

Submitted to analysis and endorsement in the BoA meeting dated.....

Submitted for approval in the EGMS meeting dated.....

Registration no. 6380/18.02.2019

Endorsed,
Cristian-Florin GHEORGHE
Chairman of the Board of Administration of CONPET S.A.
S.s. Illegible, Stamp

NOTE

on the approval of the transaction having as scope „Railway transport services of crude oil and rich gas from the loading ramps to the destinations established by CONPET S.A”

CONPET supplies transport services for its clients both via the National Transport System, as well as by railway tanks, from the loading ramps to the refineries for the oil areas that are not being connected to the major transport pipelines.

At present, the crude oil railway transport is being performed based on the Contract no.102/30.03.2015, concluded with S.N.T.F.M. „CFR Marfă” SA (the National Rail Freight Company “CFR MARFĂ S.A.), expiring on 31.03.2019.

As per the dispositions of Art.6 of the procurmenet internal procedural Norms, rev.2, the railway transport services of the crude oil and rich gas from the loading ramps to the destinations established by CONPET S.A. are services subject to exemption from the application of these norms, the norms being comprised in Annex no.1.

Considering that, on 31.03.2019, the transport contract ceases, the Board of Administration requested the executive management, by Decision no.24 on 11.10.2018, a presentation of the transfer prices and all the relevant information related to the market price for the railway transport service in view of defining the necessary elements for the conclusion of a new transport contract with S.N.T.F.M. „CFR Marfă” SA.

In order to determine the estimated value of the procurement that is to be carried out and in order to formulate the proposal to the Board of Administration aiming at settling the terms of the mandate that will be awarded to the management for the negotiation of a new contract with S.N.T.F.M. „CFR Marfă” SA, the transport tariff has been assessed both internally and externally by a specialist in transfer prices, the company PKF Finkonta.

PKF Finkonta elaborated “The Study regarding the transfer prices Policy” that comprises an assessment of market operators supplying similar services, of the methods of settling the price of a transaction and issued a recommendation on the transfer prices policy that can be used in case of railway transport services.

The internal analysis was performed based on the data submitted by S.N.T.F.M. „CFR Marfă” SA by address no. C.1.1.1.3/51/2019 that make reference to the proposal thereof on the terms of a potential future collaboration with the company CONPET S.A.

S.N.T.F.M. „CFR Marfă” SA has requested the augmentation of the average transport tariff due to the increase of the prices to the elements thereof, such as: augmentation of the fuel prices by 3% and

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electric power by 20%; the augmentation of the tariff due to the use of public infrastructure by 10% and the parking tariff on the TEF lines by 30%; the increase of the currency from 4.4 RON to 4.68 RON; the increase of the minimum salary from 900 Lei in 2015 to 2080 Lei in 2019.

During the meeting held on 23.01.2019, following the analysis advanced by the executive management, the Board of Administration approved the initiation of the negotiations with S.N.T.F.M. „CFR Marfă” S.A. in view of concluding a contract of services for the crude oil railway transport from the loading ramps at the destinations set by CONPET S.A. within the terms of the awarded mandate.

For the fulfilment of the mandate awarded by the Board of Administration, the Director General of the company has appointed, pursuant to Decision no.53/29.01.2019, a commission for negotiation of the contract terms with S.N.T.F.M. „CFR Marfă” S.A..

In consideration of the dispositions of the Board of Administration, pursuant to address no. 3649/30.01.2019, CONPET S.A. invited S.N.T.F.M. „CFR Marfă” S.A. on 07.02.2019, 11 a.m., for the negotiation of the services contract for the rail transport of crude oil and rich gas.

Following the performance of the negotiation procedure was concluded the Hand-over no. 7/07.02.2019 where have been consigned the negotiated contractual clauses as well as the average transport tariff. The overall value of the contract that is to be concluded between the parties amounts to 242,420,640 RON, VAT excluded.

Given that the Romanian State is sole shareholder of S.N.T.F.M. „CFR Marfă” S.A. and in the case of CONPET S.A., the Romanian State is majority shareholder, in compliance with the provisions of Article 52 of the EGO no.109/2011 on the corporate governance of the public enterprises, approved and amended by Law no. 111/2016 and given the aspects stated above, we hereby request the General Meeting of Shareholders the approval of of the transaction with S.N.T.F.M. „CFR Marfă” S.A. that will materialized by the conclusion of a contract having as scope “Services related to the Rail transport of the crude oil and rich gas from the loading ramps to the destinations set by CONPET S.A.”, for a 4 years duration, at a total estimated value of 242,420,640 RON, VAT excluded.

As the contract that is to be signed between the parties contains confidential information, it can be made available to the interested shareholders, for consultation, following the execution of a non-disclosure agreement.

DIRECTOR GENERAL
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S.s. Illegible

ECONOMIC DIRECTOR,
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