FINANCIAL STATEMENTS
on the date and for financial year ended December 31, 2017

Prepared as per the
International Financing 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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Financial Statements

STATEMENT OF THE FINANCIAL STANDING AT DECEMBER 31, 2017

	Note	December 31 2017	December 31 2016
ASSETS			
Non-current assets			
Tangible assets	5	407,275,686	403,468,873
Intangible assets	6	1,462,672	1,971,202
Financial investments	7	973,782	656,965
Receivables regarding the deferred profit tax	16	970,394	-
Total non-current assets		**410,682,534**	**406,097,040**
Current assets			
Stocks	8	9,024,205	8,548,131
Trade receivables and other receivables	9	46,753,071	42,356,060
Short-term investments	11	70,623,518	163,053,678
Cash and cash equivalents	10	209,847,265	244,598,286
Prepaid Expenses		1,842,877	255,475
Total current assets		**338,090,936**	**458,811,630**
TOTAL ASSETS		**748,773,470**	**864,908,670**
Equity and liabilities			
Equity			
Subscribed and paid-up share capital	12	28,569,842	28,569,842
Legal reserves	12	5,713,968	5,713,968
Revaluation reserves	12	31,016,763	32,957,666
Other reserves	12	478,500,458	536,238,701
Retained earnings	12	40,211,069	120,685,850
Year's result	12	74,387,774	71,546,604
Total Equity		**658,399,874**	**795,712,631**
Deferred revenues			
Investments Subsidies	13	1,314,536	1,468,191
Deferred revenues	13	12,010	15,791
Total deferred revenues		**1,326,546**	**1,483,982**
Long-term debts			
Deferred corporate tax	16	-	1,671,210
Long-term provisions	15	12,817,661	3,542,697
Total long-term debts		**12,817,661**	**5,213,907**

Current debts			
Commercial debts	14	30,653,848	20,657,756
Current profit tax Other debts	14	3,761,986	3,901,860
Short-term provisions	14	32,281,986	26,516,050
Total current debts	15	9,531,569	11,422,484
Total debts		**76,229,389**	**62,498,150**
Current debts		**89,047,050**	**67,712,057**
TOTAL EQUITY AND DEBTS		**748,773,470**	**864,908,670**

These financial statements from page 2 to page 58 have been authorized for issue and signed by the company management on March 20, 2018:

Director General, **Eng. Dan-Silviu Baciu, M.B.A.**	**Economic Director,** **Econ. Toader Sanda**

The attached notes from 1 to 26 form an integral part to these financial statements.

STATEMENT OF THE PROFIT OR LOSS AND OTHER GLOBAL RESULT ELEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Note	December 31 2017	December 31 2016
Operating revenues	18		
Turnover revenues		376,685,362	381,646,066
Other revenues		33,936,862	29,284,258
Gain from disposal of assets		945,006	-
Total operating revenues		**411,567,230**	**410,930,324**
Operating expenses	19		
Inventory related expenses		7,078,618	6,265,719
Expenses with energy and water		9,535,459	9,694,945
Personnel expenses		111,394,213	111,505,443
Value adjustments regarding the tangible/intangible assets		44,574,015	40,314,868
Value adjustments related to current assets		(1,233,660)	576,500
Expenses related to external services		99,854,867	103,807,082
Other expenses		55,792,312	62,918,590
Provisions adjustments		1,516,799	(8,094,014)
Loss from disposal of assets		-	3,635,011
Total operating expenses		**328,512,623**	**330,624,144**
Operating profit		**83,054,607**	**80,306,180**
Financial revenues		3,613,694	3,836,545
Financial expenses		45,163	109,357
Financial profit	20	**3,568,531**	**3,727,188**
Profit before income tax		**86,623,138**	**84,033,368**
Expenses with the current income tax	16	14,235,742	12,571,020
Expenses with (revenues from) deffered income tax		(2,000,378)	(84,256)
Year's profit		**74,387,774**	**71,546,604**
Actuarial loss from update of benefits awarded upon retirement		**(4,928,491)**	**-**
Gain/ (Loss) from revaluation		**1,375,497**	**(268,877)**
Total other global result elements		**(3,552,994)**	**(268,877)**
TOTAL GLOBAL RESULT		**70,834,780**	**71,277,727**
Result per share		**8.59**	**8.26**

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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY AT DECEMBER 31, 2017

