

BIANNUAL REPORT

**REGARDING THE ECONOMIC-FINANCIAL ACTIVITY OF
S.C. CONPET S.A. AT 30.06.2014**

As per the provisions of

**Art. 227 of Law no. 297/2004 regarding the capital market and CNVM
Regulation no. 1/2006**

corresponding to 2014 Ist Half (ended at June 30, 2014)



REPORT AND ISSUER IDENTIFICATION DATA

Biannual report as per:	Art. 227 of Law no. 297/2004 regarding the capital market and CNVM Regulation no. 1/2006 regarding the issuers and the securities operations.
Report Date	August 13, 2014
Contents	Interim financial statements
Issuer's Name	S.C. CONPET S.A.
Registered offices	No. 1-3, Anul 1848 Street, Ploiești, Prahova County, Zip Code 100559
Telephone/facsimile	0244 401360 / 0244 516451
E-mail / Internet	conpet@conpet.ro / www.conpet.ro
Sole Registration Number.	13500020
Trade Registry Number	J29/6/22.01.1991
The regulated market trading the issued securities	Bucharest Stock Exchange, 1 st Tier
Subscribed and paid-up share capital	28,569,842.40 Lei
Main features of the issued securities	8,657,528 shares with a nominal value of 3.3 Lei/share. Dematerialized, nominative, ordinary, indivisible, freely tradable shares as of 05.02.2005, under COTE symbol
Total market value	428,547,636 Lei (49.5 Lei/share at 30.06.2014)
Accounting standard applied	International Accounting Standard 34 - „Interim Financial Reporting”
Auditing	Financial Statements are not being audited



1. ECONOMIC - FINANCIAL STATEMENT

1.1. Analysis of the Economic-Financial Statement

a) Balance Sheet Items

Statement of the Financial Position

Indicator	30.06.2014 [Lei]	31.12.2013 [Lei]	[%]
Assets			
Fixed assets			
Tangible assets	402,027,474	413,715,800	97.2
Intangible assets	5,754,431	6,308,341	91.2
Financial investments	763,946	1,020,324	74.8
Total fixed assets	408,545,851	421,044,465	97.0
Current assets			
Inventories	7,679,572	7,404,013	103.7
Trade receivables and other receivables	38,801,706	41,797,973	92.8
Short term investments	0	7,080,956	
Cash and cash equivalent	300,063,996	249,494,539	120.3
Prepaid Expenses	358,978	218,445	164.3
TOTAL Current assets	346,904,252	305,995,926	113.4
TOTAL Assets	755,450,103	727,040,391	103.9
Shareholders equity and debts			
Shareholders' Equity			
Share capital, out of which:	28,569,842	145,794,385	19.6
<i>Subscribed share capital</i>	<i>28,569,842</i>	<i>28,569,842</i>	-
<i>Inflation adjustments of the share capital</i>	<i>0</i>	<i>117,224,543</i>	-
Revaluation reserves	104,112,617	112,473,352	92.6
Legal reserves	5,713,968	5,713,968	-
Other reserves	456,740,773	441,436,160	103.5
Retained earnings	42,501,804	(85,961,582)	
Profit/loss for the period	30,942,105	31,297,556	98.9
Total Shareholders' equity	668,581,109	650,753,839	102.7
Long term debts			
Deferred tax liabilities	3,478,973	3,478,973	-
Provision for the employee benefits	2,944,645	3,187,830	92.4
Trade liabilities		625,135	-
Total long term liabilities	6,423,618	7,291,938	88.1

5. Environment:

a. CONPET's environment and water management permits are all valid.

6. Legal:

a. CONPET is involved in a number of 100 trials, of which, in 28 files CONPET is acting as defendant. Provision has been made for all files;

b. Neither of these files incurs any risk related to the stability and continuity of the company activity.

7. Financial:

The synthesis of the financial results at June 30, 2014 is exposed in the table above.

The broader version of the financial returns within the same period is exposed at point 1.1.b).

INDICATOR	Jan. - June 2014	Jan. - June 2013	%
Transported volume Tons	3,093,441	2,701,888	114.5%
Operating revenues	199,529,959	186,470,300	107.00%
Operating expenses	166,787,096	161,448,803	103.31%
EBITDA	56,672,311	45,461,348	124.66%
Depreciation	23,929,448	20,439,850	117.07%
EBIT	32,742,863	25,021,497	130.86%
Financial result	4,614,841	5,932,697	77.79%
EBT	37,357,704	30,954,194	120.69%
Income tax	6,415,599	5,332,116	120.32%
Net profit	30,942,105	25,622,078	120.76%
No. of shares	8,657,528	8,657,528	100.00%
Gross result/share	4.32	3.58	120.69%



1. ECONOMIC - FINANCIAL STATEMENT

1.1. Analysis of the Economic-Financial Statement

a) Balance Sheet Items

Statement of the Financial Position

Indicator	30.06.2014 [Lei]	31.12.2013 [Lei]	[%]
Assets			
Fixed assets			
Tangible assets	402,027,474	413,715,800	97.2
Intangible assets	5,754,431	6,308,341	91.2
Financial investments	763,946	1,020,324	74.8
Total fixed assets	408,545,851	421,044,465	97.0
Current assets			
Inventories	7,679,572	7,404,013	103.7
Trade receivables and other receivables	38,801,706	41,797,973	92.8
Short term investments	0	7,080,956	
Cash and cash equivalent	300,063,996	249,494,539	120.3
Prepaid Expenses	358,978	218,445	164.3
TOTAL Current assets	346,904,252	305,995,926	113.4
TOTAL Assets	755,450,103	727,040,391	103.9
Shareholders equity and debts			
Shareholders' Equity			
Share capital, out of which:	28,569,842	145,794,385	19.6
<i>Subscribed share capital</i>	<i>28,569,842</i>	<i>28,569,842</i>	-
<i>Inflation adjustments of the share capital</i>	<i>0</i>	<i>117,224,543</i>	-
Revaluation reserves	104,112,617	112,473,352	92.6
Legal reserves	5,713,968	5,713,968	-
Other reserves	456,740,773	441,436,160	103.5
Retained earnings	42,501,804	(85,961,582)	
Profit/loss for the period	30,942,105	31,297,556	98.9
Total Shareholders' equity	668,581,109	650,753,839	102.7
Long term debts			
Deferred tax liabilities	3,478,973	3,478,973	-
Provision for the employee benefits	2,944,645	3,187,830	92.4
Trade liabilities		625,135	-
Total long term liabilities	6,423,618	7,291,938	88.1

