



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

Capital social: 117 738 440,00 LEI

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

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No.20961/19.04.2016

Submitted for analysis and approval in the EGMS on 23/24 June 2016

REPORT

on the approval of the initiation of the procedure related to the increase of Transgaz' share capital with the value of the lands for which Land Ownership Certificates according to GD no 834/1991 were obtained in the period 2006-March 2016

SUMMARY

SNTGN TRANSGAZ SA Mediaș deals with obtaining the Land Ownership Certificates for the lands on which the objectives part of the National Gas Transmission System (GMS, GCS, TCS) as well as other buildings (administrative headquarters) are located.

Out of the total number of 144 Land Ownership Certificates (LOC) for the lands, a number of 55 lands with the total surface of 65.414,3 square meters and amounting to RON 7.554.045 for which LOC were obtained in the period 2006 – March 2016, were not included in the share capital.

The last share capital increase with the purpose to include the lands falling under the GD no 834/1991 as amended and completed, was achieved in January 2007, according to the conclusion of the Commerce Register attached to Sibiu Court of Justice no 141/10.01.2007.

The process related to obtaining the LOC continued after the trade of Transgaz' shares on the stock exchange, but, taking into account that Transgaz' shares are ordinary, registered, indivisible with a nominal value of 10 RON/share, the reduced value of the equity stake of the Romanian state to the share capital, according to the issued LOC amount, implies a reduced cash injection for the other shareholders, meaning an amount less than one for a share. This is the reason why the share capital was not increased with the value of the lands for which LOC were obtained.

PROPOSAL

Based on Art. 15, par (4) letter d. in the Articles of Incorporation of SNTGN Transgaz SA Mediaș, updated on 11.02.2016 we submit for the **approval of the Extraordinary General Meeting of the Shareholders the initiation of the procedure related to the increase of Transgaz' share capital with the value of the lands for which Land Ownership Certificates according to GD no 834/1991 were obtained in the period 2006-March 2016 and the proposal of EGMS to the appointed judge of the Trade Register Office related to the appointment of an expert or several experts for the evaluation of these injections, under the conditions of art 38 and 39 of Companies Law no 31/1990, republished, as subsequently amended and supplemented.**

I. Brief history

According to:

- The provisions of the G.D. no. 834/1991, on the establishment and evaluation of the lands owned by state owned companies, as subsequently amended and supplemented;
- The common criteria of the Ministry of Economy and Finance and of the Ministry of Public Works and Territorial Planning no. 2665/1C/311/1992 on the establishment and evaluation of the lands owned by state owned companies, as subsequently amended and supplemented.

SNTGN TRANSGAZ SA Mediaș deals with obtaining the certificates attesting the ownership of the lands where the objectives (MRS, VCS, and TCS) of the NTS are located as well as other buildings (administrative headquarters). Until now a number of 144 certificates of land ownership were obtained for these lands.

According to the provisions of art 12 par (3) of Law 137/2002 on the measures to accelerate privatization, as subsequently amended and supplemented, TRANSGAZ has to require, within 30 days from the issue of the ownership certificate, the registration of the share capital increase in the Trade Register Office including the amount related to the lands for which a Land ownership certificate was issued. The last share capital increase, with the scope of including the lands falling under the GD no 834/1991 as subsequently amended and supplemented, was achieved in January 2007 according to the Conclusion of the Trade Register Office no 141/10.01.2007.

According to the Decision of the Board of administration no 12 on 17.10.2007 the share capital increase was suspended as a result of the inclusion of the Land ownership certificates issues *"until the admission to trading of Transgaz shares on the regulated market"* which took place on 24.01.2008. The process related to obtaining the land ownership certificate continued after the trading of Transgaz' shares on the stock exchange but without the compliance with the procedure for Transgaz' share capital increase.

Hence, **in the period October 2006 – March 2016, 55 land ownership certificates were obtained, summing up a total surface of 65.414,3 sq. m and a revaluated amount of RON 7.554.045,00 which were not included in Transgaz' share capital.** The amount mentioned above resulted subsequent to the revaluation of the lands and buildings owned by SNTGN TRANSGAZ SA Mediaș, on 31.12.2014, according to the legislation in force.

