

Supus spre analiza si avizare in sedinta CA din data de____ si spre aprobare de catre AGEA in data de

Recommended for analysis and endorsement by the BoA during the meeting dated.....and for EGMS approval on.....

ENDORSED,

BOARD OF DIRECTORS
CHAIRMAN, DAN WEILER

S.s. Illegible

REPORT

regarding the approval of the augmentation of the share capital of CONPET S.A. by the maximum value of 92,188,158.40 RON representing contribution in kind (lands) in amount of 54,129,383 RON and in cash in amount of 38,058,775 lei, from the current value of 28,569,842.40 lei to the maximum value of 120,758,000.40 RON.

I. General Aspects/Competency

The Extraordinary General Meeting of Shareholders has as competency the approval of the share capital in compliance with the provisions of Article 15 paragraph 4 letter e) and article 17 para. 3 letter c) of the Articles of Incorporation of the company CONPET S.A., under the conditions and by the observance of the procedures stipulated by law.

II. Introduction

During 2001 - 2005 the company CONPET S.A. has acquired a number of 47 land ownership Certificates for lands with total area of 554,537.61 sqm, lands appraised as per GD 834/1991 and the Criteria of the Ministry of Finances no. 2665/1C/311/1992 regarding the settlement and appraisal of certain lands held by the State-owned trade companies, to the amount of 26,255,918.33 RON, value which, in compliance with the provisions of Article 6 of GD 834/1991 amended and updated up to 31.12.2004 was included in the company patrimony, **with no amendment of the share capital.**

In 2013, the Court of Accounts performed an audit of the status of the public patrimony; subsequently, disposed, under Decision 28/2013, the augmentation of CONPET share capital by the value of the lands for which have been obtained land ownership certificates, measured that was not fulfilled within the initial deadline (30.09.2014) and which was initially extended up to 30.6.2015 by way of Decision of the Director of Prahova Chamber of Accounts no. 3172/651/2013/28.11.2014 and thereafter up to 31.08.2016 pursuant to Decision of Prahova Chamber of Accounts no. 899/651/2013 dated 19.02.2016 which has been submitted to CONPET S.A. General Meeting of Shareholders (letter 6726/03.03.2016) as well as to the General Director of CONPET S.A. (letter no. 6717/03.03.2016).

As per the provisions of Article 240 para. (3) of Law no. 297/2004 regarding the capital market, in case of augmentation of the share capital by the contribution in kind there is an obligation to evaluate the contribution in kind by an independent expert, in compliance with Art. 210 of Law no. 31/1990.

Supus spre analiza si avizare in sedinta CA din data de_____ si spre aprobare de catre AGEA in data de

In compliance with the provisions shown, in the first stage, pursuant to the **EGMS resolution no. 2/10.06.2015** has been approved, by majority of the votes held:

- Initiation of the procedure for augmentation of the share capital of the company "CONPET" S.A. by the value of the 47 lands for which the company holds land ownership certificates;
- formulation of a request addressed to the Trade Register Office attached to Prahova Law Court for the appointment of an expert appraiser, under the conditions of Article 38 and 39 of Law no. 31/1990 regarding the companies, republished, further amendments and completions, to draft the appraisal report of the contribution in kind representing lands.

By letter no. 22634/23.06.2015, CONPET S.A. requested to the Trade Register office attached to Prahova Law Court the designation of an expert appraiser under the legal conditions shown.

As a reply to CONPET S.A. request, by Resolution 11185/26.06.2015, the expert appraiser appointed by the Trade Registry was CMF Consulting S.A. Bucharest who, by address no. 26898/24.07.2015 informed us that they no longer provide this type of works.

By letter no. 28261/05.08.2015 CONPET S.A. formulated and filed a new petition to the Trade Register Office attached to Prahova Law Court regarding the appointment of a new expert appraiser considering the refusal received from CMF Consulting S.A. Bucharest and by Resolution no. 14205/18.08.2015, the Trade Register Office attached to Prahova Law Court ordered the appointment of Mr. Constantin Valerica, in the capacity of expert appraiser, ANEVAR member, identified by the service card no. 11667.