Trade Liabilities	27,397,296	25,184,565	108.8
Other liabilities	36,632,684	23,217,850	157.8
Short term provisions	15,392,228	19,525,449	78.8
Deferred income	23,328	25,157	107.3
Investment subsidies	999,840	1,041,593	96.0
Total current liabilities	80,445,376	68,994,614	116.6
Total liabilities	86,868,995	76,286,552	113.9
Total shareholders' equity and debts	755,450,103	727,040,391	103.9

Tangible Assets

During 01.01-30.06.2014 the net value of the tangible assets decreased by 11,688,326 Lei, amount resulted from:

- increase by 17,894,656 Lei of the tangible assets under the category *Constructions*, constituted from:
 - 25,219,816 Lei the commissioning of the tangible assets in progress;
 - 22,851 Lei fixed assets disposal;
 - 7,302,309 Lei depreciation corresponding to 2014 Ist Half.
- diminution by 12,907,156 Lei of the assets under the category *Plant and Machinery and Transport Vehicles*, out of which:
 - 2,070,203 Lei commissioning;
 - 27,357 Lei fixed assets disposal
 - 14,950,002 Lei corresponding to 2014 Ist Half.
- diminution by 167,136 Lei of the fixed assets under category *Fixtures and fittings, other tangible assets*, out of which:
 - 198,440 Lei commissioning;
 - 680 Lei fixed assets disposal;
 - 364,896 lei depreciation corresponding to 2014 Ist Half.
- diminution by 16,508,690 Lei of the tangible assets in progress, made of:
 - 10,979,769 Lei expenses related to the continuation of already started works in the previous period and launch of new investment works;
 - 27,608,736 Lei, disposal of fixed assets in progress, out of which commissionings amounting 27,488,459 Lei and discard of three investment projects in total amount of 120,277 Lei, for which there have been constituted impairment losses for depreciation in amount of 120,277 Lei. The net value of the tangible assets in progress is also being diminished by the impairment losses for depreciation existing at 30.06.2014, in amount of 1,519,735 Lei;
 - 120,277 Lei cancellation provisions related to the three discarded projects.

Inventories

The comparative situation of the inventories for the reporting period is as follows:

	June 30, 2014	December 31, 2013
Raw materials and consumables	9,527,738	9,478,611
Adjustments for the asset's impairment: depreciated and slowly moving inventories	(1,848,166)	(2,074,598)
TOTAL	7,679,572	7,404,013

The inventories are made of raw materials, materials, spare parts and other consumables that are to be used to perform the company's core business, as well as of security and intervention inventories intended for the likely technical accidents caused or triggered by natural disasters.

Trade Receivables and other Receivables

Comparative situation of the receivables for the reporting period, according to seniority and types of receivables, is as follows:

	June 30, 2014	December 31, 2013
Clients		
Long term receivables< 1 year	36,024,768	39,770,229
Adjustments for doubtful receivables	29,018	24,089
Subtotal trade receivables (net)	(637,903)	(637,903)
Other receivables	35,415,883	39,156,415
Adjustments for other doubtful receivables	5,839,906	5,191,332
Subtotal other receivables(net)	(2,459,713)	(2,554,343)
Prepayments	3,380,193	2,636,989
Total other short-term receivables	5,630	4,569
	38,801,706	41,797,973
Other long-term receivables		
	646,855	735,524

Clients' structure per activities is as follows:

	June 30, 2014	December 31, 2013
Clients - transport activity	35,134,845	38,863,678
Other clients - auxiliary activities	889,923	906,551
Total	36,024,768	39,770,229

The trade receivables are not interest bearer and generally have 15-25 days collecting due term.

At June 30th 2014, the clients record a drawback in the balance as opposed to 2013 December 31st, following the diminution, within the month of June 2014, of the quantity of transported products, by 175 thousand tons as compared to December 2013.

The clients related to the crude oil pipeline transport activity are being represented by the following companies: S.C. OMV PETROM S.A., S.C. Petrotel Lukoil S.A., S.C. Rompetrol Rafinare S.A..

In respect of the two reporting periods, the weight of these beneficiaries in total clients was constant, respectively 97% of the total receivables. Late 2014 1st Half, the Company has a single client with receivables bigger than 60% of the total gross receivables, namely OMV PETROM S.A. (with receivables amounting 27,228,959 Lei at June 30th 2014 and 33,954,949 Lei at December 31st 2013).

Other receivables amounting 5,839,907 Lei mainly include amounts receivable from various physical and legal persons with litigations pending before the Courts of Law, non-exigible VAT, unarrived invoices, as well as interest receivable related to under three months maturity deposits.

Adjustments for doubtful receivables and other doubtful receivables

The Company Policy is to record adjustment for 100% value loss for the clients under litigation, insolvency, bankruptcy and for other debts related to the constituted legal files or fines falling under challenge procedure.

At the end of 2014 1st Half, the Company maintained the impairment adjustments constituted for the doubtful trade receivables corresponding to the debt receivables from the following partners:

- S.C. Biodiesel SRL Comanesti (204,661 Lei);
- S.C. Nac Industrii SRL Bucuresti (340,938 Lei);
- CTF Bucuresti (50,512 Lei);
- S.C. Perfect Metal SRL (7,551 Lei);
- S.C. ICIM S.A. Ploiesti (33,598 Lei);
- S.C. Tobias SRL Constanta (643 Lei).

