition of a non-monetary asset/liability, but it may also lead to the recognition of a monetary asset/liability.

At the date of the reporting of these Financial Statements the following standards and interpretations are not applicable and they will enter into force on or after 1 January 2019:

- **IFRS 16 Leases** (applicable for the annual periods beginning on or after 1 January 2019); at the date of entry into force IFRS 16 will replace the following standards and interpretations:
  - IAS 17 - Leases;
  - IFRIC 4- Determining whether an Arrangement Contains a Lease;
  - SIC 15 – Operating Leases - Incentives;
  - SIC 27- Evaluating the Substance of Transactions in the Legal Form of a Lease.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 provides a model of control for lease identification by establishing principles for the recognition, measurement and presentation of lease contracts, that is the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of the identified asset exists if the client has the right to obtain substantially all the economic benefits and also the right to determine the manner and purpose in which the asset is used.

IFRS 16 introduces significant changes in lease accounting, in particular by eliminating the distinction between finance lease and operating lease, and requires the lessee to recognize a usable asset and a lease liability at the date of commencement of the contract, except for short-term leases or low-value asset lease.

As of 1 June 2020, IFRS 16 was amended to provide a practical expedient to lesees`s rent concessions ocurring as direct consequence of the COVID-19 pandemic andmeeting the following criteria:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) the reduction in lease payments relates only to payments due on or before 31 December 2021; and (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions meeting these criteria can be accounted according to the practical opportunity, which means that the lessee does not assess wether the rent concession meets the definition of a lease modification. The lesees apply other IFRS 16 requirements in the accounting of the accounting for the concession.

Amendments to IFRS 2 `Share-based Payment` – Classification and measurement of share-based payment transactions (applicable for the annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 4 `Insurance Contracts` - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for the annual periods beginning on or after 1 January 2018 or at the application for the first time of IFRS 9 `Financial Instruments`;
- Amendments to IFRS 10 `Consolidated Financial Statements` and IAS 28 `Investments in Associates and Joint Ventures`- Sale or contribution of assets between an investor and its associate or joint venture and its further amendments (the effective date was deferred indefinitely until completion of the research on the equity method);
- IFRIC 23- `Uncertainty over Income Tax Treatment` was prepared as an interpretation regarding IAS 12 Income Taxes, to specify the way of the uncertainty over the income tax accounting is presented.

  The IFRS Interpretation Committee developed IFRIC 23 to clarify uncertainties over how tax law applies to a particular transaction or circumstance or the extent to which a tax authority will accept a company`s tax treatment company. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty .

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In 2020, the IASB finalizes the amendments to IAS 1 and IAS 8 on the definition of "significant" "*information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity based on that financial statement, which provides financial information about a particular reporting entity.* "

New standards, interpretations and amendments with subsequent applicability.

The company has chosen not to apply in advance these standards, interpretations and amendments to be subsequently applicable

The following changes are valid for the period beginning on 1 January 2022:

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37); IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract) - In May 2020, the IASB issued amendments to IAS 37 that specify the costs that a company includes when assessing whether a contract will result in a loss and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts as they increase the scope of costs that are included in the assessment of the onerous contract.
- Annual Improvements to IFRSs: 2018-2020 Cycle - In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples accompanying IFRS 16 Leasing.
- The Conceptual Framework for Financial Reporting (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
- IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use) - In May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting amounts received from the sale of items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales revenue and any related costs in profit or loss.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STANDARDS AND AMENDMENTS IN MANDATORY FORCE AS OF 1 JANUARY 2023

- IFRS 17 Insurance Contracts - IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, there was significant diversity worldwide in the accounting and presentation of insurance contracts, with IFRS 4 allowing many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. In December 2021, the IASB amended IFRS 17 to add a transition option to address potential accounting mismatches between financial assets and insurance contract liabilities in comparative information presented on initial application of IFRS 17 and IFRS 9, thereby improving the usefulness of comparative information for users of financial statements.

- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Long-Term) - In January 2020, the IASB issued amendments to IAS 1 that clarify how an entity classifies liabilities as current or long-term. The amendments originally had an effective date of 1 January 2022, however, in July 2020, this was delayed until 1 January 2023 due to the COVID-19 pandemic. These changes are expected to have a significant impact on many entities, with several debts being classified as current, particularly those with loan-related conditionalities. The International Accounting Standards Board (IASB) issued “Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)” providing a more general approach to the classification of liabilities in accordance with IAS 1 based on existing contractual arrangements in the reporting.

- The changes were initially valid for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was postponed to annual reporting periods beginning on or after 1 January 2023:

Changes in the Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position - not the amount or timing of the recognition of any assets, income or expenses or the information that entities disclose about these items.

The following is clarified:

- ✓ The classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period and the wording shall be aligned in all relevant paragraphs to refer to the "right" to defer settlement by at least twelve months and clarify that only the rights in force "at the end of the reporting period" should affect the classification of a debt;
- ✓ The classification is not affected by expectations that an entity will exercise its right to defer the settlement of a debt;
- ✓ Settlement refers to the transfer to the counterparty of the cash, equity instruments, other assets or services.
- ✓ An entity applies this interpretation for annual reporting periods beginning on at or after 1 January 2019. Application prior to this date is permitted.
- ✓ An `uncertain tax treatment` is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under the tax law.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2) - In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements regarding accounting policies from "significant accounting policies" to "disclosures about material accounting policies". The amendments provide guidance on when accounting policy information can be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-binding guidance, no mandatory effective date has been specified for amendments to IFRS Practice Statement 2.
- Definition of accounting estimates (amendment to IAS 8) - In February 2021, the IASB issued amendments to IAS 8 that added to the definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from correcting prior period errors.
- Deferred tax relating to assets and liabilities arising from a single transaction (amendments to IAS 12) - In May 2021, the IASB issued amendments to IAS 12 clarifying whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability recognised simultaneously (for example, a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

3.2 Reporting on segments

Reporting on business segments is made consistently with the internal reporting by the main operating decision-maker. The main operating decision-maker, which is in charge with resource allocation and assessment of business segments' performance, was identified as being the Board of Administration, which makes the strategic decisions.

3.3 Transactions in foreign currency

a) *Functional currency*

The items included in the financial statements of the company are valued using the currency of the economic environment where the entity operates (`functional currency`). The financial statements are presented in Romanian leu (`lei`), which is the functional currency and the currency of company presentation.

b) *The rounding level used in the presentation of the financial statements*

In the financial statements the value are presented rounded by units.

c) *Transactions and balances*

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of transactions or valuation at the balance sheet date. Profit and loss resulting from exchange rate differences following the conclusion of such transactions and from the conversion at the exchange rate at the end of the reporting period of monetary assets and liabilities denominated in foreign currency are reflected in the statement of the comprehensive income.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Accounting for the effects of hyperinflation

Romania has gone through periods of relatively high inflation and was considered hyperinflationary under IAS 29 `Financial Reporting in Hyperinflationary Economies`. This standard required financial statements prepared in the currency of a hyperinflationary economy to be presented in terms of purchasing power as of 31 December 2003. As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, from 1 January 2004, the company no longer applies IAS 29.

Therefore, values reported in terms of purchasing power on 31 December 2003 are treated as basis for the accounting values of these financial statements.

3.5 Intangible Assets

Computer Software
Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).
Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.

Service Concession Agreement
From 2010, 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, the modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement.

As presented in Note 8, the company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

Due to the fact that the Service Concession Agreement (`SCA`) had no commercial substance (i.e. nothing substantial changed in the way the company operated assets; cash flows changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the derecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12). Consequently, the company continued to recognize the asset, but reclassified it as intangible asset. The company tested the intangible assets recognized at the time without identifying depreciation.

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at cost.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Tangible Assets

Tangible assets include buildings, land, assets used for the non-regulated international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

The company's policy is to reflect intangible assets at their cost at their cost less any accumulated depreciation and any impairment accumulated losses.

Buildings include particularly ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is taken off the books. All the other expenses with repairs and maintenance are recognized in the statement of comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight-line method in order to allocate their cost minus the residual value, during their useful life, as follows:

	Number of years
Buildings	50
Assets of the gas transmission system	20
Other fixed assets	4 - 20

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of a long lead asset are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-lead asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for obtaining the long-lead asset.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The costs of the funds borrowed for obtaining a long lead asset (achievement of the investment) are capitalized by the company on the asset as a difference between the current leverage costs related to such loan during the period and any revenue from the investments obtained from the temporary investment of these loans.

Borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred, unless the operator has the contractual right to receive an intangible asset, in which case the borrowing costs attributable to an arrangement are capitalized during the engagement stage.

The residual values of the assets and their useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

The book value of the asset is written down immediately to its recoverable amount if the book value of the respective asset is greater than its estimated recoverable amount (Note 3.7).

Gain and loss on disposal are determined by comparing amounts to be received with the book value and are recognized in the statement of comprehensive income in the period in which the sale took place.

3.7. Impairment of non-financial assets

Depreciated assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable.

The impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. An impairment loss recognized for an asset in prior periods is reversed if there are changes in the estimates used to determine the recoverable amount of the asset at the date the last impairment loss was recognized. For the calculation of this impairment, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units).

Depreciated non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of lei 474,952,575 (31 December 2017: RON 474,952,575), representing gas pipelines, are managed by the company. Therefore, the company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8). The company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network

assets over a period at least equal to the remaining useful life, and the financial performance of the company is directly influenced by the state of the network. Therefore, before 1 January 2010, the company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the company's tangible assets (Notes 3.7 and 3.6).

The company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

Starting with 01.01.2018, IFRS 15 "Revenues from the contracts with the clients" became applicable in Romania. This standard replaces a set of older standards (such as IAS 11, IAS 18) and changes IFRIC 12 giving a new interpretation to the contract notion. Therefore, our company registered the discounted receivables related to the regulated value remained undepreciated at the end of the concession agreement as a counterperformace and an intangible asset at a value diminished with the amount of the discounted receivables.

In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the revenue. The duration of the concession agreement is 30 years, until 2032. Subsequent to entry into force of the provisions of art. 103 para. 2 of Law no. 123/2012, as of 12 November 2020, the royalty was set at 0.4%, from the domestic and international gas transmission services provided by the company.

3.9 Financial assets

The company classifies its financial assets into the following categories: measured at fair value through profit or loss, measured at depreciated cost and measured at fair value by other elements of the comprehensive income. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in the current assets, except for those which have a maturity greater than 12 months after the end of the reporting period. These are classified as fixed assets. Loans and receivables of the company include `trade receivables and other receivables` and cash and cash equivalent in the statement of the financial position (Notes 3.11 and 3.13). Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the regulated value remained undepreciated at the end of the concession agreement, at a counterperformance

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and an intangible asset at a value less the updated receivable. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement. The initial measurement of the compensation is made at the fair value which reflects the credit risk which applies to the regulated amount remaining unamortized at the end of the contract. Subsequent valuation is done at amortized cost using the effective interest method. The actual interest rate used is based on historical data and does not change according to market interest rate.

In 2019, ANRE Order no. 41/2019 on the adjustment of asset regulated value to the inflation rate. The company records the present value of the contractual cash flows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

(b) Financial assets measured at fair value through the profit or loss account or measured at fair value by other elements of the comprehensive income

IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss. The classification on IFRS 9 is determined by the cash flow characteristics and the business model in which an asset is held. This unitary approach based on principles eliminates the classification of financial assets in IAS 39: held-to-maturity investments, loans and receivables, and available for sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

Upon initial recognition, an entity may make an irrevocable choice to present to other comprehensive income elements the subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is it a recognized contingent consideration by an acquirer in a business combination to which IFRS 3 applies. In this case it will recognize the dividends from that investment in the income statement.

