

**FINANCIAL STATEMENTS
for the year ended December 31, 2016**

**Prepared as per the
International Financial Reporting Standards
adopted by the European Union and approved by the
Order of the Ministry of Public Finances no. 2844/2016**



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The company CONPET S.A.

Statement of the financial position at December 31, 2016

(All amounts are expressed in RON, unless otherwise specified)

STATEMENT OF THE FINANCIAL POSITION AT DECEMBER 31, 2016

<i>in RON</i>	Note	December 31 2016	December 31 2015
ASSETS			
Non-current assets			
Tangible assets	5	403,468,873	398,698,454
Intangible assets	6	1,971,202	2,851,500
Financial investments	7	656,965	305,860
Total non-current assets		406,097,040	401,855,814
Current assets			
Stocks	8	8,548,131	8,189,161
Trade receivables and other receivables	9	42,356,060	42,204,216
Short-term investments	11	163,053,678	256,149,012
Cash and cash equivalents	10	244,598,286	124,120,816
Assets held for sale	12	-	3,031,187
Prepaid expenditure		255,475	231,234
TOTAL Current assets		458,811,630	433,925,626
TOTAL ASSETS		864,908,670	835,781,440
Shareholder's equity and liabilities			
Shareholder's equity			
Subscribed and paid-up share capital	13	28,569,842	28,569,842
Legal reserves	13	5,713,968	5,713,968
Revaluation reserves	13	32,957,666	93,603,955
Other reserves	13	536,238,701	501,118,931
Retained earnings	13	122,395,850	72,316,398
Year's result	13	71,546,604	63,198,986
Share of profit		-1,710,000	-
Total shareholder's equity		795,712,631	764,522,080
Deferred revenues			
Subsidies for investments	14	1,468,191	1,281,054
Deferred revenues	14	15,791	18,234
Total deferred revenues		1,483,982	1,299,288
Long-term debts			
Deferred corporate tax		1,671,210	95,919
Long-term provisions		3,542,697	3,719,592
Long-term commercial debts		-	713,683
Total long-term debts		5,213,907	4,529,194

The company CONPET S.A.

Statement of the financial position at December 31, 2016

(All amounts are expressed in RON, unless otherwise specified)

Current debts

Commercial debts	16	20,657,756	20,043,292
Current profit tax	16	3,901,860	3,376,275
Other debts		26,516,050	22,671,708
Short-term provisions	17	11,422,484	19,339,603
Total current debts		62,498,150	65,430,878
Total debts		67,712,057	69,960,072

**TOTAL SHAREHOLDER'S
EQUITY
AND DEBTS**

864,908,670

835,781,440

The financial statements from page 3 to page 58 were signed at March 20, 2017 by:

Director General,

Economic Director,
Econ. Toader Sanda

Eng. Ilași Liviu
S.s. Illegible
Stamp

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The notes hereby attached, from 1 to 28 are constituent parts of these financial statements.

**STATEMENT OF THE PROFIT OR LOSS AND OTHER GLOBAL RESULT ELEMENTS FOR
THE FINANCIAL YEAR ENDED DECEMBER 31, 2016**

	Note	December 31, 2016	December 31, 2015
Operating revenues	20		
Turnover revenues		381,646,066	381,353,176
Other revenues		29,284,258	32,422,266
Total operating revenues		410,930,324	413,775,442
Operating expenses	21		
Inventory related expenses		(6,265,719)	(7,266,420)
Expenses with energy and water		(9,694,945)	(10,052,718)
Personnel expenses		(111,505,443)	(105,564,433)
Value adjustments regarding the tangible/intangible assets		(40,314,868)	(51,026,628)
Value adjustments related to current assets		(576,500)	547,590
Expenses related to external services		(103,807,082)	(107,580,664)
Other expenses		(66,553,601)	(64,870,033)
Provisions adjustments		8,094,014	1,565,883
Total operating expenses		(330,624,144)	(344,247,423)
Operating profit		80,306,180	69,528,019
Financial revenues		3,836,545	5,793,178
Financial expenses		(109,357)	(36,222)
Financial profit	23	3,727,188	5,756,956
Profit before income tax		84,033,368	75,284,975
Expenses with the current income tax	18	(12,571,020)	(13,882,044)
Expenses with deferred income tax		84,256	1,796,055
Profit of the year		71,546,604	63,198,986
Other elements of the global result		(268,877)	-
Total other elements of the global result		(268,877)	-
TOTAL YEAR RELATED GLOBAL RESULT		71,277,727	63,198,986
Result per share		8.26	7.30

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The company CONPET S.A.

(All amounts are expressed in RON, unless otherwise specified)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY AT DECEMBER 31, 2016

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Profit or loss of the year	Share of profit	Total Shareholder's Equity
Balance at January 1, 2016	28,569,842	5,713,968	93,603,955	501,118,931	72,316,398	63,198,986		764,522,080
Gobal result of the year			(268,877)			71,546,604		71,277,727
Augmentation of modernization quota fund				53,878,327				53,878,327
Diminution of modernization quota fund				(27,664,210)				(27,664,210)
Retained earnings from the correction of the accounting errors					1,183,924			1,183,924
Derecognition of the reserves from the revaluation of operating oil product			(42,606,582)		42,606,582			-
Reinstatement land reserve			(2,605,000)	7,195,653	(4,590,653)			-
Reversal of surplus out of revaluation			(9,025,258)		9,025,258			-
Deferred corporate tax			(6,140,572)		1,854,341			(4,286,231)
Share of profit related to previous year as dividend					(63,198,986)			(63,198,986)
Distribution provided by law out of the current year's profit - Exemption from the reinvested corporate tax				1,710,000				-
Balance at December 31,2016	28,569,842	5,713,968	32,957,666	536,238,701	122,395,850	71,546,604	(1,710,000)	795,712,631

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY AT DECEMBER 31, 2015

The company CONPET S.A.

(All amounts are expressed in RON, unless otherwise specified)

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Profit or loss of the year	Total Shareholder's equity
Balance at January 1, 2015	28,569,842	5,713,968	107,646,176	472,512,205	57,548,709	51,434,194	723,425,094
Net result of the year						63,198,986	63,198,986
Augmentation of modernization quota fund				59,969,620			59,969,620
Diminution of modernization quota fund				(31,362,895)			(31,362,895)
Retained earnings from the correction of the accounting errors					725,469		725,469
Reversal of surplus out of revaluation			(14,042,220)		14,042,220		-
Share of profit related to the previous year as dividend					(51,434,194)		(51,434,194)
The transfer of profit related to the previous year in the retained earnings					51,434,194	(51,434,194)	-
Balance at Decembrie 31 2015	28,569,842	5,713,968	93,603,955	501,118,931	72,316,398	63,198,986	764,522,080

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The notes hereby attached, from 1 to 28 are constituent part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR CONCLUDED AT 31, DECEMBER 2016

(DIRECT METHOD)		RON	
	Item's Name	January – December 2016	January – December 2015
	Cash flows from operating activities:		
+	Proceeds from services supply	402,605,374	408,062,352
+	Proceeds from interests related to banking investments	1,817,335	3,940,911
+	Other proceeds	10,810,743	7,057,254
-	Payments to the suppliers of goods and services	(114,569,031)	(132,708,569)
-	Payments to and on behalf of the employees	(110,484,958)	(105,763,074)
-	VAT payments	(50,609,321)	(61,559,672)
-	Corporate tax payments	(16,577,062)	(13,279,739)
-	Other payments regarding operating activities	(39,197,454)	(38,449,897)
A	Net cash from operating activities	83,795,626	67,299,566
	Net cash flows from investment activities:		
+	Proceeds from sale of tangible assets	1,063,866	578,403
+	Proceeds from modernization quota	53,878,327	59,969,621
+	Proceeds from short-term financial investments	263,545,116	14,240,800
+	Proceeds from interests related to government securities	3,460,844	-
-	Payments for purchase of tangible assets	(54,576,261)	(43,918,363)
-	Payments for short-term financial investments	(172,095,327)	(259,979,356)
B	Net cash from investment activities	95,276,565	(229,108,895)
	Cash flows from financing activities:		
+	Proceeds dividends transferred to Depozitarul Central	2,044,338	-
-	Paid dividends	(60,639,058)	(49,437,684)
C	Net cash from financing activities	(58,594,720)	(49,437,684)
	Net increase of the cash and cash equivalents=A+B+C=D2-D1	120,477,471	(211,247,013)
D1	Cash and cash equivalents at the begining of the financial year	124,120,815	335,367,828
D2	Cash and cash equivalents at the end of the financial year	244,598,286	124,120,815
<i>To which is being added:</i>			
<i>Government securities as government bonds and treasury bills</i>		<i>161,888,767</i>	<i>253,338,556</i>
Total availabilities at the end of the year		406,487,053	377,459,371

The net cash out of operating activities has increased in 2016 by 23,4% yoy, mainly due to the decrease of payments to the suppliers of goods and services.

The cash from investment activities has registered an increase in 2016 generated, mainly by the receipt of government securities purchased in 2015 and the related interests.

The net cash out of financing activities comprises the dividends payments and also the receipt in 2016 of the non-distributed dividends balance related to year 2014 from Depozitarul Central. The amounts paid in 2016 for the dividends related to year 2015 were 9.2 million RON higher as compared to the previous year.

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The notes hereby attached, from 1 to 28 are constituent parts of these financial statements.

1. Business description and general information

CONPET operates as a joint-stock company, as per Law no.31/1990 regarding the companies, republished, subsequent amendments, being a publicly held company, as per the terminology provided in Law no. 297/ 2004 regarding the capital market, being registered at the National Securities Commission (currently the Financial Supervisory Authority) – the Securities Registration Office (registration certificate no. 7227/1997).

The address of the registered offices is No.1-3. Anul 1848 Street, Ploiesti, Prahova County.

As of September, 2013 the shares issued by CONPET have been traded on the regulated market administered by Bucharest Stock Exchange (Rom, BVB), under the symbol “COTE”, Securities section, 1st Tier, Starting January 5, 2015 BVB has applied a new market segmentation and CONPET shares have been included in the Premium Category.

CONPET S.A. is the concessionaire of the crude oil, rich gas, condensate and ethane National Transport System, capacity acquired, in 2002, following the conclusion with the National Agency of Mineral Resources, the competent authority representing the State's interests in the oil resources sector, of an Oil Concession Agreement , approved by GD no.793/25.07.2002.

The financial statements are drafted in compliance with the accounting regulations compliant with the International Financial Reporting Standards approved by the Order no.2844/2016 of the Ministry of Public Finances.

Company's Set-Up

CONPET is set up based on GD 1213/20.11.1990 regarding the set-up of the joint stock commercial companies in the industry, pursuant to Law no.15/1990 regarding the reorganization of the public economic units as autonomous administrations and joint stock companies, by taking over all assets and liabilities of the previous Crude Oil Pipeline Transport Enterprise (Rom.I.T.T.C.).

As it is being presented in Note 13, at December 31, 2016 the company's shareholders are:

- The Romanian State by the Ministry of Energy, holding 5,083,372 shares representing 58.72% of the share capital,
- legal persons, with 2,785,694 shares representing 32.18% and
- natural persons, with 788,462 shares representing 9.10%.

Company's Mission

CONPET mission is the operation of the National Transport System via Pipelines under safe and secure conditions, free access to the system's available capacity to all the inquirers, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis.

Other Information on the Company's Business

As per the Articles of Incorporation, the company's core business is the transport of crude oil, rich gas, ethane and condensate via pipelines and by railway tanks, from the loading ramps to the beneficiaries, for the oil sites that are not connected to the major transport lines, aiming at supplying the refineries with crude oil and derivatives out of domestic production, as well as with imported crude oil ((NACE code 4950-“transports via pipelines”).

CONPET supplies transport services for its clients both via the crude oil National Transport System concession based on the oil concession agreement, as well as by railway tanks, from the loading ramps to the beneficiaries, for the oil areas not connected to the transport major pipelines.

The crude oil National Transport System represents the ensemble of the major interconnected pipelines ensuring the collection of the oil extracted from the exploitation area or the imported oil land the transport thereof from the hand-over sites to processing units, by using pumping stations, loading – unloading ramps on the railway, as well as the installations, equipment and endowments related thereof.

The concessionaire of the crude oil National Transport System entitles as common carrier and the obligation to provide, as per the legal provisions, free access to the system's available capacity to all the solicitors, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis.

The crude oil National Transport System belongs to the Romanian State public domain, is being managed by NAMR (as per the provisions of the Oil Law), has approximately 3.800 km of pipelines, with a transport throughput of 18.5 million tons/year.

The Legal Environment

The activity in the oil sector is being regulated by the National Agency for Mineral Resources („ANRM”) – competent body of the Government administration, with legal personality, under the Government control.

As per the provisions of the Oil Law no.238 from June 7, 2014 The National Agency for Mineral Resources entitles as Concession Provider of the goods belonging to public domain, concessioned to the operators acting in the oil industry, together with other State authorities, negotiates and concludes, on State's behalf, oil agreements; awards mining concession licenses and exploitation permits; issues regulating acts, norms, instructions, orders and rules; observes the compliance of the titulants of the concession agreements with the concession licenses and exploitation permits conditions; manages the Crude Oil and Natural Gas National Pipeline Transport Systems and regulates the exploitation activities thereof by system's concession agreements concluded with national/commercial companies/ nominated by the Government; annules the concession/administration acts etc.

Given that NAMR approves, by Order, the tariffs for the services of transport via the National Transport System of the crude oil, rich gas, condensate and ethane, the resolutions made by ANRM may trigger material effects on the Company's business.

The tariff for the supply of the transport service via the National Transport System for crude oil, rich gas, condensate and ethane

The transport tariffs stand for the exchange value of the transport service supplied by the holder of the oil concession agreement- CONPET, as common carrier, for the transport, via the crude oil National Transport System, of one ton of oil along the oil take-over sites from domestic producers or from import to the delivery sites at the refineries. The guidelines regarding the criteria, methodology and settlement procedure of the regulated tariffs for the transport via the National Transport System are being prepared by NAMR, acting as competent authority, based on the attributions and competences granted by Law no.238/2004, subsequent amendments and completions.

The transport tariffs substantiated and approved by NAMR are differentiated on the two subsystems belonging to the National Transport System, namely the sub-system for the transport of the crude oil, rich gas, condensate and ethane from the domestic production and the sub-system for the transport of the imported crude. As per the technical features and the exploitation regime of each sub-system, the tariffs determination is made by allocation of the value corresponding to the transport service to the crude oil transported quantities for the beneficiaries, along the concordant distances, by using the cost-plus gross profit margin methodology. The transport tariffs are made up of:

- Operating cost, including: the materials expenses, personnel expenses, pipelines maintenance expenses, energy, gas and water expenses, fixed assets depreciation related

costs, royalty and other fees applicable to the carrier, the expenses for the pipelines guard services, decontamination expenses, other expenses;

- the modernization and development quota;
- a resonable profit margin.

