

Submitted for information and recommended for endorsement in the Board of Administration meeting dated 11.11.2015

The form resulted following the debates in the Board of Administration meeting dated 11.11.2015

CONPET S.A.
The Economic Direction
No.URG.5444 from 11.11.2015

Endorsed,
General Director,
Eng. Liviu Iasi
S.s. Illegible

SUBSTANTIATION NOTE

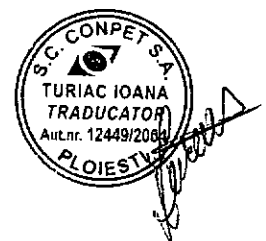
Regarding the proposal of CONPET S.A related to the award of a special mandate to the representative of the MINISTRY OF ENERGY, SMALL AND MEDIUM ENTERPRISES AND BUSINESS ENVIRONMENT in the EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS, for the approval of the sale, by open outcry auction, of the asset consisting of buildings and land in surface area of 1,144 Sqm, located in Ploiesti City, No.7, Independentei Blvd, Prahova County.

Based on Art.105, paragraph (1), Art.106 – 108, Art.109, paragraph (1) and (2) and Art.110 of GD no.577 from June 13, 2002, regarding the approval of the Methodological Norms of application of the Government Emergency Decree no.88/1997 regarding the privatization of the trade companies, subsequent amendments and additions, and of Law no.137/2002 regarding certain measures for privatization speed up, CONPET S.A. Ploiesti require the award of the special mandate to the representatives of the Ministry of Energy, Small and Medium Enterprises and Business Environment in the General Meeting of Shareholders, for the approval of the asset sale consisting of buildings and land with a surface area of 1,444 Sqm, located in Ploiesti City, No.7, Independentei Blvd, Prahova County.

According to the provisions of Art.13, paragraph (4) of Law no.346/2004 for the stimulation of the set-up and development of the Small and Medium Enterprises, subsequent amendments, CONPET S.A. shall update the list with the available asset subject to sale and will submit it to the public institutions mentioned at Art.13, item 4, of Law no.346/2004.

By way of letters no.3341/18.09.2015 and no.34764/30.09.2015, CONPET S.A. requested the Directorate General of Trade Organizations and the Directorate General of Oil and Gas within The Ministry of Energy, Small and Medium Enterprises and Business Environment the **notice of approval** regarding the opportunity of sale related to this asset.

The opportunity of sale related to the asset consisting of buildings and land, located in Ploiesti City, No.7, Independentei Blvd, Prahova County, is being justified by the fact that the asset is available, with no economic use for the company, requiring permanent maintainance and repair expenses. On the other hand, for approximately 7 years (2009-2015) since the Ordinary General Meeting of Shareholders has approved the rental of the asset (OGMS no.3/12.08.2009),



despite the approaches made for the rental of this asset, CONPET S.A. has recorded no income out of this activity. This asset has no impact on the company's core business.

A. COMPANY'S IDENTIFICATION DATA

1. **Name:** The company CONPET S.A.
2. **Registered Offices:** Ploiesti, No.1-3, Anul 1848, Prahova County;
3. **Registration number:** J29/6/1991;
4. **Tax identification code:** RO1350020.
5. **Share Capital**

5.1. total (thousand) RON: 28,569, 8424 thousand RON;

5.2. Share value: 3.3 RON;

5.3. Last registration at the NATIONAL TRADE REGISTER OFFICE: C.I.M. no. 18386/28.10.2015 – request amendment Articles of Incorporation;

5.4. Shareholding Structure:

As per the Central Depository S.A. (letter no.46952 from 13.10.2015), the consolidated synthetic structure of the financial instruments holders having at least 10% of the share capital, at 06.10.2015, is the following:

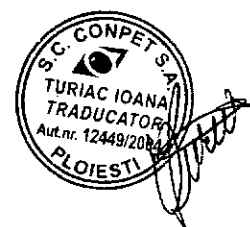
Shareholder	No. of Shares	Value (thousand RON)	Percentage %
The Romanian State by the Ministry of Energy, Small and Medium Enterprises and Business Environment	5,083,372	16,775,1276	58,7162%
Legal Persons	2,893,166	9,547,4478	33,4179%
Natural Persons	680,990	2,247, 267	7,8659 %
Total	8,657,528	28,569,8424	100,0000%

6. Main Field of Activity:

- Main field of activity – “Transports through pipelines” – NACE code 495;
- Core business: “Transports through pipelines” – NACE code 4950.

