

Submitted for endorsement in the meeting of the Board of Administration dated ..... and for approval in the Extraordinary General Meeting of Shareholders of company Conpet S.A. dated  
.....

**Economic Directorate**  
**Commercial Department**  
**No. ....../.....**

**ENDORSED**  
**GENERAL MANAGER**  
**ENG. LIVIU ILASI**

### **MEMORANDUM**

**on the proposals for the cessation of the effects of art. 2 of EGMS Decision no. 3/17.12.2015 and the use of the former registered office of CONPET SA, located in Ploiesti, 7 Independentei Blvd., Prahova county, as office premises for the company**

The asset, property of Conpet S.A., located in 7 Independentei Blvd., Ploiesti (former registered office of Conpet), is **available**, as of March 2009, when with the Resolution of the Extraordinary General Meeting of Shareholders n. 1/04/03/2009 one approved the transfer of the registered office and the tax residence of Conpet S.A. to the current address in Ploiesti Municipality, 1-3 Anul 1848 St., Prahova county.

The real estate is composed of buildings with the footprint area of 632 sq.m. (spread area 1316 sq.m.) and land with the area of 1144 sq.m. (1,143 sq.m. from measurements). The main building was built around the year 1940, in B+G+F regime, with destination offices. Access to the location is done on two streets - Golesti street and Independentei Blvd.

The buildings and the land are under the property of the company and are registered in the Land Register no. 69212 of the Cadastre and Real Estate Publicity Office Prahova - Cadastre and Real Estate Publicity Bureau Ploiesti.

Not being used following the transfer of personnel to the new office (2009), the real estate was proposed for capitalization through sale, and the Board of Administration endorsed the sale in the meeting dated 30.01.2013 (Decision no. 2/30.01.2013).

For the appropriate fulfilment of the Decision of the Board of Administration, in order for submission for approval by EGMS, the actions provided under the "*Working methodology for the organization and performance of the sale by open outcry auction of the assets belonging to the economic agents, that the Romanian State is sole or majority shareholder of*" issued by the Department of Energy - General Directorate for Privatisation and Administration of State Ownership in Energy, required for the approval of the sale of the asset by the Extraordinary General Meeting of Shareholders of Conpet S.A.

With Decision no. 3 of 17.12.2015, the Extraordinary General Meeting of Shareholders of Conpet SA approved the sale of the asset and gave the company's management a mandate to sell the real estate, which, among others, includes the following limits:

-the start price of the outcry auction, according to the rule of competitive auction, and a rising price respectively, considering the auction step, the asset "buildings and land with the area of 1144 sq.m., located in Ploiesti Municipality, 7 Independentei Blvd., Prahova County", complies with Decision no. 14/ 11.11.2015 of the Board of Administration, of lei 3,170,616 VAT excluded, equivalent of EUR 718,000 VAT excluded (at the NBR exchange rate of 14.09.2015);

- auction step: 5% of the auction start price, i.e. lei 158,531 VAT excluded;
- the minimum sale price shall be equal to the auction's start price, i.e. lei 3,170,616 VAT excluded;"

Following the approval of the sale by the GMS, the executive management performed all publicity formalities laid down by the law and held 3 successive auctions, first on 16.03.2016, and the following (with extensive publicity) on 20.04.2016 and 23.06.2016, where no buyer took part.

A new attempt of capitalization through sale at the auction at a lowered price to encourage potential buyers may be held in compliance with the working methodology for the organization and performance of the sale by open outcry auction of the assets belonging to the economic agents, that the Romanian State is sole or majority shareholder of, issued by the Department of Energy - General Directorate for Privatisation and Administration of State Ownership in Energy, i.e. by redoing the initial approving procedure by the General Meeting of Shareholders.

To that effect, the executive management presented in the meeting of the Board of Administration dated 05.07.2016 an information regarding the state of performance of the E.G.M.S. Resolution on the sale of the asset, and the Board of Administration requested that concrete proposals are submitted for the capitalization and/or use of the asset.

In the meeting of the Board of Administration dated 30.09.2016, the executive management submitted an analysis for the identification of an alternative that would lead to the best use/capitalization of the real estate.

The analysis performed took into consideration the general condition of the buildings (physical wear, functional depreciations), but also the need to take measures to stop their deterioration, and the result is presented as follows:

#### **I. Use within the company's own activity, as a result of occurrence of new elements after taking the decision to sell**

Currently the project for the performance of modernization works on the registered office in Rezervoarelor Street is in progress (at this date being approved the technical project of modernization). The building works for such buildings shall be carried out in several stages, and in order to facilitate their performance the premises need to be vacated and a number of 90 persons should be relocated in other identified office premises.

In September 2013, as a result of the control made by the Inspectorate for Emergency Situations and the measure disposed by it, the need to identify a solution to ensure compliance with legal dispositions arose. On 04.09.2013, ISU Ploiesti found that the number of personnel approved in the documentation required for obtaining the fire safety permit was exceeded by 50 persons and laid down as a measure to be taken in order to meet the legal conditions: widening the interior stairs and the headquarters located in 1-3 Anul 1848 St., in

order to ensure the possibility that, in case of fire, a larger number of people may go down the stairs. In the registered office in Ploiești, 1-3 Anul 1848 St., a number of 215 employees perform their activity against 165 employees provided in the permitting documentation. The fulfilment of the measure laid down is difficult to perform and, consequently, the relocation to a different building of a number of 50 persons is required.

Considering the situation presented above, which determines a requirement of office premises for a number of 140 persons (90 employees at the office located in Rezervoarelor St. and 50 employees from the headquarters), an assessment of the technical state of the real estate located in 7 Independentei Blvd. was performed, establishing the works that need to be done in order to bring this real estate in a functional state but also to stop the physical deterioration, consisting of:

- replacing the roof;
- replacing the aluminium joinery with pvc joinery;
- replacing the interior and exterior doors;
- replacing the electrical and heating installations;
- installing the thermal module and connection to the city's centralised heating system;
- replacing the parquet, sandstone and tiles;
- carrying out the exterior thermal insulation;
- redoing the interior finishings.

The value of the rehabilitation works mentioned is estimated at the amount of lei 1,391,000 (euro 315,000), as per the attached annex.

## **II. Continuing the procedure of capitalization through auction**

Considering that at the auctions held no buyer came forth, it results that the offer is not attractive for potential buyers, and the reason for the lack of buying interest could be the physical state of the building generating additional costs for the buyer to bring the buildings in a functional state. This situation entails a reduction of the start price in the auction because the current price exceeds the interest of potential buyers.

In this context, in order to organize a new sale auctions, the start price at the auction should be lowered, and this may only be done by the procedure laid down by the "*Working methodology for the organization and performance of the sale by open outcry auction of the assets belonging to the economic agents, that the Romanian State is sole or majority shareholder of*" issued by the Department of Energy - General Directorate for Privatisation and Administration of State Ownership in Energy, in order to submit for approval the reduction of the price by the Extraordinary General Meeting of Shareholders.

We mention that the alternative of continuing the capitalization through sale at the auction, at a reduced price with more than 4% in relation to the current price, leads to the capitalization of the asset under the value left unamortized of lei 3,031,187, and this has a negative impact in the profit and loss account (loss of sale).

In this regard, considering that organizing a new capitalization procedure through sale in auction entails the reduction of the sale price, we consider that the general meeting of shareholders may review Decision no. 3 of 17/12/2015, approving the sale of the asset, as the reduction of the start price in the auction with more than 4% would lead to the capitalization of the asset under the net accounting value of lei 3,031,187, which would have a negative impact in the profit and loss account.

Consequently, considering the analysis presented above for both variants of use/sale, but also the need to stop the deterioration of the physical and technical state of the real estate, we consider it is appropriate that the real estate located in Ploiesti, 7 Independentei Blvd., Prahova county, is rehabilitated and used for the company's activity as office premises.

Considering the foregoing, we submit for the endorsement of the Board of Administration and the approval of the General Meeting of Shareholders the cessation of the effects of art. 2 of EGMS Decision no. 3/17.12.2015 and the approval of the use of the former registered office of CONPET SA, located in Ploiesti, 7 Independentei Blvd., Prahova, as office premises after the performance of the repair works to bring the buildings in a functional state.

**DEPUTY GENERAL MANAGER**  
**Dr. Eng. Ionescu Gheorghe**

**CHIEF FINANCIAL OFFICER**  
**Ec. Sanda Toader**

**COMMERCIAL DEPARTMENT**  
**Ec. Curteanu Veronica**

**EQUITY**  
**ADMINISTRATIVE DEPARTMENT**  
**Eng. Scarlatescu Ion**

**MANAGEMENT**

**Eng. Crisan Vasile**

**DEPARTMENT**

**Prospective calculation for repairs at the registered office in 7 Independentei St.**

Running no.	Name of operation	MU	Areas/quant	Unit price	Value
	<b>Interior works</b>				
1	Interior and exterior plastering stripping	sq.m.	300	2.5	750.00
2	Redoing the plastering	sq.m.	300	31	9,300.00
3	Cleaning paintings and exfoliated mastic	sq.m.	3500	5	17,500.00
4	Mastic for walls and ceilings	sq.m.	562	7	3,934.00
5	Primer for walls	sq.m.	3500	2.5	8,750.00
6	Interior wall and ceiling washable paintings	sq.m.	3500	8	28,000.00
7	Floors of laminated parquet with extruded polystyrene including plinths	sq.m.	700	70	49,000.00
8	Replacement of sandstone and tiles	sq.m.	500	75	37,500.00
9	taking down wall panelling at basement and ground floor	sq.m.	300	7.2	2,160.00
10	Replacement of box type false ceiling	sq.m.	990	55	54,450.00
11	Replacement of internal doors	sq.m.	107	350	37,450.00
12	Replacement of external doors	sq.m.	13,5	500	6,750.00
13	Replacement of aluminium windows with pvc windows and tripan glass	sq.m.	219	450	98,550.00
14	Replacement of lighting fixtures with LED for box type ceiling	pc	140	350	49,000.00
15	Replacement of lighting fixtures with LED other than the ones for the box type ceiling	pc	100	150	15,000.00
16	Circuit breakers/ switches / double plugs	pc	200	17	3,400.00
17	Replacement of electrical installation	pc	1	40000	40,000.00
18	Air conditioning equipment with inverter	pc	30	3500	105,000.00
19	Replacement of thermal installation with copper pipe	pc	1	50000	50,000.00
20	Replacement of cast iron radiators with steel radiators	pc	74	350	25,900.00
21	Trial for the interior thermal installations		1	5000	5,000.00
22	Replacement of sanitary installation water and sewerage	pc	1	15000	15,000.00
23	WC pans fully equipped with basins on the pan and lid	pc	6	550	3,300.00
24	Paper holder	pc	6	40	240.00
25	Washbasin with stand+fittings+rack+mirror	pc	7	1000	7,000.00
26	Urinal fully equipped with tap and draining trap	pc	2	400	800.00
	<b>TOTAL</b>				<b>673,734,00</b>

**General**

1	Design and elaboration of documentation for obtaining BP	pc	1	45000	45,000.00
2	CAT 5 PC network	pc	1	47600	47,600.00
3	Thermal module and connection of the building to the centralised heating system of the city	pc	1	75000	75,000.00
	<b>TOTAL</b>				<b>167,600.00</b>

**Roof repair**

1	Taking apart the zn sheet	sq.m.	750	4	3,000.00
2	Redoing the framework	sq.m.	500	100	50,000.00
3	Replacement of roof boarding	sq.m.	750	35	26,250.00
4	Metal roof tiles painted in electrostatic field including anti-moisture foils, accessory beams, snow shields etc.	sq.m.	750	65	48,750.00
5	Chutes and spouts including hooks, mounting brackets etc.	lm	170	45	7,650.00
	<b>TOTAL</b>				<b>135,650.00</b>

**Frontage**

	Thermal insulation of the base	sq.m.	200	70	14,000.00
	Thermal insulation	sq.m.	800	65	52,000.00
	Decorative plastering	sq.m.	1000	25	25,000.00
	Scaffolding	sq.m.	1000	2	2,000.00
	<b>TOTAL</b>				<b>93,000.00</b>
	<b>TOTAL!</b>				<b>1,069,984.00</b>
	Estimate closure (30%)				320,995.20
	<b>GRAND TOTAL</b>				<b>1,390,979.20</b> Lei
					314,843.64 Euro

Head of Administrative Service

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The undersigned, **Alexandru Tănase**, certified translator under no. 33106, hereby certify the accuracy of the translation into the English language of the document written in the Romanian language, which has been seen by me registered under no. 2016/3672/1.

Traducător,  
Alexandru Tănase