Stock Market Indexes

In 2016 CONPET S.A. was included in 5 indexes of the Bucharest Stock Exchange, out of a total of 9, namely: **BET Plus**, **BET-NG**, **BET-BK**, **BET-XT** and **BET-XT-TR**.

As recognition of the company's efforts, on **October 6, 2016 Council of the Bicharest Stock Exchange has made the decision that the company CONPET S.A. be comprised in the first Watchlist for inclusion in BET and BET-TR indexes, being the first and sole nominated company.**

The reference index **BET** reflects the evolution of the most traded companies on the BSE regulated market, the main selection criterion of the companies in the index being the liquidity. The index **BET-TR** reflects both the evolution of the component companies prices, as well as the dividends distributed thereby.

According to the rules for the indexes BET si BET-TR, they should reflect the evolution of the mosta traded companies listed on BSE and respect the highest standards in relation to investors and in terms of corporate governance.

Following the quarterly meeting of the Index Commission, dated 03.03.2017, CONPET S.A. was included in the indexes BET și BET-TR of the Bucharest Stock Exchange, thus being included in 7 indexes aut of a total of 9.

At 31.12.2016, CONPET S.A. had a market capitalization of around 682,213,206 RON (150,230,827 EURO), ranking 16 in“Top 25 issuers after the market capitalization”.

2. Preparation Grounds

(a) Declaration of Conformity

These individual financial statements of the Company were prepared pursuant to the accounting regulations compliant with the International Financial Reporting Standards (Rom."IFRS") approved by Order of the Ministry of Public Finance no.2844/2016.

IFRS Standards represent the standards adopted according to the procedure provided by (CE) Rules no.1.606/2002 of the European Parliament and of the Council from July 19,2002 regarding the application of the International Accounting Standards and include standards and intrepretations approved by the International Accounting Standards Board („IASB”), International Accounting Standards („IAS”) and interpretations issued by the International Financial Reporting Interpretations Committee („IFRIC”).

(b) Presentation of the Financial Statements

The individual financial statements are presented in compliance with IAS 1 requirements *Overview of financial statements*. The company has adopted an overview based on liquidity in case of the financial position statement and an overview of the revenues and expenses as per the nature thereof in case of the global result statement, considering that these methods of presentation provide information thatis credible and more relevant than the ones presented based on other methods permitted by IAS 1.

(c) Functional and Presentation Currency

The financial statements are presented in Romanian Lei (Lei), as per the applicable accounting regulations, all amounts being rounded to the closest Leu. The Romanian Leu is actually the functional currency of the Company, as it is being defined by IAS 21 *The effects of changes in foreign exchange rates*.

(d) Evaluation Grounds

The financial statements are being prepared at historical cost, except for the intangible assets and the tangible assets, other than the current tangible assets that are being evaluated at reevaluated value, whioe the stocks are being evaluated at the smallest value between the cost and the net achievable value.

The accounting policies defined herebelow have been consistently applied for all the periods presented in these financial statements.

(e) Going Concern Principle

The individual financial statements have been prepared considering the going concern principle.

(e) Accounting Estimates and Professional Reasoning

The preparation of the financial statements pursuant to the International Financial Reporting Standards („IFRS”) implies the use, by the Company, of estimates, professional reasoning and hypotheses affecting the reported value related to assets, liabilities, revenues and expenses. The estimates and hypotheses associated to these estimates are based on the hystorical experience, as well as on other factors considered reasonable given these estimates. The results of these estimates set the grounds for the professional reasonings regarding the accounting value of the assets and liabilites that cannot be obtained from other information sources. The actual results may be different from the estimates values.

The estimates made by the company are being revised when changes regarding the circumstances on which the estimation was grounded occur or following new information subsequently available.

(g) The Use of Estimates and Resonings

The company (concessionaire) concluded, in 2002, a concession contract with NAMR (concessioning authority) accroding to which the Company has the right to use assets of public patrimony including the goods part of the crude oil National Transport System.

CONPET operates as a joint-stock company, as per Law no. 31/1990 on the companies, republished, subsequent amendments, being a company **publicly held** as per the terminology provided in Law no. 297/ 2004 regarding the capital market, is registered at the National Securities Commission, whose attributions and prerogatives were taken over, as per EGO 93/2012, by The Financial Supervisory Authority (Rom. ASF) - Securities Registration Office (registration certificate no. 7227/1997) as **public company**, and, consequently, does not fall under the provisions *IFRIC 12 Concession agreement of the services construing the concession commitment of the services type “public-private.”*

3. Accounting Policies

In the followings, significant accounting policies are described, applied consistently by the Company in preparing its financial statements.

(a) Foreign Currency Transactions

Transactions in foreign currencies are expressed in LEI by applying the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the period are converted in LEI at the exchange rate on that date.

Gains and losses from exchange rate differences, realized or unrealized, are recorded in the statement of the global result for the said financial year.

Currency exchange rates of major foreign currencies were:

Currency	31 December 2016	31 December 2015
RON/Euro (EUR)	4.5411	4.5245
RON/American dollar (USD)	4.3033	4.1477

RON/GBP	5.2961	6.1466
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b) Accounting for the effect of hyperinflation

In accordance with IAS 29 Financial reporting in hyperinflationary economies, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be presented in the current unit balance-sheet date, i.e. non-monetary items are restated using a general price index from date of acquisition or contribution.

Therefore, the values reported in terms of purchasing power at 31 December 2003 are treated as the basis for the carrying amounts of these financial statements.

As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, starting January 1, 2004, the Company no longer applies IAS 29.

(c) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes financial assets (loans, receivables and deposits) the date on which they were initiated.

All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date when the Company becomes party to the contractual terms of the instrument.

Any interest in the financial asset transferred that is created or retained by the Company is recognized separately, as asset or liability.

Financial assets and liabilities are offset and in the statement of the financial position is presented the net value only when the Company has a legal right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the obligation simultaneously. The Company has the following non-derivative financial assets: cash and cash equivalents, receivables and financial assets available for sale.

Short-term Investments

The treasury accounting provides for, as per item 92 of Order 2844/2016, the records related to existence and short-term investments movement, cash in bank accounts/pay offices, the short-term bank credits and other treasury values.

In the category of short-term investments are comprised Government securities: Government bonds, as well as treasury bills, which have been purchased in view of achieving a short-term profit.

On first registration, the short-term investments are being assessed based on the purchase cost, meaning the buy price or the value established under the contracts.

Receivables

The receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise the amounts recorded in cash accounts, current accounts, deposits redeemable at maturity and other cash equivalents. The cash availability in foreign currency are revalued at the exchange rate at the end of the period.

(ii) Non-Derivative Financial Debt

The Company recognizes in the book-keeping the non-derivative financial liabilities on the trade date, when the Company becomes party to the contractual terms of the instrument.

The Company may have the following non-derivative financial liabilities: loans, guarantees retained from subcontractors, trade payables and other liabilities.

Trade payables

Payables and other liabilities include the exchange value of the invoices issued by the suppliers of goods, works and supplied services.

Loans interest bearable

Loans are recognized in the book-keeping initially at fair value, net of transaction costs. Net financing costs include loans - related interests calculated using the effective interest rate method, less capitalized costs in capitalizable assets, interests receivable on funds invested, dividends income, foreign exchange differences favorable and unfavorable, risk fees and commissions.

Interest income is recognized in the loss and profit statement periodically, based on the generation of the named income, based on the accrual accounting principle.

(iii) Share capital - Ordinary Shares

Social capital consists of common shares is recorded at the value established based on the articles of incorporation and addenda, as applicable, as well as the supporting documents regarding the payments of capital.

Own shares repurchased under the law are presented in the balance sheet as an adjustment to equity.

Gains or losses relating to the issuance, redemption, sale, disposal free of charge or cancellation of equity instruments of the entity (stocks, shares) are recognized directly in equity in the lines "Earnings / or losses related to equity instruments".

The company recognizes changes in equity only after the fulfilment of the legal procedures provided by Law no.31/1990.

(d) Tangible Assets

(i) Acknowledgment and Assessment

Tangible assets in the company's assets are classified into the following categories of assets of the same nature and similar uses:

- Land and land improvements;
- Constructions;
- Technological equipment, apparatus and devices for measuring, control and regulation, and transportation means;
- Other tangible assets
- Operating petroleum product;
- Tangible assets in progress

The tangible assets are initially recognized as an asset at cost by the Company. After initial recognition they presented in the financial statement at the revaluated value, based on a valuation report prepared by an independent certified expert. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the date of the reporting period.

Tangible assets are presented in the statement of the financial position at the revaluated value, diminished with accumulated amortization and loss from accumulated depreciation, except for the advances and tangible assets under progress that are being presented at cost.

The cost of an item of tangible assets is made up of the purchase price including import duties and non-recoverable purchase taxes, transport costs, handling fees, notary fees, costs of obtaining permits and other unrecoverable expenses directly related to tangible fixed assets and any direct costs attributable to bringing the asset to the location and operating conditions.

Tangible assets under construction are unfinished self-investments or on contract. They are valued at cost of production or acquisition cost, as applicable. Tangible assets under construction are put in the category of assets completed after reception, putting into operation and commissioning, if any.

The cost of self-constructed property and equipment is determined using the same principles as for an acquired asset.

The Company does not recognize in the accounting value of an item of tangible assets the current repairs and maintenance, these costs are recognized as an expense when incurred. Current maintenance costs are primarily the costs of labor and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the item of tangible assets.

(ii) **Subsequent costs**

Replacement of components of tangible assets

Parts of some items of tangible assets may require replacement at regular intervals. If part of a tangible asset that was initially recognized as a separate component of the asset is replaced, the carrying amount of the replaced part is derecognized.

Regular major inspections

A condition for the continued operation of an item of property, is performing regular major inspections to detect major defects, whether replaced or parts of those assets. By the time a regular general inspection is performed, the cost is recognized in the carrying value of tangible fixed assets as a replacement if the recognition criteria are satisfied.

An item of tangible assets and equipment and any significant part initially recognized is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

At December 31, 2003 the tangible assets consisting of lands, buildings, technological equipment, measuring systems and equipment, vehicles, furniture and other tangible assets owned by the Company were revalued according to GD 1553/2003, which regulated that the revaluation of tangible assets be carried out according to the utility assets, their condition, inflation and market value. The revaluation difference is reflected in the account "Revaluation reserves".

At December 31, 2008 was performed the revaluation of the following tangible assets: lands, buildings, technological equipment, measuring systems and equipment, vehicles, furniture and other tangible assets owned by the Company. The purpose of the evaluation was to bring existing inventory values in the accounting at their fair value. Revaluation difference is reflected in the revaluation reserve.

At December 31, 2011 was performed the revaluation of tangible assets: land, buildings, technological equipment, measuring equipment and machinery, transport equipment, furniture and other tangible assets owned by the Company. The purpose of the evaluation was to bring existing inventory values in the accounting records at fair value thereof. The revaluation difference is reflected in the revaluation reserve and recognized in profit or loss.

At December 31, 2013, was performed the revaluation of the following fixed assets : land, buildings, technological equipment, measuring systems and devices, vehicles, furniture and other ongoing tangible and intangible assets, owned by the Company. The purpose of the evaluation was to bring existing inventory values in the accountings at their fair value thereof. The revaluation difference is reflected in the revaluation reserve and recognized in profit or loss.

At December 31, 2014 was performed the revaluation of the following tangible assets: land and buildings owned by the Company. The purpose of the evaluation was to bring existing inventory values in the accountings at their fair value thereof. Revaluation results are reflected both in the capital accounts (revaluation reserve) and in the profit and loss account.

At December 31, 2016 the company did not perform the revaluation of the tangible assets. The frequency of the revaluations depends on the amendments to the fair values of the revaluated tangible assets. In case of tangible assets whose fair values don't face major amendments, is not necessary that revaluations be performed.

If an item of tangible asset is revalued, all the other assets in the group to which it belongs must be revalued, except when there is no active market for that asset. A group of tangible assets include assets of the same nature and similar uses, in operation of an entity. If the fair value of a tangible asset can no longer be determined by reference to an active market, the value of the asset presented in the balance sheet is its revaluated value at the date of the last revaluation, minus the value accumulated adjustments.

When certain components of a tangible asset have a different useful life, they are accounted for as separate items (major components) of tangible assets.

The situation on the evolution of tangible assets of the Company for the years 2015, 2016 is detailed in note 5.

(Operating petroleum product)

Operating petroleum product is measured in the balance sheet at cost determined revaluation performed according to GD. 26 of 22 January 1992, updated with inflation up to 31.12.2003, when the national economy was inflationary. Given that the Company's operating oil Product physically renews with every pumping and that the constituent elements of this product do not suffer qualitative or moral depreciation, the operating petroleum Product has not a useful life duration, therefore is not depreciated. The company presents the operating oil Product at cost value, including the effects of restatements of previous years by applying IAS 29 "Financial Reporting in Hyperinflationary Economies".

(iii) Reclassification as property investment

When an assets is being held more for obtaining revenues out of rentals or for the increase of the capital, or both, rather than for being used in the production or supply of goods and services on administrative purposes or be sold during the normal carry out of the activity, the asset is being transferred in property investments.

(iv) Intangible Assets held in view Sale

When there is an amendment of the use of an intangible asset, meaning that its accounting value is to be recovered mainly by a sale transaction and not by its continuous use, the company registers the asset transfer from the tangible assets category in intangible assets held in view of sale.

The intangible assets are classified as assets held for sale when:

- Are available for immediate sale;
- The company's management is engaged in a sales plan ;
- There are minimum chances that the sales plan incur significant changes or be withdrawn;
- Is being initiated an active program to find buyers;
- The assets group is being traded at a reasonable price as compared to the fair value;
- It is expected that the sale be concluded within 12 months as of the date of assets classification as held for sale.

Certain events or circumstances may extend the period for the completion of sale for more than one year. An extension of the period does not prevent an asset (or a disposal group) to be classified as being held in view of sale in case the extension is caused by events or circumstances beyond management control and there are enough proofs that the company remain committed to the asset sale plan (or the disposal group).

The intangible assets (or disposal groups) classified as being held in view of sale are being assessed by the company at the minimum between the accounting value and the fair value, less the sale costs.

The intangible assets are not being depreciated whilst they are being classified as held in view of sale.

(v) Amortization

Amortization is being calculated by using the straight-line method.

The useful life of the tangible assets fit with those provided in the Catalogue regarding the classification and normal operating durations of the fixed assets approved by Decision 2.139/2004.

The lifespan of the tangible assets are being periodically revised and, as the case may be, at the date of value increase thereof, due to some expenses subsequently performed.

(vi) Sale/ cassation of intangible assets

Tangible assets that are scrapped or sold are being derecognised from the balance sheet together with the corresponding accumulated depreciation. Any profit or loss resulting from such an operation are included in current profit or loss.

The gain or loss resulting from derecognition of an item of tangible assets, determined as difference between the net proceeds from sale included in other operating expenses and the net accounting value of the asset included in other operating expenses is being presented as separate position in the Profit and Loss Statement and other elements of the global result.

