

Subject to analysis and endorsement in the BoA meeting dated _____ and approval in the O.G.M.S. meeting dated _____
Maintenance Development Agreement
Investment Management Department
No.

ENDORSED,

The Board of Administration

Chairman of the Board of Administration

by Decision no. _____ dated _____

GHEORGHE Cristian - Florin

SUBSTANTIATION NOTE

for the approval by the Ordinary General Meeting of Shareholders of the Investment Program for the year 2019 (containing also the estimates for the year 2020-2021)

The Investments Program for 2019, 2020 and 2021 is part of 2019-2021 Revenues and Expenditure Budget. From the modernization quota, CONPET finances investment objectives within the rehabilitation, modernization and development programs, agreed with the National Agency of Mineral Resources according to the "Petroleum concession agreement for the operation of the national transport system of crude oil, rich gas, condensate and ethane, including the major pipelines and the installations, ancillary endowments and facilities".

For the substantiation of the investment program 2019-2021, the company's entities have submitted to analysis both the achievements of the year 2017, as well as the estimated of 2018 achievement.

The inclusion of the new investment objectives within the investment program 2019-2021 has been prepared exclusively based on the substantiation notes received to date.

Considering the current status of the ongoing contracts (feasibility studies, design, design and execution,) as well the transport program for the year 2019, the specialized departments tracking the objectives of the investment program estimate, for the period 2019-2021, a requisite of approximately 375 million RON.

One of the main investment objectives bearing major impact on the environment included in the draft program 2019-2021 is being represented by contact lines replacement work C1-C2 Danube overcrossing and C3-C4 Borcea arm.

In 2017, CONPET has launched the procurement regarding the performance of a study in view of finding the optimal solution for the design and execution of several crude oil transport lines, considering the new mounting technologies (guided drilling), the crude oil transported quantity, the use of the same diameter with the tubular material upstream/downstream, waiver of the keyboard system C1,C2,C3 and C4 – other areas with maximum potential of impact on the environment, the correlation with the new technical and legislative requirements.

Financially speaking the estimated value for the replacement of the contact lines on the crude oil import transport of 20 and 28, is of 19,557 million Euro, respectively 94,852 million RON at a rate of Euro/RON of 4.85.



e-mail: conpet@conpet.ro
www.conpet.ro

Considering that the *works should be approached simultaneously (cannot be installed on more years of execution of the budget)*, the financial effort that CONPET should make within a short term (between 6 and 12 months) is very big.

In order to provide the funding source necessary to achieve this major investment with major environmental impact as well as other modernization works to maintain safe transport of the national transport system of crude oil via pipeline, CONPET proposes hiring a bank loan.

For the continuation of the investment objective related to contact line replacement C1-C2 Danube overcrossing and C3-C4 Borcea arm, after completion of the feasibility study, CONPET will initiate steps for hiring a bank loan necessary for the settlement of design and execution works.

At the same time, during 2019, CONPET proposes that the procurement of vehicles be done in leasing system.

We hereby mention that the value assessment of the investment objectives contained in 2019 investment Program and the estimates for the years 2020-2021 reflect the physical and value state at 31.12.2018.

We also note that, during the course of works unforeseen circumstance may occur, which can lead to changes (additions/decreases) of the proposed values.

The value of expenses with the investment objectives proposed in the Multiannual Investment Programme is as follows:

- Year 2019 – 86,000 thousand RON
- Year 2020 – 133,500 thousand RON
- Year 2021 – 156,000 thousand RON

The investment programme proposed for 2019 has a total value of 86,000 thousand RON, out of which of financing sources:

Modernization quota – 70,240 thousand RON;

Own sources – 13,974 thousand RON;

Bank loan/leasing - 1,786 thousand RON

Thousand RON

Crt no.	Name of the Objective	2019 Program			
		Total, out of which:	Modernization quota	Own sources	Bank loan/leasing
	Grand total, out of which:	86,000	70,240	13,974	1,786
I	PUBLIC DOMAIN	70,285	70,240	45	0
	INVESTMENT OBJECTIVES, o/w:	70,106	70,061	45	0
1	Pipelines rehabilitation, out of which:	28,688	28,688	0	0
1.1	Pipeline replacement	22,167	22,167	0	0
1.2	Safe disposals	6,521	6,521	0	0
2	Replacement contact lines overscrossing Dunare C1-C2 and Borcea arm C3-C4	707	707		0
3	Modernization and monitoring of the cathodic protection system related to the domestic and import National Transport System (Ro.SNT)	2,800	2,800		
4	Modernization and monitoring of the cathodic protection system related to domestic and import SNT – stage 2	300	300		
5	Pilot system for the identification and location of product leaks from the crude oil major transport pipelines Poiana Lacului-Siliste-Ploiesti	1,000	1,000		
6	Consultancy and Technical Assistance	50	50		
7	Tanks	9,490	9,490	0	0
8	Energy works	7,990	7,990	0	0
9	Telecommunication works	7,500	7,500	0	0
10	Pumping systems modernization	600	600	0	0
11	Stations/ramp modernization	2,630	2,630	0	0
12	Buildings and station fencing	1,075	1,030	45	0
13	Automation works and SCADA	4,600	4,600	0	0
14	Other works	2,571	2,571	0	0
15	Projects, Studies, Technical Appraisals	105	105	0	0
	Endowements and independent equipment	179	179		
II	OPERATING DOMAIN	15,715	0	13,929	1,786
	Investment objectives, of which	11,715	0	11,715	0
1	Pipelines rehabilitation	1,530	0	1,530	0
2	Buildings and station fencing	3,604	0	3,604	0
3	LDH and tank cars	2,690	0	2,690	0
4	Energy works	270	0	270	0
5	Other works	2,421	0	2,421	0
6	Intangible investments	1,200		1,200	
	Independent facilities and equipment	4,000		2,214	1,786