They refer to the counter value of certain services supplied by the company, these being currently under litigation with respective beneficiaries and/or penalties calculated for the failure to execute the commitments in due time.

At the reporting date, the adjustments of impairment of receivables are in total amount of 3,097,616 Lei, the amount 94,630 Lei being recognized as income within 2014 1st Half, following the collecting of certain challenged debts and fines.

Cash and Cash Equivalents

At June 30th 2014 and December 31st 2013, the cash and cash equivalents are as follows:

	June 30 th 2014	December 31 st 2013
Current bank accounts		
Bank deposits < 3 months maturity	1,237,311	1,925,214
Petty cash	298,603,314	247,508,995
Other cash equivalents	19,927	11,460
Total	203,444	48,870
	300,063,996	249,494,539

The company manages a modernization and development expenses quota meant to financially sustain the rehabilitation and modernization of the National Crude Oil Pipeline Transport System, amount that is being collected in distinct cash accounts and used for the payment of the modernization works at the assets belonging to the public domain, to create new assets to be transferred to the public domain following the total depreciation thereof. Hence, at 30.06.2014 the cash corresponding to the modernization quota to be found in the companies accounts amounts 121,897,826 Lei (40.62% of the overall liquidities).



Short-Term Investments

The short-term financial investments are assets held by the Company in order to reach profit in less than one year. They consist in > 3 months maturity deposits and interest receivable at due date.

At 30.06.2013, the company has no longer open deposits with > 3 months maturity.

Short-term investments	June 30 th 2014	December 31 st 2013
Bank deposits with maturity>3 months	0	7,080,956

Provisions

Provisions for Litigations

The company is involved in various litigations for compensations claimed by various owners, physical persons. Following the restitution of their property rights, they are bringing proceedings in Court against the Company, invoking the lack of land use due to the fact that the lands are being crossed by the crude oil transport pipelines belonging to the public domain.

At 30.06.2014, the provisions for litigations amounted 9.557.944 Lei. During 2014 1st Half, they have not been subject to any amendment, nor have new litigations been brought to court, the ongoing cases being still pending.

Provisions for Employees' Benefits

At December 31st 2013 were recorded provisions for employees' benefits in total amount of 6.662.928 Lei, of which 3.475.098 Lei account for provisions for the employees' share of profit and the amount of 3.187.830 Lei represent retirement provision.

At June 30th 2014 rest highlighted retirement provisions in amount of 2,944,645 Lei, the difference of 243,185 Lei being cancelled following the retirements taking place during this period.

This provision was calculated according to actuarial methods based on the average wage estimate, the average number of salaries due for payment upon retirement, the estimate for the period when they will be paid and was brought to the current value by making use of a discount factor based on the interest related to certain maximum safety investments. (government bonds).

The obligations regarding the sharing of net profit have been paid in full up to 30.06.2014.

Other Provisions

At June 30th 2014, the „other provisions” item amounting 5,834,284 is made of:

- 2,608,552 Lei provisions regarding the environment-related expenses;
- 516,877 Lei provisions for not-taken leaves;
- 727,515 Lei provisions for local taxes and fees (litigations);
- 1,981,340 Lei provisions for expenses related to assets in progress (Breaza cardiovascular recovery facility).



In more specific words, the provision for potential environment expenses amounting 2,608,552 Lei is mainly represented by the exchange value of the expenses necessary to achieve the depollution by in-situ bioremediation of 4,000 sqm in Castelu area, Constanta county, estimation performed based on a study drafted in 2013 for the assessment of the geological environment (soil and underground water assessment).

The provision for the demolition of the objective Breaza cardio-vascular recovery facility, amounting 1,981,340 Lei was made following the OGMS Decision no. 1/14.03.2013 based on which was approved the dismantling/demolition of the above-mentioned asset, following the technical solution given by the Assessment Report no. 41706/03.12.2012 prepared by an independent expert.

b) The Global Result Statement at June 30th 2014 is as follows:

	2014 1st Half	2013 1st Half
	Lei	Lei
Revenues		
Sale revenue	186,173,019	168,172,235
Other revenues	13,356,940	18,298,065
Total operating revenues	199,529,959	186,470,300
Expenses		
Expenses for raw materials and consumables	9,590,462	8,667,839
Personnel expenses	47,920,217	46,230,690
Value adjustments on tangible and intangible assets	23,929,448	20,439,850
Value adjustments on current assets	-321,063	-7,590
Outside expenses	58,822,757	59,578,514
Other expenses	31,221,681	27,031,666
Provisions adjustments	-4,376,406	-492,167
Total operating expenses	166,787,096	161,448,802
Operating profit	32,742,863	25,021,498
Financial Revenues	4,816,318	6,194,176
Financial Expenses	201,477	261,480
Financial Profit	4,614,841	5,932,696
Earnings before taxes	37,357,704	30,954,194
Income tax expenses	6,415,599	5,332,116
Net profit	30,942,105	25,622,078

The synthesis of the financial statements at 30.06.2014 yoy is exposed here below:

Indicator	30.06.2014	30.06.2013	2014/2013
[Lei]			[%]



Net turnover	186,173,019	168,172,235	110,7%
Operating revenues	199,529,959	186,470,300	107,0%
Operating expenses	166,787,096	161,448,802	103,3%
Gross operating profit	32,742,863	25,021,498	130,9%
EBITDA	56,672,311	45,461,348	124,7%
Financial Revenues	4,816,318	6,194,176	77,8%
Financial Expenses	201,477	261,480	77,1%
Gross financial profit	4,614,841	5,932,696	77,8%
Total revenues	204,346,277	192,664,477	106,1%
Total expenses	166,988,573	161,710,282	103,3%
Gross Profit	37,357,704	30,954,194	120,7%
Net Profit	30,942,105	25,622,078	120,8%

The evolution of the financial results at 30.06.2014, compared to the budgetary provisions:

Indicator	Achievements 30.06.2014	BVC 30.06.2014	Execution Rate
			[%]
[Lei]			
Net turnover	186,173,019	175,049,846	106,4%
Operating revenues	199,529,959	190,214,824	104,9%
Operating expenses	166,787,096	175,288,635	95,1%
Gross operating profit	32,742,863	14,926,190	219,4%
EBITDA	56,672,311	36,569,569	155,3%
Financial revenues	4,816,318	5,300,000	90,9%
Financial expenses	201,477	300,000	67,2%
Gross financial profit	4,614,841	5,000,000	92,3%
Total revenues	204,346,277	195,514,824	104,5%
Total expenses	166,988,573	175,588,635	95,1%
Gross profit	37,357,704	19,926,190	187,5%
Net profit	30,942,105	16,884,190	183,3%

During January - June 2014 the turnover increased by 10.7 % yoy and by 6.4% as compared to budgetary provisions. The 2014 lift was due to an increase by 17,717 thousand Lei yoy of the transport revenues and by 10,830 thousand Lei as compared to the provisions budgeted for this period.

In 2014 1st Half the operating expenses increased by 5,338 thousand Lei yoy. The operating expenses growth rate (3.3%), for January-June 2014, was frontloaded by the growth rate of the turnover, by 10,7% yoy.

The operating profit increased by 7 721 thousand Lei (30.9%) within the first six months yoy.

The financial revenues registered a decrease by 484 thousand Lei (9.1%) as compared to the Income and Expenditure Budget (Rom. BVC) and by 1,378 thousand lei (22.2%) yoy due to a decrease in the interest rate for bank deposits.

INCOME

As compared to the Income and Expenditure Budget, in the per segments and activities structure, the total revenues related to operating activities at 30.06.2014 are as follows:

Indicator	Achieved 30.06.2014	BVC 30.06.2014	[%]
[Lei]			
<i>Income from transport activity, out of which:</i>			
Transported volume			
Tons	3,093,441	2,695,539	114.8%
Lei	185,214,579	174,384,637	106.2%
Income from domestic crude transport			
Tons	2,017,243	1,995,539	101.1%
Lei	159,221,483	156,929,187	101.5%
Income from imported crude transport			
Tons	1,076,198	700,000	153.7%
Lei	25,993,096	17,455,450	148.9%
Rental income	565,741	402,195	140.7%
Other revenues	392,699	263,014	149.3%
<i>Other operating income, out of which:</i>			
Modernization quota recognized as income	13,356,940	15,164,978	88.1%
Income from sale of assets	12,342,549	14,865,730	83.0%
Income from sale of rich gas stocks	640,303	123,000	520.6%
Other revenues	374,088	176,248	212.3%
Total operating income	199,529,959	190,214,824	104.9%

The operating income registered 4.9% increase as compared to the Income and Expenditure Budget provisions, being influenced by the following factors:

- The transport revenues increased by 6.2% as compared to the budgetary provisions, being highlighted in the structure, on transport subsystems, as follows:
 - An increase by 1.5% of the revenues generated by the domestic crude transport;
 - An increase by 48.9% of the revenues generated by the imported crude transport;
- Other operating revenues fell by 11.9% as compared to the budgetary provisions, due to the diminution of the income resulting from the recognition as income of the assets depreciation expenses financed out of the modernization quota.
- The evolution of the total revenues on operating activities during 2014 1st Half, as opposed to 2013 1st Half, is as follows:
-



Indicator	30.06.2014	30.06.2013	[%]
[Lei]			
Revenues from transport activities, out of which:			
Tons	3,093,441	2,701,888	114.5%
Lei	185,214,579	167,497,524	110.6%
Income from domestic crude transport			
Tons	2,017,243	2,041,209	98.8%
Lei	159,221,483	150,277,246	106.0%
Income from imported crude transport			
Tons	1,076,198	660,680	162.9%
Lei	25,993,096	17,220,278	150.9%
Rental income	565,741	473,977	119.4%
Other revenues	392,699	200,734	195.6%
Other operating expenses, out of which:	13,356,940	18,298,065	73.0%
Modernization quota recognized as income	12,342,549	14,129,194	87.4%
Income from sale of assets	640,303	272,932	234.6%
Income from sale of rich gas stocks		1,026,790	0.0%
Other revenues	374,088	2,869,149	13.0%
Total operating income	199,529,959	186,470,300	107.0%

During 2014 1st Half, as compared to the same period in 2013, the income from transport activities increased by 17,717 thousand Lei (10.6%). The 10.6% increase was mainly generated by the upbringing, by 391,552 tons of the transported quantities, especially on the imported subsystem (increase by 415,518 tons, representing 8,772 thousand Lei), but also by the augmentation of the domestic transport tariff as of December 2013;

The income from core activities (crude oil, rich gas and condensate transport services) accounts for the largest share (92.83% in 20141H and 89.83% 20131H) in the total operating expenses of the company.

In 20141H, other operating expenses recorded a diminution by 4,973 thousand Lei (27.18%) yoy, due to the decrease of the revenues recognized as income in modernization quota and to several other revenues incurred by other activities generated by circumstantial situations, namely from the encashment of certain securities for participating in bidding procedures and sale of some quantities from the rich gas stock achieved during 20131H.