(e) Public Heritage

The company manages goods belonging to the State's public domain, as concessioning authority of the Oil Concession Agreement concluded with the National Agency for Mineral Resources, approved by GD no.739/2002 for a period of 30 years.

According to the concession agreement, the objectives assumed by CONPET SA under its activity are: ensuring the functioning of the national pipeline system under maximum safe conditions and economic efficiency, continuous improvement of service quality and environmental protection.

The investments made by the company's assets subject to the concession agreement are capitalized and amortized over the minimum period between the remaining period of life of the said asset or the remaining term of the Concession Agreement, thereafter being reunited the value of goods forming the State public domain, after the integral amortization thereof.

The value of goods in the State public domain under concession at 31 December 2016 is of 128,736,560 RON.

(f) Intangible Assets

(i) Recognition and Assesment

Intangible assets are initially recognised at cost. After the initial recognition, the intangible assets are presented at the fair value based on an assessment report drafted by an authorized independent expert.

The cost of intangible assets include expenses that are not directly attributable to the purchase of the respective elements. Expenditure related to the acquisition of software licenses is capitalized based on the costs of purchase and commissioning of the respective programs. Costs associated to the maintenance of the software programs are recognized as expenses on registration.

The intangible assets are presented in the statement of the financial position at the revalued value, less the accumulated amortization and the loss from accumulated depreciation.

(ii) Subsequent Expenditure

Subsequent expenses are capitalized only when they increase the future economic benefits embodied in the value of the asset to which they are intended. All other expenditure, including expenditure on internally generated goodwill and brands are recognized in profit or loss when incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss using the linear method for the useful life estimated for intangible assets other than goodwill, from the date they are available for use.

Depreciation methods and useful lives are being recurrently reviewed and adjusted if necessary.

(g) Investment Property

Investment properties are properties held either for being leased, or for the increase of value of the share capital or both, but not for the sale along the common activity, the use in production, the supply of goods and services or for administrative purposes.

The Company has no outstanding property investment to date of preparation of these financial statements.

(h) Depreciation of Assets

Non-financial assets

The carrying value of the Company's assets that are not of a financial nature, other than deferred tax assets, are reviewed at each reporting date to identify the existence of impairment indications. If such indications exists is estimated the recoverable amount of the respective assets.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell the asset or units. A cash-generating unit is the smallest identifiable group that generates cash and that independently of the other assets and other groups of assets has the ability to generate cash flows. To determine the value in use, the expected future cash flows are discounted using a pre-tax discount rate before taxation, which reflects the current market conditions and the risks specific to the said asset.

An impairment loss is recognized when the carrying amount of the asset or cash-generating unit exceeds its estimated recoverable amount of the asset or cash-generating unit. Impairment losses are recognized in the statement of comprehensive income.

Impairment losses recognized in prior periods are assessed at each reporting date to determine whether decreased or no longer exist. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

The augmented impairment loss of an asset, other than the goodwill, resulted from the reversal of an impairment loss should not exceed the (net) carrying amount that would have been determined in case in the previous years hadn't been recognized as depreciation loss for the said asset.

Given some internal and external factors, the Company assessed net book value registered at the balance sheet date for depreciable tangible assets, to evaluate the possibility of existence of a depreciation thereof, which could attract a record of an adjustment for depreciation.

Financial Assets

The carrying amount of financial assets are reviewed at each financial year end to determine if there are decreases in value. If such a decrease is likely, it is estimated recoverable amount of the asset in question. If necessary, an impairment loss is recognized in profit or loss when the carrying amount of the asset is superior to its recoverable amount. The recoverable amount of the Company's financial instruments carried at amortized cost is calculated as the present value of future cash flows discounted at the effective interest rate corresponding to these assets.

Short-term receivables are not discounted. The recoverable amount of other assets is considered the highest value between the fair value (less costs to sell) and value in use. Estimating the value in use of an asset involves updating the estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses on financial assets or a receivable carried at amortized cost is reversed if there has been a change in the estimates used to determine the recoverable amount.

(i) Inventories

The main categories of inventories are: raw materials, consumables, spare parts and materials inventory objects.

Inventories are valued at the lower of cost and net realizable value.

The cost of inventories is based on a first in - first out (FIFO) and includes costs incurred for the purchase of inventories, production or processing costs and other costs incurred in bringing the inventories in the form and present location.

Net achievable value is the estimated selling price to be obtained in the ordinary course of business, less estimated costs of completion, when appropriate, and the estimated costs necessary to the sale.

Where appropriate it; being established value adjustments for obsolete, slow moving or degraded inventories.

(j) Dividends

Dividends are recognized as a liability in the period in which their distribution is approved. Distributions shall be made after the approval of the financial statements.

(k) Revaluation Reserves

Revaluations are performed with sufficient regularity such that the carrying amount does not differ substantially from that which would be determined using the fair value at the balance sheet date. In this respect, the Company performed the revaluation of lands and buildings with authorized assessors according to the legal regulations in force on 31 December 2003, 31 December 2008, 31 December 2011, 31 December 2013 and 31 December 2014.

The difference between the value resulting after revaluation and the net accounting value of tangible assets is presented either according to its nature (appreciation/depreciation) or at the revaluation reserve as a distinct sub-element either in " Shareholders Euquity" or in "Profit and Loss" account.

If the revaluation result is an increase over net accounting value, then, it is treated as follows: as an increase of the revaluation reserve presented within the total equity, if there was no previous decrease recognized as an expense related to that asset or as an income to compensate expense with the decrease previously recognized at that asset.

If the revaluation result is a decrease of the net accounting value, it is treated as an expense with the entire value of the depreciation when in the revaluation reserve is not recorded an amount on the asset (revaluation surplus) or a decrease of the reserve from the revaluation with the minimum between the value of that reserve and the amount of the decrease and the possible difference remaining uncovered is recorded as an expense.

The revaluation surplus included in the revaluation reserve is transferred to the retained result when this surplus represent an achieved gain. The gain is considered to be realized as monthly amortization registration and when deleting from the records of the asset for which was established the revaluation reserve. No part of the revaluation reserve may be distributed, directly or indirectly, unless it is actually an achieved gain.

A particularity occurs in case of the assets financed out of the modernization quota.

Thus, in case the revaluation result is an increase compared to the net accounting values, then it is being treated as follows:

- As an increase of the revaluation reserve, if there was not a previous increase recognized as an expense related to that asset'
- As an increase of the reserve formed out of the *modernization quota*, up to the set-off of the decrease previously recognized and for which, simultaneously with the depreciation expense was diminished also the quota reserve by recognition as income.

In case the result of revaluation is a decrease of the net accounting values, the latter will be treated as an expense when in the revaluation reserve is not registered an amount related to that assets (revaluation surplus) and the reserve formed out of the modernization quota is diminished simultaneously by recogintion as income.

Starting May 1, 2009 the statutory reserves from the revaluation of fixed assets, including the lands, performed after 1 January 2004, which are deducted from calculation of taxable income through tax depreciation or from expenditure regarding the assets ceded and / or asset retirement, shall be taxed concomitant with the fiscal depreciation deduction respectively when deducting from the administration of these fixed assets, as appropriate. The reserves made are taxable in the future, in case of change of reserve destination, reserve distribution towards the participants in any form, liquidation, division, merger of taxpayer or of any other reason except for transfer, after 1 May 2009, of the reserves mentioned in the previous paragraph.

(l) Legal Reserves

Legal reserves are constituted in a rate of 5% of gross statutory profit at the end of the year until the total legal reserves reached 20% of the nominal share capital (statutory) paid in accordance with the law. These reserves are deductible at income tax calculation and are distributable exclusively upon liquidation of the Company.

(m) Other Reserves

The company constitutes profit reserves also on the account of the modernization quota, based on the GD no.168 / 1998 on setting the quota for expenses necessary for the development and modernization of oil and natural gas production, refineries, transport and distribution of petroleum with subsequent amendments presented in GD no. 768 of 7 September 2000 and 1116 of 10 October 2002 and according to the specifications of CFC Decision 4 / 2004. The modernization quota is approved by the National Agency for Mineral Resources (NAMR). These reserves regarding the modernization share are not distributable.

In the reserves established on account of the modernization quota, as a sub element of the total equity accounts, are also reflected the differences resulting from the revaluation of the tangible assets financed at the expense of this source.

(n) Affiliated Parties

The Parties are deemed affiliated in case they are subject to control (or joint control) by the same entity or when an entity has the ability to directly or indirectly control or significantly influence the other party, either through ownership, contractual rights, family relationship or otherwise, as defined in IAS 24 Affiliated Party Disclosures.

) Employees' Benefits

(i) Retirement Benefits

In the normal course of business, the Company makes payments to the Romanian State in the account of his employees to statutory rates. All employees of the company are included in the Romanian State pension plan. These costs are recognized in the statement of the global result once salaries recognition. Under the collective labor agreement, the Company is bound to pay its employees upon retirement, a multiplier of the gross salary, depending on length of service, working conditions etc.

In this regard, the Company recorded a provision for retirement benefits. This provision was calculated by actuarial methods based on estimating the average wage, the average number of wages to be paid upon retirement, the estimate of the time they will be paid and was brought to present value by using a discount factor based on interest related to maximum safety investments (government bonds).

The Company does not operate any other retirement plan or benefits after retirement and therefore has no liabilities related to pensions.

(ii) Short-term Employees Benefits

The short-term employees' benefits are the ones to be set-off within 12 months as of the end of the reporting period, when the employees have supplied the said services. These benefits are mainly represented by salaries and contributions of the employer to the social insurance, rest and medical leaves, the employees share of profit. The liabilities related to these benefits are recognized as expense, as the services are supplied and are assessed on a non-updated basis. The company establishes a fund for the employees' share of profit, as per the provisions of the Government Ordinance no.64/August 30, 2001.

p) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and duty can be estimated reliably.

The amount recognized as a provision is the best estimate at the balance sheet date, required to settle the present obligation costs.

The best estimate of the costs required to settle current debt is the amount that the Company would pay, rationally, to settle the obligation at the balance sheet date, or transfer it to a third party at that time.

If the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

Gains from the expected disposal of assets should not be taken into account in measuring a provision.

If estimated that one or all expenses related to a provision will be reimbursed by a third party, the reimbursement should be recognized only when it is certain that it will be received. The reimbursement is considered as a separate asset.

Provisions are reviewed at each balance sheet date and adjusted as to reflect the current best estimate. In case for settling an obligation is no longer possible an outflow of resources, then the provision must be canceled by recognition as income.

(q) Subsidies

Subsidies for assets, including non-monetary subsidies at fair value, are recorded in the accounting as investment subsidies and are recognized in the balance sheet as deferred income. The deferred income is recorded in the profit and loss account statement upon registration of the depreciation expenses or upon the scrapping or disposal of assets. Subsidies that compensate the Company for the expenses incurred are recognized systematically in the profit or loss account, in the same periods when the expenses are recognized.

(r) Revenues

Revenues related to Services Supply

The revenues from services supply are recognized in the period in which they were provided in correspondence with the stage of completion.

Income from royalties, rents, interests and dividends

They are recognized as follows:

- interests are recognized periodically, in proportion, as income generation, respectively, on an accrual basis;
- royalties and rents are recognized on an accrual basis, under the contract;
- dividends are recognized when is established the shareholder's right to collect them.

(s) Financial revenues and expenses

The financial revenues comprise interest revenues on the funds invested and other financial income. The interest revenues is recognized in profit or loss, on accrual basis, using the effective interest method.

Financial expenses comprise interest expense on borrowings and other financial expenses.

All borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

Gains and losses from foreign exchange differences on financial assets and liabilities are reported on a net basis, either as financial income or financial expense that, depending on currency fluctuations: net gain or net loss.

t) Tax

Corporate tax expenses comprise current tax and deferred tax. Current tax is recognized in the statement of the global result or in other elements of the global result, if the tax is related to shareholders' equity elements.

(i) Current Tax

Current tax is the tax payable on the profit realized in the current period, determined using tax rates enacted at the reporting date and any adjustment for prior periods.

For the year ended December 31, 2016, the corporation tax rate, under the Fiscal Code, was of 16%.

(ii) Deferred Tax

Deferred tax is determined by the Company using the balance sheet method for those temporary differences arising between the tax bases of calculation of tax assets and liabilities and their book value, used for the individual financial statements reporting.

Deferred tax is calculated using tax rates that are expected to apply to the reversal of temporary differences, under the legislation in force at the reporting date.

Deferred tax- related receivables and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and receivables and whether they are related to the tax collected by the same tax authority on the same entity subject to taxation, or different tax authorities, but willing to achieve settlement of current receivables and payables by the tax, using a net basis or related assets and liabilities will be realized simultaneously.

The deferred tax related receivable is recognized by the Company only to the extent where the achievement of future profits is likely to happen, which can be used to cover the tax loss. The deferred tax related receivable is reviewed at the end of each financial year and is reduced to the extent that the related tax benefit is unlikely to be achieved. The additional taxes that arise from the distribution of dividends are recognized, at the same time, as dividends liability of payment.

(iii) Tax Exposures

For the determination of current and deferred tax, the Company takes into account the impact of uncertain tax positions and the possibility of additional taxes and interests. This assessment is based on estimates and assumptions and may involve a series of judgments about future events. New information may become available, thus causing the Company to change its judgment regarding the estimation accuracy of existing tax liabilities; such changes in tax obligations affecting the tax expense in the period in which such determination is made.

(u) Earnings per Share

The company discloses basic and diluted earnings per share for the ordinary shares. Basic earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders to the weighted average number of ordinary shares for the period under review. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with dilution effects resulting from the potential ordinary shares.

(v) Segments Reporting

A segment is a distinct component of the Company that provides certain products or services (business segment) or provides products and services in a particular geographical environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

w) Contingent Assets and Liabilities

Contingent liabilities are not recognized in the financial statements and in the profit and loss account. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources representing economic benefits is remote.

A contingent asset is not recognized in the financial statements and in the profit and loss account, but disclosed when an inflow of economic benefits is likely to happen.

(x) Subsequent Events

The financial statements reflect subsequent events after the year-end, events that provide additional information on the Company's position at the reporting date or those that indicate a possible violation of the activity continuity principle (events that cause adjustments). Events following the end of the year that are not adjusting events are disclosed in notes when they are considered significant.

(y) Comparative figures

The statement of the financial position for the year ended 31 December, 2016 shows comparability with the statements of the financial position for the financial years ended December 31, 2015 and December 31, 2014.

