



No. 12815/23.03.2015

Submitted for approval in the General Meeting of the Shareholders dated 27/28.04.2015

REPORT

**regarding the approval by the Extraordinary General Meeting of the Shareholders
of a bond issue amounting to maximum RON 500 million
for the financing of the NTS Development Plan between 2014 and 2023**

SUMMARY

Considering:

- The necessity of financing the major projects included into the NTS Development Plan over the following ten years;
- The approval by Resolution No. 36/02.10.2014 of the Board of Administration, Art.18.1, of the continuation of the proceedings for ensuring the financing of the investment projects by a financing structure including also a bond issue;
- The competence of the EGMS on bond issue, according to the Articles of Incorporation of SNTGN Transgaz SA, Art. 15, point 4 (g);
- The provisions of Art.13, letter d of GEO No. 34/2006 on public procurement

PROPOSAL

We submit to EGMS's approval, according to Art. 15, point 4 (e) of the company's Articles of Incorporation, updated on 02.03.2015, of an unsecured corporate bond issue, amounting to maximum RON 500 million, maturing at 5 years, with a fixed interest rate, for the financing of the '2014-2023 National Gas Transmission System Development Plan'

Detailed content of the Report

Progress towards the implementation of the major investment projects of SNTGN TRANSGAZ SA requires at the same time taking steps to ensure the financing of the ten-year National Gas Transmission System Development Plan, according to the updated scenario of project payments.

The continuation of the proceedings regarding the ensuring of the investment project financing in a structure including also a bond issue was approved by Resolution No. 36 of 2 October 2014 of the Board of Administration.

At this stage the partial financing of the investment project through a bond issue, as part of the financing mix approved, is the most feasible option.

According to Art. 15, point 4 (e) of the Articles of Incorporation of SNTGN Transgaz SA, updated on 03.10.2014, the bond issue falls within the competence of the Extraordinary General Meeting of the Shareholders.

Bond public offering is governed by Law No. 297/2004 on capital market and by Regulation No. 1/2006 of the National Securities Commission. Bond issue will be addressed exclusively to qualified investors, according to Art. 15, paragraph 1 of Regulation No. 1/2006 of the National Securities Commission, amended, and in this case the preparation and publication of a prospectus are not mandatory.

For the listing of the bonds on the Bucharest Stock Exchange, a Prospectus will be prepared for admission to trading, prospectus which will be submitted for the approval of the Financial Supervisory Authority. In this respect Transgaz will proceed to the awarding of the contract to a financial investment services company, according to Art.13, letter d of GEO No. 34/2006, following the approval by the EGMS of bond issuance.

The bond issue estimated calendar comprises the bond issue stages. This calendar is detailed in the annex to this report.

The process duration is estimated to 164 days (approximately 5.5 months), starting with the current date.

The cost of the financing through the bond issue:

	Million RON					
Option with an annual fixed interest rate of 4.5%	2015	2016	2017	2018	2019	TOTAL
Annual interest expense	22.5	22.5	22.5	22.5	22.5	112.5
Capital market and intermediaries costs	1.55					1.55
TOTAL	24.05	22.5	22.5	22.5	22.5	114.05

	Million RON					
Option with an annual fixed interest rate of 4.2%	2015	2016	2017	2018	2019	TOTAL
Annual interest expense	21	21	21	21	21	105
Capital market and intermediaries costs	1.55					1.55
TOTAL	22.55	21	21	21	21	106.55

The estimation also includes the possible costs of virtual rooms or advisory services.

The main features of bond issue:

- Bond issue total maximum value: RON 500,000,000;
- Total maximum number bonds: 50,000;
- Nominal value: RON 10,000;
- Bond maturity: 5 years;
- Bond interest rate: fixed;
- Corporate bonds issued in a nominative, dematerialized form, recorded in the Bondholder Registry of SC Depozitarul Central SA;
- The bonds will not be secured;

- The bonds will be registered at National Securities Commission and admitted to trading on the regulated market administered by the Bucharest Stock Exchange.

Annexes:

- Excerpt from the Articles of Incorporation of SNTGN Transgaz, updated on 02.03.2015;
- Excerpt from GEO 34/2006 on public procurement.

