



**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. Moțaș 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. 51961/31 October 2017

Submitted for approval in the OGMS of 11.12.2017

REPORT

on the approval of the adjustment of the revenue and expense budget for 2017 and of the forecasts for 2018-2019

SUMMARY:

The Transgaz revenue and expense budget for 2017 and the forecasts for 2018 – 2019 were approved by OGMS Resolution 1/27 April 2017, the budget including amounts for share procurement in European operators in the domain.

On 27.10.2017 the Government of Moldova announced the launching of a new stage of privatization of some of the assets in the property of the Republic of Moldova, among them the State Enterprise Vestmoldtransgaz, being thus created the premised of favourable circumstances for the launching at the level of SNTGN Transgaz SA of the procedures for the preparation of a solid candidature for the participation in the investment competition, organized by the authorities at Chișinău.

The substantiation of the Revenue and Expense Budget adjustment was based on the necessity and opportunity analyses and on the launching of the State Enterprise Vestmoldtransgaz privatization process by the Government of Moldova.

PROPOSAL:

Approval by the Ordinary General Meeting of the Shareholders of the adjustment of the revenue and expense budget for 2017 and of the forecasts for 2018-2019, according to GO 26/21 August 2013, Art.10 (2) (f) and to the applicable Articles of Incorporation of Transgaz, Chapter IV, Art. 15 (3) (c).

Detailed content of the Report

The Ministry of Economy of Romania and the Moldavian counterpart repeatedly underlined the fact that there is an interest in working together to identify opportunities for the development of gas projects for the

operationalisation of the Iasi-Ungheni interconnector on 27 August 2014, as a result of the cooperation of SNTGN Transgaz SA with the State Enterprise Vestmoldtransgaz, the partner in the Republic of Moldova,.

In this respect, the Government of Romania issued Government Resolution 562/04.08.2017 on the declaration of the project Development of the National Transmission System capacity to ensure reverse flow from Romania to the Republic of Moldova a project of national importance in the gas domain.

At the same time, the Romanian Ministry of Energy issued Construction Permit No. 2/15.09.2017 for the execution of the works related to the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to/from the Republic of Moldova.

Taking into account the conclusions of the Joint Commissions for economic cooperation between Romania and the Republic of Moldova over the last two years, regarding the necessity and the opportunity to intensify the energy dialogue and taking note of certain developments in the region and especially the perspective of significant change in the degree the accessibility of traditional natural gas sources, SNTGN Transgaz SA concluded a contract with the Ministry of Economy of the Republic of Moldova and the State Enterprise Vestmoldtransgaz on design services for a Ungheni-Chisinau gas pipeline and the building of installations and related works. On 29.08.2017 Transgaz notified the Moldovan party on the completion of the contracted works and initiated the procedure for the delivery of the technical documentation.

Also, taking into account the commitments undertaken bilaterally and in line with the European Union's energy policy on the diversification of sources and gas supply routes and energy security in Central and South-Eastern Europe, and based on a necessity and opportunity analysis, the Romanian Ministry of Economy requested Transgaz to take the necessary measures as a matter of urgency, according to the legal and statutory provisions, in order to fulfil in due time the conditions necessary for the successful participation in the privatization procedure for State Enterprise Vestmoldtransgaz.

Since the Government of the Republic of Moldova announced on 27 October 2017 the launching of a new stage of privatization of some assets owned by the Moldavian state, including State Enterprise Vestmoldtransgaz, favourable circumstances were created for the initiation by SNTGN Transgaz SA of the procedures for the preparation of a strong candidature for the participation in the investment competition organized by the authorities Chisinau.

According to the announcement of the Government of the Republic of Moldova made on 27.10.2017, with regard to the privatizing of State Enterprise Vestmoldtransgaz:

- The initial selling price amounts to MDL 180 mil, the equivalent of approximately RON 41 mil (1 MDL = 0.2282 RON);
- The minimum volume of investment estimated for a period of two years: EUR 93 mil.

The Revenue and Expense Budget of SNTGN Transgaz SA for 2017 and the forecasts for years 2018 – 2019, approved by OGMS Resolution 1/27 April 2017 require an adjustment for including the amounts mentioned above.

We enclose the following:

- Adjusted revenue and expense budget for 2017 and forecasts for 2018-2019: Annex 1;

- Detailed economic and financial indicators included in the revenue and expense budget and quarterly split: Annex 2;
- Achievement of total revenue: Annex 3;
- The Investment Plan, equipment and financing sources: Annex 4;
- Measures to improve the gross result and diminish outstanding payments: Annex 5;
- Release regarding the performance of the investment competition: Annex 6.