(z) New standards and interpretations

New standards and interpretations

The following new standards and interpretations did not enter into force yet for the period of annual financial reporting concluded on December 31st 2016 and were not applied when drawing up these financial statements: [IAS 8.30 (a)]:

Standard/Interpretation [IAS 8.31 (a), 8.31(c)]	Nature of imminent modification of accounting policy [IAS 8.31 (b)]	Potential impact on financial statement [IAS 8.31 (e)]

<p>IFRS 15 Revenue from contracts with customers (<i>in force for annual periods starting with or after January 1st 2018</i>)</p>	<p>IFRS 15 establishes the general framework to be applied for the recognition of revenue from a contract concluded with a customer (with limited exceptions), regardless of the type of transaction or industry;</p> <p>The standard establishes five steps to be taken for the recognition of revenue: identification of a contract (contracts) with a customer, identification of execution contracts from a contract, determination of transaction price, allocation of transaction price for execution obligations and recognition of revenue when (or as) the entity fulfils an execution obligation;</p> <p>Also, the standard requirements will be applied for the recognition and evaluation of gains and losses from the sale of certain non-monetary assets which are not the result of the usual entity activity (e.g. sale of tangible and intangible assets);</p> <p>The extended disclosure of information, including the disaggregation of total income, information about execution obligations, modifications of contractual balances of asset accounts and debts between periods, judgements and key estimates, will be provided;</p>	<p>The application impact for the first time of these standards is in process of evaluation.</p>
<p>IFRS 9 Financial instruments – classification and evaluation (<i>in force for annual periods starting with or after January 1st 2018</i>)</p>	<p>IFRS 9 is the standard which replaces IAS 39 Financial instruments: Recognition and evaluation;</p> <p>The standard introduces new requirements concerning the classification, evaluation, depreciation and risk coverage accounting;</p>	<p>The application impact for the first time of these standards is in process of evaluation.</p>

The following standards and amendments of existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (UE) entered into force in the current period:

Standard/Interpretation [IAS 8.31 (a), 8.31(c)]	Nature of imminent modification of accounting policy [IAS 8.31 (b)]	Potential impact on financial statement [IAS 8.31 (e)]
<p>Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities and IAS 28 Investments in associates and joint ventures <i>(in force for annual periods starting with or after January 1st 2016 or after this date)</i></p>	<p>The amendments to mentioned standards refer to aspects occurred in practice in relation to the application of consolidation exception for investment entities;</p>	<p>The adaptation of amendments to these standards did not determine the modification of company accounting policies because these standards are not applicable on the date of drawing up these financial statements.</p>
<p>Amendments to IFRS 11: Accounting for joint arrangements and associates. <i>(in force for annual periods starting with or after January 1st 2016).</i></p>	<p>These Amendments imply the application of « business combinations » when acquiring an interest in a joint operation which constitutes a business; « Business combinations » apply also at the acquisition of additional interest in a joint operation while the joint operator keeps joint control. The additional interest acquired will be evaluated at its fair value. The interest owned priorly in the joint operation will not be re-evaluated;</p>	<p>The adoption of these amendments to IFRS 11 did not have any impact on financial statements.</p>

<p>Amendments to IAS 1 (in force for annual periods starting with or after January 1st 2016)</p>	<p>The amendments to IAS 1 include the following five improvements focused on the disclosure requirements from the standard</p> <p><i>The provisions from IAS 1 concerning the significance threshold were modified in order to clarify the following:</i></p> <p><i>Insignificant information can affect useful information</i></p> <p><i>The significance threshold applies to financial statements as a whole</i></p> <p><i>The significance threshold applies to each disclosure requirement from an IFRS;</i></p> <p><i>The provisions concerning the order of notes (including accounting policies) were modified so that:</i></p> <p><i>They remove the language from IAS 1 which was interpreted as prescribing the order of notes to financial statements;</i></p> <p><i>They clarify the fact that the entities have flexibility concerning where they disclose accounting policies in financial statements;</i></p>	<p>The adoption of these amendments to IAS 1 did not have a significant impact on the disclosure of company financial statements.</p>
<p>Amendments to IAS 16 and IAS 38: Clarifications on acceptable methods of depreciation and amortization (in force for annual periods starting with or after January 1st 2016)</p>	<p>The amortization based on revenue prohibited for tangible assets;</p> <p>The amendments provide explicitly that the amortization methods based on revenue cannot be used for tangible assets;</p> <p>A new test limited to intangible assets;</p> <p>The amendments introduce the relative presumption that the use of amortization methods based on revenue for intangible assets is not adequate. This presumption can be invalidated only when the revenue and consumption of economic advantages of intangible asset are “strongly correlated” or when the intangible asset is expressed as a revenue measure;</p>	<p>The adoption of amendments to IAS 16 and IAS 38 did not have a significant impact on the financial statements because the company did not apply the amortization methods based on revenue.</p>

<p>Amendments to IAS 16 <i>Tangible assets</i> and IAS 41 <i>Agriculture</i> <i>(in force for annual periods starting with or after January 1st 2016)</i></p>	<p>These amendments make productive plants enter in the applicability area of IAS 16 <i>Intangible assets</i> instead of IAS 41 <i>Agriculture</i>, in order to reflect the fact that their exploitation is similar with production;</p>	<p>The adoption of these amendments to IAS 16 and IAS 41 did not have a significant impact on the financial statements because the company does not have productive plants.</p>
<p>Amendments to IAS 19 Employee benefits – Defined plans of benefits: Employee contributions <i>(in force for annual periods starting with or after January 1st 2015)</i></p>	<p>The amendments are only relevant for the defined plans of benefits¹ which involve contributions from employees or third parties that do not fulfil certain criteria, namely that these are: Established in the official terms of the plan; related to service; and independent of the number of service hours. When these criteria are fulfilled, a company is allowed (but not imposed) to recognize them as reduction of service cost in the period in which that service is provided;</p>	<p>The adoption of these amendments to IAS 19 did not have an impact on the financial statements because the company does not have defined plans of benefits which involve contributions from employees or third parties.</p>
<p>Amendments to IAS 27: Equity method in separate financial statements <i>(in force for annual periods starting with or after January 1st 2016)</i></p>	<p>The amendments to IAS 27 allow an entity to use the equity method in separate financial statements in order to account investments in subsidiaries, associated companies and joint ventures;</p>	<p>The adoption of these amendments to IAS 27 did not have an impact on the financial statements because the company does not have investments in subsidiaries, associated companies and joint ventures.</p>

4. Determination of Fair Value

Certain Company's accounting policies and requests of information supply require the determination of the fair value for financial and non-financial assets and liabilities.

Fair value hierarchy

Fair values are multi-level classified in the fair value hierarchy based on the input data used in the assessment techniques, as follows:

Level 1: Prices quoted on active markets for identical assets and liabilities.

Level 2: Input data, other than the prices included at Level 1 containing observable values for assets or liabilities, directly or indirectly.

Level 3: Inputs for assets and liabilities that are not grounded on the data observable on the market.

The fair values of the tangible assets have been determined in view of assessment and/or presentation of the information based on the methods described below.

The revaluated value of the lands, buildings and equipment was established beginning from the fair value based on the market method and on the cost using quoted market prices for similar items when they are available, or replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration, wear and tear, functional and economical obsolescence. The revaluated value of lands, buildings and equipment was determined by authorised appraisers.

Where applicable, additional information regarding the hypothesis used in the determination of fair value are presented in the notes specific to the named asset or liability.

	Level 1	Level 2	Level 3	The fair value at December 31, 2016
Lands and lands development activities			22,474,438	22,474,438
Special buildings and installations			267,333,881	267,333,881
Equipment			51,803,970	51,803,970
Measuring and control devices			30,686,232	30,686,232
Vehicles			11,502,302	11,502,302
Other assets			3,673,674	3,673,674
Assets held in view of sale			22,474,438	22,474,438

	Level 1	Level 2	Level 3	The fair value at December 31, 2015
Lands and lands development activities			19,593,882	19,593,882
Special buildings and installations			259,239,401	259,239,401
Equipment			48,871,323	48,871,323
Measuring and control devices			39,136,250	39,136,250
Vehicles			13,620,693	13,620,693
Other assets			3,477,841	3,477,841
Assets held in view of sale			3,031,187	3,031,187

3. Tangible Assets

Between 01.01.2016-31.12.2016, as compared to 01.01.2015-31.12.2015 the tangible assets are described as follows :

Description	Freehold land and land improvements	Buildings and special installations	Operating oil supply	Machinery and equipment	Measurement and control devices	Vehicles	Other tangible assets	Construction in progress and payments in advance	Total tangible assets
Gross book value – balance as at Jan 01, 2015	22,474,438	226,973,816	42,865,714	58,400,083	51,353,895	22,012,765	3,549,930	18,946,712	446,577,353
Accumulated depreciation as at Jan 01, 2015	-	-	-	(11,714,183)	(11,016,900)	(5,623,604)	(689,995)	-	(29,044,682)
Impairment adjustment as at Jan 01, 2015	(470,621)	(48,805)	-	-	-	-	-	(1,519,735)	(2,039,161)
Net book value – balance as at Jan 01, 2015	22,003,817	226,925,011	42,865,714	46,685,900	40,336,995	16,389,161	2,859,935	17,426,977	415,493,510
Additions	-	11,381,305	-	14,043,652	10,035,109	2,722,259	1,411,995	(2,371,381)	37,222,939
Transfers to assets held for sale	(2,409,935)	(611,630)		(8,478)	-	-	(1,144)	-	(3,031,187)
Write-offs - construction in progress	-	-	-	-	-	-	-	(79,587)	(79,587)
Disposals	-	(195,180)	-	(1,274,934)	(29,207)	-	-	-	(1,499,321)
Depreciation charge		(19,616,272)							(46,651,422)
Reversal of impairment adjustments	-	24,403	-	(10,226,097)	(10,533,454)	(5,482,654)	(792,945)	-	24,403
Asset impairment adjustments	-	(1,533,950)	-	(348,720)	(673,193)	(8,073)	-	(216,945)	(2,780,881)
Net book value – balance as at Dec 31, 2015	19,593,882	216,373,687	42,865,714	48,871,323	39,136,250	13,620,693	3,477,841	14,759,064	398,698,454
Net book value – balance as at Jan 01, 2015	22,003,817	226,925,011	42,865,714	46,685,900	40,336,995	16,389,161	2,859,935	17,426,977	415,493,510
Net book value – balance as at Dec 31, 2015	19,593,882	216,373,687	42,865,714	48,871,323	39,136,250	13,620,693	3,477,841	14,759,064	398,698,454
Changes in net book value	(2,409,935)	(10,551,324)	-	2,185,423	(1,200,745)	(2,768,468)	617,906	(2,667,913)	(16,795,056)

Description	Freehold land and land improvements	Buildings and special installations	Operating oil supply	Machinery and equipment	Measurement and control devices	Vehicles	Other tangible assets	Construction in progress and payments in advance	Total tangible assets
Gross book value – balance as at Jan 01, 2016	20,064,503	237,502,158	42,865,714	67,891,445	61,302,118	24,563,792	4,958,285	16,495,744	475,643,759
Accumulated depreciation as at Jan 01, 2016	-	(19,570,119)	-	(18,671,402)	(21,492,675)	(10,935,026)	(1,480,444)	-	(72,149,666)
Impairment adjustments as at Jan 01, 2016	(470,621)	(1,558,352)	-	(348,720)	(673,193)	(8,073)	-	(1,736,680)	(4,795,639)
Net book value – balance as at Jan 01, 2016	19,593,882	216,373,687	42,865,714	48,871,323	39,136,250	13,620,693	3,477,841	14,759,064	398,698,454
Additions	-	26,398,169	-	11,620,753	3,297,049	1,634,462	929,029	1,304,503	45,183,965
Tangible assets transferred from assets held for sale	2,409,935	611,630	-	8,478	-	-	1,144	-	3,031,187
Write-offs – construction in progress	-	-	-	-	-	-	-	(1,736,680)	(1,736,680)
Disposals	-	(505,735)	(372,703)	(258,769)	(60,990)	-	-	-	(1,198,197)
Depreciation charge	-	(18,416,632)	-	(8,654,740)	(12,026,208)	(3,756,890)	(734,340)	-	(43,588,810)
Reversal of impairment adjustments	470,621	379,751	-	216,925	340,131	4,037	-	1,736,680	3,148,145
Asset impairment adjustments	-	-	-	-	-	-	-	(69,191)	(69,191)
Net book value – balance as at Dec 31, 2016	22,474,438	224,840,870	42,493,011	51,803,970	30,686,232	11,502,302	3,673,674	15,994,376	403,468,873
Net book value – balance as at Jan 01, 2016	19,593,882	216,373,687	42,865,714	48,871,323	39,136,250	13,620,693	3,477,841	14,759,064	398,698,454
Net book value – balance as at Dec 31, 2016	22,474,438	224,840,870	42,493,011	51,803,970	30,686,232	11,502,302	3,673,674	15,994,376	403,468,873
Changes in net book value	2,880,556	8,467,183	(372,703)	2,932,647	(8,450,018)	(2,118,391)	195,833	1,235,312	4,770,419

At 31.12.2016 the net value of the tangible assets has increased as compared to the end of 2015, by the amount of 4,770,419 RON, as follows:

- + 43,879,462 RON representing commissionings out of tangible assets in progress, in amount of 43,530,790 RON and inputs of inventory surpluses in amount of 348,672 RON;
- + 3,031,187 RON representing the residual value of the tangible assets for which has ceased the reclassification as „Intangible assets held in view of sale” of which: 2,409,935 RON lands and 621,252 RON residual value buildings and other tangible assets (property located in Municipiul Ploiesti, No. 7, Independenței Bld.);
- 2,934,877 RON representing outputs from tangible assets to the residual value, of which: 825,494 RON stands for the residual value of the dismantled/scrapped tangible assets
1,736,680 RON scrapped tangible assets in progress and 372,703 RON sold oil product;
- + 3,148,145 RON representing write-down adjustments for lands, buildings and other write-back intangible assets;
- 69,191 RON representing the write-down adjustments settled in 2016, related to the tangible assets under progress;
- 43,588,810 RON representing amortization of tangible assets in 2016;
- + 1,304,503 RON representing the difference between the value of the tangible assets under progress achieved in 2016 and the ones commissioned during the year.

For financial reporting purposes and in accordance with the provisions stipulated in IAS 36 „Assets Depreciation”, on 31.12.2016 the Enterprise Darian DRS S.R.L. has performed the test of depreciation for buildings, special constructions and movable goods in the company's inventory.

The results of the depreciation test has revealed that it was not necessary the quantification of an economic depreciation of the tested assets.

The lands held by the Company are located in Ploiesti at the company's corporate offices and in the 24 counties covered by the transport pipelines or where are being located the crude oil tanks loading ramps.

At 31.12.2015, CONPET has recorded in the company patrimony lands in surface of 733,648.93 sqm with a fair value amounting to 22,474,438 RON, namely:

- 554,537,62 sqm represent lands held under 47 Certificates of ownership obtained during 2001-2005, appraised in accordance with GD 834/1991 *on the establishment and appraisal of some lands owned by the state-owned companies*, at the value of 26,255,918 RON. These lands have been recognized in the company's Patrimony based on other equity reserves, without augmentation of the share capital by the value inscribed in the land ownership certificates. The value of lands as per the last revaluation performed in 2014 amounts for 11,858,571 RON, and the value pursuant to the land ownership certificates amounts for 26,255,918 RON, registered in the equity accounts (other reserves);
- 155,411.45 mp sqm represent lands related to a number of 14 Ownership Certificates obtained until 2001, which are registered in the share capital. On December 31, 2016, the fair value of these lands is in amount of **3,013,294 RON**;
- 23,699,86 sqm represent lands acquired by the Company upon a total of 27 sale-purchase contracts, with a fair value, at December 31, 2016, of **7,602,573 RON**. The owned lands are related to the corporate offices in Ploiesti City, as well as to the telecommunication towers located in different sites over the country.