B. ECONOMIC – FINANCIAL DATA Month of September 2015 (anterior to the submission of the request).

Indicators	30,09,2014(thousand RON)	30.09.2015 (thousand RON)
1.Turnover	281,950	285,664
2.Operating Income	302,310	308,455
3.Operating Expenses	251,249	250,477
4.Total Income	309,715	312,998
5.Total expenses	251,502	250,482
6.Gross Result financial year	47,954	52,010
7.Tangible assets	400,614	402,280
8.Liabilities, total	73,712	67,453
9. Receivables, total	41,625	41,551



C. DATA ON THE ASSET PROPOSED FOR SALE

1. Name: asset consisting of buildings and land with surface area of 1,144 Sqm;

2. Address: No. 7, Independentei Blvd, Ploiesti, Prahova County;

3. Description: Basement + Ground Floor + First Floor:

-number of floors: real-estate type Basement + Ground Floor + first Floor;

-number of rooms: 35 interior spaces destined for offices, 3 entrances, 4 main halls, storehouses and social spaces (1 kitchen, 4 social groups, 4 storehouses, 1 plant room for the power station, 1 plant room for the telephone switchboard). The spaces destined for offices are mainly equipped with: fluorescent lightening/200V electrical supply, independent central heating with natural gas/ steel or aluminum joinery to all the rooms, balconies and terraces closed with aluminum joinery, IT network in each room destined to be offices, telephone network with telephone switchboard for each room destined to be office (1-3 phones in each office), basement developed as canteen/mess hall/food storage, internal alarm security system, guard booth with alarm monitoring system, sewage system.

The courtyard, entirely asphalted, provides access to 2 streets, namely Independentei Blvd and Golesti Street, 1 closed garage, 4 covered parking places and other 3-4 parking places in closed area, electronically controlled access gates on both access ways, to Golesti Street and Independentei Blvd., perimeter security system with alarm, garbage storage facility, water source. Additionally, in the back of the asset there is an indoor concrete courtyard (terrace), of approximately 26 Sqm., for the access and for supplying the canteen located in the basement, directly from Independentei Blvd.

The asset roof, the interior and exterior masonries are in good condition.

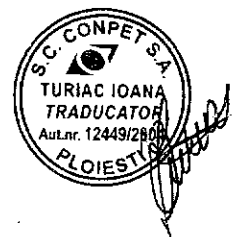
-construction structure:

- o Concrete foundation;
- o Supporting structure; load-bearing masonry, concrete;
- o Wood roof flaming and plate roof;
- o Wood and concrete floors;
- o Floors: sandstone, parquet, carpet, concrete;
- o Exterior joinery: PVC with double glazing, interior joinery wood doors;
- o Equipment: electrical, sanitary (without sanitary objects), own gas central heating (partially heating devices partially old);
- o Gas installation;
- o Finishing degree: average (recoverable wear and tear, needs the recovery of the interior finishes);

- Construction year: 1940 – main body of the building.

1998 – annexes (concrete baseboard and fencing).

- Building condition: the current technical condition: good (construction unused for the last 7 years, degradation risk due to the failure to perform the repairs in due time); the building, as per the technical appraisal Report drafted by S.C. Ideea Proiect SRL Bucuresti, in the month of April 2013, is classified in the category of seismic risk RsIII corresponding to the constructions that, under the effect of the seismic design may encounter structural degradations that do not materially affect the structural security. However, the non-structural degradations of the said constructions may be important. Also, in the prepared technical appraisal report is being mentioned that, due to the good technical performances, the strength and deformation capability of the building meets the actual requirements related to antiseismic protection, and, consequently, in view of preserving the functionality



of offices building, by preserving the current partition and following the analysis performed, for the construction falling under Class III of importance and under the seismic risk category RsIII, **intervention works are not necessary.**

Construction surface/spread area: total 632 Sqm/1316 Sqm

- C1 – statutory seat – 559 Sqm/1243 Sqm
- C2 - guard booth - 4Sqm./4 Sqm
- C3 - garage - 23 Sqm /23 Sqm
- C4 - awning - 36 Sqm /36 Sqm
- C5 – waste bins cargo -10 Sqm/10 sqm

-cadastral number of the building/buildings registered in the Land Registration: 106262/CF 69212.

- the reevaluated book value at 31.12.2014, as per Law 493/2003, for the approval of the Government Ordinance no. 81/2003, regarding the revaluation and depreciation of the fixed assets in the public institutions patrimony, subsequent amendments and additions is of 3,061,442.62 RON.

-the remaining book value at 30.09.2015 accounts 3,035,567.65 RON.