(c) Impairment of financial assets

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets suffered impairment. A financial asset or group of financial assets is impaired and impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a `loss generating event`) and if such event (or events) which generates loss has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- breach of contract, such as default or delinquency in interest or loan payment;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise have had in view;
- it is likely that the debtor will go bankrupt or enter another form of financial reorganization;
- disappearance of the active market for that financial asset because of financial difficulties; or
- observable data indicate that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for individual financial assets in the portfolio, including:
- adverse changes in the payment status of debtors in the portfolio; and
- economic conditions, at national or local level, that correlate with defaults, relating to the assets in the portfolio.

The company assesses first whether objective evidence of impairment exists.

(i) Assets registered at amortized cost

Impairment testing of trade receivables is described above.

For loans and receivables, the amount of the loss is measured as the difference between the book value of the asset and the updated value of estimated future cash flows (excluding future credit loss which was not incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the company may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the reconsidered of impairment loss recognized previously in profit or loss.

(ii) Assets measured at cost

The share held at Eurotrangaz SRL is recognized at its fair value as of the date of trading, being evaluated, after the initial recognition, at cost according to Art.4.1.2 of IFRS 9 and Art.10.a-IAS 27-Separate Financial Statements:

`When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9 or using the equity method.`

In 2020 the company evaluated the stake held in Eurotrangaz SRL in order to identify any possible impairment losses No impairments were found.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10.Inventories

Inventories are stated at the lower of cost and net achievable value.

The components recovered from disassemblings and repairs of pipelines built by the company are recorded as stocks at a value determined by a technical committee. The amount so determined does not exceed the net achievable value.

The cost is determined based on the first in, first out method. Where necessary, adjustment is made for obsolete and slow moving inventories. Individually identified obsolete inventories are adjusted for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

The calculation of the general adjustment for the depreciation of stocks is made monthly depending on the age of the existing items in stock, applying the following percentages according to age: 0 - 12 months 0%; 1 - 2 years 10%; 2 - 3 years 30% - 40%; over 3 years 75% - 80%.

The cost of natural gas used for the balancing activity related to the transmission system is determined based on the average weighted cost method.

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority (ANRE President). The Decision no. 588/08.04.2020 of the ANRE President established the obligation for the company to have a minimum level of natural gas stock of 560.724,517 MWh as at 31 October 2020, and the Decision no. 748/14.04.2021 of the ANRE President established the obligation for the company to have a level of natural gas stock of 597.115,143 MWh as at 31 October 2021.

3.11. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets. If not, they are presented as fixed assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the adjustments for impairment.

The debt adjustment policy according to IFRS9 is presented in note 12.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Value Added Tax

The value added tax must be paid to tax authorities based on the monthly VAT declaration by the 25th of the following month, regardless of the collection of receivables from customers. Tax authorities allow the settlement of VAT on a net basis. If the deductible VAT is higher than the output VAT, the difference is refundable at the request of the company. That VAT can be refunded after a tax audit, or, even in its absence, if certain conditions are met. VAT on sales and purchases which are not settled at the end of the reporting period is recognized in the statement of financial position at net value and disclosed separately as a current asset or liability. In cases where adjustments were made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including the VAT. The related VAT has to be paid to the State and can be recovered, as from the date of the judgment or, as the case may be, the date of the closure of the bankruptcy, according to the insolvency law.

3.13. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and with maturity terms of up to three months and overdrafts from banks. In the statement of financial position, overdraft facilities are registered at loans, under current liabilities.

3.14 Equity

Share capital
Ordinary shares are classified as equity.
Additional costs directly attributable to the issue of new shares or options are registered at equity as a deduction, net of tax, from the receipts.

Dividends
Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

3.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs recorded. Subsequently, borrowings are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss during the borrowings, based on the effective interest method.

Borrowings are classified as current liabilities, unless the company has an unconditional right to defer payment of debt for no less than 12 months after the end of the reporting period.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Current and deferred profit tax

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

Current profit tax expense is calculated based on the tax regulations in force at the end of the reporting period. The company periodically evaluates situations where the applicable tax regulations are subject to interpretation and establishes provisions/ adjustments for impairment, where appropriate, for the amounts with accounting/fiscal impact.

The deferred profit tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred profit tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the accounting profit and the taxable revenue is not recognized. The deferred profit tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred profit tax asset is realized or the deferred profit tax liability is settled.

Deferred revenue tax assets are recognized to the extent that it is probable that future taxable profit be derived from temporary differences.

3.17 Commercial payables and other payables

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Commercial payable accounts and other payables are closed as a result of the payment of debts, offsetting with receivables or their write-off through the profit and loss account.

3.18 Deferred revenue

Deferred revenue is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected.

The grants collected are assimilated to the governmental subsidies.

The governmental subsidies are acknowledged to their market value when there is a reasonable assurance that they will be received and that the relevant conditions will be met.

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants the company chose to record the total asset value and a deferred revenue.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the remaining unamortised value at the end of the concession agreement at a counterperformance and an intangible asset at a value less the updated receivable.

3.19 Employee benefits

In the normal course of business, the company makes payments to the Romanian state on behalf of its employees, for health funds, pensions and unemployment benefits. All the company employees are members of the pension plan of the Romanian state, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

Benefits granted on retirement
Under the collective agreement, the company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 21). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts using the Projected Unit Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.

Actuarial gain or loss due to changes in actuarial assumptions is recognized in the statement of comprehensive income in the period for which the actuarial calculation is made.

Social insurance
The company records expenses related to its employees, as a result of granting social insurance benefits. These amounts mainly include the implicit costs of employing workers and, therefore, are included in the salary expenses.

Profit sharing and bonuses
The company recognizes an obligation and expense for bonuses and profit sharing, based on a formula taking into account the profit attributable to the company's shareholders, after certain adjustments. The company recognizes an obligation where it is required under contract or where there is a past practice which created an implicit obligation.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Provisions for risks and charges

The provisions for risks and charges are recognized when the company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole.

The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.21 Revenue recognition

Revenue covers the fair value of amounts received or receivable from the sale of services and/or goods in the normal course of business of the company. Revenue is recorded net of value added tax, returns, rebates and discounts.

The company recognizes the revenue when their amount can be estimated with certainty, when it is probable that the entity collects future economic benefits and when certain criteria are met for each of the company's activities as described below. The amount of revenue is not considered reliably estimated until all contingencies relating to the sale are settled. The company bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each commitment.

a) *Revenue from services*

Revenue from the domestic gas transmission results from the booking the transmission capacity and from the transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the validity of a gas transmission contract, and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by day 15 of the month following the month for which the transmission service was provided: an invoice for the transmission services provided for the previous month, based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice exceeding of the capacity booked.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from international transmission and similar activities are represented by the transmission capacity booking on the Isaccea 2.3 - Negru Voda 2.3 international transmission pipelines and by the amounts receivable for the reporting period under the Termination Agreement of the legacy contract between SNTGN Transgaz SA and GPE concluded for the transmission of natural gas through the T3 transit pipeline on Romanian territory to third countries. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the payment of the remaining amounts to be paid will be made in instalments over a maximum period of three years and the revenues received from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014 respectively depending on the points where capacity is booked, the monthly difference being classified as assimilated revenues.

According to the Network Code, the gas delivery day is defined as the time period beginning at 7:00 a.m. Romanian local time on any day and ending at 7:00 a.m. Romanian local time on the following day. The gas day shall be reduced to 23 hours at the changeover to daylight saving time and increased to 25 hours at the changeover to winter time, so that all related rights and obligations under the gas transmission contracts shall be increased or reduced accordingly on those gas days

b) Revenue from the sale of goods

Revenue from the sale of goods is registered when the goods are delivered.

c) Interest revenue

Interest revenue is recognized proportionally, based on the effective interest method.

d) Revenue from dividends

Dividends are recognized when the right to receive payment is recognized.

e) Mutual compensation and barter transactions

A relatively reduced part of the sales and purchases are compensated by mutual agreements, barter or non-cash agreements. These transactions generally occur in the form of cancellation of balances, either bilaterally or through a chain involving several companies.
Sales and purchases that are intended to be offset by mutual agreements, barter or non-cash agreements are recognized based on management's estimates of their fair value to be received or disposed of in non-cash compensation. Fair value is determined based on the available market information.
Non-cash transactions were excluded from the cash flow statement, so investing activities, financing activities, and all operational activities represent current cash flows.
No barter transactions were performed in 2020 and in 2019.

f) Revenue from penalties

Revenue from penalties for late payment is recognized when future economic benefits are expected for the company.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The company does not use derivative financial instruments to protect itself from certain risk exposures.

(a) ***Market risk***

(i) Currency risk

The company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets (Note 12) and recognized liabilities.

The company does not perform formal actions to minimize the currency risk related to its operations; the company does not apply hedge accounting. The management believes that the company is covered in terms of the currency risk, given that the foreign currency incoming payments (mainly revenue from international transmission) are used to settle liabilities denominated in foreign currency.

The following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied at the end of the reporting period of the functional currency of the company, with all variables held constant:

	31 March 2022 (unaudited)	31 December 2021
Impact on profit and loss and on equity of:		
USD appreciation by 10%	709.259	130.464
USD depreciation by 10%	(709.259)	(130.464)
EUR appreciation by 10%	(27.504.395)	(36.386.664)
EUR depreciation by 10%	27.504.395	36.386.664

(ii) Price risk

The company is exposed to the commodity price risk related to gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 1.690.710 (on December 2021: lei 3.040.424).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk on cash flow and fair value

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period , if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by 1.763.464 (December 2021: 6.981.227 lower/higher) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

(b) *Credit risk*

Credit risk is especially related to cash and cash equivalents and trade receivables. The company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The company's credit risk is concentrated on the 5 main customers, which together account for 44% of the trade receivable balances on 31 March 2022 (31 December 2021: 45%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made. As at 31 March 2022 the company has available payment guarantees from its clients amounting to lei 176.588.286.

Cash is placed with financial institutions, which are considered as associated to a minimum performance risk.

	31 March 2022 (unaudited)	31 December 2021
Without rating	274.932	331.743
BB+	120.684.406	168.175.800
BBB-	1.323.555	1.250.380
BBB+	79.232.794	151.020.967
A+	135.843	136.085
AA	116.838	112.021
	201.768.368	**321.026.996**

All the financial institutions are presented in the Fitch rating or equivalent.

(c) *Liquidity risk*

Preventive liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The company projects cash flows. The financial function of the company continually monitors the company's liquidity requirements to ensure that there is sufficient cash to meet operational requirements, while maintaining a sufficient level of unused borrowing facilities (Note 16) at any time, so the company does not violate the limits or loan agreements (where applicable) for any of its borrowing facilities. These projections take into account the company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet indicators and, where appropriate, external regulations or legal provisions.

The Financial Division of the company invests extra cash in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide the appropriate framework, established under the provisions mentioned above.