The oil operating product is being evaluated in the Balance Sheet at the cost determined out of the revaluation performed as per GD no.26/January 22,1992, including the effects of the restatements registered in the previous years according to the application of IAS 29 "The financial reporting in Hyperinflationary Economies". The effect of the restatements can be noticed in the table hereunder:

Operating oil product	December 31	December 31
	2016	2015
Cost (historical)	256,977	259,131
Restatement difference - IAS 29	42,236,034	42,606,583
Operating oil supply (restated)	42,493,011	42,865,714

The reduction of the balance related to oil product CONPET property by the amount of 372,703 RON at 31.12.2016 is due to the sale of the quantity of 828,395 tons of rich gas, by the end of the year.

Tangible Assets in Progress

Along 2016, the Company has executed tangible assets investment works, in view of replacing by deviation of certain sections of pipelines on various distances, crude oil pipelines commissioning works at the rivers undercrossings and crossings, tanks modernizations, loading ramps modernization, modernization pumping system in various stations, pipeline in-line inspections, modernization of the vibration and temperature monitoring system, external lightening installations, modernization and monitorization cathodic protection stations, water supply, locomotives and rail tanks recurrent inspections, as well as modernizations related to the telecommunications system pursuant to the approved "2016 Investments Program".

5. Intangible Assets

Between 01.01.2016-31.12.2016, as compared to the period 01.01.2015-31.12.2015 the intangible assets are described as follows:

Description	Sofware (licenses included)	Other intangible assets	Total intangible assets
Gross book value – balance as at Jan 01, 2015	2,404,995	3,041,007	5,446,002
Accumulated amortization as at Jan 01, 2015	(1,021,038)	(1,262,659)	(2,283,697)
Net book value – balance as at Jan 01, 2015	1,383,957	1,778,348	3,162,305
Additions			2,367,843
Disposals	2,367,843	(1,059,920)	(1,059,920)
Amortization charge	(900,300)	(718,428)	(1,618,728)
Net book value – balance as at Dec 31, 2015	2,851,500	-	2,851,500
Ney book value – balance as at Jan 01, 2015	1,383,957	1,778,348	3,162,305
Net book value – balance as at Dec 31, 2015	2,851,500	-	2,851,500
Changes in net book value	1,467,543	(1,778,348)	(310,805)

Description	Sofware (licenses included)	Other intangible assets	Total intangible assets
Gross book value – balance as at Jan 01, 2016	4,772,838	965,331	5,738,169
Accumulated amortization as at Jan 01, 2016	(1,921,338)	(965,331)	(2,886,669)
Net book value – balance as at Jan 01, 2016	2,851,500	-	2,851,500
Additions	454,865	117,344	572,209
Disposals			
Amortization charge	(1,450,837)	(1,670)	(1,452,507)
Net book value – balance as at Dec 31, 2016	1,855,528	115,674	1,971,202
Ney book value – balance as at Jan 01, 2016	2,851,500	-	2,851,500

Net book value – balance as at Dec 31, 2016	1,855,528	115,674	1,971,202
Changes in net book value	(995,972)	115,674	(880,298)

At 31.12.2016 the net value of the intangible assets has decreased compared to the end of 2015, by the amount of 880,298 RON, as follows:

- + 572,209 RON inputs out of intangible assets (licenses, software, power supply coupling to Dragoș Vodă work site);
- 1,452,507 RON representing the amortization of the intangible assets in 2016.

The amortization method is the linear one. The balance is made up of IT programs, software licenses, power supply coupling to Dragoș Vodă work site. Development and research expenses are not capitalized

6. Financial Assets

The comparative assets on the two reporting periods reveals the followings:

Description	Other long term investments	Long term receivables	Total imobilizări financiare
Gross book value - balance Jan 01, 2015	177,400	400,941	578,341
Impairment – balance Jan 01,2015	(50,826)	-	(50,826)
Net book value – balance Jan 01, 2015	126,574	400,941	527,515
Additions	104	158,018	158,122
Disposals	121,678	258,099	379,777
Net book value – balance Dec 31, 2015	5,000	300,860	305,860
Changes in net book value	(121,574)	(100,081)	(221,655)

Description	Other long term investments	Long term receivables	Total imobilizări financiare
Net book value – balance Jan 01, 2016	5,000	300,860	305,860
Additions	-	423,261	423,261
Disposals	-	72,156	72,156
Net book value – balance Dec 31, 2016	5,000	651,965	656,965
Changes in net book value	-	351,105	351,105

At 31.12.2016 the company holds contribution to the share capital of the Registrul Independent Monitor.

7. Stocks

Description	Raw materials and consumables	Goods	Payments in advance	Total stocks
Value at cost – balance Jan 01, 2015	9,394,715	-	-	9,394,715
Write-down adjustments at Jan 01, 2015	(1,685,411)	-	-	(1,685,411)
Carrying value – balance Jan 01, 2015	7,709,304	-	-	7,709,304
Additions	7,613,922	1,004,642	204,427	8,822,991
Inventory consumed	(7,437,851)	(1,004,048)	(204,395)	(8,646,294)
Write-down adjustments	(75,437)	-	-	(75,437)

Reversal of write-down adjustments	378,597	-	-	378,597
Carrying value – Dec 31, 2015	8,188,535	594	32	8,189,161
Carrying value – balance Jan 01, 2015	7,709,304	-	-	7,709,304
Carrying value – balance Dec 31, 2015	8,188,535	594	32	8,189,161
Changes in carrying value	479,231	594	32	479,857

Description	Raw materials and consumables	Goods	Payments in advance	Total stocuri
Value at cost – balance Jan 01, 2016	9,570,786	594	32	9,571,412
Write-down adjustments at Jan 01, 2016	(1,382,251)	-	-	(1,382,251)
Carrying value – balance Jan 01, 2016	8,188,535	594	32	8,189,161
Additions	7,371,712	197,379	163,366	7,732,457
Reclassifications	(3,249,606)	3,249,606	-	-
Inventory consumed	(6,996,161)	(197,590)	(163,398)	(7,357,149)
Write-down adjustments	(80,771)	-	-	(80,771)
Reversal of write-down adjustments	64,433	-	-	64,433
Carrying value – balance Dec 31, 2016	5,298,142	3,249,989	-	8,548,131
Carrying value – balance Jan 01, 2016	8,188,535	594	32	8,189,161
Carrying value – balance Dec 31, 2016	5,298,142	3,249,989	-	8,548,131
Changes in carrying value	(2,890,393)	3,249,395	(32)	358,970

The inventories are made up of raw materials, materials, spare parts, residual products and other materials that are to be used when performing company's core activity, as well as of security and intervention stocks meant for the potential provoked technical accidents or following natural disasters.

8.Trade Receivable and other Receivables

The comparative statement of the receivables for the reporting period, according to seniority and types of receivables reveals the followings:

	December 31 2016	December 31 2015
Customers	38,656,637	37,286,723
Doubtful customers adjustments	(688,638)	(660,295)
Other trade receivables	216,383	161,152
Subtotal – Trade receivables (net)	38,184,382	36,787,580
Other receivables	7,727,011	8,450,033
Write-down adjustments	(3,555,333)	(3,033,397)
Subtotal - Other receivables (net)	4,171,678	5,416,636
Total Current receivables	42,356,060	42,204,216

The customers structure on activities is the following:

	December 31 2016	December 31 2015
Customers – oil transport	37,790,395	36,220,062
Other customers	866,242	1,066,661
Total	38,656,637	37,286,723

The trade receivable are not interest bearer and have a rotation speed of 36 days. The main clients holding a significant share (99%) in the turnover, at 31.12.2015, are: S.C. OMV PETROM S.A., S.C. Petrotel Lukoil S.A., S.C. Rompetrol Rafinare S.A. The major client of the company, OMV PETROM SA, holds over 78% of the total short-term receivables, at December 31, 2016.

Other receivables, amounting to 7,727,011 RON mainly include amounts to be recovered from different natural and legal persons in litigation pending before the law courts (2,035,159 RON, respectively 39.3%), the dividends transferred to Depozitarul Central, as per the legal provisions, and payable to CONPET shareholders (2,709,838 RON, respectively 35.1%), as well as undue VAT related to unarrived invoices (893,502 RON, respectively 11.6%).

Impairments for the depreciation of doubtful receivables and other doubtful receivables
At the end of 2016, the level of impairments formed for the depreciation of the trade receivables (688,638 RON) has been insignificantly amended, as compared to 31.12.2015 (660,295 RON), registering an increase by 28,343 RON resulted from the classification in doubtful customers of two partners. For the hereabove receivables related to the doubtful clients CONPET brings action in the disputes pending before the Law Court.

The impairments for the depreciation of other receivables (different debts related to the legal files pending before the Law Court, fiscal obligations and fines paid and facing challenging procedure) are, at 31.12.2016, in amount of 3,555,333 RON, registering a significant increase of 521,936 RON as compared to 31.12.2015 (3,033,397 RON), following the registration of new adjustments.

The Company's policy is to register write-downs of 100% for the clients facing dispute, dissolution, bankruptcy and for other debts related to the established legal files or the fines facing challenge procedure.

9. Cash and Cash Equivalents

At December 31, 2016 and December 31, 2015 the cash and cash equivalents reveal the followings:

	December 31	December 31
	2016	2015
Current bank accounts	4,164,928	1,136,373
Bank deposits (maturity ≤ 3 months)	240,426,995	122,968,259
Cash on hand	5,978	16,183
Other cash equivalents	385	-
Total	244,598,286	124,120,815

The significant increase of the cash volume at 31.12.2016 was mainly due to the bank investment deposits, to the detriment of placement in short-term financial investments. The interest negotiated for the constituted deposits was superior to the government securities returns.

The company manages an expense quota related to the modernization and development destined to the financial support the rehabilitation and modernization of the Crude Oil National Transport System via pipelines, which it collects in distinct cash accounts and uses for the payment of the modernization works performed for the assets belonging to the public domain, in order to create new assets that are to be transferred to the public domain following the in full amortization thereof.

At December 31, 2016 the available related to the modernization quota is in amount of 187,477,658 RON.

10. Short-term investments

The short-term financial investments are assets held by the company in view of achievement of a profit within a one year period. They comprise government securities as treasury bills and government bonds.

	December 31 2016	December 31 2015
Government securities (treasury certificates and government bonds)	163,053,678	256,149,012
Total	163,053,678	256,149,012

The government securities held by the company at 31.12.2016 are detailed in the following box:
-lei-

Issuer	Counterparty	Instrument	ISIN	Quantity	Face value	Coupon	Yield (%)	Value at Dec 31, 2016
MPF	Raiffeisen	Government bonds with coupon	RO0717DBN038	4,369	10,000	675	0.92%	46,048,080
MPF	Raiffeisen	Government bonds with coupon	RO0717DBN038	2,764	10,000	675	0.92%	29,131,814
Subtotal – Raiffeisen				7,133				75,179,894
MPF	BCR	Government bonds with coupon	RO0717DBN038	2,139	10,000	675	0.90%	22,551,312
MPF	BCR	Government bonds with coupon	RO0717DBN046	1,804	10,000	590	0.75%	18,928,815
Subtotal – BCR				3,943				41,480,127
MPF	BRD	Government bonds with coupon	RO0717DBN038	3,920	10,000	675	0.75%	41,502,033
MPF	BRD	Government bonds with coupon	RO0717DBN038	352	10,000	675	0.92%	3,726,713
Subtotal – BRD				4,272				45,228,746
Total								161,888,767

Short-term investments at the end of 2016 also comprise de interest receivable related to the held government securities.

11. Intangible Assets held in view of Sale

At 01.01.2016 the company registered at intangible assets held in view of sale the amount of 3,031,187 RON, following the approval of the EGMS Decision no.3 from 17.12.2015, of sale by open outcry auction of the asset made up of buildings and three plots, located in Ploiesti City, no.7, Independentei Bld., Prahova County.

During 2016 were organized 3 successive auctions to which no buyer has participated.

Following the analysis of the use/capitalization variants of the assets, by EGMS Decision no.4 dated 29.11.2016 was approved the cease of effects of Art.2 from EGMS Decision no.3 dated 17.12.2015 and the use of assets as offices premises, after the performance of repair works for bringing the building in operational state.

Following this decision has ceased the classification as assets held in view of sale of the lands and buildings in Ploiesti City, Independenței Blvd., the latter being presented at 31.12.2016 to tangible assets.

12. Shareholder's Equity

The Share Capital

Along the reporting period the company's share capital was not amended, resting at the value of 28,569,842 RON, being divided in 8,657,528 ordinary shares with a nominal value of 3.3 RON/share and corresponds to the one registere at the Trade Register Office.

The structure of the share capital and the shareholding structure of CONPET S.A. at

Shareholders	December 31, 2016			December 31, 2015		
	No. of shares	Value (RON)	(%)	No. of shares	Value (RON)	(%)
The Romanian State represented by the Ministry of Energy	5,083,372	16,775,128	58,7162	5,083,372	16,775,128	58,7162
Legal persons	2,785,694	9,192,790	32,1766	2,900,261	9,570,867	33,4999
Natural persons	788,462	2,601,924	9,1072	673,895	2,223,847	7,7839
Total	8,657,528	28,569,842	100%	8,657,528	28,569,842	100%

During 2016, the dynamic of the shareholding structure with holdings equal or higher than 5% rested relatively constant.

As regards the share capital structure, there is an ongoing action since 2007, brought before the courts, for a claim submitted for a total of 524,366 shares, file where CONPET S.A. is acting as defendant, namely the file no. 5555/2/2014.

The details on the current contents and status of the file are as follows:

Defendants: CONPET S.A.

S.C. Fondul Proprietatea S. A.
Register Regisco Independent S.A.
The National Commission of the Securities (Rom. CNVM)

Subject: the Authority for State Assets Recovery (Rom. AVAS) suits for recovery of a number of 524,366 shares from the share capital of CONPET S.A. against S.C. Fondul Proprietatea S. A., Independent Regisco Register S.A., National Securities Commission, Conpet SA, asking:

- the Respondent S.C. Fondul Proprietatea S. A. be ordered to leave in full ownership and possession for the Authority for State Assets Recovery, a number of 524, 366 shares out of the share capital of CONPET S.A.;
- the respondents Regisco, C.N.V.M. and CONPET S.A. be ordered to modify the number of shares in the registers of securities evidence.