-**legal status:** the asset consists of buildings and land, with measured surface area of 1144 Sqm (according to documents 1,129.8 Sqm), CONPET S.A. property. The current dimension of the asset is the result of the procurement of buildings and land by CONPET S.A., in the years 1998, 1999 and 2002, respectively of several sections in between the two streets: No.16 and 20 Golesti Street (building body and land) and No. 7, Independentei Blvd (building body and land), based on 3 purchase and sale contracts no. 1940/25.03.1998, no. 347/17.05.1999, and no. 4614/03.07.2002. Currently, the asset is in the exclusive property of CONPET S.A., as per the Conclusion no. 5850/07.02.2011, issued by the Land Title and Survey Office Prahova (Rom. Oficiul de Cadastru si Publicitate Imobiliara Prahova – Land Registry Office Ploiesti), the property right being recorded in the land book newly set up following the annexation of the above mentioned buildings (annexation Act no. 583 from 04.02.2011), respectively CF no. 69212 of the territorial and administrative division Ploiesti.

-destination: office building.

4. Facilities:

- Fixed assets: distribution boxes, electrical panel, guard booth, auto garage, burglar alarm system.
- Electric power: electrical grid from the public system.
- Thermal energy: methane gas based thermal power station, steel and aluminum heaters.
- Utilities: electric and thermal power plant, water supply, communal household, burglar system, sewage system etc.
- access ways: two access ways, one in No.7, Independentei Blvd and the other one in No.20, Golesti Street, Ploiesti, Prahova County.
- Others: access ways in undivided share: not applicable.

5. Commissioning Year:

- C1 – corporate office – year 1949/1999/2002 (related to 3 sale – procurement contracts)
- C2 - guard booth - year 1997.
- C3 - garage - year 1998.
- C4 - awning - year 1998.



- C5 – waste bins cargo - year 1998.
- Concrete platform - year 1998.
- Fencing - year 1998.

6. Total land surface area: out of measurements = 1,144 Sqm and from acts 1,129. 80 Sqm, of which:

6.1. built: 632 Sqm

6.2. spread: 1316 Sqm

6.3. constructions related land: 632 Sqm

6.4. free land: 512 Sqm

6.5. access ways in undivided share: not applicable

6.6. proximities: NORTH: administrative properties (previous headquarters of Unicredit Tiriac), currently empty and unused; EAST: Golesti Str. and private property Radulescu Mihai; SOUTH: private properties with cadastral number 124652; WEST: Independentei Blvd.

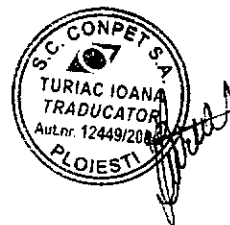
7. Title to Property on the Related Land:

- ✓ **Sale – procurement contract authenticated under no. 1940/25.03.1998**, by which the company CONPET S.A. has acquired the land property covering 300 Sqm, located in Ploiesti, No.20, Golesti Street, Prahova County. Following real estate registration the measured area related to this contract is of 295 Sqm (conclusion of real estate registration no. 5850 from 07.02.2011).
- ✓ **Sale – procurement agreement authenticated under no. 347/17.05.1999**, by which the company CONPET S.A. has acquired the land property covering 178.80 Sqm, as well as the dwelling located on this land, consisting of ground level and storey (P+1), situated in Ploiesti, No. 16, Gloesti Street, Prahova County; following the real estate registration, the land surface resulting from measurements reaches de 178 Sqm. (conclusion of the real estate registration no. 5850 from 07.02.2011).
- ✓ **Sale – procurement agreement authenticated under no. 4614/03.07.2002**, by which the company CONPET S.A. has acquired the land property covering 651 Sqm, as well as the dwelling located on this land, consisting of ground level and storey (P+1), situated in Ploiesti, No. 16, Golesti Street, Prahova County; following the real estate registration, the land surface resulting from measurements reaches de 671 Sqm. (conclusion of the real estate registration no. 5850 from 07.02.2011).

At present, the building is the exclusive property of CONPET S.A, as per the Conclusion no. 5850/07.02.2011, issued by Land Title and Survey Office, Prahova - Land Registry Office Ploiesti, the land ownership right being registered in the newly set up landbook, following the annexation of the above mentioned buildings (annexation Act no. 583 from 04.02.2011), respectively CF no. 69212 of the territorial and administrative division Ploiesti.

The building consists of edificable area backyards and buildings, with measured surface are of 1144 Sqm, destined as lands with the built-up area, category backyards and buildings.

8. Inclusion of the land value in the share capital: the land and buildings located in Ploiesti, No.7, Independentei Blvd, are not included in the share capital of CONPET S.A.