The table below shows obligations on 31 March 2022 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Maturity analysis of financial liabilities on 31 March 2022 is as follows:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	1.827.959.026	179.509.310	701.098.390	947.351.326
Commercial payables and other payables	467.747.201	451.567.477	16.179.724	-
	2.295.706.227	631.076.787	717.278.114	947.351.326

Maturity analysis of financial liabilities on 31 December 2021 is as follows:

	Total amount	Less than 1 year	1-5 years	over 5 years
Loans	2.071.100.560	169.478.217	924.070.250	977.552.093
Commercial payables and other payables	572.954.064	556.254.739	16.699.325	-
	2.644.054.624	725.732.956	940.769.575	977.552.093

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments categories:

	31 March 2022 (unaudited)	31 December 2021
Financial assets		
Cash and cash equivalents	134.594.506	155.425.430
Term bank deposits	68.020.514	165.759.831
Loans and receivables	2.334.368.135	2.268.837.728
Financial assets - stakes	258.250.935	321.154.407
Provisions related to financial assets - stakes	(24.578.237)	(24.578.237)
	2.770.655.853	**2.886.599.159**

	31 March 2022 (unaudited)	31 December 2021
Financial liabilities		
Debts evaluated to amortised cost		
Loans	1.585.331.384	1.843.906.821
Liabilities evaluated at fair value		
Financial securities for contracts	31.679.830	50.028.771
Commercial liabilities and other liabilities	419.887.647	506.225.968
	2.036.898.861	**2.400.161.560**

In the category including loans and liabilities, the liabilities related to employees and payables registered in advance are not included.

Capital risk management

The company's objectives related to capital management refer to keeping the company's capacity to continue its activity to provide compensation to shareholders and benefits to the other stakeholders and to maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

As for the other companies in this sector, the company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The net indebtedness degree on 31 March 2022 and on 31 December 2021 is reflected in the table below:

	31 March 2022	31 December 2021
Total borrowings	1.585.331.384	1.843.906.821
Except: cash and cash equivalents (Note 13)	(202.615.020)	(321.185.261)
Net cash position	1.382.716.364	1.522.721.560

Fair value estimate

The fair value of the financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of the financial instruments that are not traded on an active market is set using valuation techniques.

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the company for similar financial instruments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The company develops estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events considered reasonable under certain circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing an important material adjustment to the book value of assets and liabilities within the next financial year are presented below.

5.1 Assumptions for the determination of the provision for retirement benefits

This provision was calculated based on estimates of the average wage, the average number of employees and the average number of wage payment at retirement, as well as based on the benefits payment scheme. The provision was brought to the present value by applying a discount factor calculated based on the risk-free interest rate (i.e. interest rate on government bonds).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The present value of the obligations at 31 December 2021 is of lei 110.048.408 (on 31 December 2020: 121.509.096 lei) (Note 21).

The presentation of the current value for the 2021 depending on the following variables:

	31 December 2021
Inflation rate +1%	123.853.864
Inflation rate -1%	98.056.517
Investment return +10%	104.052.637
Investment return -10%	116.610.244

Analysis of the maturity of benefits payments:

	31 December 2021
Up to one year	4.592.018
Between 1 and 2 years	2.785.733
Between 2 and 5 years	10.993.273
Between 5 and 10 years	72.309.686

5.2 The accounting treatment of the concession agreement

As indicated in Note 8, in May 2002 the company concluded a Concession Agreement with the National Agency for Mineral Resources (`ANRM`), which entitles the company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, Government Decision (`GD`) No. 491/1998 and GD No. 334 of 2000 by which the company was established. According to the provisions of this agreement, the company receives most of benefits associated to assets and is exposed to most of the risks. Therefore, the company recognized these assets in the statement of the financial position, with an appropriate reserve in equity.

Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the company's management considered that it is, in substance, an equity component, defined as the residual interest in the company's assets after the deduction of all debts. In addition, because the company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the company applied IFRIC 12 (Note 3.5).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

5.3 The accounting treatment of royalties payable for using the national gas transmission system

As indicated in Note 8, the company pays royalties, calculated as percentage of the gross revenue achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from revenue, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the company's revenue is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff;

As of 1 January 2020, according to ANRE Order no. 1/2020, the company has the obligation to pay annually to ANRE a tariff amounting to 0.062 lei MWh applied to the quantity of natural gas transmitted for carrying out activities in the natural gas sector based on a license.

5.4 Long-term receivables

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor in exchange for the payment of a compensation equal to the unamortized regulated value set by ANRE.

The company believes that the legislative change represents a compensation for the value of the investments made, which the company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users.

From 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long term receivable (compensation) upon the commissioning of the investment.

The present value was determined for the remaining period of the concession contract (the year 2032), because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)).

In 2019 ANRE Order n0. 41/2019 on the adjustment of the regulated value of the assets at the inflation rate entered into force. The company records the present value of the contractual cashflows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

From 2021 onwards, the company has changed the way of estimating the discount rate for the present value calculation, using instead of the Bloomberg rate the NBR reference rate for government securities (fixing), considering that this rate reflects with increased fidelity the internal context in which the transactions take place; by using a rate fixed for a period of 10 years, there is no need for a sensitivity analysis associated with this calculation

6. INFORMATION ON SEGMENTS

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration , which makes strategic decisions for reportable segments, for the period ended 31 March 2022 is:

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	411.334.767	-	-	-	411.334.767
Revenue from international transmission and similar	-	11.255.499	-	-	11.255.499
Other revenue	20.288.181	-	-	14.205.760	34.493.941
Operating revenue before the balancing and the construction activity according to IFRIC12	**431.622.948**	**11.255.499**	**-**	**14.205.760**	**457.084.207**
Depreciation	(96.917.718)	(7.266.013)	-	(417.933)	(104.601.664)
Operating expenses other than depreciation	(95.307.034)	(608.647)	-	(13.298.913)	(109.214.594)
Profit from operation before the balancing and construction activity according to IFRIC12	**239.398.196**	**3.380.839**	**-**	**488.914**	**243.267.949**
Revenue from the balancing activity	-	-	316.952.186	-	316.952.186
Cost of balancing gas	-	-	(316.952.186)	-	(316.952.186)
Revenue from the construction activity according to IFRIC12	-	-	-	26.440.196	26.440.196
Cost of constructed assets according to IFRIC12	-	-	-	(26.440.196)	(26.440.196)
Operating profit	**239.398.196**	**3.380.839**	**-**	**488.914**	**243.267.949**
Net financial gain	-	-	-	-	80.072.952
Profit before tax	-	-	-	-	**323.340.901**
Profit tax	-	-	-	-	(55.423.160)
Net profit	-	-	-	-	**267.917.741**
Assets on segments	6.293.278.941	201.530.756	639.955.488	489.458.698	7.624.223.883
Liabilities on segments	3.146.138.631	540.326	264.005.731	56.594.417	3.467.279.105
Capital expenditure - increases in assets in progress	30.359.568	-	-	-	30.359.568

6. INFORMATION ON SEGMENTS (CONTINUED)

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. Assets shown for the balancing segment comprise mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:

Tangible and intangible assets	33.247.468
The right of use of the leased assets	19.214.483
Financial assets	233.672.698
Cash	202.615.020
Other assets	709.029
	489.458.698

Unallocated liabilities include:

Deffered tax	14.202.096
Payable tax	39.728.742
Dividends payable	1.578.169
Other debts	1.085.410
	56.594.417

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the write-down of inventories, other provisions for risks.

International transmission services are performed for several foreign clients, while the domestic transmission activity is performed for several domestic clients.

	Domestic Clients	Foreign Clients	Total
Revenue from the domestic transmission	371.153.726	40.181.041	411.334.767
Revenue from international transmission and similar	-	11.255.499	11.255.499
Other revenue	34.137.565	356.376	34.493.941
	405.291.291	51.792.916	457.084.207

6. INFORMATION ON SEGMENTS (CONTINUED)

Domestic clients with over 10% of the total revenue include:	**Percentage of the total revenue**
ENGIE ROMANIA S.A.	19%
E.ON ENERGIE ROMANIA S.A.	11%
SNGN ROMGAZ S.A	10%

All company's assets are located in Romania. All company's activities are carried out in Romania.

The company has external trade receivables amounting to lei 32.644.926 (31 December 2021: lei 20.783.737).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial revenue related to the claims for the regulated value of the regulated asset base remained undepreciated at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transhipment of the Romanian territory and similar; *the balancing* segment includes expenses and revenue related to the national transmission system balancing activity developed starting with 1 December 2015, neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 31 March 2021, is as follows:

6. INFORMATION ON SEGMENTS (CONTINUED)

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	421.450.362	-	-	-	421.450.362
Revenue from international transmission	-	10.342.360	-	-	10.342.360
Other revenue	11.707.586	-	-	12.288.272	23.995.858
Operating revenue before the balancing and the construction activity according to IFRIC12	**433.157.948**	**10.342.360**	**-**	**12.288.272**	**455.788.580**
Depreciation	(70.248.301)	(8.268.586)	-	(461.150)	(78.978.037)
Operating expense other than depreciation	(186.404.323)	(4.617.271)	-	(6.002.331)	(197.023.925)
Profit from operation before the balancing activity according to IFRIC12	**176.505.324**	**(2.543.497)**	**-**	**5.824.791**	**197.786.618**
Revenue from the balancing activity	-	-	74.252.638	-	74.252.638
Cost of balancing gas	-	-	(74.252.638)	-	(74.252.638)
Revenue from the construction activity according to IFRIC12	-	-	-	158.009.935	158.009.935
Cost of constructed assets according to IFRIC12	-	-	-	(158.009.935)	(158.009.935)
Profit from operation	**176.505.324**	**(2.543.497)**	**-**	**5.824.791**	**179.786.618**
Net financial gain					17.015.779
Profit before tax					**196.802.397**
Profit tax					(38.906.402)
Net profit					**157.895.995**
Assets on segments	6.051.574.817	266.806.973	237.083.659	596.502.942	7.151.968.391
Liabilities on segments	3.157.616.190	3.035.409	47.702.268	3.576.799	3.211.930.666
Capital expenditure - increases in assets in progress	159.037.795	77.289	-	31.199	159.146.283
Non-cash expenses other than depreciation	22.823.802	646.326	-	145.611	23.615.739

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

6. INFORMATION ON SEGMENTS (CONTINUED)

Unallocated assets include:	
Tangible and intangible assets	33.276.000
Right of use of leased assets	18.742.400
Financial assets	286.808.053
Cash	252.664.157
Deferred tax	4.545.090
Other assets	467.242
	596.502.942
Unallocated liabilities include:	
Dividends payable	2.457.553
Other debts	1.119.246
	3.576.799

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the write-down of inventories, other provisions for risks.

International transmission services are provided for several foreign customers, while the domestic transmission activity is performed for several domestic customers.

	Domestic Clients	Foreign Clients	Total
Revenue from domestic transmission	414.416.699	7.033.663	421.450.362
Revenue from international transmission		10.342.360	10.342.360
Other revenue	23.836.758	159.100	23.995..858
	438.253.457	17.535.123	455.788.580

Domestic clients with over 10% of the total revenue include:	**Percentage of the total revenue**
ENGIE ROMANIA S.A.	26%
E.ON ENERGIE ROMANIA SA	15%
SNGN ROMGAZ S.A.	11%

All the company's assets are located in Romania. All the company's activities are carried out in Romania.