II. The determination of the number of shares related to the share capital increase

The determination of a number of shares related to the value of the contribution in kind (evaluated by specialists/ANEVAR (National Association of Authorized Romanian Evaluators) evaluators and according to the inflation index communicated by INS (The National Institute for Statistics)) will be determined according to article 240 par (4) of Law 297/2004 on the capital market as follows:

- The value of the contribution in kind/the highest value of the market price of a share, the value per share calculated based on the net ledger asset or the nominal value of the share

In order to maintain the share of each shareholder prior to the share capital increase, they are able to make cash contributions, in compliance with the right of preference (according to Art. 216 of Companies' Law no. 31/1990, republished, as subsequently amended and supplemented and art. 130 par. (3) of the National Securities Commission (NCS) Regulation no. 1/2006).

In accordance with Art. 15 point (10) of NSC Regulation no. 1/2006, offering to existing shareholders under the right of preference some **shares issued for the share capital increase is made under a prospectus / proportionate prospectus** in accordance with art. 26a of Regulation (EC) No. 809/2004 regarding the format and content of the prospectus, the base prospectus, its summary and the final terms and the disclosure requirements, as subsequently amended and supplemented.

According to art. 9 point 1.2 of the updated Articles of Incorporation of Transgaz SA, **any share capital increase must be decided by the General Extraordinary Meeting of the Shareholders**. However, according to Art. 15 paragraph 5 (c) of the updated Articles of Incorporation of Transgaz SA, the **General Extraordinary Meeting of the Shareholders will be able to delegate to the Board of Administration, as provided by law or by the Articles of incorporation, the exercise of the task related to the share capital increase**. According to Article 219 para (1) of the Law no.31/1990, as subsequently amended and supplemented, the decision of the general meeting on the share capital increase is effective provided that it is in force within one year since the issuance hereof.

III. Applicable legislation:

- **Companies' Law no. 31/1990**, republished, as subsequently amended and supplemented;
- **G.D no. 834/1991**, on the establishment and evaluation of the lands owned by state owned companies as subsequently amended and supplemented;
- **Law no. 137/2002 on certain measures to accelerate privatization**, as subsequently amended and supplemented;
- **Rules for the implementation of Law no. 137/2002;**
- **Law no. 297/2004 on capital market**, as subsequently amended and supplemented;
- **National Securities Commission (NCS) Regulation no 1/2006** on issuers and securities operations;
- **The Articles of Incorporation of Transgaz SA**, updated.

IV. The stages of the process related to the share capital increase by the value of the lands for which Land Ownership Certificates were issued

Tag no	Stage	Estimation of the period	Competence
1	<p>GEMS Convening for:</p> <ul style="list-style-type: none"> approval of the initiation of the procedure for Transgaz SA share capital increase; approval of the appointment by the Trade Register Office of Sibiu Court of one or more evaluators from the list of authorized experts (art 215 par (1) of Companies' Law no 31/1990, <i>republished, as subsequently amended and supplemented</i>) for the reevaluation of the lands. 	Within 24 hours since the approval of the Convening by the BA	Transgaz
2	<p>The GEMS Decision on:</p> <ul style="list-style-type: none"> the approval of Transgaz' share capital increase the transmittal to TRO Sibiu of a an application for the appointment of one or more evaluators from the list of authorized experts. 	In 30 days from the date of the Convening	Transgaz
3	The evaluation report drawn up by the evaluator/evaluators authorized by the National Association of Authorized Romanian Evaluators appointed by the Trade Register Office (TRO) of Sibiu Court, according to the provisions of the GD no 107/30.01.2008 for the amendment of art 6 of GD no 834/1991 on setting and evaluation of lands owned by state owned companies.	Approximately 120 days since the appointment of the evaluator/evaluators by the TRO	Evaluator
4	<p>Convening the GEMS for:</p> <ul style="list-style-type: none"> the approval of Transgaz' share capital increase by the value of the lands set according to the evaluation report (<i>art. 215 par(3) of the Companies' Law no. 31/1990, republished, as subsequently amended and supplemented</i>); the approval of the selection of the intermediary for the preparation of the proportionate prospectus of the offer subsequent to the share capital increase, in compliance with the provisions of the GEO no 34/2006. 	Within 24 hours since the approval of the Convening by the BA	Transgaz
5	<p>The GEMS Decision on:</p> <ul style="list-style-type: none"> the approval of Transgaz' share capital increase by the value of the lands set according to the evaluation report; the approval of the selection of the intermediary for the preparation of the proportionate prospectus of the offer. 	In 30 days from the date of the Convening	Transgaz
6	The selection of the intermediary for the preparation of the proportionate prospectus of the offer subsequent to the	120 days since the approval by the GEMS	Transgaz

