

Recommended for analysis and endorsement in the meeting of the Board of Administration of _____ and for approval in the Ordinary General Meeting of Shareholders of _____

CONPET S.A.
ECONOMIC DIRECTION
NO. /

ENDORSED BY,
Chairman of the Board of
Administration,
Manuela-Petronela STAN-OLTEANU

To,
The Ordinary General Meeting of Shareholders

NOTE

on the allocation of the net profit for the financial year 2017 and of certain amounts from the retained earnings

Subject: allocation of the net profit related to 2017 financial year and of certain amounts from the retained earnings

As per Art. 117² of law no. 31/1990 regarding the companies, republished, and of Art. 15, para. (3), letter. h) of the Articles of Incorporation, the ordinary General meeting of Shareholders approves the profit allocation and sets the gross dividend.

The proposal for the allocation of the net profit related to 2017 financial year and of certain amounts from the retained earnings was made considering:

- *Government Ordinance no. 64/2001 on the profit allocation in the national companies and trading companies with fully-owned state capital or majority state-owned capital, as further amended;*
- *Order no. 144/2005 of the Ministry of Public Finance on the approval of the Clarifications for the determination of the amounts subject to profit allocation according to the Government Ordinance no.64/2001;*
- *Law no. 227/2015 on the Fiscal Code;*
- *Memorandum on "Empowering the state representatives in the General Meeting of Shareholders / Board of Administration, as appropriate, to decide on the allocation of a quota of at least 90% out of 2017 net profit achieved, as dividends / payments to the state budget, on the occasion of the approval of the Financial Statements for that year.*

The accounting profit registered by CONPET at December 31, 2017, for which is being proposed the allocation, is in amount of 77,356,774 RON, higher than the accounting profit by the amount of 2,969,000 RON representing employees' share of profit.

At Art. 1, para. (1), letter. e) of the Government ordinance no. 64/2001, is provided that “the national companies and trading companies with fully-owned state capital or majority state-owned capital, as well as regies autonomes, *which committed to and included in the revenues and expenditure budgets the obligation to participate to profit, as a result of their employees' services in connection therewith, may grant these rights within the limit of 10% of the net profit, but no more than the level of a monthly average basic salary achieved at the level of the economic agent, within the reference financial year.*”

As per item 126 of the Accounting Regulations compliant with international Financial Reporting Standards, approved pursuant to the order of the Ministry of Public Finances no. 2844/2016, the amounts representing employees' share of profit, are recognized in the expense of 2017 year, as provision.

The proposal to allocate 2017 net profit, reinstated with the provision for employees' share of profit, as well as of other amounts from the retained earnings, on the destinations stipulated in the Government Ordinance no. 64/2001, is the following:

a) Allocation of the net profit related to 2017 financial year

Crt. No.	Element	Amount (RON)	Provisions of G.O. no. 64/2001
a	Net profit related to 2017 financial year	74,387,774	
b	Employees share of profit-provision	2,969,000	
A	The net profit, reinstated with the provision for the employees' share of profit (a+b), allocated for:	77,356,774	
c	Other allocations provided by law – exemption from the payment of the reinvested income tax (account 1068)	1,352,092	art. 1, para. (1), letter b)
d	Coverage of the loss remained from the retained earnings	255,137	art. 1, para. (1), letter c)
g	Employees' share of profit	2,969,000	art. 1, para. (1), letter e)
h	Dividends due to shareholders	69,621,097	art. 1, para. (1) letter f)
i	Other reserves – own financing sources	3,159,448	art. 1, para. (1), letter g)

b) Distribution of the retained earnings representing surplus achieved from the revaluation reserves in amount of 5,431,430 RON for the coverage of the carried-forward loss resulted from the correction of the accounting errors and respectively, the transition to the application of IFRS, less IAS 29, in compliance with the provisions of art. 1, para. (1), letter c) of G.O. no. 64/2001.