7. TANGIBLE ASSETS

	Lands and buildings	Transmission system assets	Other fixed assets	Assets in progress	Total
On 31 March 2021 (unaudited)					
Cost on 1 January 2021	283.683.016	961.742.372	306.625.921	10.720.302	1.562.771.611
Depreciation accumulated	(166.527.564)	(698.136.920)	(246.733.074)	-	(1.111.397.558)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Initial net book value	**117.155.452**	**263.605.452**	**59.892.847**	**9.064.120**	**449.717.871**
Inflows	-	-	-	5.261.228	5.261.228
Reclassification	166.248	-	12.270	-	178.518
Transfers	225.058	-	3.334.810	(3.559.868)	-
Outflow (net value)	(1.539)	(5.609)	(82.900)	-	(90.048)
Expense with depreciation	(1.565.131)	(7.712.654)	(5.853.993)	-	(15.131.778)
Final net book value	**115.980.088**	**255.887.189**	**57.303.034**	**10.765.480**	**439.935.791**
Cost	284.545.830	961.642.373	304.658.519	12.421.662	1.563.268.384
Accumulated depreciation	(168.565.742)	(705.755.184)	(247.355.485)	-	(1.121.676.411)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	**115.980.088**	**255.887.189**	**57.303.034**	**10.765.480**	**439.935.791**
On 31 December 2021					
Initial net book value	**115.980.088**	**255.887.189**	**57.303.034**	**10.765.480**	**439.935.791**
Inflows	-	-	-	59.488.501	59.488.501
Reclassifications	505.000	-	-	-	505.000
Transfers	6.823.451	11.899.327	37.589.990	(56.312.768)	-
Outflow (net value)	-	(13.881)	(8.193)	-	(22.074)
Expense with depreciation	(4.721.635)	(23.766.142)	(17.360.821)	-	(45.848.598)
Final net book value	**118.586.904**	**244.006.493**	**77.524.010**	**13.941.213**	**454.058.620**
Cost	292.759.786	972.044.444	336.535.669	15.597.395	1.616.937.294
Accumulated depreciation	(174.172.882)	(728.037.951)	(259.011.659)	-	(1.161.222.492)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Net book value	**118.586.904**	**244.006.493**	**77.524.010**	**13.941.213**	**454.058.620**
On 31 March 2022					
Initial net book value	**118.586.904**	**244.006.493**	**77.524.010**	**13.941.213**	**454.058.620**
Inflows	-	-	-	1.192.635	1.192.635
Transfers	-	-	1.302.989	(1.302.989)	-
Outflow (net value)	(6.171)	-	(5.453)	-	(11.624)
Expense with depreciation	(437.667)	(8.952.249)	(6.862.769)	-	(16.252.685)
Final net book value	**118.143.066**	**235.054.244**	**71.958.777**	**13.830.859**	**438.986.946**
Cost	292.670.181	972.051.714	336.441.447	15.487.041	1.616.650.383
Accumulated depreciation	(174.527.115)	(736.997.470)	(264.482.670)	-	(1.176.007.255)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	**118.143.066**	**235.054.244**	**71.958.777**	**13.830.859**	**438.986.946**

The gross book value of the fully depreciated assets, still used, is lei 331.093.103 (31 December 2021: lei : 327.452.026).

On 31 March 2022 no advances granted for the procurement of tangible assets are registered.

Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national

gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12.

The company does not depreciate the tangible assets approved for discarding and does not own pledged fixed assets.

8. SERVICE CONCESSION AGREEMENT

In May 2002, the company concluded a Service Concession Agreement (`SCA`) with the ANRM, which entitles the company to operate the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, GD No. 491/1998 and GD No. 334/2000 by which the company was established. All modernizations and improvements made by the company to the system are considered part of the system and become property of the ANRM at the end of their useful life. The company cannot sell or discard any asset part of the national transmission system; withdrawals can only be made with the approval of the state.

At the expiration of the agreement, the assets belonging to the public domain, existing upon signing the agreement and all investments made in the system will be returned to the State. The company owns and will develop other assets that are not directly part of the national gas transmission system, but are complementary assets for gas transmission operations. The ANRM has the option to buy these assets at the end of the concession agreement, at the fair value.

The main terms of the Concession Agreement are the following:

- The company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the company and then approved by the ANRE;
- The company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The company must annually publish by 30 October the available capacity of the system for the following year;
- The company must annually respond to the clients' orders by 30 November and the ANRM must be informed on all rejected orders decided by the company's management;
- The company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

- royalties are paid as percentage (by 30 September 2007: 5%, between October 2007 and 11 November 2020: 10% as of 12 November 2020: 0,4%) of the gross revenue from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the company;
- The company may cancel the agreement by notifying the ANRM 12 months in advance;
- The ANRM may cancel the agreement by a 6-month prior notice, if the company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for `national interest` reasons; in this case, the company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The Concession Agreement does not include an automatic renewal clause.

The terms of the Concession Agreement were not amended after June 2003, except for the approval of the minimum investment plans.

9. INTANGIBLE ASSETS

	Assets related to the ACS	Information programmes	Intangible assets	Assets related to the ACS
On 31 March 2021 (unaudited)				
Cost on 1 January 2021	8.171.222.202	58.488.655	1.062.450.559	9.292.161.416
Accumulated depreciation	(4.337.236.324)	(55.092.001)	-	(4.392.328.325)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.159.196.071)	-	-	(1.159.196.071)
Concession Agreement receivable depreciation	200.168.159	-	-	200.168.159
Net book value	**2.874.957.966**	**3.396.654**	**1.053.307.782**	**3.931.662.402**
Inflow	-	-	153.885.055	153.885.055
Reclassifications	(178.518)	-	-	(178.518)
Transfers	5.119.666	770.327	(5.889.993)	-
Outflow	(13.356)	-	-	(13.356)
Depreciation	(83.380.216)	(417.712)	-	(83.797.928)
Concession Agreement receivables	(3.024.755)	-	-	(3.024.755)
Concession Agreement receivable depreciation	20.543.974	-	-	20.543.974
Final net book value	**2.814.024.761**	**3.749.269**	**1.201.302.844**	**4.019.076.874**
Cost	8.175.579.973	59.258.982	1.210.445.621	9.445.284.576
Accumulated depreciation	(4.420.046.519)	(55.509.713)	-	(4.475.556.232)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.162.220.826)	-	-	(1.162.220.826)
Concession Agreement receivable depreciation	220.712.133	-	-	220.712.133
Net book value	**2.814.024.761**	**3.749.269**	**1.201.302.844**	**4.019.076.874**
On 31 December 2021				
Initial net book value	**2.814.024.761**	**3.749.269**	**1.201.302.844**	**4.019.076.874**
Inflow	-	-	498.629.819	498.629.819
Reclassifications	(505.000)	-	-	(505.000)
Transfers	1.295.316.215	15.544.306	(1.310.860.521)	-
Outflow	-	-	-	-
Depreciation	(291.978.948)	(1.468.623)	-	(293.447.571)
Concession Agreement receivables	(295.744.324)	-	-	(295.744.324)
Concession Agreement receivable depreciation	69.018.696	-	-	69,018,696
Final net book value	**3.590.131.400**	**17.824.952**	**389.072.142**	**3.997.028.494**
Cost	9.470.896.188	74.238.546	398.214.919	9.943.349.653
Accumulated depreciation	(4.712.530.466)	(56.413.594)	-	(4.768.944.060)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.457.965.151)	-	-	(1.457.965.151)
Concession Agreement receivable depreciation	289.730.829	-	-	289.730.829
Net book value	**3.590.131.400**	**17.824.952**	**389.072.142**	**3.997.028.494**
On 31 March 2022				
Initial net book value	**3.590.131.400**	**17.824.952**	**389.072.142**	**3.997.028.494**
Inflow	-	-	29.166.933	29.166.933
Transfers	5.005.522	937.856	(5.943.378)	-
Outflow	-	-	-	-
Depreciation	(113.508.081)	(1.231.930)	-	(114.740.011)
Concession Agreement receivables	(2.076.140)	-	-	(2.076.140)
Concession Agreement receivable depreciation	27.377.174	-	-	27.377.174
Final net book value	**3.506.929.875**	**17.530.878**	**412.295.697**	**3.936.756.450**
Cost	9.475.901.710	75.176.402	421.438.474	9.972.516.586
Accumulated depreciation	(4.826.038.547)	(57.645.524)	-	(4.883.684.071)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.460.041.291)	-	-	(1.460.041.291)
Concession Agreement receivable depreciation	317.108.003	-	-	317.108.003
Net book value	**3.506.929.875**	**17.530.878**	**412.295.697**	**3.936.756.450**

9. INTANGIBLE ASSETS (CONTINUED)

The minimum NTS gas quantity required to ensure the pressures and flow rates for the end consumers under the contractual conditions (NTS linepack) is recognized in the value of the right to use, as an intangible asset. On 31 March 2022 the linepack is of 839.915 MWh and amounts to lei 72.317.489, of which NTS linepack is 804.955 MWh and amounts to lei 64.081.318. On 31 December 2021 the line pack is of 696.964 MWh and amounts to lei 57.240.411, of which NTS linepack is of 574.965 MWh and amounts lei 45.012.893.

As at 31 March 2022, the company capitalized depreciation expenses of lei 6.172 and interest expense amounting to lei 2.916.478 (in 2021, the company capitalized depreciation expenses of 2.646.453 and interest expense amounting to lei 16.332.693).

On 31 March 2022 the advances granted for the procurement of national gas transmission system development works in the amount of lei 27.533.952 are presented in the intangible assets in progress (lei 27.533.952 on 31 December 2021).

The remaining life of the intangible assets is presented in Note 3.5 and Note 3.8.

The rights of use of the leased assets (IFRS 16)

As of 1 January 2019 the company applies IFRS 16 for the leasing contracts complying with the recognition criteria and recognized the intangible asset as a right of use related to the leasing contract:

	Leases according to IFRS16
Cost on 1 January 2022	**30.660.861**
Accumulated depreciation	(11.043.725)
Net book value	19.617.136
Inflow	656.462
Outflow	-
Depreciation	(1.059.115)
Final net book value on 31 March 2022	19.214.483

Detailed information on IFRS 16 as at 31 March 2022:

	31 March 2022	Of which related to the class -Forestry conventions
Value as use (DU)	31.317.323	15.135.813
Depreciation related to DU	12.102.841	3.102.039
DU interest	190.156	116.147
Debt regarding DU	20.112.532	12.602.435
From which:		
Short term	3.932.808	1.062.074
Long term	16.179.724	11.540.361

9. INTANGIBLE ASSETS (CONTINUED)

	Leases according to IFRS16
Cost on 1 January 2021	**26.397.047**
Accumulated depreciation	(7.204.978)
Net book value	19.192.069
Inflow	4.439.371
Outflow	(175.556)
Depreciation	(3.838.748)
Final net book value on 31 December 2021	19.617.136

Detailed information on IFRS 16 as at 31 December 2021:

	31 December 2021	Of which related to the class of low value assets- Forestry conventions
Value as use (DU)	30.660.861	14.997.449
Depreciation related to DU	11.043.725	2.804.014
DU interest	777.546	453.814
Debt regarding DU	20.470.837	12.722.651
From which		
Short term	3.771.512	1.037.891
Long term	16.699.325	11.684.760

Debt according to IFRS 16 is presented in the balance sheet at long-term and short-term trade payables.

The Company recognizes a class of support assets with a cumulative value of more than $ 5,000 - forestry conventions.

10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

Company	Activity	Percentage owned 2022	Percentage owned 2021	31 March 2022	31 December 2021
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
Mebis SA	Gas production distribution and supply	17,47	17,47	6.461.736	6.461.736
Eurotransgaz	Gas transmission	100	100	233.672.698	296.576.170
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				(24.578.237)	(24.578.237)
				233.672.698	296.576.170

Shares in Resial SA

Shares owned in Resial SA were obtained in December 2003, as a result of a procedure for the recovery of claims due from a client. Resial SA went into liquidation in 2006; the procedure is carried out by a bailiff appointed by the court and is outside the control of the company, which is why the stake is not consolidated and is recorded at cost less the adjustment for impairment amounting to 100% of the cost. The loan granted to Resial SA is also fully adjusted. The management does not expect the company to recover any amount of this stake and the company does not guarantee any type of residual obligations for Resial SA.

