



**SOCIETATEA NAȚIONALĂ DE TRANSPORT
GAZE NATURALE "TRANSGAZ" SA MEDIAȘ**

Capital social: 117 738 440,00 LEI

ORC: J32/301/2000; C.I.F.: RO13068733

P-ța C. I. Motaș nr. 1, cod: 551130, Mediaș, Jud. Sibiu

Tel.: 0040 269 803333, 803334; Fax: 0040 269 839029

http://www.transgaz.ro; E-mail: cabinet@transgaz.ro



No. 60169/13.12.2017

Submitted to the Extraordinary General Shareholders' Assembly (to be convened on 18.01.2018) for analysis and approval

REPORT

On the approval of Transgaz' association with Regasificadora del Noroeste S.A.

SUMMARY

The Report was approved within the meeting of the Board of Administration dated 13.12.2107.

Whereas:

- The interest the National Gas Transmission Company ("**Transgaz**") has shown in participating in the procurement of a 66% stake in the Hellenic Gas Transmission System Operator S.A. ("**DESFA**"), by the submission of an Expression of Interest, according to the Invitation to Submit an Expression of Interest for the acquisition of a 66% stake in DESFA, issued by the Hellenic Republic Asset Development Fund S.A. ("**the Fund**") on 26 June 2017;
- The agreement concluded between GRTgaz S.A and Transgaz on 21 July 2017 for the joint submission of an Expression of Interest which failed to qualify for the binding offer stage;
- The qualification of the Spanish company Regasificadora del Noroeste S.A. ("**Reganosa**") for the binding offer stage; Reganosa's interest regarding Transgaz' intention to continue with its participation in the tendering process; the conclusion in this respect of a Non-Disclosure Agreement between Transgaz and Reganosa on 17.11.2017 and of a Memorandum of Understanding contemplating the establishment of general principles for assessing the appropriateness of submitting a binding offer;
- The need to set rules for Transgaz' association with Reganosa, both in terms of participating in the privatisation of DESFA and in terms of the further operation of the consortium or of any other form of association, such as, without being limited to, the establishment of a new legal entity for the payment of the price and for the performance of further activities related to the privatisation process.

PROPOSAL

Approval by Transgaz' Extraordinary General Shareholders' Assembly, pursuant to art. 15, paragraph (4)(i) of Transgaz' updated Articles of Incorporation, of an association between Transgaz and the Spanish company Regasificadora del Noroeste S.A. to participate in the second stage of the process for the procurement of a 66% stake in DESFA and to establish the means of organization and functioning of the association as well as the empowerment of Mr. Ion

STERIAN – Transgaz’ Director general to negotiate and sign the documents related to the association.

CONTEXT

On 26 June 2017, the Fund issued an Invitation to the Submission of an Expression of Interest for the procurement of a 66% stake in DESFA. In this respect, Transgaz and GRTgaz S.A. concluded an agreement on the joint submission of an Expression of Interest. The association made in this respect failed to qualify for the binding offer stage

Considering Transgaz’ strategic interest in South-Eastern Europe, the company continued its negotiations on the establishment of a consortium in order to participate in the second stage of the process for the procurement of a 66% stake in DESFA.

On 22.09.2017, the Fund announced that Regasificadora del Noroeste S.A., on one hand, and a consortium consisting of Snam S.p.A./Enagás Internacional S.L.U./Fluxys S.A./N.V. Nederlandse Gasunie, on the other hand, qualified for the second stage of the procurement procedure.

In this context, Transgaz entered into negotiations with Reganosa and signed a Non-Disclosure Agreement in order to have access – pursuant to the conditions imposed by the Fund – to information on DESFA’s assets. Moreover, Transgaz and Reganosa concluded a Memorandum of Understanding contemplating the establishment of general principles for assessing the appropriateness of submitting a binding offer

Given the requirements under the Invitation to Submit an Expression of Interest for the procurement of a 66% stake in DESFA, the leader of the consortium intended for the submission of a binding offer m only be Reganosa, the transmission system operator certified under the ownership unbundling model. To the same extend, considering the nature of the transaction, the consortium to be led by Reganosa might include other investors as well. The details regarding each investor’s share, the financing mechanism, the actual operation of the consortium after the privatisation of DESFA will be agreed upon by the parties based on negotiations.

Annex: draft association term-sheet proposed by Reganosa – shall not be disclosed.

Petru Ion Văduva
Chairman of the Meeting