



**SOCIETATEA NAȚIONALĂ DE TRANSPORT
GAZE NATURALE "TRANSGAZ" SA MEDIAȘ**
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Submitted for analysis and approval in the EGMS of.....

REPORT

regarding the approval of the Transgaz share nominal value split

SUMMARY

- According to Art. 8, paragraphs 1 and 2 of the Articles of Incorporation updated on 11.02.2016, the current share capital of SNTGN Transgaz SA amounts to RON 117,738,440 and is divided into 11,773,844 registered shares, issued in a dematerialized form, each share having a nominal value of RON 10.
- The splitting of the nominal value of the share is the operation by which the nominal value of the share is diminished at the same time with the increasing of the number of shares depending on the splitting ratio, the share capital remaining unchanged. Such operation brings the Company to the public's and investors' attention and through the smaller value makes the shares more accessible to them, and increases their liquidity on the market.
- We underline that the share nominal value adjustment, when the value of the share is too high, leads to an increased interest of the investors for these shares and as such to their increased liquidity and value of the Company on the market.

PROPOSAL

According to Art.15, paragraph (4), letter h of 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 Transgaz share nominal value split in a ratio of 1:10, the share capital of the Company having the same value of RON 117,738,440 after the splitting, being divided in a number of 117,738,440 shares, each share having the nominal value of RON 1.**

According to Art. 8, paragraphs 1 and 2 of the Articles of Incorporation updated on 11.02.2016, the current share capital of SNTGN Transgaz SA amounts to RON 117,738,440 and is divided into 11,773,844 registered shares, issued in a dematerialized form, each share having a nominal value of RON 10.

The splitting of the nominal value of the share is the operation by which the nominal value of the share is diminished at the same time with the increasing of the number of shares depending on the splitting ratio, the share capital remaining unchanged. Such operation brings the Company to the public's and investors' attention and, through the smaller value, makes the shares more accessible to them, and increases their liquidity on the market.

We underline that the share nominal value adjustment when the value of the share is too high, leads to an increased interest of the investors for these shares and as such to their increased liquidity and value of the Company on the market.

PROPOSAL FOR THE TRANSGAZ SHARE NOMINAL VALUE SPLIT

BEFORE THE SPLIT		SPLITTING RATIO: 1: 10	AFTER THE SPLIT	
Share capital:	RON 117,738,440		Share capital:	RON 117,738,440
No. of shares:	11,773,844		No. of shares:	117,738,440
Nominal value:	RON 10		Nominal value:	RON 10:10 = RON 1
Shares: registered, ordinary, dematerialised, indivisible and freely tradable			Shares: registered, ordinary, dematerialised, indivisible and freely tradable	
1 share =	1 vote		1 share =	1 vote
Share price:	RON 270		Share price:	RON 270:10 = RON 27
Market capitalization of the Company:	RON 3,261,354,788		Market capitalization of the Company:	RON 3,261,354,788

* as an example it was considered the 2015 Transgaz share average price

After the split the share capital of the Company will have the same value of RON 117,738,440, but will be divided into 117,738,440 shares, each share having the nominal value of RON 1.

Thus, a shareholder holding a number of 1,000 shares at the price of RON 270/share, that is RON 270,000 before the split, will hold after the split 10,000 shares at the price of RON 27, that is the same portfolio value of RON 270,000.

In an analysis of the share price at the Bucharest Stock Exchange after the split, Transgaz would rank 7th in *Top 30 companies listed at the Bucharest Stock Exchange*, and 3rd in *Top of the Premium companies*.

The Romanian stock market context analysis indicates that:

- 67% of the shares traded on the regulated market administered by the Bucharest Stock Exchange are traded at a price lower than RON 2/share;
- Transgaz share has the highest trading price at the Bucharest Stock Exchange, that is approximately RON 270, as compared to RON 110 for the next share of Erste Group Bank AG;
- 88% of the shares traded on the regulated market administered by the Bucharest Stock Exchange are traded at a price lower than RON 10/share;
- The high Transgaz share trading price, both at selling and at buying, has a negative influence on the number of trades and on the volume traded.

The stages of the Transgaz share nominal value split are as follows:

1. Preparation of report for the endorsement of the Company operation by the Board of Administration and its approval in the EGMS;
2. Publication of the EGMS Convening and Resolution;
3. Registration of the EGMS Resolution at the Sibiu Trade Register Office;
4. Submission of documentation at the Financial Supervisory Authority;

5. Issuing by the Securities Registration Certificate by the Financial Supervisory Authority;
6. Submission of documentation at Depozitarul Central SA;
7. Registration of financial instruments by Depozitarul Central SA following the Company event.