Shares in Mebis SA

Shares owned in Mebis SA were obtained in February 2004, as a result of a procedure for the recovery of claims due from a client. Mebis SA is in the liquidation procedure, which is why the stake in Mebis SA was fully adjusted. The company has no obligations to Mebis SA.

Participation in the Limited liability company Eurotransgaz Ltd.

By EGMS Resolution 10/12.12.2017 the establishment of the company EUROTRANSGAZ Ltd. on the territory of the Republic of Moldova was approved for the successful participation in the privatization of the State Enterprise Vestmoldtransgaz. In 2018, Transgaz participated in the increase of Eurotransgaz's share capital to ensure the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

In 2018 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 9.735.000 euro for the operation and ensuring the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

10. FINANCIAL ASSETS (CONTINUED)

In 2019 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 31.467.089 euro and 83.471.503 Moldavian lei for the operation and ensuring the financial sources necessary for the performance of the investment program of the State Enterprise Vestmoldtransgaz.

In 2020 Transgaz participated in the increase of the share capital of EUROTRANSGAZ by the amount of EUR 14.236.983 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

In 2021 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of EUR 2.503.871 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

In 2022 Transgaz participated in the share capital increase of EUROTRANSGAZ with the amount of EUR 649,460 in order to operate and secure the financial sources necessary to carry out the investment programme of the State Enterprise Vestmoldtransgaz.

By the BoA Resolution 39/2021 Transgaz approved the decrease of Eurotransgaz share capital in the amount of LEI 66.117.064 (EUR 13,15 million).

The equity securities held at Eurotransgaz S.R.L represent a capital investment recognized according to IFRS 9, at the date of the transaction being measured at its fair value at the date of the transaction, being assessed, after the initial recognition, at the cost.

In case of the financial assets held by Transgaz, i.e. Mebis SA and Resial SA , the application of IFRS 9 has no impact whatsoever, as such assets are measured at the fair value by the profit and loss account and 100% impairment adjustments were established.

11. INVENTORIES

	31 March 2022 (unaudited)	31 December 2021
Gas inventories	313.041.731	227.158.062
Gas for technological consumption	7.643.333	13.257.485
Spare parts and materials	97.112.169	90.419.949
Materials in custody at third parties	7.033.391	7.092.278
Adjustments for write-down of inventories	(29.386.522)	(29.386.522)
	395.444.102	308.541.252

ANRE Order 160/2015 sets the obligations of Transgaz, as the transmission system operator, regarding the balancing of the national transmission system.

The company does not hold any restricted stocks and has established safety stocks amounting to Lei 9,143,403 as at 31 December 2021.

11. INVENTORIES (CONTINUED)

Movements in the adjustments account are analysed below:

	31 March 2022 (unaudited)	31 December 2021
Adjustment on 1 January	29.386.522	28.537.680
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	-	848.842
Adjustment at the end of the period	29.386.522	29.386.522

In 2021 adjustments for write-down of inventories were established according to Note 3.10.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	31 March 2022 (unaudited)	31 December 2021
Trade receivables	769.615.834	855.854.996
Advance payments to suppliers for goods and services	173.728	151.077
Loan to Resial SA (Note 27)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	1.878.616.706	1.788.570.507
Non-refundable loans as subsidies	129.204.038	143.149.971
State budget receivables	43.787.145	54.639.636
Other receivables	86.410.654	78.037.398
Adjustment of impairment of trade receivables	(456.544.614)	(542.126.364)
Adjustment of impairment of other receivables	(55.499.653)	(55.406.971)
	2.397.534.184	2.324.640.596
Financial assets/ Loans and receivables (Note 4)	2.334.368.135	2.268.837.728

The company challenged administratively the tax decision on additional tax payment obligations in the amount of lei 25,409,833 issued in 2016 by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7.642.671 issued by ANAF in 2020 consisting of profit tax and VAT and constituted an adjustment.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

As per 31 March 2022 the Company registers VAT to be reimbursed in the amount of lei 11.564.673, which is presented in Other receivables (31 December 2021: lei 21.546.877).

The advance payments granted to the company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

On 31 March 2022, the amount of lei 118.488.366 (31 December 2021: lei 110.805.049) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 6% in USD (31 December 2021: 1%) and 94% in EUR (31 December 2021: 99%).

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 76.039.560 according to IFRS 9 (31 December 2021: LEI 87.969.821).

	31 March 2022 (unaudited)	31 December 2021
Initial balance	1.788.570.507	1.364.268.828
Inflow	2.076.140	298.769.079
Interest	11.939.550	37.810.509
Inflation update	76.039.560	87.969.821
Outflow	(9.051)	(247.730)
	1.878.616.706	1.788.570.507

Commercial receivables analysis according to IFRS9 is as follows:

	31 March 2022 (unaudited)	31 December 2021
Current and unamortized		
Transit receivables	3.782.575	4.792.478
Doubtful or insolvency receivables	161.414.256	169.099.079
Affiliated party receivables	313.693.891	312.197.817
Other trade receivables	287.896.559	369.494.488
Receivables from various debtors	21.703.835	15.636.334
	788.491.116	871.220.196
Amortization		
Transit receivables	-	-
Doubtful or insolvency receivables	164.574.602	169.091.680
Affiliated party receivables	118.482.725	226.218.824
Other trade receivables	176.904.688	146.815.860
Receivables from various debtors	15.457.881	15.365.200
Total amortization	475.419.896	557.491.564
Total trade receivables net of provision	313.071.220	313.728.632

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

IFRS 9 introduces a new model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard provides for the fact that the entities register the anticipated loss by receivables impairment from the moment of the financial instrument initial recognition and recognize the anticipated loss from the impairment over their entire life. The value of the anticipated loss will be discounted for each reporting period so that it reflects the cred risk changes as opposed to the initial recognition.

For the application of IFRS 9 on the held receivables, based on a loss estimation model, the clients categories were reconsidered starting from the IFRS 9 principle for the anticipation of a non-cashing in risk related to the current receivables.

To estimate the trade receivables non-collection risk, a non-collection rate based on risk categories was applied as follows:

- international transmission receivables - receivables with no risk of on-time collection ;
- doubtful or contested other than affiliated parties receivables - receivables with high risk of non-collection that are subject to certain court actions. Impairment adjustments of 100% of the receivables amount are calculated;
- affiliated parties receivables - risk-free receivables are provisioned by seniority instalments, i.e. within the range 31-60 a 10% percentage, 61-90 a 20% percentage, 91-120 a 30% percentage, 121-150 a 35%, 151-180 a 60%, and over 181 with a 100% percentage. Doubtful receivables subject to court actions are provisioned with up to 100% of the amount. A provision of 100% for receivables exceeding 30 days and of 5% for current receivables is made up for the receivables that are not subject to court actions and have a non-collection risk;
- Various clients - the risk-free receivables are provisioned by seniority instalments, 10% for the range 31-60 , 20% for the 61-90 , 30% for the range 91-120, 35% for the range 121-150, 60% for the range 151-180, and 100% for the receivables over 181. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, a provision of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up.

In the context of the pandemic, the company maintained the adjustment rates of trade receivables used in the previous year covers the risks of non-collection, the Company providing a public service of national interest, included in the regulated segment of the internal gas market. The natural gas transmission activity is regulated by the National Energy Regulatory Authority. The company constantly analyzes the customers' situation and records adjustments whenever there are indications of an increase in the non-collection risk.

The payment of the equivalent value of the invoices for the natural gas transmission services, issued according to the provisions of the Network Code, is made within 15 calendar days from the date of issuing the invoice. If the due date is a non-working day, the deadline is considered fulfilled on the next working day.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Movements in the provision account are analysed below:

	31 March 2022 (unaudited)	31 December 2021
Adjustment on 1 January	597.533.335	506.940.947
(Revenue)/expense with the adjustment for doubtful clients (Note 23)	(85.489.068)	90.592.388
Adjustment at the end of the period	512.044.267	597.533.335

The Company makes adjustments for receivables from insolvent companies or companies that encountered significant financial difficulties.

As at 31 March 2022, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Electrocentrale Constanta (lei 4.727.471), North Chemical Complex SRL (lei 11.468.899) and Black Sea Oil & Gaz SA (lei 14.200.973), and decreased the adjustment to Electrocentrale Bucuresti by lei 116.337.652 due to the collection of outstanding receivables.

12. CASH AND CASH EQUIVALENT

	31 March 2022 (unaudited)	31 December 2021
Cash at bank in RON	107.947.897	311.808.782
Cash at bank in foreign currency	93.820.470	9.218.214
Other cash equivalents	846.653	158.265
	202.615.020	321.185.261

	31 March 2022 (unaudited)	31 December 2021
Restricted cash (guarantee management)	1.903.544	1.020.791

Cash at bank in foreign currency is mostly denominated in EUR.

The weighted average of the effective interest related to short-term bank deposits was of 1,61% on 31 March 2022 (1,50% on 31 December 2021) and these deposits have a maximum maturity of 30 days.

13. SHARE CAPITAL AND SHARE PREMIUM

IFRS	Number of ordinary shares	Share capital	Share premium	Total
On 31 December 2021	11.773.844	117.738.440	247.478.865	365.217.305
On 31 March 2022 (unaudited)	11.773.844	117.738.440	247.478.865	365.217.305
Capital adjustment to the hyperinflation accumulated on 31 December 2003	-	441.418.396	-	441.418.396
On 31 December 2020, 31 March 2022 (unaudited)	11.773.844	559.156.836	247.478.865	806.635.701

The authorized number of ordinary shares is 11,773,844 (31 December 2020: 11,773,844) with a nominal value of LEI 10 each. Each share represents one vote. The ownership structure on 31 March 2022 is the following:

	Number of ordinary shares	Statutory value (lei)	Percentage (%)
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	4.885.004	48.850.040	41,4903
	11.773.844	117.738.440	100,0000

The ownership structure on 31 December 2021 is the following:

	Number of ordinary shares	Statutory value (lei)	Percentage (%)
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	4.885.004	48.850.040	41,4903
	11.773.844	117.738.440	100,0000

In the statutory accounting, before 1 January 2012, the company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for fixed assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in these financial statements, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

14. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS

Other reserves

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.8 and 5.2) was included in equity as `Reserve of the public domain` at the value of the respective assets restated depending on inflation until 1 January 2004. It was renamed `Other reserves` at the adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of the related assets. The Company does not intend to change the allocation of deferred income arising from the first-time adoption of IAS 29.

Legal reserve

In accordance with the Romanian law and the company's Articles of Incorporation, the Transgaz must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 31 March 2022, amounts to lei 23.547.688 (31 December 2021: lei 23.547.688). The legal reserve is included in the `Retained earnings` in these financial statements. The company does not intend to change the allocation of the legal reserve.

Dividend allocation

In 2021, the company declared and allocated a dividend of lei 8,14 /share, related to the profit of the previous year (2020: lei 15,47 /share). The total dividends declared from the profit of 2020 are lei 95.839.090,16 (dividends declared from the profit of 2019: lei 182.141.366,68).

