



CONPET S.A., Romania
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TIN: RO 1350020; NACE Code 4950; CRN J29/6/22.01.1991
Subscribed and paid-up share capital 28 569 842.40 RON

**Simplified Interim Financial Statements
at the date and for the six months period ended June 30, 2017**

**prepared in compliance with
International Accounting Standard 34 “Interim Financial Reporting”**



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CONTENTS:	Page
Interim Financial Statements	
Interim Statement of the financial position	3-4
Interim Statement of the Profit or Loss and other elements of the Global Result	5
Interim Statement of Changes in Equity	6 - 7
Interim Cash Flow Statement	8
Interim Notes to the financial statements	9-29

The company CONPET S.A.

Interim statement of the financial position at June 30,2017
(All the amount are expressed in RON, if not otherwise specified)

INTERIM STATEMENT OF THE FINANCIAL POSITION AT JUNE 30, 2017

	Note	June 30, 2017 (revised)	December 31, 2016 (audited)
ASSETS			
Non-current assets			
Tangible assets	4	395,853,581	403,468,873
Intangible assets	5	1,493,719	1,971,202
Financial investments	6	855,841	656,965
Total non-current assets		398,203,141	406,097,040
Current assets			
Inventories	7	7,979,228	8,548,131
Trade receivables and other receivables	8	35,610,431	42,356,060
Short-term investments	10	19,094,542	163,053,678
Cash and cash equivalents	9	442,025,362	244,598,286
Prepaid expenditure		774,370	255,475
Total current assets		505,483,933	458,811,630
TOTAL ASSETS		903,687,074	864,908,670
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Subscribed and paid-up share capital	11	28,569,842	28,569,842
Legal reserves	11	5,713,968	5,713,968
Revaluation reserves	11	30,237,356	32,957,666
Other reserves	11	547,097,228	536,238,701
Retained earnings	11	50,135,393	122,395,850
Year's result	11	40,394,205	71,546,604
Share of profit		-	(1,710,000)
Total shareholder's equity		702,147,992	795,712,631
Deferred revenues			
Investment Subsidies		1,400,350	1,468,191
Deferred revenues		14,690	15,791
Total deferred revenues		1,415,040	1,483,982
Long-term debts			
Deferred corporate tax		2,480,062	1,671,210
Long-term provisions		3,413,568	3,542,697
Total long-term debts		5,893,630	5,213,907

The company CONPET S.A.

Interim statement of the financial position at June 30,2017

(All the amount are expressed in RON, if not otherwise specified)

	Note	June 30, 2017 (revised)	December 31, 2016 (audited)
Current debts			
Commercial debts	13	16,950,728	20,657,756
Current corporate tax		4,047,588	3,901,860
Other debts	13	169,380,540	26,516,050
Short-term provisions	14	3,851,556	11,422,484
Total current debts		194,230,412	62,498,150
Total debts		200,124,042	67,712,057
TOTAL SHAREHOLDERS' EQUITY AND DEBTS		903,687,074	864,908,670

These interim financial statements and related notes,from page 3 to page 29 have been approved on August 10,2017.

Director General,
Eng.Ilași Liviu

Economic Director,
Econ.Toader Sanda

The company CONPET S.A.

Interim statement of the profit or loss and other global result elements for the six months period ended June 30, 2017
(All the amount are expressed in RON, if not otherwise specified)

**INTERIM STATEMENT OF THE PROFIT OR LOSS AND OTHER ELEMENTS OF
THE GLOBAL RESULT FOR THE SIX MONTHS PERIOD ENDED
June 30, 2017**

	Note	Six months ended June 30, 2017 (revised)	Six months ended June 30, 2016 (unaudited)
Operating revenues	17		
Turnover revenues		186,314,395	187,481,051
Other revenues		16,289,129	14,773,808
Total operating revenues		202,603,524	202,254,859
Operating expenses	18		
Inventory related expenses		(3,229,734)	(3,145,354)
Expenses with energy and water		(5,172,245)	(4,939,938)
Personnel expenses		(57,562,595)	(55,911,990)
Value adjustments regarding the tangible/intangible assets		(22,280,158)	(20,323,138)
Value adjustments related to current assets		1,063,173	49,774
Expenses related to external services		(49,365,959)	(51,724,532)
Other expenses		(27,819,699)	(32,519,555)
Provisions adjustments		7,700,057	9,064,732
Total operating expenses		(156,667,160)	(159,450,001)
Operating profit		45,936,364	42,804,858
Financial revenues		1,920,176	1,879,901
Financial expenses		(19,658)	(55,832)
Financial profit	19	1,900,518	1,824,069
Profit before taxation		47,836,882	44,628,927
Expenses with the current income tax	15	(6,116,363)	(6,522,262)
Expenses with deffered income tax		(1,326,314)	(1,061,950)
Profit of the period		40,394,205	37,044,715
TOTAL GLOBAL RESULT OF THE YEAR		40,394,205	37,044,715
Earnings per share	16	4.67	4.28

Director General,
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Economic Director,
Econ. Toader Sanda

The company CONPET S.A.