	share capital increase, in compliance with the provisions of the GEO no 34/2006.		
7	Preparation of the proportionate prospectus of the offer subsequent to Transgaz' share capital increase.	60 days from the selection of the intermediary	Intermediary
8	Approval/signing by Transgaz' management of the proportionate prospectus of the offer subsequent to Transgaz' share capital increase (<i>at the SPO the prospectus was not approved by the GMS</i>)	7 days since the completion of the proportionate prospectus	Transgaz
9	Coordination of the submission of all documents for the approval of the prospectus of the offer by the Financial Supervisory Authority (FSA).	10 days from the approval/signing of the prospectus	Transgaz
10	Publication of the prospectus of the offer and the conduct of the offer.	25 days	Intermediary
11	Completion of the subscription and notification of FSA of the final situation of the subscriptions.	1 day	Intermediary
12	Convening the GEMS for: <ul style="list-style-type: none"> the registration in the TRO Sibiu; amendment of Transgaz' Articles of Incorporation 	Within 24 hours since the approval of the Convening by the BA	Transgaz
13	GEMS Decision regarding: <ul style="list-style-type: none"> the approval of the registration in the TRO Sibiu; the approval of amendment of Transgaz' Articles of Incorporation. 	After 30 days from the date of the convening	Transgaz
14	Registration in the TRO of the increased share capital and of the amendment of the Articles of incorporation.	10 days	Transgaz/TRO
15	Issuance by the FSA of the Securities Registration Certificate	7 days	Transgaz/FSA
16	Registration of the share capital increase with Depozitarul Central SA.	3 days	Transgaz/ Depozitarul Central

Estimated duration of the process – 456 days (aprox.1 year and 3 months)

V. Estimated costs of the process:

1. Costs related to bank fees for the payment of a subscription performed by a shareholder (may be paid by the shareholder or by the company)
2. The FSA fee is 0.1% of the value of the subscribed shares without exceeding RON 1.000.000 according to FSA Regulation no 16/2014 on FSA revenues.
3. Tariff related to the registration of the securities with the FSA is RON 500, according to FSA Regulation no 16/2014 on FSA revenues.

4. The fee of the intermediary (*Nuclearelectrica paid RON 35.000, VAT excluded*) will be borne by the company.
5. Other expenses (*Nuclearelectrica estimated RON 2.500*).

Considering all of the above, **we submit for your approval**, based on Art. 15, par (4) letter d of Transgaz' Articles of Incorporation, updated on 11.02.2016, **the initiation of the procedure related to the increase of Transgaz' share capital with the value of the lands for which Land Ownership Certificates according to GD no 834/1991 were obtained in the period 2006-March 2016 and the proposal of EGMS to the appointed judge of the Trade Register Office related to the appointment of an expert or several experts for the evaluation of these injections, under the conditions of art 38 and 39 of Companies Law no 31/1990, republished, as subsequently amended and supplemented.**

VI. Annexes

- 1) The situation of the Land Ownership Certificates related to the lands for which the share capital increase procedure was not performed;
- 2) The situation of the lands owned by Transgaz for which topographical documentations are prepared in view of the issue of the certificate of ownership according to GD no 834/1991;

**Chairman of the Board of Administration
Ion Sterian**

The situation of the Land Ownership Certificates related to the lands for which the share capital increase was not performed