Proposed investment projects important for the National Transport System within 2019-2021 programme:



e-mail: conpet@conpet.ro
www.conpet.ro

I. PUBLIC DOMAIN

I.1. PIPELINES REHABILITATION

The need and opportunity was established following the in-line inspections with “smart pig”, the history of failures and soil resistivity measures. The measures enforced by the environmental and water management authorities, comprised in the compliance programmers, represented the determining reasons for the execution of works concerning the pipelines rehabilitation

On substantiation have been considered the performance stages of the project, namely the contracting of design services and subsequently the contracting of execution works.

Based on the internal analyses, the works have been optimized according to the breakdown risk estimated for each pipeline.

I.1.1 Pipelines replacement - out of which, the most important are:

- Replacement crude oil transport pipeline Ø 10 ¾” F1 Bărbătești - Orlești, Budele areas (2.1 km);
- Replacement crude oil transport pipeline Ø 14” C2– C3, on 8 routes in Balta Ialomitei area, Ialomita County, on a length of approx. 4,037 m;
- Replacement of 10 ¾” F1 + F2 crude oil pipeline Silistea Ploiesti, L= 2 x 3,481m, in the areas Ilfoveni-Iuda forest, Racovita valley way, Habeni-Comisani, Mija.

I.1.2. Safe disposals – out of which, the most important are:

The aim was to carry out several safety disposal works of the water crossings infrastructure having the role of increasing the safety level in operating the respective pipelines and protection against pollution of the crossed watercourses. The pipelines defining the crude oil National Transport System are crossing various water beds in two constructive solutions: overcrossing and undercrossing. Along time, the crossed water beds were either changed by some natural factors, or by the human intervention on the watercourse (gravel pit exploitations).

The safety disposal works for pipeline crossings are made of:

- Low weirs;
- Bank protections upstream and downstream of the low weir;
- Wave breakers;
- Piles foundation consolidation;
- Bank protections on the route of the pipelines parallel with the river bed (damaged bank);
- Other works related to pipeline consolidation.
- Safe disposal works for Arges river above ground crossing, Ratesti area, Arges County;
- Safe disposal works aerial crossing of Prahova river with the crude oil transport pipelines 12 ¾” and 14 ¾” Cartojani – Ploiesti.

I.2 LINE REPLACEMENT C1-C2 DANUBE OVERCROSSING AND C3-C4 BORCEA

Ongoing feasibility study

I.3 UPGRADE AND MONITORING OF THE CATHODIC PROTECTION SYSTEM RELATED TO NTS IMPORT AND DOMESTIC

Ongoing execution contract

I.4 MODERNIZATION AND MONITORING OF THE CATHODIC PROTECTION SYSTEM RELATED TO NTS IMPORT AND DOMESTIC – stage 2

Launching of various design and execution works for a number of 49 locations.



I.5. PILOT SYSTEM FOR THE IDENTIFICATION AND LOCATION OF PRODUCT LEAKS FROM THE CRUDE OIL MAJOR TRANSPORT PIPELINES POIANA LACULUI- SILISTE- PLOIESTI

Ongoing execution contract

I.6 TECHNICAL SUPPORT AND CONSULTANCY

I.7 TANKS – out of which, the most important are:

- Rehabilitation Baicoi tank farm
- Calareti PSI Tank
- Rehabilitation of the crude oil tank R3, with a capacity of 31,500 cubic meters at Calareti station

I.8 ENERGY WORKS – out of which, the most important are:

- Thermal power plant for technological steam production used in the warehouse and Barbatesti ramp
- Tele-transmission and tele-management of the power consumptions in CONPET locations.

