

CONPET SA PLOIESTI

Economic Direction

**APPROVED,
GENERAL DIRECTOR**

S.s. Illegible

Eng. Iiasi Liviu

**Substantiation Note
regarding the Approval of the General Meeting of Shareholders
of CONPET S.A.**

2016 Draft Income and Expenditure Budget

The Income and Expenditure Budget is the main instrument of management, forecast and analysis of the economic-financial business, tracking the provision of the internal financial balance for the business performance under profitable conditions.

The substantiation of the indicators within 2016 Income and Expenditure Budget and the estimates for the period 2017-2018 were grounded on the principles of "prudence" and "going concern", under economic efficiency conditions in sizing the financial resources needed for the financing of the entire business.

At the preparation of the Income and Expenditure Budget for the year 2016 the followings were considered:

- The provisions of art.54 of Law no.229/2015 of the State Budget for the year 2016;
- The provisions of the Government Ordinance no.26/2013 regarding the reinforcement of the financial discipline at the level of certain economic operators to which the State or the territorial – administrative divisions act as unique or majority shareholders or hold directly or indirectly a controlling interest, subsequent amendments and additions;
- The provisions of the Order of the Ministry of Public Finance 20/07.01.2016 for the approval of the format and structure of the income and expenditure budget, as well as the substantiation annexes thereof, subsequent amendments;
- The necessity to reduce the outstanding payments based on the provisions of the memorandum with the theme: measures that should be considered when preparing the 2016 Income and Expenditure Budget;
- The management plan for the period 2014 – 2017 prepared by the General Director and approved by the Board of Administration;
- The provisions of CONPET Collective Labour Agreement in force;
- The applicable legislation and legal regulations;



Recommended for analysis and endorsement in the BoA meeting dated _____ and OGMS approval dated _____

- The crude oil, rich gas and condensate quantities communicated for transport by the main clients holding 99% of the turnover;
- The preliminary achievements of the company regarding 2015 Income and Expenditure Budget;
- The proposals of the specialized Directions/Departments for the year 2016 regarding the investment programs, maintenance, the provision of the occupational safety and health, security of the National Transport System, environmental protection, professional training etc.

A. THE DRAFT INCOME AND EXPENDITURE BUDGET FOR THE YEAR 2016

(Annex no. 1)

The economic-financial indicators set forth in Annex no.1 of the Income and Expenditure Budget advanced for 2016 are to be found in the structure as follows:

I. TOTAL INCOME

The company's income is being achieved mainly out of the supply of the transport services, both by the Crude Oil National Transport System, concessioned based on the oil concession agreement, as well as by railway for the oil areas not connected to the major transport pipelines.

In the 2016 budget the total revenues amount for 412,393 thousand Lei, lowering by 1.2% compared to the revenues estimated to be achieved in 2015 and comprise:

I.1. Operating revenues in total amount of 409,079 thousand Lei, 0.7% lower than the predicted for 2015, representing 99.2% of the total income. At the determination of the operating revenues were considered the revenues from the company's core business, respectively pipeline and railway transport services, the revenues achieved from secondary activities (rental of goods) and other operating revenues.

The structure and substantiation manner of the operating revenues is set forth as follows:

I.1.1. The sales revenues budgeted for the year 2016 amount for 372,934 thousand LEI, in the following structure:

Sales Revenues	MU	Predicted/achieved 2014	Draft Income and Expenditure Budget for 2015	Diff.	2016 Income and Expenditure Budget/ predicted 2015
Sales revenues-total, of which:	thousand LEI	381,254	372,934	-8,320	97.8%
<i>Transport revenues</i>	thousand LEI	378,959	370,704	-8,255	97.8%
<i>Rental revenues</i>	thousand LEI	1,521	1,525	4	100.2%

