

November 8, 2016

CONPET

Net profit helped by costs cut

* Conpet will post Q3'16 results on the 14th of November.

* For Q3'16, COTE's net profit could stand at RON 18m, 5% higher Y/Y mainly on costs cut. Cumulated, 9M'16 net profit could add 6% Y/Y to RON 55m.

* We expect transport revenues to go down 2% Y/Y to RON 95m on declining total crude oil transported volumes to 1.7mt (-8% Y/Y). Revenues from the domestic activity could lose 2% Y/Y to RON 74m on decreased volumes (-3% Y/Y to 0.9mt) due to OMV Petrom's hydrocarbon production decline and flat tariff. As for the import sub-system, related revenues could stand at RON 20m (-2% Y/Y) on a drop in volumes (-14% Y/Y to 0.8mt) and increased avg. tariffs. We expect revenues from modernisation quota to remain flat Y/Y to RON 7m. Thus, operating revenues could lose 2% Y/Y to RON 103.

* On the cost side, OPEX could lose 4% Y/Y to RON 83m mainly on decreased D&A (-11% Y/Y to RON 11m), other third party services (-49% Y/Y to RON 3m) and modernisation quota (-7% Y/Y to RON 15m). As such, Q3'16 EBIT could add 7% Y/Y to RON 21m.

* We see COTE's Q3'16 financial result to RON 0.9m, 24% lower Y/Y mainly on decreased interest income.

Q3'16 Earnings Preview

BQ: COTE RO

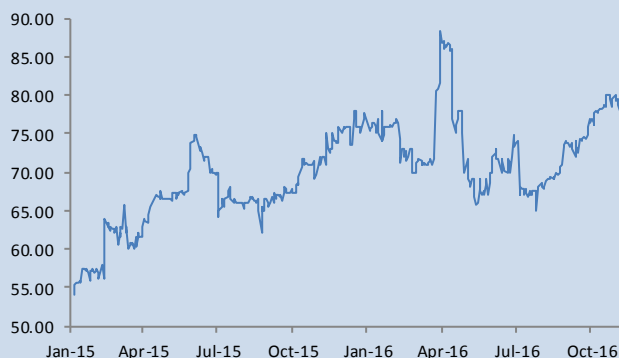
Last close **RON 78.00**

52 - Week range **RON 64.8 | RON 90.0**

Market cap (m) **RON 675.3** **€ 150.1**

| | Q3'15A | Q3'16E | 9M'15A | 9M'16E |
|--------------------------------|--------------|--------------|--------------|--------------|
| P&L summary (RONm)* | | | | |
| Sales revenues | 97.2 | 95.3 | 285.7 | 282.8 |
| Domestic revenues | 75.7 | 74.2 | 232.6 | 223.5 |
| Import revenues | 20.7 | 20.4 | 51.2 | 57.7 |
| Modernisation quota | 7.4 | 7.4 | 21.5 | 20.8 |
| Operating revenues | 105.2 | 103.3 | 308.5 | 305.6 |
| Personnel expenses | 26.0 | 26.2 | 79.0 | 82.1 |
| D&A | 12.1 | 10.8 | 36.3 | 31.1 |
| Outside service expenses | 27.4 | 26.5 | 81.2 | 78.2 |
| Crude oil rail transp. exp | 12.5 | 14.8 | 46.8 | 44.3 |
| Other operating expenses | 17.9 | 16.9 | 49.3 | 49.4 |
| Modernisation quota | 15.7 | 14.7 | 44.7 | 42.1 |
| Provision adjustments | (1.0) | (0.9) | (7.8) | (9.9) |
| Operating expenses | 85.8 | 82.6 | 251.0 | 242.0 |
| EBITDA | 31.6 | 31.6 | 93.7 | 94.7 |
| <i>EBITDA margin</i> | 32% | 33% | 33% | 33% |
| EBIT | 19.4 | 20.8 | 57.4 | 63.6 |
| <i>EBIT margin</i> | 20% | 22% | 20% | 22% |
| Financial result | 1.2 | 0.9 | 4.5 | 2.8 |
| EBT | 20.7 | 21.7 | 62.0 | 66.4 |
| <i>EBT margin</i> | 21% | 23% | 22% | 23% |
| Net profit | 16.8 | 17.6 | 51.4 | 54.7 |
| <i>Net profit margin</i> | 17% | 18% | 18% | 19% |

* IFRS



| Price performance | 1m | 3m | 12m | YTD |
|-------------------|------|-------|------|------|
| | 0.0% | 13.4% | 8.3% | 1.3% |

Swiss Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decisions.

For analysts certification and other disclosures refer to the Disclosure Section at the end of this report.

DISCLOSURE SECTION

Analysts Certification

The research analyst(s) undersigned and responsible for the preparation of this report hereby certify (-ies) that i) the views expressed in this research report accurately reflect their personal views about any and all of the securities or issuers referred to in this research report, ii) no part of the analyst's compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report and iii) no part of their compensation is tied to any specific investment banking transactions performed by Swiss Capital SA.

Stocks Ratings

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price)/Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

A "**STRONG BUY**" recommendation indicates that upside is more than 30%.

A "**BUY**" recommendation indicates that upside is between 15% and 30%.

A "**NEUTRAL**" recommendation indicates that upside or downside is less than 15%.

A "**SELL**" recommendation indicates that downside is more than 15%.

Company Specific Regulatory Disclosures

The following disclosures relate to relationships between Swiss Capital SA and companies covered by the Research Division of Swiss Capital and mentioned in this research.

Mentioned companies

| Company | BSE | Rating | Price | Price date | Disclosure |
|---------|------|--------|-------|------------|------------|
| Conpet | COTE | - | 78.00 | 11/7/2016 | NONE |

Rating history for Conpet

| Date | Rating | Share Price (RON) | Target Price (RON) |
|-----------|------------------------------|-------------------|--------------------|
| 7/15/2015 | Initiation of coverage - BUY | 66.95 | 83.60 |
| 1/20/2016 | Update – BUY | 78.00 | 94.51 |
| 8/31/2016 | Update – NEUTRAL | 73.60 | 83.83 |

General disclaimer

THIS REPORT IS: (i) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (ii) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY ; AND (iii) BASED UPON INFORMATION THAT WE CONSIDER RELIABLE.

SWISS CAPITAL DOES NOT WARRANT OR REPRESENT THAT THE REPORT IS ACCURATE, COMPLETE, RELIABLE, FIT FOR ANY PARTICULAR PURPOSE OR MERCHANTABLE AND DOES NOT ACCEPT LIABILITY FOR ANY ACT (OR DECISION NOT TO ACT) RESULTING FROM USE OF THIS REPORT AND RELATED DATA. TO THE MAXIMUM EXTENT PERMISSIBLE ALL WARRANTIES AND OTHER ASSURANCES BY SWISS CAPITAL ARE HEREBY EXCLUDED AND SWISS CAPITAL SHALL HAVE NO LIABILITY FOR THE USE, MISUSE, OR DISTRIBUTION OF THIS INFORMATION.

© 2016 SWISS CAPITAL. ALL RIGHTS RESERVED. THIS REPORT MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, WITHOUT THE WRITTEN CONSENT OF SWISS CAPITAL.