

CONPET SA PLOIEȘTI

The Economic Direction

ENDORSED by the Board of Administration
by decision no. _____ from _____

SUBSTANTIATION NOTE

**regarding the approval, by the General Meeting of Shareholders
of 2018 Revenues and Expenditure Budget of CONPET S.A.**

The rectification of the Revenues and Expenditure Budget approved for 2018 is justified by the followings:

- The late approval of the increased transport tariffs, respectively on 15.06.2018, (the NAMR Order no. 117 published in the Official Monitor on 19.06.2018), given that the documentation for the substantiation of the updated tariffs was submitted for approval long time before, respectively on 16.01.2018.

When structuring the budget for 2018 was foreseen an increase in the transport tariffs starting with the month of April, but this amendment was approved by NAMR in June. This time-lag of almost three months in the change of tariffs had unpleasant effects on the transport revenues and the modernization quota expense.

The increased transport tariffs have been taken in the calculation of the revenues stipulated in the budget, starting with April 1, 2018 and this date was estimated by the company in a reasonable manner, based on the analysis time frames, the methodology and procedure for the settlement of the regulated tariffs for the transport via the crude oil, rich gas, condensate and ethane National Transport System.

- The financial impact of certain claims formulated by the representatives of the Union on the occasion of the negotiation of the conclusion of an addendum to extend the duration of the Collective Labor Agreement, in force up to 31.08.2018.
- The demand for rail and combined transport services (via pipelines and by rail) was higher than the plan; consequently, the rail transport expenses were higher than the budget provisions.

To conclude, the amendments occurred in the data considered at the substantiation of the revenues and expenditure budget approved for 2018 had unfavorable effects on the budgeted

revenues and lead to the amendment of the economic-financial indicators approved by the budget, meaning that the gross profit goes lower, the salary expense and the total expenses increase at 1000 RON total revenues.

In this situation, is necessary to rectify the Revenues and Expenditure Budget for the year 2018 approved in the OGMS dated 05.03.2018.

A. The Substantiation of the draft Revenues and Expenditure Budget rectified is based on the legislation regarding:

- The application, by the companies whose values are admitted for trading on a regulated market, of the International Standards of Financial Reporting (Order of the Ministry of the Public Finances no. 2844/2016);
- Strengthening financial discipline and settlement of the salary expenses in 2018 budget at the level of certain economic operators where the state or administrative-territorial units are unique or majority shareholders or hold directly or indirectly a majority participation (GD no. 26/2013);
- Distribution of the profit to the national societies, national companies and commercial companies with integral capital or state majority capital (Ordinance no. 64/2001);
- Application of the fiscal provisions - the Fiscal Code;
- Layout and structure of the Revenues and Expenditure Budget, as well as the substantiation annexes thereof (OMPF no. 3145/2017).

The proposal to rectify the 2018 Revenues and Expenditure Budget falls within the provisions of the GD no. 26/2013 *regarding the strengthening of financial discipline at the level of certain economic operators where the state or administrative-territorial units are unique or majority shareholders or hold directly or indirectly a majority participation*, at Art. 10, para (2), letter a) and b), respectively:

“(2) The economic operators may proceed to the rectification of the revenues and expenditures budgets, as per the provisions of Art. 4, whenever due to reasonably substantiated reasons are necessary amendments of the level of the following approved economic-financial indicators, as follows:

- a) exceeds of the maximum limits of the economic-financial indicators provided at para. (1) letter a), by the observance of the waging policy objectives set pursuant to the annual state budget law and of the provisions of Art. 9, para. (3);*
- b) reduction of the gross profit/increase of loss and/or dividends due to the state or local budget, in case the provisions of Art. (1) letter b) are not observed;*
- c) increase of the level of total expenses to 1000 RON total revenues.”*

B. Presentation and substantiation of the indicators included in the draft 2018 revenues and expenditure budget rectified