EXPENSES

As compared to the Income and Expenditure Budget, the total operating expenses at 30.06.2014 are as follows:

Indicator	Achieved 30.06.2014	BVC 30.06.2014	Execution Rate [%]
[lei]			
Material expenses, out of which:	3,509,224	4,260,592	82.4%
-expenses for raw materials and consumables	1,833,758	3,281,260	55.9%
-Fuel expenses	1,342,589	1,564,000	85.8%

Other outside expenses (with energy and water)	6,081,238	6,225,000	97.7%
Personnel expenses, out of which:	47,920,217	52,768,561	90.8%
Salary expenses	32,573,922	33,560,629	97.1%
Expenses related to the social security insurance contributions and other legal requirements	9,922,329	12,296,840	80.7%
Other personnel expenses	5,423,966	6,911,092	78.5%
Tangible and intangible assets depreciation related expenses	23,929,448	21,643,379	110.6%
Outside services expenses, out of which:	58,822,757	64,028,203	91.9%
-Maintenance (Maintenance, current and capital repairs) expenses	1,238,615	3,740,000	33.1%
-Crude oil rail transport expenses	39,767,896	40,845,014	97.4%
-Decontamination expenses	623,020	1,767,000	35.3%
- Royalties	13,951,707	12,870,958	108.4%
-other third party services	3,241,519	4,805,231	67.5%
Provisions adjustments	-4,376,406		
Other operating expenses, out of which:	30,900,618	26,362,899	117.2%
-modernization quota expenses	28,766,054	27,047,057	106.4%
Total operating expenses	166,787,096	175,288,635	95.1%

The trend of the total operating activities at 30.06.2014 yoy, is as follows:

Indicator [Lei]	30.06.2014	30.06.2013	Execution Rate
			[%]
Material expenses, out of which:	3,509,224	2,897,041	121.1%
-expenses for raw materials and consumables	1,833,758	1,608,310	114.0%
-Fuel expenses	1,342,589	1,288,730	104.2%
Other outside expenses (with energy and water)	6,081,238	5,770,798	105.4%
Personnel expenses, out of which:	47,920,217	46,230,690	103.7%
Salary expenses	32,573,922	32,096,644	101.5%
Expenses related to the social security insurance contributions and other legal requirements	9,922,329	9,552,910	103.9%
Other personnel expenses	5,423,966	4,581,136	118.4%
Tangible and intangible assets depreciation related expenses	23,929,448	20,439,850	117.1%
Outside services expenses, out of which:	58,822,757	59,578,514	98.7%
-Maintenance (maintenance, current and capital repairs) expenses	1,238,615	2,548,024	48.6%
-Crude oil rail transport expenses	39,767,896	40,845,014	97.4%
-Decontamination expenses	623,020	492,997	126.4%
- Royalties	13,951,707	12,511,135	111.5%
-other third party services	3,241,519	3,181,343	101.9%
Provisions adjustments	-4,376,406	-492,167	889.2%
Other operating expenses, of which:	30,900,618	26,531,910	116.5%

-modernization quota expenses	28,766,054	25,876,990	111.2%
Total operating expenses	166,787,096	161,448,802	103.3%

The **operating expenses** incurred at 30.06.2014 are in amount of 166.78 million Lei, describing a 4.9% reduction as compared to the approved program.

Furthermore, the budgeted figures have been overrun by the fixed assets depreciation expenses resulted from the tangible assets revaluation, by the royalties and the modernization quota on exceeding the transport incurred income, accounting for the base for these expenses.

The value of the operating expenses grew by 3.3 at 30.06.2014 as compared to 30.06.2013, on account of the fixed assets depreciation, resulted from the tangible assets revaluation, of the royalties and the modernization quota on exceeding the transport incurred income, accounting for the base for these expenses.

The value of the fuel and energy expenses grew by 4.2%, respectively 5.4%, in 2014 vs. 2013, due to the augmentation of the procurement costs.

The personnel expenses, representing both salaries and indemnities, as well as *social security insurance contributions expenses*, knew a 3.7% increase mainly due to the fund for employees' sharing of profit (3 475.1 thousand Lei awarded in 2014 vs. 2 430.6 thousand Lei awarded in 2013).

c) Economic-Financial Indicators

Financial indicators	30.06.2014	30.06.2013
----------------------	------------	------------

Profitability indicators	30.06.2014	31.12.2013
Sale gross margin	20.07	18.41
Sale net margin	16.62	15.24
Operating profit margin (EBIT %)	17.59	14.88
Profit margin (EBITDA %)	30.44	27.03
	30.06.2014	31.12.2013
Return on Equity (ROE)	4.63	4.81
Return on Assets (ROA)	4.1	4.30

Liquidity Indicators		
Current liquidity - in no. of times	5.41	6.32
Quick liquidity - in no. of times	5.29	6.16

Activity (management) indicators	30.06.2014	31.12.2013
Inventories turnover (in number of days)	355	499
Inventories turnover speed (number of times)	0.51	0.73
Rotation speed of the clients' debts (days)	29	30
Rotation duration of the clients' debts (no. of times)	6.19	5.96
Rotation speed of the creditors (purveyors) (days)	21	15
Rotation speed of the creditors (purveyors) (no. of times)	8.68	12.40

Profitability Indicators

The operating profit margin fluctuated during the reference period due to both the fluctuations in the operating expenses figure and turnover variations.

Liquidity Indicators

At 1.06.2014, the total current assets recorded an increase by 13.33% as opposed to the preceding year, due to the raise by 12% of the cash available and the fall in receivables due by 7.2%, corroborated with the increase by 32.29% of the short term liabilities, facts having triggered the slight diminution of the quick and current liquidity figures.

The current liquidity indicator guarantees the coverage of the current liabilities by the current assets, which are usually liquid and can be easily enforced against, close to their book value. The book value at 30.06.2014 exceeded by 5.41 the acceptable value (2), reflecting the company's ability to cover the current liabilities on the account of the current assets.