Tag no	Objective	Series /no/ date of the certificate	Surface of the land (sq. m)	Value of the Evaluation Report annex to the certificate (lei)	Reevaluated value 31.12.2014 (lei)
1	VCS Coroi	MO3 no. 10624/ 01.03.2007	3,015.94	120,128.00	13,518.00
2	MRS Sendreni	MO3 no. 10625/ 01.03.2007	1,232.80	45,459.00	11,053.00
3	Headquarter Pitesti Sector	MO3 no. 10626/ 01.03.2007	4,678.20	2,885,405.00	1,048,408.00
4	MRS Copaceni	MO3 no. 10627/ 01.03.2007	150.17	5,002.00	1,008.00
5	MRS Triteni	MO3 no. 10628/ 01.03.2007	275.56	3,265.00	1,851.00
6	MRS Catina	MO3 no. 10629/ 01.03.2007	178.80	1,917.00	1,201.00
7	MRS Calarasi	MO3 no. 10630/ 01.03.2007	182.75	4,428.00	1,228.00
8	MRS Iacobenii Moara	MO3 no. 10631/ 01.03.2007	0.38	4.00	4.00
9	MRS Valea Largă	MO3 no. 10632/ 01.03.2007	336.63	2,393.00	3,169.00
10	MRS Șaulia de Câmpie	MO3 no. 10370/ 06.10.2006	351.88	12,264.00	2,367.00
11	MRS Focșani	MO3 no. 10371/ 06.10.2006	1,754.00	262,336.00	62,893.00
12	MRS Victoria II	MO3 no. 10372/ 06.10.2006	1,671.72	71,533.00	37,466.00
13	MRS Ilfoara	MO3 no. 10373/ 06.10.2006	86.37	2,366.00	583.00
14	Headquarter Luduș Sector	MO3 no. 10374/ 06.10.2006	1,306.52	57,270.00	70,270.00
15	MRS Cislădie	MO3 no.11282/ 20.08.2009	1,076.60	138,384.00	106,159.00
16	MRS Șura Mare	MO3 no.11283/ 20.08.2009	389.58	38,940.00	29,860.00
17	Valea Lungă storage facility	MO3 no. 11281/ 20.08.2009	4,726.94	421,938.00	84,748.00
18	MRS Termocentrale Comanesti	MO3 no. 11296/ 24.11.2009	704.13	36,901.00	31,558.00
19	MRS Bacau	MO3 no.11297/ 24.11.2009	1,942.07	1,068,100.00	609,319.00
20	SU Corunca	MO3 no.11298/ 24.11.2009	2,166.71	27,509.00	67,980.00
21	MRS Cerghid	MO3 no.11299/ 24.11.2009	60.62	800.00	1,085.00
22	MRS Gherla	MO3 no.11300/ 24.11.2009	1,077.81	64,278.00	48,308.00
23	MRS Reghin	MO3 no.11301/ 24.11.2009	483.47	23,547.00	29,689.00
24	MRS Tau	MO3 no.11302/ 24.11.2009	98.47	2,068.00	1,766.00
25	Headquarter Sarmasu Sector	MO3 no.11303/ 24.11.2009	1,893.35	63,981.00	59,401.00
26	MRS Grui	MO3 no.11304/ 24.11.2009	72.77	2,020.00	1,304.00
27	MRS Somostelnic	MO3 no.11313/ 24.11.2009	180.12	1,587.00	3,227.00
28	MRS Sangeorgiu de Mures	MO3 no.11314/ 24.11.2009	1,561.67	45,298.00	125,992.00
29	MRS Seini	MO3 no.11316/ 24.11.2009	1,232.37	38,882.00	33,141.00
30	MRS Ungheni	MO3 no.11317/ 24.11.2009	1,645.10	98,110.00	73,735.00
31	MRS Corunca	MO3 no.11318/ 24.11.2009	1,287.36	16,344.00	34,620.00