By Decision no. 118/30.02.2015, Bucharest Court of Appeal admits the appeal brought by the appellants-applicants Department of Energy subordinated to the Ministry of Economy and the Ministry of Economy acting as successor in rights of the Ministry of Economy, Trade and Business Environment, against Civil Sentence no. 1296/19.03.2014 passed by Bucharest Tribunal - Civil Section no. 6 in the file no. 33317/3/2007 against the intimates respondents Fondul Proprietatea S. A., Depozitarul Central S.A., CONPET S.A.. Changes the Sentence subject to appeal in as such: rejects the exception, as groundless. Admits the motion formulated by the appellants-applicants Department of Energy subordinated to the Ministry of Economy and the Ministry of

Economy acting as successor in rights of the Ministry of Economy, Trade and Business Environment against the respondent Fondul Proprietatea S.A. Ascertains the ownership right of the applicant Ministry of Economy over a number of 524,366 shares out of the share capital of Conpet S.A. Orders the respondents to make all the necessary arrangements as to make the registration thereof in the Shareholders' Registry. The Department for Energy subordinated to the Ministry of Economy and Fondul Proprietatea S.A. filed for appeal.

By sentence no. 802/19.04.2016, the High Court of Cassation and Justice admits the appeals declared by the appellant –applicant the Ministry of Energy and the appellant respondent S.C. FONDUL PROPRIETATEA S.A. against civil sentence no. 118/A dated January 30, 2015, ruled by the Court of Appeal Bucharest – Civil Section no.V. Quashes the decision appealed and the case is remitted to the same court. Rejects the appeal presented by the appellant-plaintiff Ministry of Energy against the conclusion of April 3rd 2015, pronounced by the same court.

Procedural stage: Appeal – retrial.

In the same period, the Fondul Proprietatea filed for proceeding (File no. 3715/105/2007 – Prahova County Court) seeking annulment of Art. 4 of OGMS Decision no. 2/25.04.2007 on the 2006 profit distribution for dividends, taking into account the above subject of proceeding on the ownership of those 524,366 shares of CONPET; procedure suspended pursuant to Art. 244 par. 1C, civil trial disposal.

Legal Reserves

The legal reserves in amount of: 5,713,968 RON at December 31, 2016 and December 31, 2015 represent legal reserves constituted as per the applicable legislation in force and cannot be distributed. The company has transferred to the legal reserve at least 5% of the annual accounting profit up to 2007, when the accrued balance reached 20% of the paid-up share capital (EGO 64/2001, Law 571/2003, Law 31/1990, CONPET Articles of Incorporation).

Other Reserves

At December 31, 2016, *Other Reserves are in gross amount of 536,238,701 RON and are made of:*

- 423,565,127 RON – the modernization quota, calculated and collected according to the provisions of GD 168/1998,
- 26,255,918 RON - the reserve related to the lands for which have been obtained land ownership certificates and the share capital was not increased,
- 84,707,656 RON – other reserves representing own financing sources;
- 1,710,000 RON – reserve related to the profit reinvested during the year, distributed out of the gross profit at the end of the financial year, as per the legal provisions.

The increase of other reserves amounting for 35,119,770 Lei during 2016 derives from the augmentation of the modernization quota fund during the year and the reinstatement of the reserve related to the lands unincluded in the share capital for which the company has obtained CADP during 2001-2005, with the amount of 7,195,653 RON.

Revaluation Reserves

At December 31, 2016 the revaluation reserves are in gross amount of 39,098,238 RON (93,603,955 RON at December 31, 2015).

At December 31, 2016 in the financial statement is being presented the net amount of 32,957,666 RON, diminished by the deferred tax revaluation recognized in the shareholder's equity, as per IAS 12.

The reduction of the revaluation reserves in amount of 60,646,289 RON comes mainly from:

- The reclassification of the retreatment from the update with the inflation indices up to 2003 of the value of operating oil product, effect of the application of IAS 29. The amount of 42,236,034 RON, previously recognized to revaluation reserves was recognized in the account 118 "Retained Earnings derived from the first time adoption of IAS 29";
- The derecognition of the revaluation reserve related to the lands non comprised in the share capital, for which the company has obtained CADP during 2001-2005, for the amount of 2,605,000 RON;
- The deferred corporate tax related to the revaluation reserves recognized in the shareholder's equity, as per IAS 12, in amount of 6,140,572 RON;

Retained Earnings

The retained earnings has increased, from 72,316,398 RON at December 31, 2015, to 122,395,580 RON at December 31, 2016. The increase of 50,079,452 RON was mainly determined by:

- The increase from the derecognition of the revaluation reserve of the operating oil product, for the amount of 42,606,582 RON;
- The reduction from the reinstatement of the reserve related to the lands not comprised in the share capital, for which the company has obtained CADP during 2001-2005, for the amount of 4,590,653 RON;

Thus, at the end of 2016, the retained earnings in amount of 122,395,850 RON is made of:

- 17,118,920 RON – retained earnings derived from the correction of the accounting errors;
- 5,216,698 RON – retained earnings derived from the passing to application of IFRS, less IAS 29;
- 42,236,034 RON – retained earnings coming from the adoption, for the first time of IAS 29;
- 57,824,198 RON – retained earnings representing surplus achieved out of revaluation reserves.

In the Statement of the financial position at 31.12.2015, the retained Earnings amounts to 72,316,398 Lei, lowered by the deferred tax amounting to 1,891,974 Lei.

Year's Profit

The year's profit amounts to 71,546,604 RON at December 31, 2016 (63,198,986 RON at December 31, 2015), 8,347,618 RON higher than the preceding year.

2016 results showed a continuation of the positive financial development of the company, describing 13..2% raise in the profitability during the current year.

13. Deffered Income

The deferred income increased by the amount of 184,694 RON as compared to the beginning of the reporting period, respectively from 1,299,288 RON (January 1, 2016) to 1,483,982 RON (at December 31, 2016), balance made out of:

- 15,791 RON (18,234 RON at December 31, 2015), accrued interest income related to home rates sold to the employees;
- 1,385,194 RON (1,180,584 RON on December 31, 2015), representing excess inventory fixed assets
- 82,997 RON, representing the first cassation borne by the Environment Funds Administration received via the Program for the stimulation of the renewal of the national vehicle Fleet in 2015 (130,000 RON, VAT included, registered in August 2015).

14. Obligations Regarding Employees Benefits And Bonuses. Wage System

Pursuant to the provisions of the Collective Labour Agreement in force, the company has granted the following benefits to its employees: quarterly premiums, retirement support, marriage support, employees share of profit, company's contribution to the facultative pensions schemes, as well as the following bonuses: holiday and treatment vouchers, including the related transport, presents given to the women employees and the employees minor children, birth grant, funeral and serious diseases, humanitarian grants, food vouchers, other bonuses.

The obligations regarding the employees benefits reveal the followings:

	December 31	December 31
	2016	2015
Quarterly bonus	2,077,299	1,501,072
Financial support - retirement	370,116	276,948
Financial support - marriage	27,416	62,643
Employees profit sharing	4,522,804	4,339,680
Company contribution - optional pension schemes	3,012,790	3,055,785
Company contribution - optional health insurance	1,535,922	-
Other benefits	1,211,136	2,241,662
TOTAL	12,757,483	11,477,790

The obligations regarding the employees bonuses are the followings :

	31 decembrie	31 decembrie
	2016	2015
Holiday/medical treatment vouchers	2,061,412	710,480
Gifts – women and minor children	295,500	89,150
Financial support – birth, death, illness, humanitarian	632,564	566,697
Meal vouchers	3,449,132	3,496,812
Other	333,218	60,157
TOTAL	6,771,826	4,923,296

Wage System

Director General, members of the board of Administration and GMS Secretary

The wages paid by the Company to the Director General, members of the Board of Administration and GMD Secretariate are being detailed below:

	December 31	December 31
	2016	2015
Indemnity – mandate contract	853,908	909,830
Indemnity – Board members and GSM secretariat	854,683	863,283
TOTAL	1,708,591	1,773,113
	December 31	December 31
	2016	2015

Employees

The average number of the employees presents as follows:

	December 31	December 31
	2016	2015
Indemnity – mandate contract	853,908	909,830
Indemnity – Board members and GSM secretariat	854,683	863,283
TOTAL	1,708,591	1,773,113
	December 31	December 31
	2016	2015

The wages expenses and the related contributions registered during 01.01.2016-31.12.2016, namely 01.01.2015-31.12.2015 are the followings:

	December 31	December 31
	2016	2015
Payroll	71,647,421	69,282,493
Social security	18,620,122	18,107,741
Total	90,267,543	87,390,234

Note: The line "Salaries expenses" does not comprise the benefits and bonuses of the employees, nor the allowances of the Director General and the members of the Board of Administration.

15.Trade Liabilities and Other Liabilities

At December 31, 2016 and December 31, 2015 the trade liabilities and other liabilities reveal the followings:

Description	December 31, 2015	December 31, 2016	Maturity at December 31,2016		
			< 1 year	1- 5 years	> 5 years
Trade payables	20,756,975	20,657,756	20,657,756	-	-
Other payables (including taxes and social security)	26,143,902	32,089,120	30,417,910	264,393	1,406,817
Total	46,900,877	52,746,876	51,075,666	264,393	1,406,817

The Company's suppliers related to the performance of the operation activity are being mainly represented by: SNTFM CFR Marfa, OMV Petrom S.A, RCS&RDS, Edenred Romania SRL, Envirotech, SMZ Impex, Prodial Tour, Allianz Tiriac, Engie Romania, Coral 33 All Prod, Cameleon Security, Orange Romania etc.

During 01.01.2016-31.12.2016, the share thereof in total operation suppliers is of 85,90%.

In case of fixed assets suppliers, the share is being held by the following suppliers: Inspet, Addvalue Global, Rosen Oldenzaal, Talpac, Terra România Utilaje de Construcții, IPM Partners, Net Brinel, Prodrep, Swiso Electric, Litex Impex, Maguay Impex, Micronix Plus, Snif Proiect,

Asseco, Bueno Tech, Invest General Construct etc. (respectively 87.61 % in total fixed assets suppliers in 2016).

The situation of the employee-related debts, fiscal debts and other maturity date debts, look as follows:

Description	December 31 2015	December 31 2016	Maturity		
			< 1 year	1-5 years	> 5 years
Payroll	3,606,802	3,650,030	3,650,030		
Social security	3,219,003	3,169,681	3,169,681		
Tax on profit (current)	3,376,275	3,901,860	3,901,860		
Deferred tax	95,919	1,671,210	-	264,393	1,406,817
Royalties	7,302,017	7,540,612	7,540,612		
VAT payable	3,552,044	4,350,768	4,350,768		
Other taxes and liabilities	1,143,588	1,182,836	1,182,836		
Dividends payable	3,644,233	6,204,944	6,204,944		
Other liabilities	204,021	417,179	417,179		
Total	26,143,902	32,089,120	30,417,910	264,393	1,406,817

As compared to the end of 2015, at chapter „other liabilities”, in 2016 is being registered a material increase at the position „dividends payable”, following the approval by OGMS Decision no. 2/28.04.2016, concurrently with the annual financial statements, of distribution at dividends of the profit related to 2015. The payment of dividends has been established as of 21.07.2016.

16. Provisions

	December 31 2016	December 31 2015
Opening balance	23,059,195	24,625,078
Increase in provision	9,431,365	8,984,673
Decrease in provision	17,525,379	10,550,556
Closing balance, of which:	14,965,181	23,059,195
Provisions – long term	3,542,697	3,719,592
Provisions – short term	11,422,484	19,339,603
	December 31 2016	December 31 2015
Provisions - litigations	3,012,183	9,467,265
Provisions – employee benefits	11,747,998	11,599,153
Other provisions	205,000	1,992,777
Total	14,965,181	23,059,195

Provisions for litigations

In detail, the provisions for litigations are:

	December 31 2016	December 31 2015
Civil compensations	1,773,201	8,274,266
Breach of contract by third parties	1,192,999	1,192,999
Work related litigations	45,983	-
Total	3,012,183	9,467,265

The company is involved into various litigations for compensations claimed by various owners, natural and legal persons. Besides the compensations, they request either the payment of an annuity following the exercise, by the Company, of the the easement right on the lands owned by the claimants, or by the retirement of the pipelines and installations to be found on their lands. 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 latters are being crossed by the crude oil transport pipelines belonging to the public domain.

At 31.12.2016 are registered provisions regarding the litigations for civil compensations in amount of 1.773.201 Lei, decreasing with 6.501.065 Lei as compared to the amount of 8.274.266 Lei registered at 31.12.2015.

Although during the year were registered provisions for new litigations opened during the period or were updated the necessary amounts for the settlement of potential obligations related to the litigations opened in the previous period, the decrease of provisions is due to the write-back to income, following the settlement of trials pending before the Law Courts. Among these a significant share is held by the litigations related to the File no.5216/204/2008 regarding the payment by the company CONPET S.A. of certain compensations required by the claimants Dobrogeanu Paun and Dobrogeanu Dumitru, litigation ended by Court rejection of the claimants requirements.

The provision for work litigation in amount of 45,983 RON was constituted following the challenge in the Court by a company's employee of the dismissal decision of the Company, requesting the payment of a compensation representing the employees rights entitled as of the date of dismissal.

Provisions for the Employees' Benefits

On December 31st, 2016 the Company mainly includes, at this chapter, the provision for the share of profit and the provisions for pensions.

The provision for the employees' share of profit is being constituted based on the provisions of the Company's income and expenditure budget approved for the end of the financial years, by compliance with Ordinance no. 64/2001 and Order of the Minister of Public Finances no. 144/2005. Ordinance no. 64 from August 30, 2011 establishes that, the profit remaining after the deductions in the corporate tax to the companies where the State holds a majority or integral stake should be distributed within the limit of 10% of the net profit, but no more than the value of an average monthly salary operated by the economic agent, during the financial year in question. At 31.12.2016, the provision for the employees share of profit amounts for 4,756.310 Lei, to which is being added the amount of 1,086,008 Lei related to the social insurance contributions.

The company recorded a provision for retirement benefits in amount of 3,606,242 Lei, of which 3,542,677 Lei stand for long-term obligations, and 63,545 Lei represent short-term obligations. This provision was calculated based on actuarial methods according to the estimation of the average salary, of the average number of salaries payable on retirement, estimation of the period when they will be paid and was brought to the actual value by using a discount factor based on the interest related to several investments with maximum safety degree (securities).

As regards the liabilities related to employees, the Company has established a provision for untaken rest leaves, in amount of 1.580.000 RON.

There were also established provisions for the allowances granted to the members of the Board of Administration, in accordance with EGO 109/2011 regarding the corporate governance, in total amount of 719,437 Lei, of which:

- 151,056 Lei representing the variable subcomponent 1 related to Q IV 2016;
- 437,896 Lei representing the variable subcomponent 2 related to the year of 2016, amount taken out of the net profit;
- 130,485 Lei represents contributions related to the two subcomponents.

Other Provisions

On December 31st, 2016 the balance of „other provisions” position, in amount of 205,000 Lei, is made out of provisions for environment expenses.

The decreasing during 2016, by 1,767,777 lei, of the provisions registered at „other provisions” position, respectively from 1,992,777 at the begining of the year, to 205,000 lei at the end of the year is due mainly to the writte -back of the provisions in amount of 1,764, 000 Lei regarding the expenses related to the demolition of an asset (Breaza cardio-vascular recovery base) following the completion and settlement of demolition.