15. LONG-TERM BORROWINGS

The value of the long term loans recorded by the company on 31 March 2022:

	31 March 2022	31 December 2021
BEI 83644RO	221.607.680	224.643.740
BEI 88825RO	242.398.931	247.405.000
BCR 20190409029	163.680.000	171.120.000
BCR 20201028056	345.600.000	345.600.000
BCR 20210817030	95.833.333	100.000.000
BCR 20211124044	220.000.000	220.000.000
BERD	244.585.440	255.702.960
BT	51.626.000	279.435.121
	1.585.331.384	1.843.906.821

15. LONG-TERM BORROWINGS (CONTINUED)

Loans breakdown by maturity range:

	31 March 2022 (unaudited)	31 December 2021
Within 1 year	132.092.384	132.104.365
Over 1 year	1.453.239.000	1.711.802.456
	1.585.331.384	1.843.906.821

The European Investment Bank (EIB)

The company signed with the European Investment Bank the following loans for the financing of the project `Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in lei or EUR (at the choice of the company), with fixed or variable interest (at the choice of the company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

The company signed with the EIB Loan Agreement no.89417RO on 17.12.2018 for the financing of the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas` (Black Sea - Podişor) for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment. The open-ended contract allows the use of the loan in lei or in EUR (at the option of the company) with fixed or variable interest (at the option of the company)

On 24 January 2019, the company signed a loan agreement with the European Investment Bank for the amount of EUR 100 million, maturity 15 years, grace period of 3 years at the repayment of the principal, in order to finance the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas`.

The financial commitments undertaken by the loan agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received the first tranche of Loan Agreement number 83644RO of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 million was received.

16. LONG-TERM BORROWINGS (CONTINUED)

The maturity of the loan 83644RO from the EIB is presented below:

	31 March 2022 (unaudited)	31 December 2021
Within 1 year	19.786.400	19.792.400
Between 1 and 5 years	79.145.600	79.169.600
Over 5 years	122.675.680	125.681.740
	221.607.680	224.643.740

In 2019 the company received under Loan Agreement no. 88825RO two tranches totalling EUR 50 million.

The maturity of the loan 88825RO from the EIB is presented below:

	31 March 2022 (unaudited)	31 December 2021
Within 1 year	19.724.276	19.730.257
Between 1 and 5 years	78.897.105	78.921.030
Over 5 years	143.777.550	148.753.713
	242.398.931	247.405.000

The book value of the short term loans approximates their fair values.

The European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project.

The loan was fully disbursed by two equal disbusements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	31 March 2022 (unaudited)	31 December 2021
Within 1 year	22.235.040	22.235.040
Between 1 and 5 years	88.940.160	88.940.160
Over 5 years	133.410.240	144.527.760
	244.585.440	255.702.960

The Romanian Commercial Bank (BCR)

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

16. LONG-TERM BORROWINGS (CONTINUED)

The BCR loan no. 20190409029 is fully disbursed and its maturity is presented below:

	31 March 2022 (unaudited)	31 December 2021
Within 1 year	14.880.000	14.880.000
Between 1 and 5 years	59.520.000	59.520.000
Over 5 years	89.280.000	96.720.000
	163.680.000	171.120.000

On 29.10.2020, the Company signed contract no.20201028056 with Banca Comercială Română contemplating the Company's benefiting from a lei 360 million loan for a period of 13 years, destined to refinance two major projects carried out by Transgaz: "National Transmission System Developments in the North Eastern part of Romania (Oneşti - Gherăeşti - Leţcani)"and "The interconnection of the National Transmission System with the international gas transmission pipeline T1 and reverse flow at Isaccea Phase II (Oneşti - Siliştea)".

BCR loan no. 20201028056 is fully collected and its maturity is presented below:

	31 March 2022 (unaudited)	31 December 2021
Within 1 year	28.800.000	28.800.000
Between 1 and 5 years	115.200.000	115.200.000
Over 5 years	201.600.000	201.600.000
Total	345.600.000	345.600.000

On 17.08.2021, the Company signed contract no. 20210817030 with Banca Comercială Română contemplating the Company's benefiting from a lei 100 million loan for a period of 12 years, destined to refinance the project "National Transmission System Developments in the North Eastern part of Romania (Oneşti - Gherăeşti - Leţcani)".

BCR loan no. 20210817030 is fully collected and its maturity is presented below:

	31 March 2022 (unaudited)	31 December 2021
Within 1 year	8.333.334	8.333.334
Between 1 and 5 years	33.333.336	33.333.336
Over 5 years	54.166.663	58.333.330
Total	95.833.333	100.000.000

On 24.11.2021, the Company signed contract no. 20211124044 with Banca Comercială Română contemplating the Company's benefiting from a lei 220 million loan for a period of 12 years, destined to refinance the project: "National Transmission System Developments in the North Eastern part of Romania (Oneşti - Gherăeşti - Leţcani)".

16. LONG-TERM BORROWINGS (CONTINUED)

BCR loan no. 20211124044 is fully collected and its maturity is presented below:

	31 March 2022 (unaudited)	31 December 2021
Within 1 year	18.333.334	18.333.334
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	128.333.333	128.333.333
Total	220.000.000	220.000.000

Transilvania Bank (BT)

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit faility amounting to lei 300 milion, for 2 years, to cover the necessary working capital and partly to issuing letters of guarantee. The repayment of the credit line has been extended until 19.12.2023, based on the conclusion of the Addendum No. 1/20.12.2021.

As at 31 March 2022, out of the total of Lei 300.000.000, the amount of Lei 51.626.000 was used to cover working capital requirements and the amount of Lei 20.500.000 was used to cover two bank letters of guarantee issued in favour of third parties, valid until 31.03.2023. The obligation is shown under long-term loans

As of 31 March 2022, the balance of interest due for the loans of the company is lei 10.345.225 broken down by loans as follows:

	31 March 2022 (unaudited)	31 December 2021
BEI 83644RO	875.558	584.153
BEI 88825RO	-	-
BCR 20190409029	1.737.298	502.614
BCR 20201028056	4.013.694	1.605.478
BCR 20210817030	305.617	644.959
BCR 20211124044	2.290.411	641.315
BERD	1.122.647	985.167
Total	10.345.225	4.963.686

The exposure of the company's loans to the changes of the interest rate is as follows:

	31 March 2022 (unaudited)	31 December 2021
Variable interest rate loans	1.363.723.704	1.619.263.081
Fixed interest rate loans	221.607.680	224.643.740
Total loans	1.585.331.384	1.843.906.821

17. DEFERRED REVENUE

Deferred revenue consists of connection fees charged to clients for their connection to the national gas transmission system, assets taken over for free for connection to the network, grants and the right to recover the unamortized regulated value of the assets related to the investments made as a licensee. The company uses the connection fee to achieve the connection of the client's facilities to the national transmission system. Deferred revenue (presented as `revenue from the connection fees`) is registered as revenue for the period when the related assets are depreciated and estimating the duration of the relationship with the client (Note 22).

Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used over the duration of the concession agreement.

	31 March 2022 (unaudited)	31 December 2021
Initial balance	1.161.485.526	1.112.663.468
Increases	-	131.117.814
Revenue from connection fees (Note 22)	(4.407.020)	(12.908.125)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	(21.957.634)	(69.387.631)
Final balance	1.135.120.872	1.161.485.526

The balance of the deferred revenue consists of:

	31 March 2022 (unaudited)	31 December 2021
Connections and assets received free of charge	233.581.628	237.981.685
Grants	901.539.244	923.503.841
	1.135.120.872	1.161.485.526

For the BRUA project the company obtained from the European Union through the National Agency for Innovation and Networks (INEA) a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs for financing the FEED for the three compressor stations (Podişor, Bibeşti and Jupa) and a grant of 159.449.379 Euro, representing 40% of the estimated eligible costs, for financing the BRUA Phase I project implementation.

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 (in 2019), EUR 37.740.347 (in 2020) and EUR 20.953.114,91 in 2021.

17. DEFERRED REVENUE (CONTINUED)

On 22.11.2018 the company signed with the Ministry of European Funds AM POIM Financing Contract 226 for non-reimbursable financing for the implementation of the draft project code MYSMIS 2014-122972 NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighbouring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses. For the financing of the works for the implementation of the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova, the amount of lei 189.137.222 was collected as eligible expenses grant funding.

On 18.06.2020 the company signed Grant Agreement no. HCOP/685/3/8/132556 on the implementation of the project „TransGasFormation" Code 132556 for the amount of LEI 701.259,60 with the Ministry of European Funds, as Management Authority for the Human Capital Operational Programme.

The company recognizes a right to collect the grant when there is reasonable assurance that it will comply with the conditions attached to its award and that the grant will be received. The Company considers that the reasonable assurance that the grant will be received can be confirmed by the fulfillment of the eligibility conditions in the funding applications, prior to the approval of the funding application.

Therefore, on 31 December 2021, the company registered the right to receive non-reimbursable financing in the amount of Lei 104.567.843, corresponding to the amounts expected to be received from INEA, plus Lei 28.188.869,85 corresponding to the amounts expected to be received from AM POIM. The latter includes the amount of a reimbursement request of Lei 10.628.059,64 submitted to the AM POIM before 31 December 2021. On 21 January 2022 an amount of 10.096.656,66 lei was received from AM POIM from the receivable recorded at the end of 2021.

The income from the grant is recognized proportionally from the amortization of the financed assets, applying the percentage of financing of the eligible expenses on the monthly amortization.

18. PROFIT TAX

Profit tax expense

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Expense with the profit tax - current	39.778.104	38.129.074
Deferred tax - impact of temporary differences	15.645.056	777.328
Profit tax expense	55.423.160	38.906.402

18. PROFIT TAX (CONTINUED)

In Q1 of 2021 and in Q1 of 2022 the company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Profit before tax	323.340.901	196.802.397
Theoretical expense with the tax the statutory rate of 16% (2020: 16%)	51.734.544	31.488.384
Non-taxable expenses, net	3.688.616	7.418.018
Profit tax expense	55.423.160	38.906.402
Profit tax related liability, current	39.728.742	-

Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 31 March 2022 (31 March 2021: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

18. PROFIT TAX (CONTINUED)

	31 March 2022 (unaudited)	Movement	31 December 2021	Movement	31 March 2021 (unaudited)	Movement	1 January 2021
Deferred tax payment							
Tangible and intangible assets	112.024.602	4.033.153	107.991.449	12.075.602	95.915.847	777.328	95.138.519
Recoverable deferred tax							
Provision for							
Employee benefits	(17.607.745)	-	(17.607.745)	3.961.588	(21.569.333)	-	(21.569.333)
Risks and charges	(11.955.782)	(1.164.364)	(10.791.418)	(4.707.289)	(6.084.129)	-	(6.084.129)
Receivables and other assets	(68.258.979)	12.776.267	(81.035.246)	(8.227.771)	(72.807.475)	-	(72.807.475)
	14.202.096	15.645.056	(1.442.960)	3.102.130	(4.545.090)	777.328	(5.322.418)

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts.

Temporary differences for receivables and other assets arise from impairment adjustments for bad debts.

18. PROFIT TAX (CONTINUED)

The amounts presented in the statement of the financial position include the following:

	31 March 2022 (unaudited)	31 December 2021
Deferred tax liabilities/receivables in more than 12 months as reported	14.202.096	(1.442.960)

19. TRADE PAYABLES AND OTHER PAYABLES

Short term payables

	31 March 2022 (unaudited)	31 December 2021
Trade payables	311.355.946	379.281.298
Suppliers of fixed assets	13.534.099	38.764.763
Dividends payable	1.578.169	2.227.637
Debts related to royalties	1.690.361	1.442.920
Other taxes	21.152.674	24.102.671
Amounts payable to employees	15.006.744	15.870.450
VAT not applicable	-	-
Transmission service guarantees	24.523.078	42.772.922
Transmission services advance payments	7.745.911	36.806.228
Tender guarantees	62.870.173	55.360.467
Other debts	37.706.007	37.847.652
	497.163.162	634.477.008
Financial debts (Note 4)	451.567.477	556.254.739

Long term payables

	31 March 2022 (unaudited)	31 December 2021
Other debts	16.179.724	16.699.325
	16.179.724	16.699.325

On 31 March 2022, of the total trade payables and other debts the amount of lei 15.467.841 (31 December 2021: lei 9.995.992) is expressed in foreign currency, especially in EUR.