Interim statement of the changes in equity at June 30, 2017

*(All the amounts are expressed in RON, if not otherwise specified)***INTERIM STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY AT JUNE 30, 2017 (revised)**

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Profit or loss of the period	Share of profit	Total Shareholder's Equity
Balance at January 1, 2017	28,569,842	5,713,968	32,957,666	536,238,701	122,395,850	71,546,604	(1,710,000)	795,712,631
Net result of the period						40,394,205		40,394,205
Increase of modernization quota fund				25,963,435				25,963,435
Decrease of modernization quota fund				(15,104,908)				(15,104,908)
Reversal of revaluation surplus			(2,720,310)		2,720,310			-
Corporate tax related to retained earnings					(1,255,097)			(1,255,097)
Dividends due to shareholders					(73,725,670)	(69,836,604)		(143,562,274)
Distribution, as per the law, of the profit related to the preceding year - Exemption from the payment of reinvested corporate tax						(1,710,000)	1,710,000	-
Balance at June 30, 2017	28,569,842	5,713,968	30,237,356	547,097,228	50,135,393	40,394,205	-	702,147,992

Note : The „Other Reserves” item also includes the reserve representing the modernization quota. This reserve has a special regime, stipulated by G.D. no. 168/1998, being intended exclusively for the financing of the modernization and development of the goods belonging to the public domain.

The company CONPET S.A.

Interim statement of the changes in equity at June 30, 2017

(All the amounts are expressed in RON, if not otherwise specified)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY AT JUNE 30, 2016 (unaudited)

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Profit or loss of the period	Share of profit
Balance at January 1, 2016	28,569,842	5,713,968	93,603,956	501,118,930	72,316,398	63,198,986	764,522,080
Net result of the period						37,044,715	37,044,715
Increase of modernization quota fund				27,395,011			27,395,011
Decrease of modernization quota fund				(13,451,282)			(13,451,282)
Reversal of revaluation surplus			(4,477,748)		4,477,748		-
Deferred corporate tax related to retained earnings					35,076		35,076
Distribution, as dividends, of the profit related to the preceding year						(63,198,986)	(63,198,986)
Balance at June 30, 2016	28,569,842	5,713,968	89,126,208	515,062,659	76,829,222	37,044,715	752,346,614

Note : The „Other Reserves” item also includes the reserve representing the modernization quota. This reserve has a special regime, stipulated by G.D. no. 168/1998, being intended exclusively for the financing of the modernization and development of the goods belonging to the public domain.

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INTERIM CASH-FLOW STATEMENT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2017 (revised)

(DIRECT METHOD)

	Element	Six months period ended June 30, 2017	Six months period ended June 30, 2016
	Cash flows from operating activities:		
+	Proceeds from services supply	199,692,134	198,599,686
+	Proceeds from interests related to banking investments	1,221,583	805,293
+	Other proceeds	2,401,295	748,138
-	Payments to the suppliers of goods and services	(55,285,084)	(56,891,663)
-	Payments to and on behalf of the employees	(56,188,567)	(54,937,366)
-	VAT payments	(24,969,109)	(24,465,356)
-	Corporate tax payments	(7,743,195)	(7,169,662)
-	Other payments regarding operating activities	(17,699,616)	(16,148,793)
A	Net cash from operating activities	41,429,441	40,540,277
	Net cash flows from investment activities:		
+	Proceeds from sale of tangible assets	1,424,124	-
+	Proceeds from modernization quota	25,963,435	27,395,011
+	Proceeds from short-term financial investments	142,959,952	262,480,756
+	Proceeds from interests related to government securities	1,622,248	3,460,844
-	Payments for purchase of tangible assets	(19,110,522)	(24,861,451)
-	Payments for short-term financial investments	-	(172,095,327)
B	Net cash from investment activities	152,859,237	96,379,833
	Cash-flows from financing activities:		
+	Proceeds dividends transferred to Depozitarul Central	2,709,838	2,044,338
-	Paid dividends	(143,058)	(78,247)
C	Net cash from financing activities	2,566,780	1,966,091
	Net increase of the cash and cash equivalents=A+B+C=D2-D1	196,855,458	138,886,201
D1	Cash and cash equivalents at the beginning of the financial period	244,597,901	124,120,815
D2	Cash and cash equivalents at the end of the financial period	441,453,359	263,007,016
	<i>To which is being added:</i>		
	<i>Government securities as government bonds and treasury bills</i>	18,928,815	162,953,127
	Total availabilities at the end of the period	460,382,174	425,960,143

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Economic Director,
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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 and is registered at the Financial Supervisory Authority by registration certificate no. 7227/1997.