**Note: Annexes 1 - 5 are not for publication.*

Chairman of the meeting
Văduva Petru Ion

Economic operator: S.N.T.G.N. Transgaz S.A. Medias

Headquarters: 1 C.I. Motas Sq., Medias

VAT number: RO 13068733

REVENUE AND EXPENSE BUDGET
for 2017

thousand lei

		INDICATORS	Row no.	REB 2017
0	1	2	3	4
I.		TOTAL REVENUE (row1=row2+row5a+row5+row6)	1	2,205,866
	1	Tota operating revenue before the construction activity according to IFRIC 12	2	1,577,348
		a) subsidies according to the applicable laws	3	
		b) transfers according to the applicable laws	4	
	2	Revenue from the construction activity according to IFRIC12	5a	597,692
	3	Financial revenue	5	30,826
	4	Extraordinary revenue	6	
II		TOTAL EXPENSE (row7=row8+row20+row20a+row21)	7	1,834,295
	1	Operating expense before the construction activity according to IFRIC12, of which:	8	1,226,595
		A. Expense with goods and services	9	369,981
		B. Expenses with taxes, charges and similar	10	210,859
		C. Expense with personnel, of which:	11	424,097
		C0 Salary-related costs (row13+row14)	12	322,186
		C1 Salary costs	13	282,101
		C2 Bonuses	14	40,085
		C3 Other personnel expense, of which:	15	7,913
		Compensation expense related to employees layoffs	16	7,913
		C4 Expense on mandate contract and other governing and control bodies, commissions and committees	17	4,543
		C5 Insurance and social security, special funds and other legal obligations expense	18	89,455
		D. Other operating costs	19	221,659
	2	Cost of assets built according to IFRIC12	20a	597,692
	3	Financial costs	20	10,007
	4	Extraordinary costs	21	
III		GROSS RESULT (profit/loss)	22	371,571
IV		TAX ON PROFIT	23	59,742
V		ACCOUNTING PROFIT REMAINING AFTER THE DEDUCTION OF THE TAX ON PROFIT, of which:	24	311,829
	1	Legal reserves	25	
	2	Other reserves representing tax incentives provided according to the law	26	
	3	Covering accounting losses in the previous years	27	

		INDICATORS	Row no.	REB 2017
0	1	2	3	4
	4	Establishment of own financial sources for the projects cofinanced by foreign loans as well as establishment of the sources necessary for the capital repayments, interest payment and other costs related to these foreign loans	28	
	5	Other assignments provided by law	29	
	6	Accounting profit left after the deduction of the amounts in row 25, 26, 27, 28 and 29.	30	311,829
	7	Employees share to the profit within the limit of 10% of the net profit, but no more than the level of an average monthly salary of the economic operator during the reference financial year	31	12,024
	8	Minim 50 % payments to the State or local budget, for the autonomous companies, or dividends for the national companies or the entirely or partially owned-by the state companies, of which:	32	161,927
	a)	- dividends to the state budget	33	94,743
	b)	- dividends to the local budget	33a	
	c)	- dividends to other shareholders	34	67,184
	9	Profit not assigned for the destinations provided at row 31 - row 32 is assigned to other reserves and it is an own financing source	35	149,903
VI		INCOME FROM EUROPEAN FUNDS	36	
VII		ELIGIBLE COSTS FROM EUROPEAN FUNDS, of which:	37	
	a)	material costs	38	
	b)	salary costs	39	
	c)	service supply costs	40	
	d)	publicity costs	41	
	e)	other costs	42	
VIII		INVESTMENT FUNDING SOURCES, of which:	43	1,244,991
	1	Budget allocations	44	
		Budget allocations regarding payment of commitments from the previous years	45	
IX		INVESTMENT COSTS	46	745,364
X		SUBSTANTIATION DATA	47	
	1	No. of personnel estimated at the end of the year	48	4,686
	2	Total average no. of employees	49	4,679
	3	Average monthly income per employee (RON/person) determined based on the salary costs*)	50	5,282
	4	Average monthly income per employee determined based on the salary costs (RON/person) (row13/row49)/12*1000	51	5,024
	5	Labour productivity in units of value per total average personnel in current prices (RON/person) (row 2/row 49)	52	337
	6	Labour productivity in physical units per total average personnel (physical units/person)	53	0.0000

		INDICATORS	Row no.	REB 2017
0	1	2	3	4
	7	Total costs at RON 1000 total income (row 7/row 1)x1000	54	832
	8	Outstanding payments	55	0
	9	Outstanding debt	56	255,126

DIRECTOR GENERAL,
Ion Sterian

CHIEF FINANCIAL OFFICER,
Marius Lupean

RELEASE

The Public property Agency announces the performance of the state public property assets privatization competition

INVESTMENT COMPETITION

No.	Asset name and location	Minimum investment volume/ duration of achievement (RON/years)	Initial selling price (RON)
Immovables			
1.	Cinema Prut, Falesti, 61 Stefan cel Mare Street	1,000,000/3	545,800
2.	Cinema Patria, Leova, 20 Independentei Street (except for an area of 315.5 m ² – private property)	800,000/3	260,000