Further clarifications on the allocated amounts:

- The employees' share of profit is in amount of 2,969,000 RON, respectively 3.84% of the net profit, reinstated with the provision for the employees' share of profit. The amount representing employees' share of profit was determined considering the provisions of Art. 1, para. (1), letter e) of the Government ordinance no. 64/2001 and within the amounts provided in the Company's revenues and expenditure budget.
- The dividends due to shareholders in amount of 69,621,097 RON, account for 90.00% of the net profit, reinstated with the provision for the employees' share of profit, are

determined considering the Revenues and Expenditure Budget and the provisions of the Memorandum related to: „*Empowering the state representatives in the General Meeting of Shareholders / Board of Administration, as appropriate, to decide on the allocation of a quota of at least 90% out of 2017 net profit achieved, as dividends / payments to the state budget, on the occasion of the approval of the Financial Statements for that year*”, approved by the Government of Romania in the meeting dated 08.02.2018;

- The profit allocated for the establishment of other reserves – own financing sources, in amount of 3,159,448 RON accounts for 4.08% of the net profit, reinstated with the provision for the employees' share of profit and is meant for the financing of investments.

No amounts were allocated to legal reserves because they are currently set up within the limit of 20 % of the share capital, according to the provisions of art.183 paragraphs (1) and (2) of Law no.31/1990 on companies, as further amended and supplemented;

The dividend per share

Whereas:

- the dividends due to shareholders according to the distribution proposal for profit of year 2017 amount to 69,621,097 RON;
- the dividends are distributed to the shareholders pro rata with the contribution share thereof to the share capital and
- at 31.12.2017, the company's share capital is 28,569,842 RON, divided in 8,657,528 ordinary, nominative, indivisible shares with a nominal value of 3.3 RON,

*resulting a gross dividend value of **8.04168315 RON/share.***

Dividends are due to the shareholders who will hold shares at the registration date approved by the Ordinary General Meeting of Shareholders convened on 26/27 of April 2018.

The provisions of Art. 86 para. 910 of law no. 24/2017 on the issuers of financial instruments and market operations state that “By derogation from the provisions of Law no. 31/1990, the date of the identification of the shareholders who are to benefit from dividends or other rights and who will be affected by the Resolutions of the general meetings of shareholders will be set by the latter. This date will be ulterior by at least 10 working days to the date of the general meeting of shareholders.”

We propose the approval of the date of **12 of June 2018** as registration date, respectively of identification of the shareholders who are affected by the resolution of the ordinary general meeting of shareholders.

Dividends payment deadline

The dividend payment date will be the date permitted by the law, within maximum 15 business days after the registration date established by the General Meeting of Shareholders (art. 129³ of the National Securities Commission Regulation no.1/2006).

Considering that:

- according to art. (1) paragraph (3) of the Government Ordinance 64/2001, the company is bound to pay the dividends due to shareholders within **60 days** after the legal deadline for submission of the annual financial statements, and
- the submission deadline of the annual financial statements, according to the Ministry of Public Finance Order 470/2018, is ..."150 days after the end of the financial year..."

*it results that the deadline for the initiation of the payment of dividends due to shareholders is **July 27th, 2018**.*

Corroborating the above mentioned provisions, we propose to the Ordinary General Meeting of Shareholders to establish the date of **28.06.2018** as the date of initiation of the dividend payment.

The net value of the dividends will be calculated as follows:

- the gross value of the dividends related to each shareholder will be calculated by multiplying the number of shares held on the **registration date** by the value of the gross dividend per share, the resulting amount being rounded upwards or downwards to two decimals;
- the dividend tax will be calculated and withheld according to the provisions of the Fiscal Code;
- the net value of the dividends to be paid will consist of the difference between the gross value and the related tax.

Dividends payment method

The dividends will be paid in RON only to the shareholders registered in the Shareholders' Register (kept by "Depozitarul Central" S.A.) on the registration date established by the General Meeting of Shareholders and the payment method will be notified to the shareholders prior to the starting date of such payment.

The expenses related to the payment of dividends are borne by the shareholders.

Given the afore-said, we hereby submit for approval:

- **allocation of the net profit related to 2017 financial year in amount of 77,356,774 RON;**
- **reallocation of the retained earnings representing surplus achieved from the revaluation reserves in amount of 5,431,430 RON to cover the carried-forward loss;**
- **settlement of the gross dividend at the value of 8.04168315 RON/share;**
- **settlement of the starting date of the dividends payment for June 28, 2018.**

**Director General,
Eng. Dan-Silviu Baciu, M.B.A.**

**Economic Director,
Econ. Sanda Toader**

**Head of Accounting,
Econ. Roxana Dăuş**

**Endorsed,
Head of Legal Department,
Legal adviser Cornel Bănică**