Activity Indicators

The rotation speed of clients' debts conveys the company efficiency in collecting its claims and represents the number of days up to the date when the debtors will have paid off their debts to the company. The value obtained up to 30.06.2014 is 29 days (medium balance of the clients' trade liabilities/turnover * no. of days).

d) Cash-Flow

Cash-flow statement at 30.06.2014

Element	30.06.2014	30.06.2013
Cash-flows from operating activities:		
+ Cash collection from service supply	205,375,888	183,999,755
+ Other collections	597,469	4,505,755
- Cash payments for purchase of goods and services	63,441,106	74,238,824
- Cash payments to and on behalf of the employees	48,146,150	42,455,176
- VAT Payments	28,228,676	25,976,863
- Income tax payments	5,630,283	5,026,622



Stoica Monica

	Other cash payments related to operating activities	10,552,974	14,151,281
-			
A	Net cash from operating activities	49,974,168	26,656,744
	Cash-flows from investment activities:		
+	Proceeds from sale of tangible assets	640,303	1,299,722
+	Proceeds from the modernization quota	28,766,054	25,876,990
-	Procurement of tangible assets related payments	15,860,052	8,353,981
-	Interest payments	0	1,350
-	Reimbursements of loans	0	30,316
B	Net cash from financing activities	13,546,305	18,791,065
	Cash-flows from financing activities:		
+	Proceeds from short-term financial investment	4,554,668	5,875,642
+	Other financial income	55,181	316,569
-	Payments for short-term financial investment	193,970	228,325
-	Dividends paid	17,366,895	16,632,532
C	Net cash from financing activities	-12,951,016	-10,668,646
	<i>Net increase in cash and cash equivalents</i>	<i>50,569,457</i>	<i>34,779,163</i>
	=A+B+C=D2-D1		
D1	<i>Cash and cash equivalents at the beginning of the fiscal year</i>	<i>249,494,539</i>	<i>198,767,473</i>
D2	<i>Cash and cash equivalents at the end of the fiscal year</i>	<i>300,063,996</i>	<i>233,546,636</i>

By way of treasury, every company assesses its equity needs, according to the structure of the use pattern, into stable investments and cyclical investment. At the same time, pursuant to the evaluation of the equity needs, is being determined the source of the financial resources, which further eases way to access capital; in such a way is being achieved the balance between the financing needs and the equity acquired at convenient costs.

By comparing the accounts payable and receivable from **operating activities** during the two referred periods, it arises a surplus showing that the operation incurs cash, the cash collections exceeding the payments, the company being in capacity of ensuring the economic growth.

The sources are generally represented by collections from the crude oil, rich gas and liquid ethane pipeline transport activity. The payments made are meant to support the transport activity.

The net cash from operating activities records a significant increase in 2014 1H, following the raise in the volume of receivables during the reported period due to the augmentation of the transported quantities, mainly on the import subsystem.

In what concerns the net cash from **investment activities**, note that despite the values recorded at the end of the two periods indicate a positive result, in 2014 1H they described a descending trend due to the increase of the procurement of tangible and intangible assets related payments. Moreover, the net cash is being influenced by the representation, within the investment activities, of the payment related to the procurement of tangible and intangible assets financed from both the modernization quota and profit, as compared to the sources that are being represented by the cash collections largely from the modernization quota.

When talking about the net cash from **financing activities**, has been recorded deficit during both periods, following the payment of dividends to the majority shareholder (85% of the



obtained profit, as per GMS decisions), as compared to the proceeds coming largely from the negotiated interests on the constituted short-term deposits.

One can notice the sharpened deficit in 2014 triggered by the downwards trend incurred by the interests on the capital market, that has caused a diminution of the company collections from cash investments.

2. BUSINESS ANALYSIS

2.1. Capital Expenditure

CONPET investment projects are, first of all, aiming at increasing the efficiency of the transport activity. The capacity to invest represents the key mark for expressing the company strength and credibility, the relation between the volume of investments and turnover, the obtained capitals and profits standing as a proof thereof.

The investments are financed from own sources that are being represented by: the modernization quota (for the modernization of the assets from public domain and new investments); depreciation and amounts out of profit intended for investments.

The investments performed during 2014 1st Half amounted 12,115 thousand Lei, out of which, by financing sources:

- Other sources (modernization quota) – 9,408 thousand Lei;
- Own sources (profit) - 2,707 thousand Lei,

The investment programme targeted:

- The continuation of works for the rehabilitation of the major pipelines for crude oil and rich gas transport;
- Investment works on the installations, equipment and ancillary facilities related to the national transport system;

The commissionings performed during 2014 1st Half amounted 27,488 thousand Lei, out of which, by financing sources:

- 24,890 thousand Lei from other sources – modernization quota;
- 2,598 thousand Lei from own sources - profit;

Investment objectives completed and commissioned:

- Replacement crude pipeline Ø 10 3/4" Madulari-Botorani, DN 67 Dragasani-Tg, Jiu area, Maciuca locality, Valcea county;
- Relocation of the transformer and distribution post for Orlesti station;
- Replacement pipelines Ø 12 3/4" si 14 3/4" Arges river crossing, pipeline replacement (in protective tube);
- Replacement crude pipeline Ø 24" Constanta - Midia in the areas: Fantanele street deviation, Cardinal-Petrotrans, Ovidiu variant, milestone 31;
- Upgrade PSI Fire Prevention installation, Salonta ramp;
- Safe disposal works Arges river crossing, Cateasca area, Arges county;
- Replacement crude pipeline Ø 8 5/8" Oprisenesti-Ciresu, in Oprisenesti warehouse area;
- Replacement crude pipeline Ø 4+8 1/2", Comanesti-Vermesti station, in Comanesti station area – Trotus crossing;
- Water Softener Station CT Barbatesti;
- Water Softener Station CT Orlesti;

- Turnstile access control system, IInd headquarter;
- Locomotive LDH 81-0834-2 Ciresu ramp;
- Locomotive LDH 81-0803-7 Barbatesti ramp;

Finalized investment objectives to be commissioned:

- Crude oil pipeline replacement Ø 14" Constanta-Baraganu, in Valea Dermegiului area;
- Crude oil pipeline replacement Ø 5 9/16" Ghelinta station- Imeci ramp, Imeni village area- Ghelinta Agricultural Production Cooperative (Rom. CAP);
- Rich gas pipeline replacement F1 Ø 6 5/8" Ticleni-Ploiesti in Artaroasa II area, Ciobani site, Morunglav locality, Olt county;
- Crude oil pipeline replacement Ø 6 5/8" F1 Satchinez-Biled, in Biled area, Timis county;
- Crude oil pipeline replacement 4" Petreu- warehouse, Marghita ramp, Marghita ramp area;