17. Current and Deferred Income Tax

The current and deferred income tax of the company for 2016 and 2015 are determined at a statutory rate of 16%.

Current Income tax

The due current income tax for 2016 and 2015, is the following:

	2016	2015
Current income tax - expense	12,571,020	13,882,044
Current income tax - expense	12,571,020	13,882,044

Reconciliation of the effective tax rate:

	2016	2015
Profit before tax	84,033,368	75,284,975
Taxation @ 16% (statutory rate)	13,445,338	12,045,596
Adjustments:		
- Non deductible expenses	3,216,668	2,195,687
- Non taxable revenues	- 3,218,484	-2,118,703
- Other revenues	962	2,246,485
- Other expenses	- 939	-2,166
Tax on exempt profit	-872,526	-484,854
Current income tax	12,571,020	13,882,045

Deferred Income Tax

The deferred payable and receivable taxes are calculated based on the taxable and/or deductible temporary differences, determined for the assets and liabilities as differences between the book value of the asset and/or liability and the amount attributed for fiscal purposes.

The company acknowledges the deferred taxes on the account of some expenses or revenues except for the tax generated by an event carried directly in the shareholders'equity.

The deferred tax payable, at December 31, 2016, is in amount of 6,595,005 Lei recunoscut pe seama elementelor de capitaluri proprii, impozit amanat de recuperat recunoscut la 31.12.2016 in situatia rezultatului global este de 4.923.795 lei.

Table regarding the active liability related with deffered taxes during 2016, reveals the followings :

2016	Net balance January 01	Deferred tax recognized in profit and loss	Deferred tax recognized in equity	Net balance December 31	
				Deferred tax asset	Deferred tax liability
Tangible assets revaluation	(1,251,887)	2,312,217	(5,305,485)	2,312,217	(6,557,372)
Changes in retained earnings	(640,087)		602,454	-	(37,633)
Provisions	1,796,055	30,795	-	1,912,480	-
Current assets adjustments		699,099	-	699,098	-
Deferred tax before off-set	(95,919)	3,042,111	(4,703,031)	4,923,795	(6,595,005)
Off-set asset/liability				(4,923,795)	4,923,795
Net deffered corporate tax					(1,671,210)

18. Earnings per Share

The Earnings per Share for the last two years is the following:

	December 31 2016	December 31 2015
Profit for the year	71,546,604	63,198,986
Number of ordinary shares	8,657,528	8,657,528
Basic and diluted earnings per share (lei/share)	8,26	7,30

19.Operating Revenues

Sales turnover revenues, out of which:

Transport service revenues, o/w:

Domestic transport system related revenues

Import transport system related revenues

Rental revenues

Revenues from different services supply

Other revenues, out of which:

Revenues from the consumption of the modernization quota

Other revenues

Total Operating Revenues

	December 31, 2016	December 31, 2015
381,646,066	381,353,176	
378,575,084	378,958,685	
296,077,495	309,279,278	
82,497,589	69,679,407	
1,231,435	1,521,456	
1,839,547	873,035	
29,284,258	32,422,266	
27,664,211	30,637,426	
1,620,047	1,784,840	
410,930,324	413,775,442	

Transport revenues

The revenues are achieved from the services supplied to the clients for the transport of the quantities of crude oil, rich gas and condensate at the tariffs approved by Order of the President of the National Agency for Mineral Resources.

During 2016, the transported quantities per sub-systems, as compared to the preceding year, is as follows:

	December 31, 2016	December 31, 2015
Total quantities (tons), out of which:	7,078,344	6,990,392
Domestic Subsystem	3,685,087	3,905,446
Import Subsystem	3,393,257	3,084,946

The total volume of transported products increased by 1.26% in 2016 as compared to 2015, following the increase by 10 % of the quantities transported on the import transport sub-system. On the Domestic Sub-system, in 2016 has been recorded a decrease of the transported quantities by 220,359 tons as compared to 2015 (5.64%).

The tariffs for the supply of the transport services in 2016, as approved by the National Agency for Mineral Resources, are as follows:

- 78.64 Lei/ton the average tariff for the transport services via the Domestic Transport Subsystem, approved as per the Order no.199/2013, for the period 11.12.2013 – 08.02.2016
- 79.75 Lei/ton the average tariff for the transport services via the Import Transport Subsystem, approved as per the Order no.32/02.02.2016, for the period 09.02.2016 – present
- The tariffs for the transport services via the Import Transport Subsystem amended starting the month of February 2016, as per the NAMR Order no. 32/02.02.2016. The tariffs are being applied per refineries, in steps, per transported quantities intervals.

Other operating expenses

The revenues related to the expenses borne by the modernization quota account for 94.47% of other operating revenues achieved, registering 9.70% decrease as opposed to 2015.

20. Operating Expenses

a) Inventories Expenses

	December 31, 2016	December 31, 2015
Total inventories expenses, out of which:	15,960,664	17,319,138
Consumables expenses	4,888,670	5,383,629
Other material expenses	1,367,619	1,875,914
Other expenses with energy and water	9,694,945	10,052,718
Merchandise expenses	9,430	6,877

b) Personnel Expenses

	December 31, 2016	December 31, 2015
Total personnel expenses, o/w:	111,505,443	105,564,433
Salaries expenses	74,093,932	70,073,662
Food vouchers expenses and other advantages	3,478,564	3,522,207
Share of profit expenses	4,522,804	4,339,680
Social protection expenses as per the Collective Labour Agreement	3,293,262	1,401,089
Social insurance expenses	2,948,047	5,064,269
	23,168,834	21,163,526

c) The Outside Services Expenses include:

	December 31, 2016	December 31, 2015
Total Outside Services Expenses		
Rail transport Expenses	57,599,308	61,308,829
Royalties, commercial leasings and rental expenses	30,814,376	30,577,444
Third-party pumping related expenses	5,221,243	5,230,483
Expenses with maintenance and repairs	2,278,911	2,378,499
Expenses related to decontamination, monitoring of the environment factors	1,392,838	1,173,424
Travel, assignments and transfer expenses	749,388	935,866
Personnel and goods transport related expenses	687,012	706,627
Postal expenses and telecommunication charges	482,152	415,020
Other third-party services related expenses	4,581,854	4,854,472
TOTAL	103,807,082	107,580,664

The royalties, commercial leasings and rental expenses comprise the oil royalty, calculated according to EGO 101/ 14th of October 2007, by application of a quota of 10% of the value of gross income achieved out of oil transport and transit operations through the Oil National Transport System.

d) Other expenses

	December 31, 2016	December 31, 2015
Other expenses, out of which:	66,553,601	64,870,033
Other taxes, duties and similar levies	5,632,828	2,255,350
Compensations, fines and penalties expenses	1,125,145	162,526
Donations granted (Sponsorship)	598,927	484,854
Assigned assets and other capital operations expenses	3,635,011	1,563,471
Environmental protection expenses	38,908	70,541
Expenses from revaluation of tangible assets	1,378,617	-
Expenses settlement modernization quota	53,878,327	59,969,621
Other operating expenses	265,838	363,670

Other taxes, duties and similar levies include, most of them, the local taxes expenses and other fiscal liabilities related expenses.

The company establishes reserves regarding the modernization quota base on other operated expenses in compliance with the provisions of GD no. 168/1998, subsequently amended and the provisions of the Fiscal Code approved pursuant to Law no. 227/2015 subsequently amended and update.

21. Net Financial Result

	December 31, 2016	December 31, 2015
Interest revenues	1,960,562	2,967,704
Revenues from title operations and other financial instruments	1,815,300	2,810,456
Other financial revenues	60,683	15,018
Total financial revenues	3,836,545	5,793,178
Other financial expenses	(109,357)	(87,048)
Value adjustments related to financial assets	-	50,826
Total financial expenses	(109,357)	(36,222)
Net Financial Result	3,727,188	5,756,956

The financial revenues decreased by 34%, in 2016 as compared to 2015, while the financial expenses increased by 202%, in 2016 as compared to 2015. Based on this evolution, the net financial result decreased by 35%, in 2016 as compared to 2015, mainly due to the fall of the interests for maturity deposits and the returns related to government securities.

22. The Fiscal Framework

The tax returns are subject to revision and correction of the fiscal authorities, generally for a period of five years following the fill in thereof.

The fiscal legislation in Romania is very heavy and changes permanently according to the internal and external economic-financial context, being regulated by a multitude of normative acts: laws, government decisions for the approval of the norms of application, simple and emergency ordinances, orders, instructions, stipulations, circulars etc.

There can be no question of facile approach thereof by the contributors especially because it is being, generally, maintained an abusive practice from the fiscal bodies in what concerns the interpretation of the legal provisions established even by law.

The modernization of the fiscal legislation in Romania does not provide clarity and accessibility in the application of the provisions of the Fiscal Code, by the systematic restructuring of the fiscal norms, as well as of those regarding the fiscal procedure and there still is the risk that the fiscal authorities adopt different stands in relation to the interpretation of these aspects, having as consequence, the calculation of additional liabilities and interests/penalties payments, delay penalties and fines.

By way of Law no. 207/2015 regarding the New Code of Fiscal Procedure, were amended certain principles regarding the interpretation of law, where at the interpretation of the fiscal legislation is being applied the principle «*in dubio contra fiscum*», meaning in case of doubt regarding the fiscal norm, is being applied the interpretation in favor of the taxpayer.

Still, before considering such interpretation, every public servant must clarify the said test, applying to the legislator's wish and the meaning of the law, verify the point of views expressed in the substantiation notes, statements of reasons (...). Meaning, must be observed the spirit of the law taken as a whole and what was the purpose for creating this law. If and only if, by way of these norms, the meaning of the norm was not clarified, then it is to apply the interpretation rule in favor of the taxpayer, targeting the protection of the taxpayer against abusive enforcement of the Law by the fiscal organ, but also for the improvement of the relation between the fiscal administration and the taxpayer, in order to avoid potential conflicts.

The management considers having recorded, in a proper manner, the fiscal liabilities in the financial statements.

23. Contingencies and Engagements

Capital engagements

The company has no other capital engagements granted.

Third-party guarantees

The guarantees granted to third parties are exposed in the table below:

	December 31, 2016	December 31, 2015
Other intangible receivables	868,346	462,013
Total	868,346	462,013

Other intangible receivables are exposed separately, at the financial fixed assets line for long term guarantees and at the receivables line for the ones that are to be recovered in less than 12 months (Note 7 and Note 9)

At the end of 2016, the Company does not records third-parties.

Guarantees received

The received guarantees are exposed in the table below:

	December 31, 2016	December 31, 2015
Performance guarantees transferred in the company's accounts	124,464	76,480
Execution bank guarantees received from clients	25,941,416	27,019,607
Execution bank guarantees received from suppliers	6,224,860	7,418,922
Performance guarantees transferred to the beneficiaries accounts, blocked until the fulfilment	2,905,274	3,139,319

of the release conditions

Total

35,196,014

37,654,328

Contingencies

Taxation

The Company consider that all the amounts due to State for the taxes were paid and registered on the balance date.

24. Affiliated parties

During ianuarie – decembrie 2016, the Company performed the following affiliated parties transactions:

Partner	Unsettled amounts december 31, 2015	Procurements in 2016	Settlements in 2016	Unsettled amounts december 31, 2016
SNTFM CFR Marfă SA	6,700,297	67,559,425	68,357,421	5,902,301

25. Audit Expenses

The Company's Audit for the year 2016 was performed by BDO AUDIT SRL

By No 3/29..11.2016 AGOA Decision, BDO AUDIT SRL was nominated as the financial auditor of the Company, for a three years perioud (2016, 2017, 2018).

The fees are being set based on the agreement concluded between the two parties. All the paid fees refer to audit services on the individual financial statements prepared in compliance with the International Financing Reporting Standards ("IFRS") and the requirements of the Order of the Ministry of Finance 2844/2016.

26. Risks Management

(a) Exchange Rate Risk

The company may be exposed to fluctuations of the exchange rate of the currencies by means of cash and cash equivalents, short-term investments, long term loans or trade liabilities expressed in foreign currencies.

The functional currency of the Company is the Romanian Lei. To date, the company is exposed to the exchange rate risk through cash and cash equivalents, as well as through the procurements made in a currency different from the functional currency. The currencies exposing the Company to such a risk are mainly EUR, USD and GBP. The debts in foreign currency are subsequently expressed in Lei, at the exchange rate of the date of the balance sheet, communicated by the Romanian National Bank. The resulting differences are included in the profit and loss account, but do not affect the cash flow up to the moment of the extinguishment of the liability.

The Company exposure to exchange rate risk expressed in RON was insignificant, as exposed in the above statements:

	Valoare	RON	EUR	USD	GBP
December 31, 2016					
Monetary assets					
Cash and cash equivalents	244,598,286	244,461,838	23,880	7,417	105,151
Short-term investments	163,053,678	163,053,678	-	-	-
Trade receivables and other	43,008,024	43,008,024	-	-	-

short and long term receivables					
Monetary debts					
Suppliers/different creditors	(21,067,081)	(20,350,780)	(716,301)	-	-
The net exposure in the statement of the financial position	429,592,907	430,172,760	(692,421)	7,417	105,151

	Value	RON	EUR	USD	GBP
December 31, 2015					
Monetary assets					
Cash and cash equivalents	124,120,815	123,933,335	55,377	10,065	122,038
Short-term investments	256,149,012	256,149,012	-	-	-
Trade receivables and other short and long term receivables	42,505,077	42,505,077	-	-	-
Monetary debts					
Suppliers/different creditors	(20,951,939)	(19,524,573)	(1,427,366)	-	-
The net exposure in the statement of the financial position	401,822,965	403,062,851	(1,371,989)	10,065	122,038

The exchange rates applied for the evaluation of the above elements in RON were:

	December 31, 2016	December 31, 2015
RON/EURO	4.5411	4.5245
RON/USD	4.3033	4.1477
RON/GBP	5.2961	6.1466

(b) The Credit Risk

The credit risk implies the hazard for the Company to bear a financial loss due to the non-fulfillment of the contractual obligations by a client or a counterpart to a financial instrument and this risk resides mainly in the trade liabilities, the cash and cash equivalents and short-term investments of the Company.

The maximum exposure to the collection risk at the reporting date:

	Net value	
	December 31, 2016	December 31, 2015
Trade receivables and other short and long term receivables	43,008,024	42,505,077
Total	43,008,024	42,505,077

The Company carries-out trade relations exclusively with approved third-parties, that justify the credit financing. **The Company's management closely monitorize the exposure to the trade credit risk.**

The financial assets that may submit the Company to the encashment risk, are mainly the trade liabilities.

The company implemented a series of policies where they provide that the sale of services is being performed by clients with rapid proceeds. The value of the net liabilities (no depreciation adjustments) represent the maximum amount exposed of the encashment risk.