32	MRS Poiana Codrului	MO3 no.11319/ 24.11.2009	1,046.00	8,738.00	9,847.00
33	MRS Luna	MO3 no.11317 /24.11.2009	913.13	21,725.00	20,873.00
34	VCS St.89 Rasnov	MO3 no.11315/ 24.11.2009	1,873.81	78,225.00	58,792.00
35	MRS Vlahita	MO3 no. 11363/ 29.12.2009	887.03	31,808.00	27,435.00
36	MRS Termo Cuci	MO3 no. 11364/ 29.12.2009	4,386.36	115,311.00	78,638.00
37	MRS Cluj I	MO3 no. 11365/ 29.12.2009	1,352.77	1,154,838.00	1,370,295.00
38	MRS Vasiesti	MO3 no. 11366/ 29.12.2009	93.51	3,621.00	2,891.00
39	Headquarter of Cluj regional office	MO3 no. 11367/ 29.12.2009	1,293.66	1,104,376.00	1,310,418.00
40	MRS Cluj II	MO3 no. 11368/ 29.12.2009	882.79	194,664.00	189,925.00
41	MRS Abus	MO3 no. 11385/ 24.02.2010	270.10	1,308.00	2,541.00
42	MRS Nades	MO3 no. 11386/ 24.02.2010	545.91	15,530.00	16,884.00
43	MRS Mica	MO3 no. 11387/ 24.02.2010	148.96	1,731.00	2,671.00
44	MRS Danes	MO3 no. 11503/29.04.2010	698.74	16,351.00	12,527.00
45	MRS Turda	MO3 no. 11502/ 29.04.2010	1,030.77	156,278.00	64,681.00
46	MRS Campia Turzii	MO3 no. 11501/29.04.2010	789.94	56,729.00	35,404.00
47	MRS Tg. Ocna	MO3 no. 11517/ 26.05.2010	639.05	27,191.00	19,762.00
48	VCS Ceanu Mare	MO3 no. 11516/ 26.05.2010	2,159.14	44,434.00	48,389.00
49	Headquarter Dej Sector	MO3 no. 11518/ 14.07.2010	1,458.07	221,052.00	99,987.00
50	Headquarter Tecuci Sector	MO3 no. 11744/ 10.03.2011	2,291.00	872,510.00	523,509.00
51	MRS Tampa	MO3 no. 11993/ 28.04.2011	246.38	6,747.00	4,419.00
52	MRS Teleac	MO3 no. 11994/ 28.04.2011	203.71	1,304.00	1,918.00
53	Headquarter Tg. Secuiesc Sector	MO3 no.12882/ 04.03.2013	927.00	153,092.00	348,707.00
54	Premises of dwelling houses Tg. Secuiesc	MO3 no.12883/ 04.03.2013	900.00	146,924.00	359,016.00
55	Headquarter Campina Sector	MO3 no.12884/ 04.03.2013	4,555.61	389,399.00	347,605.00
TOTAL			65,414.30	10,386,343.00	7,554,045.00

Anexa 2

The situation of the lands owned by Transgaz SA for which topographical documentations are prepared in view of the issue of the certificate of ownership according to GD no 834/1991

Tag no	Objective	Location/City Hall	Surface (sq m)	Producer of the topographical documentation
1	MRS Paraul Rece	Paraul Rece	126.00	S.C. ETERRA Map S.R.L
2	MRS Fagaras	Fagaras	1.269,00	S.C. ETERRA Map S.R.L
3	MRS Rasnov	Rasnov	874.00	S.C. ETERRA Map S.R.L
4	MRS Predeal	Predeal	983.00	S.C. ETERRA Map S.R.L
5	Batani Sector	Batani	12,155.00	S.C. ETERRA Map S.R.L
6	MRS Sf. Gheorghe	Sf. Gheorghe	941.00	S.C. ETERRA Map S.R.L
7	MRS Covasna	Covasna	1,703.00	S.C. ETERRA Map S.R.L
8	MRS Fieni	Fieni	1,077.00	S.C. ETERRA Map S.R.L
9	Company accomodation Brasov	Brasov	1,554.00	S.C. ETERRA Map S.R.L
10	Navodari MRS and Sector	Navodari	3,020	S.C. KOMORA S.R.L
11	Regional Office Brasov +MRS	Brasov	6,196	S.C. ETERRA Map S.R.L

TOTAL

29,898.00

Note: In the period 2013-2015 Services supply contracts were concluded for 88 lands with the companies SC Topoland Consult SRL, SC Taping Company SRL, SC Eterra Map SRL, SC Komora SRL and SC TCMS 2008 SRL with the subject to prepare the necessary topographical documentations for the issue of the Land Ownership Certificates for the lands owned by Transgaz SA.

Due to the non-compliance with the contractual clauses in the period October – November 2015 the service supply contracts concluded with SC Topoland Consult SRL, SC Taping Company SRL and SC TCMS 2008 SRL were cancelled.

For the 76 objectives which were the subject of the cancelled service supply contracts the procurement procedure will be resumed according to GD no 834/1991, subsequent to the issue by the Ministry of Economy, Commerce and Business Environment Relations of the order for the appointment of the Commission who will establish and evaluate the lands owned by Transgaz S.A. In the letter no 5342/05.02.2016 Transgaz requested to the Ministry of Economy, Commerce and Business Environment Relations the issue of the above mentioned order.

Head of the Patrimony and Concessions Department

Florea Francisca