No.	Headquarters	Main activity	Minimum investment volume/ duration of achievement (EUR/years)	Initial selling price (RON)
Sole group of assets				
3.	*I.S. Vestmoldtransgaz, Chisinau, 180 Stefan cel Mare si Sfânt Blvd.	Natural gas transmission	93,000,000/2	180,000,000

COMMERCIAL COMPETITION

No.	Headquarters	Main activity	Share capital (RON)	Initial selling price (RON)
1.	State Enterprise <i>Combinatul Republican de Instruire Auto</i> , Chisinau, 16 Sf. Vinerei Street	automotive	3,093,700	23,500,000
2.	State Enterprise <i>Centru Aeronautic de Instruire</i> , Chisinau, Airport	training and preparation in aeronautics	14,424,023	7,500,000
3.	State Enterprise <i>Fabrica de sticla din Chisinau</i> , Chisinau, 20 Transnistria Street	manufacture of packaging and glass articles, other types of activity	403,577,340	175,000,000
4.	State Enterprise for the repairing of energy units <i>Energoreparatii</i> , Chisinau, 1 Otovasca Street	repair of electrical and thermal equipment, etc	8,625,920	17,000,000
5.	State Enterprise <i>Centrul Tehnic pentru Securitate Industriala si Certificare</i> , Chisinau, 48 Serghei Lazo Street (performs its activity in rented locations)	Industrial safety expertise: project documentation for the construction, re-construction, technical re-engineering of hazardous industrial objects	5,701,574	20,000,000
6.	State Enterprise Training Centre <i>Inmacom – Didactic</i> , Chisinau, 43/4 Sarmizegetusa Street	Training, formation, re-training of employees for different jobs	386,562	10,200,000

7.	Agricultural state enterprise <i>Flori</i> , Chisinau, Singera, 26 Florilor Street	production and selling of planting material, vegetable crops, vegetable production, other types of activity	1,227,156	8,500,000
8.	Agricultural state enterprise <i>Dumbrava-Vest</i> , Chisinau, 209/1 Uzinelor Street	vegetable growing, fruit growing and growing nursery garden production	361,864	3,300,000
9.	State Enterprise <i>Combinatul Poligrafic</i> din Chisinau, Chisinau, 35 Petru Movila Street	Editorial and ploygraphic services, social and cultural product generation	42,355.380	130,000,000
10.	State Enterprise Editorial Polygraphic Company <i>Tipografia Centrala</i> , Chisinau, 1 Florilor Street	Editorial and ploygraphic services, social and cultural product generation	24,461,658	30,000,000
11.	State Enterprise <i>Zarea Hotel</i> , Chisinau, 4 Anton Pann Street	Hotel services	4,105,967	30,500,000
12.	State Enterprise <i>Detasamentul de Paza Paramilitara</i> , Chisinau, 19/1 Colina Puschin Street	Security services	167,056	7,500,000

The competitions are organized according to Law 121-XVI/4 May 2007 on the administration and denationalization of public property, Government Resolution. 945/20 August 2007, as further amended and supplemented, and the Rules for commercial and investment competitions for the privatizing of public property, approved by Government Resolution 919/30 July 2008.

I. Conditions for participation

1.1. The following may participate in the meeting:

- a) natural and legal persons in the Republic of Moldova;
- b) entirely private foreign natural and legal persons, stateless persons according to the law;
- c) associates of the persons mentioned at a) and b).

Participants may act directly or through representatives empowered according to the law.

1.2. Participants are entitled to take note of the set of documents and asset under competition.

1.3. For participation in the competition each participant must submit:

- ✓ the participation application indicating the price offered for the asset under privatization, the payment terms and conditions, the commitment to fulfill the conditions mentioned in the release. The tenderers in the investment competition must submit additionally at request, a detailed investment plan, indicating the value of the investments, their achievement deadlines and destination, according to the conditions set out in the specifications. The model of the participation application and the specifications are issued by the Public Property Agency;
- ✓ for the domestic legal persons - copies of the decision regarding the registration of the legal person and the articles of incorporation/statutes authenticated by the manager; excerpt from the State Register of Legal Persons;

- ✓ for the foreign legal persons - the copy of the registration certificate, issued by the authorized body and copy of the statute, authenticated according to the law;
- ✓ for the natural persons – the copy of the identity card and its annex;
- ✓ the domestic legal persons submit copies of the financial statements for the preceding management period, authenticated by the territorial statistical authority and by the manager (the foreign legal person submits these documents authenticated according to the law);
- ✓ the payment document for the submission of the participation guarantee amounting to RON 200 thousand in bank account:

Beneficiary: MF – The State Treasury, The Agency for Public Property;

Fiscal Code: 1006601001090; bank account: 226401101;

Beneficiary Bank: The Ministry of Finance - The State Treasury;

IBAN Code: MD92TRPCAA518420B00467AA

At payment destination the name of the asset under privatization must be mentioned.