20. PROVISIONS FOR RISKS AND CHARGES

	31 March 2022 (unaudited)	31 December 2021
Current provision		
Provision for litigation	38.870.414	38.870.414
Provision term contract	3.206.340	3.206.340
Provision for employee participation in profits	21.846.879	17.178.424
Provision for voluntary leaving employment	2.584.036	2.584.036
Other provision	2.997.048	5.607.150
	69.504.717	67.446.364

Employees` participation in the profit is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year according to the provisions of GO 64/2001 and the Collective Labour Agreement.

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises.

In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616.

Following the conclusion of the arbitration proceedings which had as dispute the restitution of the quantity of natural gas from the Tranzit 1 pipeline, the arbitral tribunal admitted Bulgargaz EAD's action, and a provision for litigation in the amount of Lei 1.673.984, the equivalent in Lei for legal interest and incidental expenses was established. The arbitral tribunal's decision was appealed, and the action for annulment was registered with the Bucharest Court of Appeal.

The company also made provisions for the following disputes: with Blue Star SRL for the MRS Timisoara I - Timisoara pipeline in the amount of Lei 2.300.000, with PF Galaction Laurentiu for the dismantling of the construction/removal of the MRS Vaslui connection pipeline in the amount of Lei 332.000. lei, with PF Bălășoiu Marian for claims for compensation for lack of use of land in the amount of lei 296.341, with Ippon Med S.R.L. for contesting public procurement in the amount of lei 17.325 and with employees for contesting suspended employment contracts in the amount of lei 84.147.

For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for the period 2019-2021 in the amount of 26,948 thousand lei, the annual value being adjusted by the budget of revenues and expenses approved by the GMS.

The company provided through the budget of revenues and expenses for 2022, a fund for granting compensation for voluntary departures and in 2021 constituted a provision for voluntary departures calculated for a number of 30 employees. As at 31 December 2021 the amount of the provision for voluntary departures is Lei 2.584.036.

The dispute at ANRE with two network users who challenged the way of calculating the price of imbalance transactions on the grounds that there are inconsistencies between the relevant regulatory acts, since the implementation of the provisions of GEO114/2018 and until the entry into force of ANRE President's Order no. 170/2019, has ended in favour of Transgaz.

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

According to the collective labour contract, the company must pay to employees upon retirement a compensatory amount equal to a certain number of salaries, calculated as the average of the monthly salary average achieved over the last 12 months, depending on the period worked in the gas industry, working conditions etc. The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

Assumptions 2021

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the company under the collective labour contract. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important actuarial assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- the dismissal rate is zero because there is no program for collective or individual dismissals;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for the years 2011 – 2020;
- the employee turnover rate is is constant over time;
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 65 for men and 63 for women;
- Long-term wage growth rate considered: equal to the forecast inflation rate for the euro area, and is 1,7% and in the short term equal to the forecast inflation rate for RON and is 7,2% in the first year, 3,9% in the second year and 2,5% for the next 8 years for both women and men;
- the plan is not financed by the entity and employees.
- It has been estimated that people approaching retirement age are likely to retire early
- For the death benefit, for retired former employees, in the case of death in the first year after retirement, mortality at the age of 66 men and 64 years women was used by simplification, analyzing the data for the periods 2018-2021.

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Financial assumptions

The discount rate is the interest rate curve in lei without adjustments provided by EIOPA for December 2021.

The long-term salary growth rate was considered equal to the forecast inflation rate for the euro area, being 1.7% and in the short term was considered equal to the forecast inflation rate for RON being 2.5% within 5 years for both feminine as well as masculine genders.

Movement in the provision for employee benefits

31 December 2020	121.509.096
of which:	
Short-term	2.898.092
Long-term	118.611.004
Interest cost	3.165.348
Current service cost	5.692.366
Payments from provisions during the year	(4.535.478)
Actuarial gain/loss related to the period	(15.782.924)
31 December 2021	110.048.408
of which:	
Short-term	4.007.231
Long-term	106.041.177

22. OTHER REVENUE

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Revenue from penalties applied to clients for delay payments	2.617.358	2.160.119
Revenue from connection fees	4.407.020	3.211.598
Revenue from grants and goods taken free of charge	21.957.634	14.240.338
Revenue from operating grants for other operating expenses	410.223	-
Revenue from the sale of residual materials	982.315	23.087
Revenue from leases	356.782	489.059
Revenue from recovered materials	2.167.374	2.280.202
Other revenue from operation	1.595.235	1.591.455
	34.493.941	23.995.858

23. OTHER OPERATING EXPENSES

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Loss/gain on impairment of receivables	(85.489.069)	21.399.500
Utilities	6.986.294	1.797.345
Insurance premium	254.007	228.089
Security and protection expenses	4.592.191	3.784.564
Professional training	199.338	332.229
Telecommunications	555.025	696.475
Bank charges and other fees	377.131	314.562
Rents	285.437	35.594
Loss on amounts receivable	9.051	26.292
Marketing and protocol expenses	173.281	27.726
Penalties and fines	600.798	57.852
Gas storage capacity booking	1.494.525	1.804.433
Sponsorship costs	237.378	-
Other	6.325.541	6.882.691
	(63.399.072)	37.387.352

24. EMPLOYEE COSTS

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Salaries and benefits	90.407.800	88.264.112
Cost of insurance and social security	6.554.749	6.424.053
Other employee costs	603.381	428.196
	97.565.930	95.116.361

Average number of employees in financial year:

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Blue collars	2.322	2.441
White collars	1.740	1.729
	4.062	4.170

25. NET FINANCIAL REVENUE/(EXPENSES)

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Foreign exchange gains	618.737	537.770
Interest revenue	12.321.286	9.220.134
Revenue from the adjustment of the Concession Agreement receivable	76.039.560	14.266.208
Revenue from shares	65.058.349	-
Financial revenue	154.037.932	24.024.112
Foreign exchange loss	(388.533)	(5.555.069)
Interest loss related to IFRS16	(169.724)	(187.150)
Interest loss	(7.289.659)	(1.266.114)
Expenditure on financial fixed assets transferred	(66.117.064)	-
Financial loss	(73.964.980)	(7.008.333)

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized on 31 March 2022 gains amounting to lei 76.039.560 according to IFRS 9 (lei 87.969.821 in 2021).

By the resolution of the BA no. 39/2021 Transgaz approved the reduction of Eurotransgaz share capital by EUR 13.15 million, amount received by Transgaz in the first quarter of 2022.

26. CASH FROM OPERATION

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Profit before tax	**323.340.901**	**196.802.397**
Adjustments for:		
Depreciation	104.601.664	78.978.037
Gain/(loss) on transfer of fixed assets	(626)	(586.426)
Provisions for risks and charges	2.058.353	2.216.239
Revenue from connection fees, grants and goods taken free of charge	(26.774.878)	(17.451.936)
Sundry debtors and receivable loss	9.051	26.292
Adjustments for impairment of receivables	(85.489.069)	21.399.500
Interest revenue	(12.321.286)	(9.220.134)
Interest expenses	7.289.658	1.266.115

Adjustment of the Claim regarding the Concession Agreement	(76.039.560)	(14.266.205)
Effect of exchange rate fluctuation on other items than from operation	10.414	5.440.289
Other expenses and revenue	(560.808)	-
Operating profit before the changes in working capital	**236.123.814**	**264.604.168**
(Increase)/decrease in trade and other receivables	149.941.498	25.994.093
(Increase)/decrease in inventories	(86.961.736)	10.311.797
Increase/(decrease) in trade payables and other debts	(73.630.188)	(14.367.553)
Cash generated from operations	**225.473.388**	**286.542.505**

27. TRANSACTIONS WITH RELATED PARTIES

The Parties are considered related if one of the parties has the ability to control the other party, to exercise a significant influence over the other party in financial or operational decision making, if they are under the common control with another party, if there is a joint venture in which the entity is an associate or a member of the management as described in the IAS 24 `Related Party Disclosures`. In evaluating each possible related party relationship, the focus is on the essence of this relationship and not necessarily on its legal form. Related parties may enter into transactions which unrelated parties cannot conclude, and transactions between related parties will not apply the same terms, conditions and values as for unrelated parties.

The prices / tariffs related to the transport and balancing contracts are approved by the National Energy Regulatory Authority (ANRE), are regulated and are not established under market conditions.
Procurement is carried out in compliance with the legal regulations on public procurement.
Transactions with Vestmoldtransgaz were concluded at the market value established by the cost plus method and represent services provided by specialized personnel for the conduct of the procurement and equipment rental procedures.

In the periods ended 31 March 2022 and 31 March 2021 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

i) Benefits granted to the members of the Board of Administration and of the management

	The three months ended 31 March 2022 (unaudited)	**The three months ended 31 March 2021 (unaudited)**
Salary paid to the members of the Board of Administration and management	4.145.589	3.712.065
Social contribution of the company	93.277	83.521
	4.238.866	3.795.586

In the periods ended 31 March 2022 and 31 March 2021, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

The company has no contractual obligations related to pensions towards the current administrators and directors.

The provision for the mandate contract is presented in Note 20.

The company has no contractual obligations related to pensions towards the former administrators and directors.

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

ii) Loan to a related party

	31 March 2022 (unaudited)	31 December 2021
Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	(1.770.346)	(1.770.346)
	-	-

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.8.

iii) Revenue from related parties – services supplied (VAT excluded)

	Relationship	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
SNGN Romgaz	Entity under common control	45.743.485	47.864.211
Electrocentrale Bucureşti SA	Entity under common control	17.927.186	19.879.586
Electrocentrale Constanţa	Entity under common control	2.073.857	2.027.045
E.ON Energie Romania	Entity under common control	51.306.205	67.668.628
		117.050.733	137.439.470

iv) Vânzări alte bunuri şi servicii (fără TVA)

	Relationship	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
SNGN Romgaz	Entity under common control	2.389	2.528
Electrocentrale Deva SA	Entity under common control	-	237.553
Electrocentrale Bucuresti	Entity under common control	1.588	1.038
E.ON Energie Romania	Entity under common control	1.571	2.394
Vestmoldtransgaz SRL	Entity owned by the Company's subsidiary	27.696	132.013
		33.244	375.526

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

v) Gas sales – the balancing activity (VAT excluded)

	Relationship	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
SNGN Romgaz	Entity under common control	1.422.875	8.365.624
Electrocentrale Bucureşti	Entity under common control	27.877	160.360
Electrocentrale Constanţa	Entity under common control	88.931.489	24.464.555
E.ON Energie Romania	Entity under common control	23.750.091	16.251.165
		114.132.332	49.241.704

vi) Receivables from related parties (without the adjustment)

	Relationship	The three months ended 31 March 2022 (unaudited)	31 December 2021
SNGN Romgaz	Entity under common control	17.827.889	19.078.343
Electrocentrale Deva SA	Entity under common control	19.457	20.116
Electrocentrale Bucureşti	Entity under common control	29.626.263	19.020.413
Electrocentrale Constanţa	Entity under common control	-	29.276
E.ON Energie Romania	Entity under common control	34.302.532	38.151.354
Vestmoldtransgaz SRL	Entity owned by the Company's subsidiary	27.696	-
		81.803.838	76.299.502

vii) Client receivables – the balancing activity (without the adjustment)