Chairman of the Board of Administration
Ion Sterian

ARTICLES OF INCORPORATION
OF THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ SA
(UPDATED AT 02.03.2015)

CHAPTER IV

The General Meeting of the Shareholders

ARTICLE 14

Representation

1. The state interests in the general meeting of the shareholders of TRANSGAZ SA are represented by the Government through the General Secretariat of the Government or by its successors.
2. The state representative in the general meeting of the shareholders is appointed and revoked by the order of the Secretary General of the Government. The voting right of the state representative in the general meeting of the shareholders of TRANSGAZ SA shall be exercised based on a special mandate given by the order of the Secretary General of the Government.
3. Following admission to trading of TRANSGAZ SA shares on a regulated market, shareholders, other than the state, may also be represented in the general meeting of the shareholders by other persons than the shareholders, directors and employees of TRANSGAZ S.A., by special power of attorney, according to the capital market laws.
4. The shareholders of TRANSGAZ SA and the persons belonging to the management of the company have the obligation to meet the requirements stipulated at Art. 128 of Electricity and Gas Law No. 123/2012.

ARTICLE 15

Obligations

1. The general meeting of the shareholders of TRANSGAZ SA is the managing body having decisional power on its activity and economic policy.
2. The general meetings of the shareholders are ordinary and extraordinary.
3. The main obligations of the ordinary general meeting of the shareholders are as follows:
 - (a) to approve the proposals regarding the TRANSGAZ SA global development, retechnologization, modernization, financial and economic restructuring strategy;
 - (a¹) to approve the plan of administration prepared by the Board of Administration of TRANSGAZ SA;
 - (b) to elect and revoke members of the board of administration and auditors; to appoint and revoke the Chairman of the Board of Administration of TRANSGAZ SA;
 - (b¹) to set the criteria for the election of the Board of Administration members when two or more persons proposed obtain the same number of cumulated votes, expressed by the same number of shareholders;
 - (c) to approve the income and expense budget and the activity programme for the following financial year;
 - (d) to set the remuneration of the Board of Administration members in accordance with the structure and limits established by the law, to approve the contract of mandate concluded with the Board of Administration members and with the Director – General;
 - (e) to discuss, approve or amend the annual financial statements based on the reports of the administrators and of the financial auditors and establish the dividend;

- (f) to approve the breaking down of the profit according to the law;
- (g) to analyze the reports of the board of administration on the profit and dividends status and prospects, domestic and international market position, technical level, quality, labour force, environmental protection, relationship with the clients;
- (h) to assess the performances of the administrators;
- (i) to take decisions regarding the pledging, rental or liquidation of one or several units of the company;
- (j) to approve the rules for the organizing and functioning of the board of administration;
- (k) to appoint, release from employment the financial auditor and set the minimum duration of the financial audit contract;
- (l) to fulfil any other obligation legally established under its responsibility.

4. The extraordinary general meeting of the shareholders meets to decide on the following:

- (a) the changing of the legal form of TRANSGAZ SA;
- (b) the moving of the offices of TRANSGAZ SA;
- (a) the changing of the domain or/and main object of activity of TRANSGAZ SA;
- (b) the increase of the share capital and the reduction or issuance of new shares according to the law;
- (c) the bundling with other trading companies or the splitting of TRANSGAZ SA;
- (d) the advanced liquidation of TRANSGAZ SA;
- (e) bond issuance;
- (h) the modification of the number of shares or of their nominal value;
- (i) the creation or the liquidation of TRANSGAZ SA subsidiaries, branches, agencies, representative offices or other such units, without legal entity, belonging to TRANSGAZ SA, except for the working points, the participation to the constitution of new legal persons, merger, splitting or liquidation of such persons or association with other national or foreign legal or physical persons;
- (j) the extension of the company's duration;
- (k) the share conversion from one category into another;
- (l) the approval of the ownership, transfer, exchange or guarantee documents regarding some of the company's assets belonging to the fixed assets category

Letter a) of Art. 12 was amended by point 6 of Art. I of Emergency Ordinance No. 94/26.09.2007, published in Official Journal No. 676/4.10.2007.

b) contract execution requires special security measures to protect national interests, compliant with the applicable laws;

Letter b) of Art. 12 was amended by point 9 of the sole article of Law No. 337/17.07.2006, published in Official Journal No. 625/20.07.2006.

c) abrogated

Letter c) of Art. 12 was abrogated by point 10 of the sole article of Law No. 337/17.07.2006, published in Official Journal No. 625/20.07.2006.