Summary of the investment objectives achieved during 2014 1st Half, by types of works and ownership of assets, as compared to the programme for the same period and 2014 total is as follows:

Thousand Lei

Crt. No.	Name of the objectives	Programme 2014	Cumulative 6 months		
			Programmed	Achieved	%
	Total general, out of which:	50,000	20,722	12,115	58%
I	PUBLIC DOMAIN	44,817	18,747	10,490	56%
1	Pipeline rehabilitation, out of which:	31,480	14,189	7,474	53%
1,1	Pipeline replacement	24,203	12,229	5,816	48%
1,2	Safe Disposal	7,277	1,960	1,659	85%
2	Modernization and monitoring of the cathodic protection system at central and sectoral level, related to Ticleni-Ploiesti, F1 and F2, crude oil transport pipelines	755	467	325,50	70%
3	Modernization and monitoring of the cathodic protection system at central and sectoral level, related to Cartojani - Ploiesti 12" si 14"; Ghercesti – Cartojani domestic crude transport pipelines ;CPS related to the pipelines in Baicoi sector	200	0	0,00	-
4	Modernization and monitoring of the cathodic protection system at central and sectoral level, related to Constanta - Midia; Constanta - Baraganu 14' 20',28'; Baraganu - Calareti 14',20',28'; Calareti - Arpechim 14',20'; Calareti - Ploiesti 12',14',24' imported crude transport pipelines ;	50	0	0,00	-



Stoica Monica

5	Pilot system for detection and location of product leaks from the crude oil major pipelines system Videle-Cartojani - Ploiesti	4,111	0	0,00	-
6	Technical Consultancy and Assistance	50	0	0,00	-
7	Other investment objectives	8,171	4,091	2,690	66%
II	OPERATING AREA	5,183	1,975	1,625	82%
	Investment objectives, out of which:	3,583	1,175	1,035	88%
a)	<i>ONGOING WORKS</i>	2,456	1,055	484	46%
1	Pipeline rehabilitation	725	695	299	43%
b)	<i>NEW WORKS</i>	1,127	120	551	-
11	Pipeline rehabilitation	150	20	0	-
	Independent Equipment and Facilities	1,600	800	589,63	74%

The 58% achievement of the investment programme foreseen for 2014 1st Half was mainly due to the difficulties the company had to face along the awaiting of licenses, owners' agreements and building permits.

2.2. Elements bearing Impact on Income

Tariff Evolution

The transport tariffs related to the national crude oil, rich gas, and ethane pipeline transport network are being set upon the Order issued by the President of the National Agency for Mineral Resources and enter into force at their publishing in the Official Gazette of Romania. The methodology for setting the tariffs for the crude oil transport by the National crude oil, rich gas, and ethane pipeline transport network is being regulated by NAMR pursuant to Order no. 53/2008 related to the approval of the instructions regarding the criteria, methodology and procedure for setting the tariffs for the transport of crude oil, rich gas, condensate and liquid ethane through the national transport system.

The transport tariff is differentiated per transport subsystems, on domestic tariff and import tariff.

The tariffs approved by the National Agency for Mineral Resources for the servicing of domestic crude oil, rich gas and condensate transport, corresponding to 01.01.2013-30.06.2014 are as follows:

Average tariff for domestic transport

-Lei/ton-

Order no.150/2012 for 05.06.2012-10.12.2013	74.58
Order no.199/2013 for 11.12.2013-to date	78.64

The tariffs related to the imported crude oil transport are those set by the NAMR pursuant to the Order no. 13/14.01.2010. The tariffs are being charged differently, per refineries, per transported quantities interval, being applied the tariff bracket system.



2.3. Shareholding Structure

The shareholding structure as per Shareholders' Registry at reference date 30.06.2014 is the following:

Componence	No. of shares	Stake	SHARE CAPITAL (LEI)
Romanian State by the Ministry of Economy	5 083 372	58.7162 %	16 775 127.6
Fondul Proprietatea S.A.	2 571 461	29.7020 %	8 485 821.3
Legal persons	611 595	7.0643 %	2 018 263.5
Physical persons	391 100	4.5175 %	1 290 630.0
TOTAL	8 657 528	100.0000 %	28 569 842.4

Number of shareholders: 11,258

3. CHANGES AFFECTING THE COMPANY EQUITY AND ADMINISTRATION

3.1. Cases of Non-compliance with the Financial Obligations

Not applicable

3.2. Changes in the Shareholders' Rights

Not applicable

3.3. Other Amendments in the Company

3.3.1. Organization Chart

As per BOA Decision no. 10/27.05.2014 was approved the new organization chart. With this organizational structure, S.C. CONPET S.A. management targeted:

- ❖ Taking a further step, at organizational level, towards the application of S.C. CONPET S.A. administration plan;
- ❖ Enhancing compliance of the organizational structures and company organizational system operability by repositioning certain activities/organizational structures so as to streamline the decision-making process and boost the management processes;
- ❖ Better coordination of the organizational entities' attributions, in compliance with the current needs and complexity of the current activity;
- ❖ Optimize the decision making and internal communication;
- ❖ Create premises for potential future restructuring in line with the evolution of the company business and the objectives set pursuant to the administration and management plans and have as general effect the improvement of the global performance of the company.

The most significant amendments brought to the organizational structure were the followings:

- Dissolution of the Executive Direction: the Production, Investment – Maintenance direction and set-up of a new direction called the **Operations Direction**, the entity coordinating certain department-type functional components: Production; Maintenance; IT - Telecommunications - SCADA.

- Dissolution of the organizational structures type "Senior Chief Engineer - Domestic Transport", "Senior Chief Engineer - Import Transport", respectively, „Senior Chief Maintenance Engineer".
- Dissolution of regional division- type structures and set-up of division-type entities to coordinate the activities at sectoral level: take-over, storage, transport through pipelines and/or by rail tanks of domestic and imported crude oil, rich gas and condensate and the delivery thereof to the beneficiaries, within the qualitative and quantitative limits provided for in the concluded and ongoing contracts.
- Dissolution of the Financial Direction and creation of a new one called the Economic Direction, to coordinate certain department - type functional components: the Financial department and the Department for the Procurement and Investment Management-that is to provide a better tracking of the investment programme substantiation, effective monitoring of all kinds of contracts concluded at company level, as well as coordination of the entire product, services, works procurement activities, of the negotiating and management of the transport contracts concluded with CONPET clients, in compliance with the observance of the approved Income and Expenditure Budget provisions.
- The set-up of the **Critical Infrastructure Protection Department** subordinated to the General Director, implied the transfer under its subordination of the following structures: the Environment Service, the Emergency Situations Service, the Protection and Prevention Service, the Security Structure, Critical Infrastructures and Guard Service.
- The set-up of the **Corporate Management Department** that included structures such as: the Human Resources Service, the Management System Certification Service, Shareholders and Investors Relation Bureau, the Strategy and European Funds Bureau, the Legal Service. The new department subordinated to the General Director has in mind the promotion of effective corporate administration measures, implementation of the corporate administration principles which constitute the premises for defending the shareholders' rights, enhance visibility of CONPET activities on the financial markets and a best possible relation with the existing and potential market investors.

In compliance with the organizational structure of the company approved pursuant to the BOA Decision no. 5/29.03.2013, during 01.01.2014 – 01.04.2014, the executive management of S.C. CONPET S.A. had the following componence:

Ilași Liviu	General Director
Stoica Narcis - Florin	Deputy General Director
Dobromir Nicolae	Operations Director
Toader Sanda	Financial Director
Ionescu Gheorghe	Maintenance Director

In compliance with the organizational structure of the company approved pursuant to the BOA Decision no. 7/27.03.2014, during 01.04.2014 - 02.06.2014, the executive management of S.C. CONPET S.A. had the following componence:

Ilași Liviu	General Director
Ionescu Gheorghe	Production - Investments - Maintenance Director
Toader Sanda	Financial Director



...să se... 2014

In compliance with the organizational structure of the company approved pursuant to the BOA Decision no., as of 02.06.2014, the executive management of S.C. CONPET S.A. also existing when drafting this report, is the following:

Ilași Liviu	General Director
Ionescu Gheorghe	Operations Director
Zoican Liviu Aurel	Manager of the Production Department
Antonescu Valentin Leonard	Deputy Manager, Production Department
Istrate Marius	Manager of the Maintenance Department
Buzatu Dan	Manager of the IT – Telecommunications - SCADA Department
Toader Sanda	Economic Director
Curteanu Veronica	Manager of the Financial Department
Albu George Radu	Manager of the Procurement and Investments Management Department
Niculae Daniel	Manager of the Department for Protection of the Critical Infrastructures
Vârlan Alexandru	Manager of the Corporate Management Department
Vacant	Director of the Cabinet-General

3.3.2. Norms Regarding the Goods, Works and Services Procurement Procedures

Up to 05.06.2014, S.C. CONPET S.A. observed the provisions of E.G.O. 34/2006 and G.D. 925/2006 regarding the public procurement. Starting 06.06.2014, the procurements within the company have been performed in compliance with the provisions of the "Internal Procedural Norms of Procurement", drafted pursuant to Order no. 14/09.01.2014 issued by the Minister delegate for Energy, corroborated with the provisions of Article 16, idx 1 of E.G.O. no.34/2006 regarding the awarding of the public procurement contracts, service concession contracts, further amendments and additions. These internal procedural norms of procurement observing the non-discrimination, equal treatment, transparency, proportionality and mutual recognition principles invoked by E.G.O. 34/2006 and G.D. 925/2006 have been approved by CONPET Ordinary General Meeting of Shareholders dated 29.04.2014. The OGMS Decision, whereupon these norms have been approved, was published in the Official Gazette of Romania no. 2823 of 20.05.2014, Part IV.

4. SIGNIFICANT TRANSACTIONS

The company performs trades with companies where State is acting as sole or majority shareholder.

In 2014 Ist Half, CONPET carried out significant transactions with SNTFM - CFR Marfa.

The value of the transactions during 01.01-30.06.2014 and of the unsettled amounts at June 30, 2014, is as follows:



Procurements 40,225,228 Lei

Unsettled amounts

(Debts) 16,398,697 Lei

Chairman of the Board of Administration

Dan Weiler

S.s. Illegible

General Director

Eng. Liviu Ilasi

S.s. Illegible

Stamp

Economic Director

Sanda Toader

S.s. Illegible



DECLARATION

of the liable persons within S.C. CONPET S.A. in compliance with Art. 113, letter D, paragr. (1) of CNVM Regulation no. 1/2006

The interim financial statements at 30.06.2014 were prepared for:

Entity	S.C. CONPET S.A.
County	29 - PRAHOVA
Address	Ploiesti, no. 1-3, Anul 1848 Street
Trade Registry no.	J29/6/1991
Ownership	27 - Inland state-owned and privately held commercial companies (State>=50%)
Predominant Activity	4950 – Transport through pipelines
Sole Registration Code	1350020

The undersigned: Ilasi Liviu, acting as General Director and Toader Sanda acting as Economic Director, hereby confirm that:

- As far as we are aware, the interim financial statements at June 30th 2014 which were prepared in compliance with the applicable accounting standards (the International Accounting Standard 34 - "The Interim Financial Reporting"), offer a fair view, compliant with the facts, of the assets, liabilities, financial statements, profit and loss account of the company and this report approaches the client information in an accurate and comprehensive manner.

General Director

Eng. Liviu Ilasi

S.s. Illegible

Stamp

Economic Director

Ec. Toader Sanda

S.s. Illegible



Kolets