Detailed stages, terms and costs regarding Transgaz's share nominal value split:

1. Including on the agenda of the Board of Administration meeting the nominal value split proposal and the proposals for the amending of the Articles of Incorporation of Transgaz accordingly;
2. Convening the EGMS and establishing the registration date regarding the resolution. The deadline for this operation is 30 calendar days for the publishing of the EGMS convening, the registration date being subsequent to the meeting date by approximately 77 working days from the EGMS date (according to the estimated operation schedule enclosed as Annex 1);
3. Publication of the EGMS Convening at the Bucharest Stock Exchange, Financial Supervisory Authority, Transgaz's website, in a national publication and in the Official Journal Part IV. The deadline for this operation is of 1 day. The costs for the publication of the EGMS Convening are estimated to amount to RON 6,200, and for publication in the Official Journal to RON 600;
4. Request from Depozitarul Central SA Bucharest of the synthetic shareholding structure at the reference date established in the EGMS Convening. The deadline for this operation is of 5 working days after the reference date;
5. Publication of the EGMS Resolution in the Official Journal of Romania Part IV and registration at the Sibiu Trade Register Office and the issuing of the Certificate of Recorded Amendments. The deadline for publication in the Official Journal of Romania Part IV is of 15 calendar days from the date of certificate issuance. The Resolution is registered at the Sibiu Trade Register Office at the request submission date, and the Certificate is issued within 5 working days. The cost of these operations at the Sibiu Trade Register Office amounts to approximately RON 400;
6. Submission to the Financial Supervisory Authority of the documents necessary for the issuing of the <i>Securities Registration Certificate</i> . These documents may be sent only after the expiration of the period within which the EGMS Resolution may be subject to appeal and challenge. The EGMS Resolution may be appealed in court within 15 calendar days from the date of publishing of the Resolution in the OJ of Romania, and may be challenged within 30 calendar days from the date of publishing of the Resolution in the OJ of Romania. The Financial Supervisory Authority issues the Securities Registration Certificate within 10 working days from the date of submission of the documents. The cost of this operation amounts to RON 500 (according to National Securities Commission Regulation 16/2014, Annex 3 point 2.12);
7. Submission of the documents to SC Depozitarul Central SA Bucharest for the registration of Transgaz share nominal value split within approximately 3 days. The cost of this operation amounts to approximately RON 4,000 (according to DC Tariffs, point 9);
8. The Bucharest Stock Exchange will suspend from trading Transgaz shares 2 days before the registration date and until the completion of Transgaz share nominal value split according to the contract concluded between SC Depozitarul Central SA and the Bucharest Stock Exchange.

The documents which must be submitted to the Financial Supervisory Authority are the following:

We shall receive the list of documents to be submitted to the Financial Supervisory Authority following transmission of the current report regarding the EGMS Resolution. According to the National Securities Commission letter no. 8895/06.04.2012 these are:

- copy of the publication and of the Official Journal where the EGMS Convening was published;
- synthetic shareholding structure at the EGMS reference date – document issued by SC Depozitarul Central SA;
- EGMS Report and the list of participating shareholders;
- Copy of the OJ of Romania where the EGMS Resolution was published;
- Certificate of Recorded Amendments issued by the Trade Register Office for the Company operation registration in the Trade Register, to be sent to the Financial Supervisory Authority not later than the following working day after the registration at the Trade Register Office of the relevant amendments, according to Art.103 (2) of Regulation 1/2006;
- Declaration of the legal representative of the Company stating clearly if the EGMS Resolution was appealed or was not appealed according to Art. 132 of Law 31/1990 republished, and challenged according to Art. 62 of Law 31/1990 (after the expiration of the legal deadline, dated, signed and stamped).

The documents which must be submitted to Depozitarul Central SA are as follows:

- Copy of the OJ of Romania where the EGMS Resolution was published;
- Certificate of Recorded Amendments issued by the Trade Register Office and the conclusion of the appointed judge;
- the Company's Articles of Incorporation;
- the Securities Registration Certificate issued by the Financial Supervisory Authority;
- Declaration of the legal representative of the Company regarding the litigations or the existing court decisions, as applicable, related to the split, and the appeals/challenges in court against the EGMS Resolution.

Based on the above and following **discussions with the Financial Supervisory Authority representatives** according to which the synthetic shareholding structure at the registration date **no longer has to be submitted** to the Financial Supervisory Authority, the Company's will be suspended from trading **maximum 4-5 working days**. This structure may be obtained only within 3 working days (because of the market settlements T+2).

Duration:

The duration of the entire process is of approximately **4 months** from date of EGMS convening.

The cost of the Company event amounts to approximately RON 11,700.

The Transgaz share nominal value splitting must be submitted for the approval of the EGMS.

The convening and holding of the EGMS and the resolution of the shareholders of SNTGN Transgaz SA must comply with all applicable laws:

- Law 31/1990 on the companies, republished as further amended and supplemented;
- Law 297/2004 on the capital market, as amended;

- NSC Regulation 1/2006 on issuers and operations with securities, as amended;
- NSC Regulation 10/2012 on the amending and supplementing some regulations of the National Securities Commission.

Considering the above, based on Art.15, paragraph (4), letter h of the Articles of Incorporation of SNTGN Transgaz SA, updated on 11.02.2016, **we submit for your approval the Transgaz share nominal value split, in a ratio of 1:10, the share capital of the Company having the same value of RON 117,738,440 after the splitting, being divided in a number of 117,738,440 shares, each share having the nominal value of RON 1.**

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