Between the appointed expert and CONPET S.A. was concluded contract no. S-CA no. 317/17.09.2015 and the appraisal reports for the lands that make the object of the 47 Land Ownership Certificates have been submitted pursuant to the Hand-over Protocol no. 36957/16.10.2015.

The synthesis of the assessment of the contribution in kind to the share capital of the lands under the conditions of Article 38 and 39 of the Companies Act no. 31/1990, set by the appraiser in the appraisal reports, are as follows:

- The value assessed in view of contributing to the share capital, by the lands covered by the 47 land ownership certificate, in total surface of 554,537.61 sqm for which have been obtained during 2001-2005 land ownership certificates, was set by the appraiser at the amount of 11,816,028 RON,
- The type of the value set was the fair value at 15.10.2015 and was used as a method for the market approach (direct comparison, using as comparable, properties in the area by the application of the necessary corrections);

Pursuant to the GD no. 107/30.01.2008 have been amended the provisions of Article 6 of the GD no. 834/1991 on the settlement and appraisal of certain lands held by the State - owned trade companies, as well as for the abrogation of certain regulations in the area, where:

- (1) The lands found in the patrimony of the State - owned trade companies at the establishment thereof, based on the appraisal reports prepared by appraisers certified, authorized as per the Law, according

Supus spre analiza si avizare in sedinta CA din data de_____ si spre aprobare de catre AGEA in data de

to the legal standards in force, where the services thereof will be procured in compliance with the provisions of Articles 38, 39 and 215 of Law no. 31/1990 regarding trade companies, republished, further amendments and completions. Have been abrogated the provisions of chapter 5 "lands appraisal", articles 17, 18 and 19 of the Criteria no. 2.665/1C/311 dated February 28,1992, articles which regulated criteria for the settlement of the value of the lands, other than the market criterion;

- (2) The appraisal reports are being attached to the documentation prepared in view of issuing the land ownership certificates;
- (3) The value of the lands appraised as per para. (1), updated by the inflation index up to the date of the appraisal, shall be included, as per the law, in the patrimony of the trade companies and the share capital thereof shall be augmented as per the provisions of Article 113, letter f) and Article 210 of Law no 31/1990, republished, further amendments and completions."

In consideration of these legal provisions, by way of Decision no. 14/11/11/2015, the Board of Administration ordered to make additions to the scope of contract concluded with the certified appraiser Constantin Valerica, in view of settling the value by which is to be augmented the share capital of CONPET S.A., in compliance with the provisions of Article 6 para (3) of GD no. 834/1991, further amendments and completions (by updating the inflation index communicated by the Romanian Institute of Statistics, corresponding to the value contained in the appraisal report at the date of preparation of the documentation filed to the competent authority in view of issuing the Land Ownership Certificates and which is mentioned in the annexes to these certificates).

Following this decision, CONPET concluded, with the same expert appraiser Constantin Valerica, contract S-CA no. 405/09.12.2015 having as scope the appraisal of the lands making object of the 47 Land Ownership Certificates and by which is to be augmented the share capital of CONPET S.A. in compliance with the provisions of Art. 6 para (3) of GD no. 834/1991, further amendments and completions.

Consequently, on 11.12.2015 was delivered by the company appraiser, the Appraisal Report on the settlement of the value of the lands to be found in the patrimony of CONPET in view of augmenting the share capital as per the provisions of Art. 6 (3) of GD 834/1991, further amendments and completions. According to this report, the value updated by the inflation indexes up to 31.10.2015, of the lands covered by the 47 Land Ownership Certificate is in amount of 54,129,383 RON.

III. Augmentation of the share capital by the value of the lands for which CONPET SA holds land ownership certificates

As per the provisions of Article 12, para. 51 and 52 of Law no. 137/2002 regarding certain measures for the speed-up of the privatization process, the augmentation of the share capital related to the value of the lands for which have been issued land ownership certificates, shall be performed without adding a share premium. Consequently, the augmentation of the share capital of CONPET S.A. by the value of the contribution in kind of the Romanian State by the ministry of Energy shall be made at the nominal value of the shares, 3.3 RON/share; the Romanian State is then to receive a number of 16,402,843 shares (54,129,383 RON: 3.3. RON/share).

Supus spre analiza si avizare in sedinta CA din data de ____ si spre aprobare de catre AGEA in data de

Considering the provisions of CNVM Regulation no. 1/2006 regarding the issuers and the securities operations, as supplemented and amended by Regulation no. 10/2012, regarding the operation to augment the share capital, are applicable the following principles:

- (i) the augmentation of the share capital has to be made by the initiation and pursuit of a public tender addressed to the existing shareholders and by the appointment of an intermediary in view of issuing the prospect in proportion to the offer, by the observance of the pre-emption right in case of the existing shareholders;
- (ii) CONPET S.A. is liable to draft a proportioned prospect, offer the existing shareholders within the pre-emption right, of certain shares issued in view of augmenting the share capital, being achieved based on a prospect/proportioned prospect in compliance with Art. 26 of (EC) Regulation no 809/2004 in what concerns the format and content of the prospect, the general prospect, the summary of the final conditions in what concerns the advertising criteria, further amendments and completions.

Moreover, the provisions of Article 130 of CNVM Regulation no. 1/2006 sets the followings:

- (i) The augmentation of the share capital by contribution in kind shall be made by issue of new shares which are offered for subscription to the pre-emption right holders belonging to the existing shareholders at the registration date;
- (ii) The number of pre-emption rights equals to the number of shares registered in the registry of the shareholder at the registration date;
- (iii) The augmentation of the share capital of a company whose shares are admitted for trading on a regulated market shall be performed by granting the possibility to preserve the percentage held by every shareholder in the share capital thereof;
- (iv) The EGMS Resolution to augment the share capital specifies also the number of pre-emption rights necessary to purchase new shares, the price for subscription of new shares based on the pre-emption rights and the period of time for the subscription to take place, the price quote for the new shares that are publicly offered subsequent to the subscription based on pre-emption rights, as the case may be;
- (v) The minimum content of the presentation document includes at least the information stipulated at item (vi) above as well as the followings:
 - Essential information comprised in the most recent financial reportings of the issuer;
 - Synthetic information on the long-term strategy envisaging the company development;
 - The overall value as well as the number of shares that are intended to be issued;
 - The destination of the amounts related to the augmentation of share capital;
 - The means to manage the unsubscribed shares, following the exercise of the pre-emption rights (the offer for subscription by the public or cancellation).

Supus spre analiza si avizare in sedinta CA din data de____ si spre aprobare de catre AGEA in data de

IV. Proposals

Considering the above elements, as well as the followings:

- (i) The fact that the certified expert appraiser designated by the Trade Register office finalized the appraisal reports for all the lands making object of the 47b land ownership certificates;
- (ii) The fact that there is a measure instituted pursuant to Decision no. 28/2013 of the Court of Accounts regarding the obligation of augment the share capital by the value of the lands for which CONPET S.A. holds land ownership certificates.
- (iii) The fact that, in operational terms, is recommendable that the augmentation of the share capital with contribution in kind take place concomitantly, under the same prospect;
- (iv) Provisions of Art.113, letter f, of Law no 31/1990
- (v) Provisions of Art.236-240, of Law nr.297/2004
- (vi) Provisions of Art 12, paragraph 51 and 52 of Law 137/2002;
- (vii) Provisions of Art. 7, paragraph 11, Art. 130 of the Regulation no.1/2006
- (viii) Provisions of Art.15, paragraph 4, letter e) and Art.17, Par.3, letter c) of CONPET S.A. Articles of Incorporation.

we hereby request the EGMS of CONPET SA the followings:

1. the augmentation of the share capital by the maximum value of 92,188,158 Lei representing contribution in kind (the lands), in amount of 54,129,383 Lei and in cash, in amount of 38,058,775 Lei, from the current value of 28,569,842.40 Lei to a maximum value of 120,758,000.40 Lei, by issuing a maximum number of 27,935,805 new shares, nominative, dematerialized, with a price of 3.3 Lei/share, equal to the nominal value (without the first issuance), of which:

- (i) 16,402,823 new shares in amount of 54,129,383 Lei representing the contribution in kind of the Romanian State by representative the Ministry of Energy, with a total area of 554,537.61 Sq.m, subject to the 47 land ownership certificates for which CONPET has obtained, during 2001-2005 land ownership certificates (mentioned in the attached Appraisal Report)
- (ii) Maximum 11,532,962 new shares, in amount of 38,058,775 Lei that will be offered, under the pre-emption right, for subscription, in exchange of the contribution in kind of the Romanian State, by representative the Ministry of Energy, to the other shareholders of CONPET, namely the persons acting as shareholders on the Registration Date, in view of maintaining the interest rates held within CONPET on the Registration Date.

CONPET shareholders will be able to exercise the pre-emption rights within one month period from the date mentioned in the prospect, the date ulterior to the registration date and the date of publication of the Extraordinary General Meeting of shareholders in the Official Gazette of Romania, Part IV, namely they will be able to subscribe the number of shares proportionally with the number of shares held on the Registration Date.

The subscriptions will be performed at the nominal value of 3.3 Lei/share, without the share premium.

Supus spre analiza si avizare in sedinta CA din data de ____ si spre aprobare de catre AGEA in data de

The number of pre-emption rights granted to each shareholder will be proportional with the number of shares issued by CONPET held on the Registration date.

The subscription rate will be of 3,226765 determined according to the ration of the maximum number of new shares issued for exercising the pre-emption right (11,532,962 shares) and the number of shares held by the shareholders exercising the pre-emption rights.(3,574,156 shares).

Thus, each existing shareholder registered on the registration date is able to subscribe to each held share a number of 3,226765 newly issued shares.

The actual number of shares that can be subscribed by each shareholder is being determined by the multiplication of the subscription Rate (3,226765) with the number of held shares, and the result, in case it is not a whole number, will be rounded down to a whole number the nearest to the result.

After the expiry of the term of exercising the pre-emption rights, **all the non-subscribed shares will be canceled.**

The actual period of subscription and the subscription procedure will be communicated to the shareholders by current report, subsequent to the publication of EGMS Resolution in the Official Gazette, Part IV.

2. **The approval to transfer** the amount of 1.10 Lei to the company's reserves, representing the difference of the contribution on kind of the Romanian State, by representative the Ministry of Energy, for which cannot be issued a whole share.

3. **The empowerment of the Company's Board of Administration, as per the provisions of Art.114., paragraph (1) of Law 31/1990** republished and amended and the dispositions of Art. 236 of Law 297/2004 to perform all due diligence for the fulfillment of the Resolution of the Extraordinary General Meeting of Shareholders, including, (but not limited to) the initiation (selection of the intermediary for the preparation of the statement of offer, the approval of the statement and the offer notice related to the augmentation of the share capital and coordination of the process of submission of all documents related to the approval of the Statement of offer by the Financial Supervisory Authority), the performance (here including the settlement and approval of the subscription procedure, payment methods, payment date, the place where the operations are being performed, the ascertainment and validation of the performed subscriptions, the cancelation of the non-subscribed shares, the settlement of the exact value by which is augmented the share capital), the closure (approval of the augmentation of the share capital following subscription and payment of the price/release of new shares), registration and operation of the augmentation of the share capital, the proper amendment of the Company's Articles of Incorporation, the preparation and execution of all the documents and the fulfillment of all formalities for application and the registration of the share capital augmentation to the competent authorities.

Director General,

Liviu Ilasi

S.s. Illegible, CONPET Stamp

Economic Director,

Econ. Sanda Toader

S.s. Illegible

Director of Corporate Management Direction

Jurist, Anamaria Dumitrache, 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