9. Activities performed within the asset – there is no activity performed herein.

10. Environmental liabilities: this asset is meant for office activity and does not fall under the regulation in terms of environmental protection (address no.11399 from 26.10.2015 of the Ministry of Environment, Waters and Forests - Prahova Environmental Protection Agency).

11. Current legal status of the asset: the real estate consists of buildings and lands covering 1144Sqm, located in No.7, Independentei Blvd, respectively No.16 and, Golesti Street, Prahova County, is the exclusive property of CONPET S.A., is not entailed with real rights or other charges (seizure/mortgage), is not claimed within a remission application based on Law no.10/2001, is not stake in a joint venture. The real estate has not litigations of patrimonial, commercial or social nature. A land surface of 76.5 Sqm is rented to a natural person based on the rental agreement no. 9478 from 18.10.2000, in force up to 30.09.2016.

12. Investments made by the tenant/ associate: not applicable.

13. Asset issue in fact: The asset is *available* starting the date of EGMS Resolution no.1/04.03.2009 – no activity performed.

14. Expenses generated by asset preservation: 37.61thousand RON/year, representing tax on non-domestic property (10.84 thousand RON), property owner's house (0.62 thousand RON) and the depreciation related to buildings (26.15 thousand RON). For the reuse of the real estate repairs are necessary.

D. DATA REGARDING THE SETTLEMENT OF THE RESERVE PRICE RELATED TO THE OPEN OUTCRY AUCTION

1) Total remaining accounting value – 3,035,5676 thousand RON (as per the last evaluation registered in the bookkeeping from 31.12.2014, including the fixed assets that are sold together with the asset).

2). Of which the accounting value of the land related to the asset – 2,409,935 thousand RON.

3. Asset share – 0,7546%.

4. Market value as per the Appraisal Report

- **Cost approach:** 3,170,616 RON, VAT excluded (718,000 EURO, VAT excluded).
- **Income approach:** 3,082,298 RON, VAT excluded (698,000 EURO, VAT excluded).

5. The market value set out by the Board of Administration is of 3,170, 616 thousand RON, VAT excluded, the equivalent of 718,000 EURO, VAT excluded.

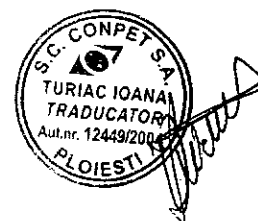
6. The share of all assets previously sold in the total tangible assets (%) – not applicable.

7. Specifications of the company's management regarding the influence of asset sale over:

- 7.1. The achievement of the core business and company's privatization
- 7.2. Company's access to the utilities supply sources.

Note: The asset has no contribution to the achievement of the core business and does not affect the company's asset to the utilities supply sources.

8. Whether the company has benefited or not from external credits directly contracted or guaranteed by the state, with the mentioning of the external financier, as per the provisions of Art.105 paragraph (2) from GD 577/2002 – not applicable.



E. LIABILITIES REGISTERED BY THE SELLER AT 30.09.2015 (DEBTS, AUGMENTATIONS, PENALTIES)

Total 22,226,800 thousand RON, of which:

- to the state budget – 19,555,173 thousand RON

- to the social security budget – 2,671,627 thousand RON

-local fees - 0

-to the Ministry of Energy, Small and Medium Enterprises and Business Environment – 0

At the date of this note, CONPET S.A. does not register any outstanding liabilities.

F. THE DESTINATION OF THE AMOUNTS OBTAINED BY ASSET SALE

The amounts obtained from asset sale will be used in compliance with the provisions of Art.26 from EGO no.88, from December 23, 1997, regarding the privatization of the trade companies.

We hereby require the endorsement, by the Board of Administration, of the Substantiation Note regarding CONPET S.A. proposal to grant special mandate to the representative of the **MINISTRY OF ENERGY, SMALL AND MEDIUM ENTERPRISES AND BUSINESS ENVIRONMENT** in the **EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**, for the approval of the sale, by open outcry auction, of the asset consisting of buildings and land with surface area of 1,144 Sqm., located in Ploiesti, No.7, Independentei Blvd, Prahova County.

We hereby declare, on our word of honour, that the data mentioned herein are true and accurate.

Director of the Economic Direction

Econ. Sanda Toader

S.s. Illegible

Director of the Financial Department,

Econ. Veronica Curteanu

S.s. Illegible

Head of the Legal Service

Legal Adviser, Irinel Geanta

S.s. Illegible

Head of the Assets Office

Eng. Ion Scarlatescu

S.s. Illegible