	Relationship	31 March 2022 (unaudited)	31 December 2021
SNGN Romgaz	Entity under common control	-	319
Electrocentrale Deva SA	Entity under common control	61.554	65.954
Electrocentrale Bucuresti	Entity under common control	33.174	848.134
Electrocentrale Constanţa	Entity under common control	110.754.675	15.614.007
E.ON Energie Romania	Entity under common control	2.557.926	(6.848.924)
		113.407.329	9.679.490

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

viii) Procurement of services from related parties (other services – VAT excluded)

	Relationship	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
SNGN Romgaz	Entity under common control	1.985.627	2.147.712
E.ON Energie Romania	Entity under common control	-	2.066
Electrocentrale Bucureşti	Entity under common control	1.922	1.113
		1.987.549	2.150.891

ix) Procurement of gas – the balancing activity (VAT excluded)

	Relationship	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
SNGN Romgaz	Entity under common control	12.496.478	1.198.654
Electrocentrale Bucureşti	Entity under common control	15.819.792	1.293.550
Electrocentrale Constanţa	Entity under common control	1.017.183	99.495
E.ON Energie Romania	Entity under common control	40.047.217	5.741.158
		69.380.670	8.332.857

x) Debts to affiliated parties from services (other services - VAT included)

	Relationship	31 March 2022 (unaudited)	31 December 2021
SNGN Romgaz	Entity under common control	7.328	317.954
E.ON Energie Romania	Entity under common control	-	889
		7.328	318.483

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xi) Debts to suppliers – balancing activity (VAT included)

	Relationship	31 March 2022 (unaudited)	31 December 2021
SNGN Romgaz	Entity under common control	10.198.935	19.873.114
Electrocentrale Bucureşti	Entity under common control	7.934.476	17.474.941
Electrocentrale Constanţa	Entity under common control	-	2.486.589
E.ON Energie Romania	Entity under common control	9.369.580	43.791.122
		27.502.991	83.625.766

xii) Guarantees from affiliates (bank guarantee letter)

	Relationship	31 March 2022 (unaudited)	31 December 2021
SNGN Romgaz	Entity under common control	22.900.297	22.593.205
Termo Calor Piteşti	Entity under common control	210	210
Electrocentrale Constanţa	Entity under common control	1.000	1.000
E.ON Energie Romania	Entity under common control	26.687.099	21.828.961
		49.587.396	44.423.376

xiii) Loans and interest to be reimbursed

	Relationship	31 March 2022 (unaudited)	31 December 2021
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	245.709.003	256.688.127
		245.709.003	256.688.127

xiv) Transactions during the period

	Relationship	31 March 2022 (unaudited)	31 December 2021
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	2.523.536	8.567.690
		2.523.536	8.567.690

28. EARNINGS PER SHARE

The company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the company's equity holders to the average number of ordinary shares existing during the year.

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Profit attributable to the company's equity holders	267.917.741	157.895.995
Weighted average of the number of shares	11.773.844	11.773.844
Basic and diluted earnings per share (lei per share)	22,76	13,41

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations
Approximately 1,50% of the receivables were settled by transactions that haven't involved cash outflows during the period ended 31 March 2022 (31 March 2021: 0,02%). Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle.

Barter transactions
No barter transactions were made in Q1 of 2022 and O1 of 2021.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the ANRM is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The company also has other obligations related to the concession agreement, which are described in Note 8.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or to another grantor on payment of compensation equal to the unamortized regulated value established by ANRE, as presented in Note 3.18.

On 31 March 2022 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 163.341.227.

Eurotransgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova under the following conditions: payment of the sale price and making investments in the next two years for the construction of a gas transmission pipeline between Ungheni and Chisinau, as well as the necessary equipment for the operation of this pipeline.

The company is a guarantor of the loan agreement concluded on 24 January 2019 between the European Investment Bank and Eurotransgaz, in total amount of Euro 38 milion, for the funding of the construction by Vestmoldtransgaz of the Ungheni-Chisinau gas transmission pipeline.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still various interpretations of the tax law. In Romania, the tax year remains open for fiscal verification for 5 years. The company's management believes that fiscal obligations included in these financial statements are properly presented and that it is not necessary for any additional provisions to be established to cover the uncertainties related to tax treatment.

The royalty rate for the use of gas transmission pipelines is set by the government. Since October 2007, the royalty has been set at 10% of revenue. After the entry into force of Art. 103 para. 2 of the Law no. 123/2012, starting from 12 November 2020 the fee was set at 0.4% of the domestic and international gas transmission services performed by the company. ANRM requests Transgaz to calculate and pay the royalty by applying the percentage of 10% according to Law 238/2004 and the percentage of 0,4% according to Law 123/2012. The company considers that it is obliged to calculate and pay a single royalty at the rate of 0,4% established by the special law, namely Law 123/2012. The company was subject to a tax inspection of the royalty, which resulted in the issuance of a mandatory order to pay two royalties, namely 10% and 0.4% of the domestic and international natural gas transmission services performed by the company. The company is examining the complaints challenging the compulsory order and the inspection report.

iii) Insurance policies

The company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 57 managers in 2022 (57 managers in 2021).

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 31 March 2022 and 31 December 2021 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

v) Lawsuits and other actions

During the normal activity of the company, there were complaints against it. The company has pending disputes for the lack of use of lands occupied with NTS objectives, commercial and labour disputes. Based on its own estimates and internal and external consulting, the company's management believes there will be no material loss exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

The company was the subject of an investigation by the Competition Council regarding the manner in which procedures were awarded for works contracts carried out by Transgaz during 2009-2011, before the implementation of private management according to the provisions of GEO 109/2011 on corporate governance of public enterprises.

In 2020, the Competition Council communicated Decision no. 43 / 11.08.2020 sanctioning the Company with a fine in the amount of lei 34,166,616. The company challenged in court the decision of the Competition Council. (Note 20) The action for annulment of the decision is pending. At first instance, Transgaz's application was dismissed as unfounded. Transgaz will lodge an appeal as soon as the judgment has been drawn up and served.

As of 6 June 2016, the company was subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union. In 2020, the European Commission approved the Company's commitments to address concerns related to a possible breach of Article 102 of the Treaty on the Functioning of the European Union, namely:

- to provide a minimum export capacity of 1.75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Based on their own estimates, the company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

In 2020 an administrator initiated court proceedings to recover some amounts of money representing unpaid difference, amounts they consider to be due as a result of the mandate contract carried out in 2015-2017. Based on its own estimates, the company considers that there are no circumstances that could lead to potential significant obligations in this respect.

Following the conclusion of the arbitration proceedings with Bulgargaz EAD, the arbitral tribunal upheld Bulgargaz EAD's claim and ordered the restitution of the quantity of natural gas of 6.733.433 cm and, if restitution in kind is not possible, the reimbursement of the monetary equivalent of the linepack, and statutory interest. The decision of the arbitral tribunal has been appealed and the action for annulment has been registered with the Bucharest Court of Appeal.

The company was an intervener in a dispute concerning the annulment of ANRE's 2017 decision on the interpretation and application of the provisions of Article 99 of the Network Code, namely on the calculation of the invoices related to the excess of capacity booked by network users, in this case ENGIE Romania SA. By civil decision no. 3829/2021, the High Court of Cassation and Justice rejected as unfounded the application for annulment of Decision no. 2 of 31 May 2017 of the Commission for the settlement of disputes on the wholesale and retail market set up within ANRE, brought by the applicant Engie Romania against ANRE and the forced intervener Transgaz. The decision is final. Moreover, as the revenue is regulated, the amount deducted would be subject to recovery from the regulated revenue of the following gas year. In 2020 and in 2021 the network user initiated several lawsuits for the recalculation of the tariff related to the exceeding of the capacity booked during Novemebr 2016-February 2017, and March 2017 – December 2017 and January-April 2018 and the payment of the amount of lei 57.444.164, 5.112.291,07 and 17.789.789. Based on its own estimations, the company's management considers that there are no circumstances that would give rise to obligations in this regard.

i) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the company and, thus, having a significant impact on the company's revenue. At the same time, the Romanian government could decide to change the royalty applied to the company for using the assets part of the public domain according to SCA.

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the company's asset and liability.

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties. The company's management believes that its obligations to ANRE are properly presented in these financial statements.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

ii) The impact of COVID-19

In the context of the COVID-19 pandemic, the company cooperates with the authorities and takes the necessary measures to ensure the provision of the gas transmission service in a safe manner and to ensure the safety of the personnel. The company prepared and published a plan of measures approved by the Board of Administration, which aims to minimize the effects of the epidemic on the health and safety of the employees and to ensure the continuity of the natural gas transmission service and the safety of the National Transmission System.

The company provides a public service of national interest being included in the regulated segment of the internal gas market. The gas transmission activity is regulated by the National Energy Regulatory Authority.

The company aims to achieve the indicators provided for in the Income and Expenditure Budget for 2021 and to provide the necessary financing sources for the development of the investment program whose execution rate could be influenced by the ability of the contracting companies to provide the equipment and personnel necessary to carry out the works in the context of the isolation or quarantine situations generated by COVID-19.

The legislative changes adopted offer the possibility of small and medium-sized enterprises to delay the payment of utilities, which could have an indirect impact on the company's activity. Although there are still many uncertainties, at this moment we consider that the short-term impact of such legislative changes on the activity and recoverability of the assets of the company will not be significant.

During the state of alert, electricity and gas transmission and distribution operators shall ensure the continuity of service supply and, in the event of a reason for unplugging/disconnection, shall postpone this operation until the end of the state of alert.

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 ango market above the value taken into account by the regulator when calculating the natural gas transmission tariffs for 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, with effect from 1 April 2022. The resulting tariffs shall remain unchanged for the period from 1 April 2022 to 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

iii) The military conflict in Ukraine

As of 24 February 2022 a military conflict is taking place on the territory of Ukraine. In case gas imports from Ukraine are stopped, gas flows can be redirected through the Negru Voda entry point and other interconnection points with transmission operators in Bulgaria and Hungary.

31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended 31 December 2021 charged by BDO Audit SRL, invoiced in Q 1 of 2022 are: lei 15.000 (VAT excluded) for other services than the statutory audit.

The fees for the financial year ended 31 December 2021 charged by BDO Audit SRL, invoiced in 2021 are: lei 79.682 (VAT excluded) for the statutory audit and lei 22.320 (VAT excluded) for other services than the statutory audit.

The fees for the financial year ended 31 December 2020 charged by BDO Audit SRL invoiced in 2021 are: lei 174.989 (VAT excluded) for the statutory audit and lei 22.320 (VAT excluded) for other services than the statutory audit.

32. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

	The three months ended 31 March 2022 (unaudited)	The three months ended 31 March 2021 (unaudited)
Revenue from the construction activity according to IFRIC12	26.440.196	158.009.935
Cost of assets constructed according to IFRIC12	(26.440.196)	(158.000.935)

The related costs were equal to the revenue, the company did not obtain any profit from the construction activity.

33. EVENTS SUBSEQUENT TO THE BALANCE DATE

On 6 April 2022, the amount of 4,977,843.61 lei was received from the POIM MA as non-reimbursable financing of eligible expenses related to the project "NTS Development in the North-East area of Romania in order to improve the supply of natural gas to the area and to ensure transmission capacities to the Republic of Moldova".

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean