

CONPET S.A.
ECONOMIC DIRECTION
NO. /

To,
The Ordinary General Meeting of Shareholders

SUBSTANTIATION REPORT
on the compliance of the request of the shareholder Fondul Proprietatea
with the dispositions of EGO no. 29/2017

In the Official Gazette no. 235 dated April 5, 2017 was published the EGO no. 29/2017 for the amendment of Art. 1 Para (1) letter g) of the Government Ordinance no. 64/2001 regarding the allocation of profit for the national enterprises, national companies and trade companies entirely or majority owned by the State, as well as to the autonomus administrations and for the amendment of Art.1 Para (2) and (3) of the Government Emergency Ordinance no.109/2011 regarding the corporate governance of public enterprises.

According to the provisions of Art. II of the mentioned normative act, the national enterprises, national companies and trade companies entirely or majority owned by the State can redistribute, as dividends, as of the approval of 2016 financial statements, the amounts allocated in the previous years to other reserves and existent on the balance sheet on the enforcement date of the ordinance. As per the dispositions of Art. III of the same normative act, as of the approval of 2016 financial statements, the retained earnings on the balance sheet at December 31 of each year can be distributed as dividends.

In the application of EGO provisions no. 29/2017, the Ministry of Public Finance has issued a memorandum by which was proposed the empowerment of the public institutions involved to make the due diligence for the inclusion, on the Agenda of the General Meeting of Shareholders, of an item related to the redistribution/distribution as dividends of the amounts revealed in the accounting records to other reserves and in the retained earnings on 31.12.2016.

Considering the dispositions of the mentioned normative act was performed an assessment for establishing of the amounts representing reserves constituted out of the allocation, in the previous years, of the net profit, as well as those representing the retained earnings that can be distributed as dividends. Following the assessment have resulted the followings:

- On 31.12.2016, the company CONPET registers in the account „Other reserves representing own financing sources” the amount of 84,707,656 RON, of which 81,468,379 RON stand as amounts allocated out of the net profit, during the previous years, for setting up own financing sources, a per Art.1, Para (1), letter g) of GO no. 64/2001;
- The retained earnings reflected in 2016 financial statements that can be distributed amount to 78,242,993 RON. At the meeting dated 20.03.2017, the Board of Administration of CONPET endorsed, once with the 2016 financial Statements and the „Note regarding the distribution of the net profit related to 2016 financial year and of certain amounts from the retained earnings” by which has been proposed the distribution as dividends of the retained earnings in amount of 73,725,670 RON. The difference of 4,517,323 RON represents the retained earnings that may be redistributed as dividends, as per the provisions of Art.III from EGO no. 29/2017.



To conclude, in the application of EGO no. 29/2017 and the Memorandum of the Ministry of Public Finance, the company CONPET S.A. holds reserves in the balance sheet representing own financing sources and retained earnings, which may be proposed for distribution as dividends, in amount of 85,985,702 RON.

Fondul Proprietatea, by address no. 13.960/06.04.2017, requested the introduction, on the Agenda of the Ordinary General Meeting of Shareholders dated 26/27.04.2017 of an additional item related to "The approval of the distribution of the amount of 80,000,000 RON as dividends, to the company's shareholders, proportionally with the participation thereof to the share capital, out of the distributable reserves of the company representing other reserves – own financing source."

The Board of Administration, in the meeting dated 07.04.2017, took note of the address submitted by Fondul Proprietatea and approved the completion/ revision of the Convening Notice of the Ordinary General Meeting of Shareholders dated 26/27.04.2017 with the shareholder's request.

Considering the amounts that can be distributed, hereabove mentioned, the proposal of Fondul Proprietatea regarding the distribution of the amount of 80,000,000 RON as dividends falls into the maximum amount that can be distributed under the EGO no. 29/2017.

As regards the impact of the distribution of dividends in amount of 80,000,000 RON on the operating and investment activities, as well as on the cash flows, we hereby mention that, on 31.12.2016 the cash and short-term investments (deposits and government bonds) amount to 406,487 thousand RON and the investment need for the period 2017-2019, approved concurrently with 2017 Budget (OGMS Resolution no. 1/07.03.2017) is of 220,834 thousand RON.

The cash and short-term investments include a modernization quota in amount of 187,478 thousand RON, meant for financing the investments related to the public domain.

The company's operating activity in 2017 is based on a budget where are being provided expenses for the performance of the activity in conditions of economic efficiency, under the level of the estimated revenues, being provided a net profit of 68,953 thousand RON.

**Director General,
Eng. Liviu ILAȘI**

S.s. Illegible

Stamp

**Economic Director,
Econ. Sanda TOADER**

S.s. Illegible