I.9 TELECOMMUNICATION WORKS – out of which, the most important is:

- Cyber Security within the telecommunication system for similar SCADA channels (UPS monitoring, Climate control etc.);

I.10 PUMPING SYSTEMS UPGRADE – out of which, the most important are:

- Modernization Moreni pumping station
- Modernization Oprisenesti pumping system
- Madulari pumping systems modernization

I.11 RAMPS MODERNIZATION – out of which, the most important are:

- Modernization Ciresu ramp
- Modernization Berca ramp
- Modernization Imeci ramp
- Modernization Marghita ramp

I.12 BUILDINGS, STATIONS FENCING – out of which, the most important are:

- Buildings Rehabilitation of Baicoi station
- Buildings Rehabilitation buildings 6kW, electric distributors 6/0,4 kw A+B Local Dispatch, electric distributors CDE Calaresti station.

I.13 AUTOMATION AND SCADA WORKS – out of which, the most important are:

- Optimizing the SCADA system and hardware and software upgrade for the Remote Transmission Unit (RTU)
- Patrimonial geographic records system.

I.14 OTHER INVESTMENT OBJECTIVES – out of which, the most important is:

- Video surveillance systems in 10 CONPET locations

I.15 PROJECTS, STUDIES, TECHNICAL EXPERTISE

II. OPERATOR FIELD

II.1. PIPELINES REHABILITATION – out of which, the most important are:



- Replacement of two pipeline sections from the crude oil transport pipeline Ø 65/8” Urziceni–Claviatura Albești Paleologu, section valve Jilavele-Borna 1, 1900 m in length and Borna 2-valve Armășesti road, 400 m in length.
- Replacement of the crude oil transport Ø8½”, NEW, Refinery Vega-Brazi, in the area Refinery Petrobrazi - keyboard SKIDS, Prahova County, on a length of approx. 800 m and replacement of the cleaning installation.

II.2. BUILDINGS, STATIONS FENCING – of which the most important is:

- Modernization of CONPET SA headquarters in Ploiesti, 7 Independentei Avenue.

II.3. LDH and wagons

- RG LDH
- RR LDH

II.4. ENERGY WORKS –of which, the most important are:

- Modernization monitoring system temperatures Călăreți and Constanța Sud stations
- Rehabilitation works related to illumination of the work sites Constanta-Baraganu sector.

II.5. OTHER WORKS – of which, the most important are:

- Electronic scale Moinesti Ramp
- Modernization of integrated information system.

II.6. INDEPENDENT FACILITIES AND EQUIPMENT – of which, the most important are:

- Off-road utility van;
- Utility van;
- Cesspool emptier.

Considering the above, we hereby propose to the General Meeting of Shareholders the approval of 2019 Investment Program (also containing the estimates of the investment expenses for the years 2020-2021), in the form and contents provided in Annex 1 to this substantiation Note.