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

The shares issued by CONPET are traded on the regulated market administered by Bucharest Stock Exchange under "COTE" symbol, Securities section, 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 interim financial statements at June 30, 2017, prepared in compliance with the IAS 34 have not been audited, but have been revised by the financial auditor.

Company Establishment

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.).

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 2,734,435 shares representing 31.58% and
- natural persons, with 839,721 shares representing 9.70%.

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 concessioned based on the oil concession agreement, as well as by railway tanks, from the loading ramps to the refineries, 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 of the imported and the transport thereof from the delivery sites to the 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 inquirers, 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 titulars 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; annuls 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 NAMR may trigger significant effects on the Company's business.

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

The transport tariff stands 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 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. The tariffs on the import subsystems are applied per refineries, according to the transported quantities, being used the bracket tariff model.

The transport tariffs comprise:

- The 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, expenses for the pipelines guard services, decontamination expenses, other expenses;

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

Stock Indices

Starting March 20, 2017, the company CONPET S.A. is included in the composition of the most important stock market indices of the capital market in Romania, namely **BET** și **BET-TR**. 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 the evolution of the highest traded companies listed at the Bucharest Stock Exchange and also complies with the highest standards of investor relations and corporate governance.

By including the company in the two stock market indices mentioned above, CONPET S.A. gets to be part of the 7 indices of Bucharest Stock Exchange, respectively **BET**, **BET-TR**, **BET-XT**, **BET-XT-TR**, **BET-BK**, **BET-NG** și **BET Plus**.

The price series of the shares issued by the company CONPET S.A. knew an upward trend within the first five months of 2017, exceeding the level of the stock market indicators where they are included. Late May 2017, the price of COTE shares reached a hystorical maximum level, namely 143 RON/share, falling to 95.20 RON/share at 30.06.2017, due to the correlation of the stock price with the value of dividend, given that since the date of the ex-dividend set for June 29, 2017, the financial instruments issued by the company have been traded without conferring the right to collect dividends related to year 2016.

At 30.06.2017, CONPET S.A. had a market capitalization of 824,196,666 RON (180,986,993 Euro), ranking 17 in "Top 25 issuers according to capitalization".

2. Preparation Grounds

(a) Declaration of Conformity

These simplified interim financial statements of the Company were prepared pursuant to the the IAS 34 0 interim Financial Reporting. They do not include all the necessary information in order to provide a complete set of financial statements in compliance with the International Financial Reporting Standards (IFRS). Have also been included certain explanatory notes in order to present the events and transactions significant for the understanding of the changes occurred in the financial position and company performance since the last annual financial statements at the date and for the financial year ended December 31, 2016.

(b) 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 liabilities 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. The significant reasonings used by the management for the application of the accounting policies of the company and the main sources of uncertainty regarding the estimates were the same with those applied to 2016 financial statements.

3. Accounting Policies

The accounting policies and the evaluation methods adopted in view of preparing the interim financial statements are the same with those used when drafting the annual financial statements for the financial period ended December 31, 2016.

4. Tangible Assets

In 2017 H1, the tangible assets evolved as follows:

Name	Land plots and land improvements	Buildings and special installations	Operating oil products	Machinery and equipment	Measurement and control devices	Vehicles	Other tangible assets	Tangible assets in progress and advance payments	Total tangible assets
Gross accounting value at January 1st 2017	22,474,438	262,421,566	42,493,011	77,549,735	62,961,842	26,056,781	5,886,037	16,063,567	515,906,977
Cummulated depreciation at January 1 st , 2017	-	(37,580,696)	-	(25,745,765)	(32,275,610)	(14,554,479)	(2,212,363)	-	(112,368,913)
Impairment Adjustments of assets	-	-	-	-	-	-	-	(69,191)	(69,191)
Net accounting value at January 1st, 2017	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
Tangible inputs	-	1,924,958	-	1,657,410	713,645	39,375	257,254	10,126,374	14,719,016
Tangible outputs	-	(848)	(420,165)	(34,303)	-	-	-	(76,318)	(531,634)
Depreciation recorded during the semester	-	(9,386,121)	-	(4,602,906)	(5,979,823)	(1,473,403)	(429,612)	-	(21,871,865)
Reversal of impairment adjustments	-	-	-	-	-	-	-	69,191	69,191
Net accounting value at June 30, 2017	22,474,438	217,378,859	42,072,846	48,824,171	25,420,054	10,068,274	3,501,316	26,113,623	395,853,581

The company CONPET S.A.
Notes to the interim financial statements at June 30, 2017
(All the amounts are expressed in RON, if not otherwise specified)

Net accounting value at January 1, 2017	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 accounting value at June 30, 2017	22,474,438	217,378,859	42,072,846	48,824,171	25,420,054	10,068,274	3,501,316	26,113,623	395,853,581
Difference	-	(7,462,011)	(420,165)	(2,979,799)	(5,266,178)	(1,434,028)	(172,358)	10,119,246	(7,615,293)

The diminution of the tangible assets by 7,615,293 RON, is mainly determined by the record of the depreciation related expenses and by the output of tangible assets whose values are not amortized, the value thereof being superior to the investments made in 2017 H1.

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

At 30.06.2017, 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. The value of these lands, as per the Land ownership Certificates is in amount of 26,255,918 RON, registered in the capital accouts (other reserves) without augmenting the share capital.
At 30.06.2017, the fair value of these lands amounts to **11,858,571 RON**.
- 155,411.45 sqm represent lands related to a number of 14 Ownership Certificates obtained until 2001, which are registered in the share capital. 30.06.2017, 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 of **7,602,573 RON**, at 30.06.2017.

Operating Oil Product	June 30 2017	December 31, 2016
Value of the operating oil product at cost	254,549	256,977
Differences related to restatement as per IAS 29	41,818,297	42,236,034
Operating oil product balance	42,072,846	42,493,011

The fall in the operating oil product belonging to CONPET, by the amount of 420,165 RON at 30.06.2017 is due to the sale of 934 tons of rich gas in January 2017, volumes coming from the close-down of Ţicleni - Petrobrazi transport pipeline.

Tangible Assets in Progress

In 2017 H1, the Company has executed tangible assets works, in view of replacing, by deviation, certain sections of pipelines on various distances, crude oil pipelines commissioning works at the rivers undercrossings and crossings, tanks modernizations, loading ramps modernization, modernization of the pumping system in various stations, modernization of the vibration and temperature monitoring system, external lightening installations, modernization and monitorization cathodic protection stations, water supply, pursuant to the approved "2017 Investments Program".

5. Intangible Assets

During 2017 H1, the intangible assets evolved as follows:

Name	Software and licenses	Other intangible assets	Total intangible assets
Gross accounting value at January 1st 2017	5,227,704	1,082,675	6,310,379
Cummulated depreciation at January 1 st 2017	(3,372,176)	(967,001)	(4,339,177)

Net accounting value at January 1st 2017	1,855,528	115,674	1,971,202
Intangible inputs	-	-	-
Depreciation recorded during the semester	(457,926)	(19,557)	(477,483)
Net accounting value at June 30, 2017	1,397,602	96,117	1,493,719
Net accounting value at January 1st 2017	1,855,528	115,674	1,971,202
Net accounting value at June 30, 2017	1,397,602	96,117	1,493,719
Difference	(457,926)	(19,557)	(477,483)

At 30.06.2017, the net value of the intangible assets lowered as compared to late 2016, by the amount of 477,483 RON, representing the depreciation of the intangible assets during that time.

The depreciation method used is the linear method. The composition of the balance is mainly constituted of IT programs and software licenses. Research, development and set-up expenses have not been capitalized.

6. Financial Assets

The comparative statement of the financial assets on the two reporting periods reveals the followings:

Name	Other long-term investments	Long-term receivables	Total financial assets
Net accounting value at January 1, 2017	5,000	651,965	656,965
Inputs	-	320,189	320,189
Outputs	-	121,313	121,313
Net accounting value at June 30, 2017	5,000	850,841	855,841
Difference	-	198,876	198,876

At 30.06.2017 the company holds participations to the share capital of Registrul Independent Monitor.

The tangible assets include redeemable guarantees paid by the company for temporary set-aside of certain land plots used for investment works.

7. Inventories

Name	Raw materials and consumables	Products and merchandise	Total inventories
Gross accounting value at January 1, 2017	6,696,731	3,249,989	9,946,720
Write-down adjustments	(1,241,883)	(156,706)	(1,398,589)
Net accounting value at January 1, 2017	5,454,848	3,093,283	8,548,131
Inventories input during the period	6,362,265	873,161	7,235,426
Inventories output during the period	(7,094,265)	(999,838)	(8,094,103)

Impairment adjustments of write-back of inventories	268,435	21,339	289,774
Net accounting value at June 30, 2017	4,991,283	2,987,945	7,979,228
Net accounting value at January 1st 2017	5,454,848	3,093,283	8,548,131
Net accounting value at June 30, 2017	4,991,283	2,987,945	7,979,228
Difference	(463,565)	(105,338)	(568,903)

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 Receivables and other Receivables

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

	June 30 2017	December 31st 2016
Clients	34,912,436	38,656,637
Adjustment of impairment of receivables	(690,526)	(688,638)
Other trade receivables	307,857	216,383
Sub-total – Trade receivables (net)	34,529,767	38,184,382
Other receivables	3,860,709	7,727,011
Adjustment of impairment of other receivables	(2,780,045)	(3,555,333)
Sub-total - Other receivables (net)	1,080,664	4,171,678
Total short-term receivables	35,610,431	42,356,060

The customers' structure by activities is the following:

	June 30, 2017	December 31, 2016
Clients-transport activity	33,935,060	37,790,395
Other clients- auxiliary activities	977,376	866,242
Total	34,912,436	38,656,637

The trade receivable are not interest bearer and have a rotation speed of 29 days.

The main clients holding a significant share (over 99%) in the turnover at 30.06.2017 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 86% of the total short-term receivables at June 30, 2017.

Other receivables, amounting to 3,860,709 RON mainly include amounts to be recovered from different natural and legal persons in litigation pending before the law courts (2,259,508 RON, respectively 58.5%), undue VAT related to unarrived invoices (494,138 RON, respectively 12.8%), as well as interest receivable related to deposits with maturity below 3 months (435,181 RON, respectively 11.3%).

Adjustment of impairment of other receivables (different debits related to the legal files pending before the Law Court, fiscal obligations and fines paid and facing challenging procedure) are, at 30.06.2017, in amount of 2,780,045 RON, registering 775,288 RON decrease as compared to 31.12.2016, following the registration, in the company's costs, of certain debits representing ancillary expenses and challenged fines, where the court actions have been lost.

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 June 30, 2017 and December 31, 2016, the cash and cash equivalents are as follows:

	June 30, 2017	December 31, 2016
Current bank accounts	3,718,277	4,164,928
Bank deposits (maturity \leq 3 months)	437,706,441	240,426,995
Cash on hand	28,641	5,978
Other cash equivalents	572,003	385
Total	442,025,362	244,598,286

The significant increase in cash volume at 30.06.2017 was mainly due to the placements in short-term financial investments which have reached maturity, the difference being recorded from the current activity performed in 2017 Half 1.

The cash includes the available amount related to the modernization quota, accounting for 202,456,650 RON.

The available amount related to the modernization quota has special use regime, under GD no. 168/1998, being meant exclusively for the financing of the rehabilitation and development of the goods belonging to the public domain.

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 both government securities as treasury bills and government bonds and related interest receivable.

	June 30, 2017	December 31, 2016
Government securities(treasury bills and government bonds)	18,928,815	161,888,767
Government securities related interest	165,727	1,164,911
Total	19,094,542	163,053,678

Late 2017 H1, the Government securities held by the Company are detailed in the table below:

Issuer	Depo sitory	Product type	Series	No. of titles	Share value of the instrument	Value of coupon	Interest (%)	Value at 30.06.2017 (RON)
MFP	BCR	Government coupon bonds	RO0717DBN046	1,804	10,000	590	0.75%	18,928,815
Total								18,928,815

11. Shareholders' Equity

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

The structure of the share capital and the shareholding structure of CONPET S.A. at June 30, 2017 is as follows:

Shareholders	June 30, 2017			December 31, 2016		
	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	2,734,435	9,023,635	31.5845	2,785,694	9,192,790	32.1766
Natural persons	839,721	2,771,079	9.6993	788,462	2,601,924	9.1072
Total	8,657,528	28,569,842	100%	8,657,528	28,569,842	100%

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 (in the instance, the file had number 33317/3/2017).

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 S.A., 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.

By Civil Sentence no. 932/19.05.2017, Bucharest Court of Appeal rejects the appeals filed by the appellants-applicants Ministry of Economy and Ministry of Energy against Civil Sentence no. 1296/19 march 2014 passed by 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..

In the same period, the Fondul Proprietatea filed for proceeding (File no. 3715/105/2007- Prahova Tribunal) 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 June 30, 2017 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

The increase of other reserves by the amount of 10,858,527 RON during 2017 H1 comes from the augmentation of the reserve representing modernization quota.

On June 30, 2017, Other Reserves are in gross amount of 547,097.228 RON, with the following composition:

- 434,423,654 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, out of which 81,468,379 RON represent amounts distributed out of the net profit during the previous years, for establishment of own financing sources in compliance with Article 1, paragraph (1), letter g) of G.O. no. 64/2001.
- 1,710,000 RON – reserve related to the reinvested profit, as per article 22 of Law no. 227/2015 regarding the Fiscal Code.

Revaluation Reserves

At June 30, 2017, the revaluation reserves are in gross amount of 35,860,466 RON (39,098,238 RON on December 31, 2016). In the financial position, the revaluation reserves are presented at their net value of 30,237,356 RON, resulted following the diminution of the gross value by the related deferred tax directly recognized in the shareholders' equity, as per IAS 12.

The Retained Earnings

The retained earnings lowered from 122,395,850 RON at December 31, 2016, to 50,135,393 RON at June 30, 2017. The 72,260,457 RON reduction was mainly determined by the additional allocation, at dividends, of the amount of **73,725,670 RON** representing **retained earnings**, as per the OGMS Resolution no. 2/26.04.2017.

The retained earnings in amount of 50,135,393 RON is made up of:

- 5,634,435 RON - retained earnings derived from the passing to application of IFRS, less IAS 29;
- 41,818,297 RON- retained earnings coming from the adoption, for the first time of IAS 29, related to fixed assets representing operating oil product;
- 2,682,661 RON – retained earnings representing surplus achieved out of revaluation reserves.

Profit of the Period

The profit of the period amounts to 40,394,205 RON on June 30, 2017, 9.04 % higher YoY.

12. 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, other benefits, as well as bonuses such as: holiday and treatment vouchers, including the related transport, presents given to the employees and their minor children, birth grant, funeral grants and serious diseases, humanitarian grants, meal vouchers, other bonuses.

The benefits granted to the employees reveal the followings:

Liabilities regarding the Employees' Benefits

	6 months ended June 30, 2017	6 months ended June 30, 2016
Quarterly premiums	648,531	549,760

Retirement support	266,184	174,777
Marriage support	14,788	3,427
Employees' share of profit	4,754,892	4,522,804
The company's contribution to facultative pension schemes	1,512,580	1,516,555
Other benefits	50,681	50,016
Total	7,247,656	6,817,339

Liabilities regarding the Employees' Bonuses

	6 months ended June 30, 2017	6 months ended June 30, 2016
Holiday/medical treatment vouchers and related transport	562,920	361,952
Gifts - employees and minor children	159,450	166,950
Financial support - birth, death, illness, humanitarian	252,745	288,753
Meal vouchers	1,757,468	1,817,927
Other bonuses	308,181	55,890
TOTAL	3,040,764	2,691,472

Waging System - Director General, members of the Board of Administration and GMS Secretary

	6 months ended June 30, 2017	6 months ended June 30, 2016
Allowance - Mandate contract	522,212	550,644
Allowance - Board members and	519,906	548,055
Allowance - GMS Secretary	-	4,251
Total	1,042,118	1,102,950

Wages and Contributions related Expenses

	6 months ended June 30, 2017	6 months ended June 30, 2016
Salary Expenses	36,383,957	35,694,372
Social Insurance Expenses	9,848,100	9,605,857
Total	46,232,057	45,300,229

Note: The "Waging Expenses" line does not include the benefits and bonuses of the employees, nor the allowances of the Director General and Board of Administration members.

13. Trade liabilities and other Liabilities

At June 30, 2017, as compared to December 31, 2016, the trade liabilities and other liabilities are as follows:

	December 31, 2016	June 30 2017	Maturity for the balance at June 30, 2017		
			< 1 year	1- 5 years	> 5 years
Trade payables	20,657,756	16,950,728	16,950,728	-	-
Other payables (including taxes and social security)	32,089,120	175,908,190	173,428,128	2,177,970	302,092
Total	52,746,876	192,858,918	190,378,856	2,177,970	302,092

The rotation speed suppliers is 41 days.

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, Engie Romania, Prodiatour, OMV Petrom Marketing, Omniasig Vienna Insurance Group, Cameleon Security, Mol Romania Petroleum Products, Orange Romania etc.

During 01.01.2017-30.06.2017, the share thereof in total operation suppliers is of 88.31%.

In case of fixed assets suppliers, the share is being held by the following suppliers: Inspec, IPM Partners, Talpac, Swiso Electric, Prodrep, Mobil Industrial AG, Intercom, Snif Project, Drilling Swiss, Addvalue Global Consulting, Industrial Computer Group, Dacelectric, Petrostar etc. (respectively 89.33 % in total fixed assets suppliers in 2017 H1).

The status of the employees-related debts, fiscal debts and other debts, according to maturity, looks as follows:

Liabilities	December 31, 2016	June 30, 2017	Maturity for the balance at June 30, 2017		
			< 1 year	1- 5 years	> 5 years
Payroll	3,650,030	3,705,935	3,705,935		
Social security	3,169,681	2,627,001	2,627,001		
Current income tax	3,901,860	4,047,588	4,047,588		
Deferred tax	1,671,210	2,480,062	-	2,177,970	302,092
Royalty due to the State Budget	7,540,612	7,267,542	7,267,542		
VAT payable	4,350,768	4,147,437	4,147,437		
Other taxes and liabilities to State Budget	1,182,836	940,276	940,276		
Dividends payable	6,204,944	149,597,384	149,597,384		
Other liabilities	417,179	1,094,965	1,094,965		
Total	32,089,120	175,908,190	173,428,128	2,177,970	302,092

As compared to the end of 2016, at chapter „other liabilities”, in 2016 is being registered a material increase at the position „dividends payable”, following the approval by OGMS Resolution no. 2/26.04.2017, concurrently with the annual financial statements, of distribution, at dividends, of the profit related to 2016. The payment of dividends has been established at 20.07.2017.

14. Provisions

	June 30, 2017	December 31, 2016
Provisions - litigations	3,005,643	3,012,183
Provisions – employee benefits	4,117,568	11,747,998
Other provisions for risks and expenses	141,913	205,000
Total	7,265,124	14,965,181
<i>Long-term provisions</i>	<i>3,413,568</i>	<i>3,542,697</i>
<i>Short-term provisions</i>	<i>3,851,556</i>	<i>11,422,484</i>

Provisions for Litigations

In detail, the provisions for litigations are:

	June 30, 2017	December 31, 2016
Litigations for civil compensations	1,766,661	1,773,201
Litigations for breach of contractual clauses by third-parties	1,192,999	1,192,999
Work related litigations	45,983	45,983
Total	3,005,643	3,012,183

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.

Provisions for the Employees' Benefits

The decrease of these provisions was mainly due to, the write-back of the provisions constituted for the employees' share of profit.

The biggest share in the provisions for employees' benefits is held by the provision for retirement support in amount of 3,501,505 RON, out of which 3,413,568 RON represents long-term liabilities and 87,937 RON represents short-term liabilities. This provision was calculated based on actuarial methods according to the estimation of the average salary, of the average number of salaries payable upon 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).

15. The Income Tax

The current and deferred income tax of the company for 2017 H1 and for year 2016 are determined at a statutory rate of 16%.

	6 months ended June 30, 2017	6 months ended June 30, 2016
Current income tax expense	6,116,363	6,522,262
Deferred income tax expense	1,363,947	1,061,950
Deferred income tax revenue	(37,633)	-
Total	7,442,677	7,584,212

Reconciliation of the effective tax rate:

	June 30, 2017	June 30, 2016
Profit before taxation	47,836,882	44,628,927
-income tax at the statutory rate of 16%	7,653,901	7,140,628
Effect over the income tax of:		
- Non - deductible expenses	194,267	604,514
- Non - taxable revenues	(1,410,708)	(1,748,715)
- Revenues similar elements	443	716,329
- Expenses similar elements	(123,290)	(568)
- Other effects - temporary differences	1,326,314	1,061,950
- Amounts representing sponsorship within the limits provided by law	(198,250)	(189,926)
Income Tax	7,442,677	7,584,212

16. Earnings per share

The earnings per share at 30.06.2017 YoY is:

	6 months ended June 30, 2017	6 months ended June 30, 2016
Profit of the year	40,394,205	37,044,715
Number of ordinary shares at the beginning/end of the period	8,657,528	8,657,528
Basic and diluted earnings per share (RON/share)	4.67	4.28

17. Operating Revenues

a) Turnover revenues

	6 months ended June 30, 2017	6 months ended June 30, 2016
Transport service revenues, o/w:	184,126,057	186,561,559
<i>Domestic transport system related revenues</i>	143,377,849	149,264,996
<i>Import transport system related revenues</i>	40,748,208	37,296,563
Rental revenues	695,031	593,793
Other revenues included in turnover	1,493,307	325,699
Total turnover revenues	186,314,395	187,481,051

The transport 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 2017 H1, the transported quantities per sub-systems, as compared to the preceding year, are as follows:

	6 months ended June 30, 2017	6 months ended June 30, 2016
Domestic Subsystem	1,784,874	1,854,587
Import Subsystem	1,426,578	1,603,322
Total quantities (tons)	3,211,452	3,457,909

The overall quantity of transported products decreased by 7.13 % during 2017 H1 YoY, due to the decrease, by 3.76%, of the transported quantities on the domestic subsystem and the decrease by 11.02% of the volumes transported on the import subsystem.

The tariffs for the supply of the transport services in 2017 H1, as approved by the National Agency for Mineral Resources pursuant to Order no. 32/02.02.2016, are as follows:

- For the domestic transport subsystem, the average tariff is 79.75 RON/ton;
- For the import transport subsystem, the tariffs are applied per refineries, per batches of transported quantities, according to tariff bands:

Period	Arpechim		Ploiesti Basin		Petromidia	
	Thousand tons/month	RON/ton	Thousand tons/month	RON/ton	Thousand tons/month	RON/ton
February 9, 2016 – to date	< 100	38.85	< 100	38.00	< 100	8.00
	> 100	16.60	> 100	16.00	> 100	7.33

b) Other operating revenues

	6 months ended June 30, 2017	6 months ended June 30, 2016
Revenues from consumption of modernization quota	15,104,907	13,451,283

Earnings from assignment of assets	899,618	-
Other revenues	284,604	1,322,525
Ttotal operating revenues	16,289,129	14,773,808

The revenues related to the expenses borne by the modernization quota account for 92.73 % of other operating revenues achieved, registering 12.29 % increase YoY.

18. Operating expenses

a) Inventories and other utilities expenses

	6 months ended June 30, 2017	6 months ended June 30, 2016
Consumables expenses	2,531,736	2,379,173
Other material expenses	666,295	761,227
Other expenses with energy and water	5,172,245	4,939,938
Merchandise expenses	31,703	4,954
Total inventories expenses	8,401,979	8,085,292

b) Personnel Expenses

	6 months ended June 30, 2017	6 months ended June 30, 2016
Salaries expenses	37,313,460	36,394,016
Meal vouchers expenses and other advantages	1,782,103	1,846,926
Employees' share of profit expenses	4,754,892	4,522,804
Social protection expenses as per the Colective Labour Agreement	1,258,661	844,546
Social insurance expenses, here-included the contribution to facultative pension schemes	1,092,799	1,181,286
Social insurance expenses, here-included the contribution to facultative pension schemes	11,360,680	11,122,412
Total personnel expenses	57,562,595	55,911,990

c) The Outside Services Expenses include:

	6 months ended June 30, 2017	6 months ended June 30, 2016
Rail transport Expenses	28,104,245	29,471,432
Royalties, commercial leasings and rental expenses	14,905,244	15,098,351
Third-party pumping related expenses	2,397,841	2,635,332
Expenses with maintenance and repairs	700,042	1,117,324
Expenses related to decontamination, monitoring of the environment factors	221,082	480,290
Travel, assignments and transfer expenses	359,096	374,122

Personnel and goods transport related expenses	319,854	307,641
Postal expenses and telecommunication charges	257,336	220,584
Other third-party services related expenses	2,101,219	2,019,456
Total Outside Services Expenses	49,365,959	51,724,532

The royalties, commercial leasings and rental expenses comprise the oil royalty, calculated according to EGO 101/ 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

	6 months ended June 30, 2017	6 months ended June 30, 2016
Other taxes, duties and similar levies	699,968	1,150,790
Compensations, fines and penalties expenses	804,664	131,500
Donations granted (Sponsorship)	198,250	189,927
Assigned assets and other capital operations expenses	-	3,500,680
Environmental protection expenses	25,309	11,589
Expenses settlement modernization quota	25,963,435	27,395,011
Other operating expenses	128,073	140,058
Other Expenses	27,819,699	32,519,555

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 based 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 updated.

19. Net Financial Result

	6 months ended June 30, 2017	6 months ended June 30, 2016
Interest revenues	1,282,187	868,968
Revenues from securities and other financial instruments operations	623,064	984,779
Other financial revenues	14,925	26,154
Total financial revenues	1,920,176	1,879,901
Other financial expenses	(19,658)	(55,832)
Total financial expenses	(19,658)	(55,832)
Net financial result	1,900,518	1,824,069

The financial revenues increased by 2% in 2017 H1 YoY, while the financial expenses decreased by 65% during the current analyzed period, as compared to the preceding period. Based on this evolution, the net financial result grew by 4 % in 2017 H1 YoY.

20. Affiliated Parties

During January - June 2017, the Company performed the following affiliated party transactions:

Partner	Unsettled amounts December 31, 2016	Procurements in 2017 H1	Settlements in 2017 H1	Unsettled amounts June 30, 2017
SNTFM CFR Marfă SA	5,902,301	35,055,918	33,386,346	7,571,873

21. Subsequent Events

July 20, 2017 is the date approved by the General Meeting of Shareholders for the payment of dividends from 2016 financial year's result and from the retained earnings.

In this respect, CONPET paid to Depozitarul Central the dividends due to the shareholders registered in the Shareholders' Registry at registration date 30.06.2017 ("Registration Date"). The "Ex-date" set by the General Meeting of Shareholders is 29.06.2017.

These interim financial statements and related notes, from page 3 to page 29 have been approved on August 10, 2017.

Director General,
Eng. Ilași Liviu

Economic Director,
Econ.Toader Sanda