- ✓ The bank guarantee for at least **50%** of the assumed price obligations. In the event of the obligation to fully pay the price until signing the selling-buying contract, the submission of the bank guarantee is not mandatory;
- ✓ the bank document certifying the participant's ability to perform at least **25%** of the total volume of the investments undertaken ***(for the participants in the investment competition)***;
- ✓ the certificate regarding the debts to the national public budget - for the domestic investors.

1.4. After submitting the competition participation documents, the participants may not make complaints regarding the characteristics of the asset under competition and must sign a free declaration in this respect.

1.5. In case of participation in the privatization of several assets under competition, the participant has the obligation to submit offers and participation guarantees for each individual asset.

II. Modality of performance

2.1. The competition includes two stages.

2.2. In the first stage, based on the analysis of the documents and offers submitted, the Commission will qualify the participants in the competition and, in the second stage, as a result of the price increase competition and the improvement of the other proposals, the Commission will establish the winner of the competition.

2.3. Only participants who have no debts to the national public budget, submitted all the documents, prepared appropriately, proposed a price not less than the initial selling price and whose offers are in accordance with the conditions of the competition are admitted as competition participants.

2.4. The Commission has the right to reject the offers of some or all participants if all necessary documents were not submitted, if they were not prepared appropriately or if the offers do not meet the conditions of the competition.

2.5. The Commission shall inform the participants of the decision taken and shall invite them to participate in the subsequent stage of the competition, communicated them the date and time of the Commission meeting in which the participants or their representatives duly empowered to take decisions and sign the documents are invited to assist.

2.6. On the day of the next stage of the competition, the participants (their representatives) are required to register with the Secretary of the Commission. Participants not registered are not admitted in the competition and the **participation guarantee is not returned**.

2.7. If only one participant participates in the competition, the Commission is entitled to initiate the competition to increase the price of the asset under privatization and to improve the other proposals or to declare the competition null.

2.8. During the competition, the highest price indicated in the participants' requests is stated as the initial price.

2.9. The competition is held in the presence of all participants (their representatives), with the possibility of the participants to make proposals to improve the initial price, starting with the participant who indicated the lowest price in the application. If the participants offered the same price, the first step of the competition starts with the last participant who presented the documents. This order is kept for the entire period of the competition.

2.10. The Commission, at any stage of the competition, is entitled to take the decision to end it, without establishing the winner, returning the submitted participation guarantees.

2.11. The Commission establishes the winner of the competition, the participant who proposed the highest price and undertook the most advantageous obligations to meet the conditions of the competition.

2.12. Until the signature of the selling - buying contract, the buyer pays the private tax, which represents 1% of the asset purchase value, other taxes and duties, as provided by law.

In the case of payment of the value of the property in one instalment, the amount will be paid until the signature of the contract.

In the case of payment in instalments of the value of the privatized asset, the first instalment shall be at least 50% of the selling price and the payment shall be made mandatorily until the conclusion of the selling-buying contract. Subsequent tranches of the payment of the privatized asset may be spread over a period of up to three years and will be made quarterly, in equal amounts, with their indexing according to the level of inflation, calculated from the contract conclusion date up to the date of payment.

The foreign natural and legal persons, the stateless persons must pay by sole payment the cost of the privatized assets until the signature of the selling-buying contract.

III. Other information

3.1. The documents for participation in the competition must be in the official language of the Republic of Moldova (or in another language, but mandatorily translated into the official language), into a sealed envelope, enclosing the document proving the payment of the competition participation guarantee.

3.2. The documents/offers for participation in the competition are received until **1 December 2017, 15:00hrs, the latest; for the State Enterprise Vestmoldtransgaz offers are submitted until 15 December 2017, 15:00hrs**, at the Public Property Agency, the Republic of Moldova, Chişinău, 1 Marii Adunări Naţionale Square, room 343, from: 8.00 a.m. to 5.00 p.m..

3.3. The participation guarantee will be returned to the participants (except for the cases mentioned at 2.5), except for the winning participant. The participation guarantee submitted by the winning participant is

considered at the payment of the privatized asset. **The participation guarantee is not returned to the competition winner who refused to sign the selling-buying contract.**

3.4. Further information regarding the legal grounds, the performance of the competition and consultation of the documents related to the assets under privatization may be requested to the Public Property Agency (the information office), tel. +373 (22) 22-14-57, +373 (22) 23-45-89, fax.+373 (22) 22-13-77, e-mail: ludmila.balan@app.gov.md.

**Public Property Agency
Deputy Director**

Dorina Cebotarean