Director General
Ph.D. Eng. CHIS Timur - Vasile

Economic Director
Econ. TOADER Sanda

Head of Maintenance-Development Unit
Eng. BUZATU Dan

Head of Investment Management Department
Eng. CÎRLAN Anca

Head of Legal Department
Legal advisor BĂNICĂ Cornel



e-mail: conpet@conpet.ro
www.conpet.ro

COMPET S.A. PLOIESTI

ANNEX no. 1 to the Substantiation Note

INVESTMENTS PROGRAM 2019 - 2021

Thousand RON

crt. no.	Name of the Objective	Object estimated value	Estimates achieved 31.12.18 for objectives contracted before	Program 2019					Program Quarter I	Program Quarter II	Program Quarter III	Program Quarter IV	Estimates 2020					Estimates 2021				
				Km	total, of which:	Mod. Quota	own resources	bank credit /leasing					Km	total, of which:	Mod. Quota	own resources	bank credit /leasing	Km	total, of which:	Mod. Quota	own resources	bank credit /leasing
	Grand total, out of which::	576,670	55,011	16	86,000	70,240	13,974	1,786	6,632	22,288	25,544	31,536	17	133,500	79,000	24,500	30,000	20	156,000	87,850	18,150	50,000
I	PUBLIC DOMAIN	492,983	51,112	16	70,285	70,240	45	0	5,481	19,348	22,010	23,446	17	109,059	79,000	59	30,000	20	143,639	87,850	5,789	50,000
	Investment objectives, out of which	487,404	51,112	16	70,106	70,061	45	0	5,481	19,169	22,010	23,446	17	109,059	79,000	59	30,000	20	138,239	87,850	389	50,000
1	Reabilitari conducte, din care:	208,836	13,901	16	28,688	28,688	0	0	3,485	9,030	9,603	6,570	17	32,005	32,005	0	0	20	35,882	35,882	0	0
1.1	Pipelines rehabilitation	189,658	7,333	16	22,167	22,167	0	0	2,005	6,330	8,270	5,562	16	28,661	28,661	0	0	20	33,137	33,137	0	0
1.2	Safe disposals	19,178	6,568	1	6,521	6,521	0	0	1,480	2,700	1,333	1,008	1	3,344	3,344	0	0	0	2,745	2,745	0	0
2	Replacement of the connection lines Danube crossing C1-C2 and C3-C4 Borcea arm	95,960	253		707	707		0	0	7	200	500		35,000	5,000		30,000		60,000	10,000		50,000
3	Modernization and monitoring of the cathodic protection system related to the National Transport System (Ro. SNT) domestic and import	10,217	7,417		2,800	2,800		500	1,500	800	0	0		0	0				0	0		
4	Modernization and monitoring of the cathodic protection system related to the National Transport System (Ro. SNT) domestic and import - stage 2	6,900	0		300	300		0	0	150	150	0		2,100	2,100				4,500	4,500		
5	Pilot system for detecting and locating leaks of product from the major pipelines system of crude oil transport Poiana Lacului - Siliste - Ploiesti	4,335	3,335		1,000	1,000		0	800	200	0	0		0	0				0	0		
6	Technical support and consultancy	200	0		50	50		0	0	0	50	0		50	50				50	50		
7	Tanks	70,256	14,246	0	9,490	9,490	0	0	1,140	3,400	2,830	2,120	0	14,400	14,400	0	0	0	15,900	15,900	0	0
8	Energy works	10,638	148	0	7,990	7,990	0	0	56	15	2,900	5,019	0	2,500	2,500	0	0	0	0	0	0	0
9	Telecommunication works	10,900	0	0	7,500	7,500	0	0	0	1,000	2,400	4,100	0	3,400	3,400	0	0	0	0	0	0	0
10	Pumping systems modernization	7,684	4,484	0	600	600	0	0	235	235	130	0	0	600	600	0	0	0	2,000	2,000	0	0
11	Stations/ramp modernization	30,663	3,538	0	2,630	2,630	0	0	15	250	960	1,405	0	9,998	9,998	0	0	0	10,800	10,800	0	0
12	Buildings and station fencing	3,578	89	0	1,075	1,030	45	0	50	132	216	677	0	1,514	1,466	48	0	0	700	700	0	0
13	Automation works and SCADA	23,370	3,646	0	4,600	4,600	0	0	0	2,800	500	1,300	0	6,936	6,936	0	0	0	7,828	7,828	0	0
14	Other works	3,452	51	0	2,571	2,571	0	0	0	0	1,071	1,500	0	441	430	11	0	0	389	0	389	0
15	Projects, Studies, Technical Expertise	413	3	0	105	105	0	0	0	0	50	55	0	115	115	0	0	0	190	190	0	0
	Independent facilities and equipment	5,579			179	179			0	179	0	0		0	0				5,400	5,400		
II	OPERATING DOMAIN	83,688	3,899	0	15,715	0	13,929	1,786	1,151	2,940	3,534	8,090	0	24,441	0	24,441	0	0	12,361	0	12,361	0
	INVESTMENT OBJECTIVES, o/w:	71,688	3,899	0	11,715	0	11,715	0	901	2,440	2,334	6,040	0	21,441	0	21,441	0	0	9,861	0	9,861	0
1	Pipelining rehabilitation	13,206	517	0	1,530	0	1,530	0	0	0	625	905	0	1,664	0	1,664	0	0	195	0	195	0
2	Buildings and stations fencing	15,278	965	0	3,604	0	3,604	0	485	530	794	1,795	0	5,178	0	5,178	0	0	2,800	0	2,800	0
3	LDH and tank cars	22,499	1,384	0	2,690	0	2,690	0	416	790	614	870	0	11,649	0	11,649	0	0	1,676	0	1,676	0
4	Energy works	270	0	0	270	0	270	0	0	70	200	0	0	0	0	0	0	0	0	0	0	0
5	Other works	15,834	1,033	0	2,421	0	2,421	0	0	850	101	1,470	0	2,450	0	2,450	0	0	2,590	0	2,590	0
6	Intangible Investments	4,600			1,200	1,200			0	200	0	1,000		500	500				2,600	2,600		

crt. no.	Name of the Objective	Object estimated value	Estimates achieved 31.12.18 for objectives contracted before	Program 2019					Program Quarter I	Program Quarter II	Program Quarter III	Program Quarter IV	Estimates 2020					Estimates 2021				
				Km	total, of which:	Mod. Quota	own resources	bank credit /leasing					Km	total, of which:	Mod. Quota	own resources	bank credit /leasing	Km	total, of which:	Mod. Quota	own resources	bank credit /leasing
	Independent facilities and equipment	12,000			4,000		2,214	1,786	250	500	1,200	2,050		3,000		3,000			2,500		2,500	

Director General - PhD Eng. CHIȘ Timur Vasile

Economic Director - Econ. TOADER Sanda

Head of Maintenance Development Unit - Eng. BUZATU Dan