Art. 12¹.

(1) This emergency ordinance shall not apply to the awarding of the public contract by structures of the contracting authority operating in other states when the contract value, estimated according to the provisions of Section 2 under Chapter II, is lower than the thresholds set in Art. 124.

Paragraph (1) of Art. 12¹ was amended by point 4 of the sole article of Law No. 278/24.12.2010, published in Official Journal No. 898/31.12.2010, supplementing Art. I of Emergency Ordinance No. 76/30.06.2010, published in Official Journal No. 453/2.07.2010, with point 7¹.

(2) The application of the general principles under Art. 2, paragraph (2), local publicity and compliance with Art. 35-38, which represent minimum requirements in this respect, shall be ensured for the award of public procurement contracts falling under paragraph (1) whose estimated value is higher than the value provided for in Art. 19.

Art. 12¹ was introduced by point 2 of Art. II of Emergency Ordinance No. 19/7.03.2009, published in Official Journal No. 156/12.03.2009.

Art. 13. – This Emergency Ordinance shall not apply to the awarding of the service contract:

a) the scope of which is the purchase or rental, by any financial means, of land, existing buildings or other immovable property or rights on them. The awarding of the financial service contract concluded, in any form, in connection with the relevant purchase or rental contract, shall be subject to the provisions of this Emergency Ordinance;

Letter a) of Art. 13 was amended by point 11 of the sole article of Law No. 337/17.07.2006, published in Official Journal No. 625/20.07.2006.

b) regarding the procurement, development, production or co-production of radio and television broadcasting programmes;

c) referring to the provision of arbitration and conciliation services;

d) regarding the provision of financial services in connection with the issue, purchase, sale or transfer of securities or other financial instruments, particularly operations of the contracting authority executed in order to bring financial and/or capital resources and the provision of services by central banks;

Letter d) of Art. 13 was amended by point 8 of Art. I of Emergency Ordinance No. 77/27.11.2012, published in Official Journal No. 827/10.12.2012.

- e) referring to employment of labour force and conclusion of labour contracts;
- f) regarding the provision of research and development services fully paid by the contracting authority and whose results are not exclusively for the own benefit of the contracting authority;

Art. 14. - (1) This Emergency Ordinance shall not apply to the public procurement contract awarded pursuant to:

- a) an international agreement concluded in accordance with the Treaty with one or more non-EU countries for product supply, service provision and work execution for project implementation or development jointly between the signatory countries and only if such agreement provided for a specific procedure for the awarding of the relevant contract;

Letter a) of paragraph (1) of Art. 14 was amended by point 4 of the sole article of Law No. 279/7.12.2011, published in Official Journal No. 872/9.12.2011.

- b) an international agreement on the stationing of troops and only if such agreement provided for a specific procedure for the awarding of the relevant contract;
- c) the application of a procedure specific to international organizations and institutions.

Letter c) of paragraph (1) of Art. 14 was amended by point 7 of Art. I of Emergency Ordinance No. 94/26.09.2007, published in Official Journal No. 676/4.10.2007.

- d) the application of a specific procedure stipulated by the Community law in the context of territorial cooperation programmes and projects.

Letter d) of paragraph (1) of Art. 14 was introduced by point 3 of Art. II of Emergency Ordinance No. 19/7.03.2009, published in Official Journal No. 156/12.03.2009.

- (2) The contracting authorities shall inform the National Authority for Regulating and Monitoring Public Procurement on the agreements referred to in paragraph (1), letter a), existing in their domain of activity.

Paragraph (2) of Art. 14 was amended by point 12 of the sole article of Law No. 337/17.07.2006, published in Official Journal No. 625/20.07.2006.