At December 31, 2016, the Company holds cash and cash equivalents in amount of 244.598.286 Lei (at December 31, 2015: 124.120.815 Lei), as well as short term investments materialized in government securities, in amount of 163.053.678 Lei at 31.12.2016 (on December 31, 2015: 256.149.012 Lei), which represents the maximum exposure of the group over these assets. The cash and cash equivalents are held in banks and financial institutions, such as BCR, Raiffeisen Bank, BRD Groupe Societe Generale, Banca Transilvania, Unicredit, Credit Europe Bank, Piraeus Bank, etc).

The credit risk related to trade liabilities is reduced due to the regular encashment of the transport services. Despite the significant concentrations, the client base being extremely reduced, the management appreciates that the trade credit risk is reduced.

The statement of the seniority of receivables represented by the **clients** at the date of drafting the statement of the financial position was:

	Gross value December 31, 2016	Adjustment December 31, 2016	Net value December 31, 2016
Not reaching the maturity date	37,939,456	-	37,939,456
Maturity date exceeded between 1 - 30 days	15,481	-	15,481
Maturity date exceeded between 30 - 60 days	6,112	-	6,112
Maturity date exceeded between 60 -90 days	-	-	-
Maturity date exceeded between 90 days -1 year	6,950	-	6,950
More than 1 year	688,638	688,638	0
Total	38,656,637	688,638	37,967,999

	Gross value December 31, 2015	Adjustment December 31, 2015	Net value December 31, 2015
Not reaching the maturity date	36,441,155	-	36,441,155
Maturity date exceeded between 1 - 30 days	77,589	-	77,589
Maturity date exceeded between 30 - 60 days	43,926	-	43,926
Maturity date exceeded between 60 -90 days	49,085	-	49,085
Maturity date exceeded between 90 days -1 year	14,673	-	14,673
More than 1 year	660,295	660,295	0

Total	37,286,723	660,295	36,626,428
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The statement of seniority of **other receivables** at the date of preparation of the statement of the financial position was:

	Gross value December 31, 2016	Adjustement December 31, 2016	Gross value December 31, 2016	Adjustement December 31, 2016
Not reaching the maturity date	7,727,012	3,555,333	8,450,033	3,033,397
Total	7,727,012	3,555,333	8,450,033	3,033,397

We hereby mention that, for the intangible receivables below 1 year, in amount of 216,383 lei (note 9) have not been made depreciations impairments, as the respective receivables have not reached the maturity date

The movements in the depreciation impairments of the clients' receivables were the followings:

	2016	2015
Balance at January 1	660,295	647,884
Increases during the year	38,550	12,447
Reversals during the year	(10,207)	(36)
Balance at December 31	688,638	660,295

The movements in the depreciation impairments of **other receivables** were the followings:

	2016	2015
Balance at January 1	3,033,397	3,290,237
Increases during the year	559,590	6,806
Reversals during the year	(37,654)	(263,646)
Balance at December 31	3,555,333	3,033,397

c) The Liquidity Risk

The liquidity risk is the Company's risk to face difficulties in the achievement of the liabilities associated with the financial debts that are being settled in cash or by the transfer of other financial asset. The Company's approach in the liquidity management consists in being sure, as much as possible, that it will always dispose of enough liquidities to pay the maturity liabilities, both under normal and stress conditions, without bearing unacceptable losses or endanger the Company's reputation.

The liquidity risk is managed by the Company's management by the application of a permanent insurance policy of the liquidities meant to cover the settlement of the due financial liabilities.

2016	Contractual cash flows	< 1 year	1-5 years	> 5 years
Trade liabilities	20,657,756	20,657,756	-	-
Other liabilities	32,089,120	30,417,910	264,393	1,406,817
Total	52,746,876	51,075,666	264,393	1,406,817

2015	Contractual cash flows	< 1 year	1-5 years	> 5 years
Trade liabilities	20,756,975	20,043,292	713,683	-
Other liabilities	26,143,902	26,047,983	95,919	-
Total	46,900,877	46,091,275	809,602	-

(d) The Personnel Risk and the Salary System

On December 31st 2016, the age category with the highest rate ratio in the company is the personnel where the age is ranging between 41-50 years old (43%), followed by the category where the age is ranging between 51-60 years old (34%) and 31 - 40 years old (14%). Currently, this thing is a major advantage given that over 51% of the personnel has over 20 years of experience in the company.

The personnel related risk stands upon the possibility that in the future, the company be faced a lack of qualified personnel due to the leaves of the employees due to natural causes.

The analyzed level of this risk was very low; this is a high tolerability risk and for the control thereof have been set average and long-term measures by way of the personnel policy and the monitoring of the personnel fluctuations (personnel input/output in/from the company).

(e) The Risk Determined by the Correlation with the Global Market Evolution

The events on the world financial market bear direct and indirect impact on the evolution of the Romanian economy, fact reflected in the evolution of the Romanian capital market within the last years. Consequently, the evolutions at world level affect both CONPET activity and the evolution thereof on the capital market.

Romania's economy, like any other emerging economy, is sensitive to activity fluctuations at world level. The political, economic, social and any other type of world market events bear significant impact on the economic climate CONPET is doing business into.

The decrease of the oil price may determine a reorientation of the clients towards imports and implicitly a higher use of the import transport sub-system in the detriment of the domestic transport sub-system, with unfortunate effects on the revenues from the transport activity.

The analyzed level of the risk determined by the evolution of the global market was high; there is an intolerable risk for which have been instituted urgent measures to keep it under control:

- the systematic and adequate communication with the representatives of the majority shareholder (the Romanian State), of the shareholders and of all other interested parties for the integration of the company economic activity in the national energy strategy.

(f) Frontier Market Risk

The frontier market investors must be aware of the fact that such markets present a higher risk than the markets of the countries with a developed economy and mature legal and political systems. This risk is determined by the need to adapt to the legislative system in view of creating

certain effective instruments from both the legal and economic point of view, in order to provide the necessary framework for the establishment of a functional market economy.

The Romanian capital market, when referring to the current state of development, may be included in the frontier market category, markets that present higher risks as compared to the emerging or developed markets, although they may offer higher performance to the investors. The country risk is generated by the likelihood of occurrence of certain unpredictable political, social and economic changes, recurrent legislative changes, fluctuations of the exchange rate or high rates of inflation.

Even if Romania is member state of the European Union, CONPET financial standing and results may be influenced by unforeseeable events typical to a frontier market, being considered a market characterized by higher volatility, especially in the current global context.

(g) Legislative-related Risks

The results of CONPET initiatives are hard to predict and may be amended following the legislative instability in Romania. The frequent amendment of the normative acts, here included those that bear direct impact on CONPET activity, may trigger risks for the company.

CONPET effort to constantly adapt to the legislative requirements under continuous change may generate significant additional costs and the potential future amendments of the legislative framework may bear side effects on CONPET business and profitability (tax augmentation, introduction of new taxes and fees, reduction or suspension of certain fiscal facilities etc.).

Moreover, a possible increase in the level of the royalty paid for the use of the national Transport System may affect the financial statements and financial projections. In the past, there existed such legislative projects and the company expressed its standing within the meaning of the inadvisability of such a legislative decision, justified by the presentation of the produced financial effects, on both the company and consecutive, at macroeconomic level. An increase of the level of the royalty shall reflect into an augmentation of the transport tariff and subsequently, the consequences may be seen on two levels: the decrease of the crude transported quantities – especially on the imported crude – and over the pump price of the finite products resulted from the crude oil processing.

Therefore, the Romanian legislation regarding CONPET business may be amended in the detriment of the company and implicitly of the investors (tax augmentation, introduction of new taxes and fees, reduction or suspension of certain fiscal facilities).

The level of the analyzed risk was low; it is a high-tolerability risk for which the control measures thereof are reduced to the systematic and adequate communication with all interested parties in order to prevent the amendment of the tax and levies and fiscal facilities.

An important risk is being represented by the loss of the facility regarding the expenses borne by the Romanian State, in order to provide the guard and protection of the pipelines by gendarmes, regulated by GD 1107 dated November 14, 2012, which amends and completes GD no. 1468/2005.

The level of this analyzed legislative risk was average; there is a low tolerability risk for which have been set short-term measures to keep it under control:

- The introduction of a real-time leak detection and location system partially covers the risk.

(h) Risks related to certain Litigations

One of the major risks the company is currently exposed to, as concessionaire of the National Crude oil, rich gas, ethane and condensate transport system drives its sources in the legal regime of the lands under/over crossed by the transport major pipelines instituted pursuant to the provisions of Petroleum Law no. 238/2004. The number of private properties under/over crossed by pipelines is very high and there is a possibility that more and more owners bring proceedings in Court against the Company in order to obtain substantiated compensations based on the simple presence of the pipelines on their lands. Due to the defective way in which has been regulated the legal regime of the lands under/over crossed by the transport major pipelines, CONPET was and currently is engaged in a series of trials where the owners of those lands claim for the transport pipelines be either lifted, or moved to other sites (and the expense be borne by CONPET), or be granted annual compensations representing consisting amounts of money.

Within the last years, the Company prepared various legislative proposals to amend Law no 238/2004 - Petroleum Law, hoping for a coherent and clear regulation of the legal regime of lands under/over crossed by the transport major pipelines.

(i) The Risk Related to the Regulation Framework and Permits

CONPET core business, namely the transport via pipelines and by railway tanks, bears significant impact on the environment, which implies the acquirement and renewal of the permits regulating the Company's business, the acquirement of the building permits, based on all the permits necessary to conduct the subcontracted works included in the capital repairs (Rom. RK) programs and investments, acquirement of the permits and certifications for the rail transport activity (AFER), acquirement of INSEMEX permit for all sectors etc.

The Company activity is conditioned by a great number of regulations from different areas which, if not respected, may lead to the company sanctioning or activity suspension. Moreover, the Company is dealing with a lack of coherence and consistency between these regulations; this situation is triggering additional expenses and delays in the start or completion of certain works bearing side effects, such as: technical breakdowns, followed by losses of transported product and receipt of sanctions from the authorities.

The level of the analyzed risk determined by the regulation and authorizing framework was high; it is an intolerable risk for which have been set urgent measures to keep it under control:

- Urgent and systematic actions for the amendment of the Petroleum Law and harmonization thereof with other applicable legal provisions from the areas interfering with.

(j) The Market Risk

The company is dependent on the level of processing the crude oil in Romania. CONPET S.A. is not interconnected to other external transport systems, in the region.

The significant risk is being represented by the reduction of the transported crude quantities as a result of the diminution of the crude volumes imported by the refineries. This triggers <10% degree of utilization of the import sub-system. Currently, the refineries processing imported crude oil and

using the national Transport System for the transport thereof are Petrotel Lukoil S.A and to a smaller extent, Petromidia Refinery.

In lack of an interconnection of the National Transport System to other transport network outside the Romanian borders, there is a dependency in the achievement of the programmed revenues, on the decisions of the companies involved in the processing of the crude oil in Romania.

The crude oil and rich gas volumes produced from Romania's internal resources for the next three years, based on the information received from the Company from OMV, is relatively constant, approximating 4 million tons/year. In the last year, due to the diminution of the crude price, OMV Petrom has decreased the quantity programmed for extraction out of internal resources.

Following the restructuring of the petrochemical industry in Romania, the transport of the domestic derivatives (rich gas and ethane) has lowered dramatically, triggering side effects on the degree of utilization of the sub-system related to these products.

Given the conditions, by the support of the major shareholder, the Minister of Energy and National Authority for Mineral Resources (NAMR), the Company pays efforts to identify new opportunities that lead to the increase of the degree of utilization of the system, nevertheless involving into regional projects started in its business area.

The company management reckons it cannot forecast the changes to take place in Romania regarding the refineries' decision in relation to the level of processing, closing down/opening of the processing units and the effects thereof on the Company's financial position, operating result and cash flows.

The analyzed level of this risk was average; it is a risk describing low tolerability for which have been taken short term measures to keep it under control:

- Preserving mutual advantageous relations with the clients and satisfying their requirements;
- Interconnection of the national Transport System with other systems in the region
- Identification and development of activities related to the core business.

(k) Operational Risks

The Company results and activity may be influenced by specific operational risks, including the followings:

- Degradation of the National Pipeline Transport System due to the low level of utilization (small quantities, reduced frequency).
- Escalation of the criminal acts related to pipeline attacks bearing significant impact on the Pipelines National Transport System and environment;

The closing-down of a crude oil extraction site triggers, every time, the initiation of a procedure to identify possibilities to exploit the NTS.

Where haven't been identified new opportunities for the utilization of the respective throughputs, upon the NAMR approval, one proceeds to the conservation/inactivation thereof in order to cut expenses.

The analyzed level of operational risk associated to the "degradation of the NTS" was large; it is an intolerable risk for which have been set urgent measures to control it:

- Redefining the transport infrastructure according to demand.

The analyzed level of operational risk related to “the escalation of the criminal behavior” was average, being a low tolerability risk for which have been set short-term measures to keep it under control:

- the deterrence of the criminal behavior by the introduction of a real-time leak detection and location system.

(I) Environment Legal Aspects

The identification of the environmental aspects and the evaluation of the environmental impact

The environmental impact activity is being performed in the production sectors whenever changes in the system occur, changes involving environmental impact activities, the list of the aspects with material impact identified at the company's level having set the basis for the elaboration of the Environmental Management Program and the Actions Plan for the fulfillment of the environment objectives.

During 2016 has been revised the Environment's targets, have been updated the significant environmental aspects, these aspects being comprised in the new Actions Plan for the fulfillment of the environmental objectives.

The state of achievement of the objectives and targets settled is being recurrently analysed in the assessment performed by the management.

CONPET S.A. analysed the impact of the implementation of the Normative Act and requested the budgeting of the necessary amounts in order to implement the OMAI Order no.96/2016. Furthermore approaches are made in view of amending the normative act in as such the private service for emergency situations set up at our company level be included in category C1, which will result in a significant cost reduction.

Evaluations of the compliance with the legal requirements and other environmental requirements
 The recurrent assessment of the compliance with the legal requirements was provided by way of inspections made by the representatives of the Environment Authorities (Environment National Guard - Environment Regional Commissariates, National Authority of Environment Protection, the territorial agencies for environment protection, the risk secretariats of Regional Commissariates of the National Authority of Environment Protection, “Apele Romane” National Administration - Water Basinal Directions), as well as internal audit performed by the internal auditors within the Management and Internal Control Systems/ Management Service.

In 2016 environment and water management authorities performed 124 inspections in CONPET sites related to the observance of the legal requirements and other environment provisions of the existing regulatory acts or regarding the measures to be imposed ulterior to accidental contaminations. Also, were performed inspections based on Law no.59/2016 regarding the control over the major accident hazards where dangerous substances are involved, art.7, para(4), according to which the competent authorities at county level performed altogether the visit on site following the notification received by SRAPM and establish the inclusion thereof as per the abovementioned law provisions.

28. Subsequent Events

Have not been registered significant events subsequent to the closing down of 2016 financial year.

Director General,
 Eng.Ilași Liviu
 S.s. Illegible, Stamp

Director Economic,
 Econ.Toader Sanda
 S.s. Illegible