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Year's Result	Total equity
Balance at January 1st 2017	**28,569,842**	**5,713,968**	**32,957,666**	**536,238,701**	**120,685,850**	**71,546,604**	**795,712,631**
Profit of the year						74,387,774	74,387,774
Gains from revaluation			1,375,497				1,375,497
Actuarial Gain/(loss) during the period					(4,928,491)		(4,928,491)
Total global result			**1,375,497**		**(4,928,491)**	**74,387,774**	**70,834,780**
Augmentation of the modernization quota fund				22,378,044			22,378,044
Reversal of surplus out of revaluation			(6,463,121)		6,463,121		-
Reinstatement of the revaluation reserve related to lands not included in the share capital			2,605,000		(2,605,000)		-
Distribution out of profit provided by law – exemption from the reinvested income tax				1,352,092	357,908	(1,710,000)	-
Current and deferred income tax			541,721		(2,505,028)		(1,963,307)
Dividends due to shareholders				(81,468,379)	(77,257,291)	(69,836,604)	(228,562,274)
Balance at December 31, 2017	**28,569,842**	**5,713,968**	**31,016,763**	**478,500,458**	**40,211,069**	**74,387,774**	**658,399,874**

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

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Year's Result	Total 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**
Global result of the year			(268,877)			71,546,604	71,277,727
Move of the reserve representing modernization quota fund				26,214,117			26,214,117
Reversal of the revaluation surplus			(9,025,258)		9,025,258		-
Derecognition of reserve from the revaluation of the oil operating product			(42,606,582)		42,606,582		-
Reinstatement of reserve related to lands not included in the share capital			(2,605,000)	7,195,653	(4,590,653)		-
Retained earnings coming from the correction of accounting errors					1,183,924		1,183,924
Distribution out of profit, provided by law - exemption from the reinvested income tax				1,710,000	(1,710,000)		-
Current and deferred income tax			(6,140,572)		1,854,341		(4,286,231)
Dividends due to shareholders						(63,198,986)	(63,198,986)
Balance at December 31, 2016	**28,569,842**	**5,713,968**	**32,957,666**	**536,238,701**	**120,685,850**	**71,546,604**	**795,712,631**

Note: The „Other reserves" item also includes reserve representing modernization quota in amount of 445,943,171 RON on December 31, 2017, respectively 423,565,127 RON, on December 31, 2016. This reserve has special use, provided by GD no. 168/1998, being destined solely for the financing of the modernization and development works of the goods from the public domain.

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Director Economic,
Econ. Toader Sanda

CASH-FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

(DIRECT METHOD)

	Item's Name	January - December 2017	January - December 2016
	Cash flows from operating expenses:		
+	Proceeds from services supply	397,530,457	402,605,374
+	Proceeds from interests related to banking investments	2,584,700	1,817,335
+	Other proceeds	7,457,828	10,810,743
-	Payments to the suppliers of goods and services	(107,779,634)	(114,569,031)
-	Payments to and on behalf of the employees	(110,190,309)	(110,484,958)
-	VAT payments	(49,602,453)	(50,609,321)
-	Corporate tax payments	(16,186,371)	(16,577,062)
-	Other payments regarding operating activities	(45,053,822)	(39,197,454)
A	***Net cash from operating activities***	***78,760,396***	***83,795,626***
	Cash flows from investment activities:		
+	Proceeds from sale of tangible assets	4,000,145	1,063,866
+	Proceeds from modernization quota	52,190,868	53,878,327
+	Proceeds from short-term financial investments	165,665,967	263,545,116
+	Proceeds from interests related to government securities	1,797,793	3,460,844
-	Payments for purchase of tangible assets	(44,991,439)	(54,576,261)
-	Payments for short-term fiancial investments	(74,086,818)	(172,095,327)
B	***Net cash from investment activities***	***104,576,516***	***95,276,565***
	Cash flows from financing activities:		
+	Proceeds dividends transferred to Depozitarul Central	2,709,838	2,044,338
-	Paid dividends	(220,797,771)	(60,639,058)
C	***Net cash from financing activities***	***(218,087,933)***	***(58,594,720)***
	Net increase of the cash and cash equivalents=A+B+C=D2-D1	***(34,751,021)***	***120,477,471***
D1	***Cash and cash equivalents at the beginning of the period***	***244,598,286***	***124,120,815***
D2	***Cash and cash equivalents at the end of the period***	***209,847,265***	***244,598,286***
	to which is being added:		
	Government securities as government bonds and treasury bills	*70,309,618*	*161,888,767*
	Total availabilities at the end of the year	***280,156,883***	***406,487,053***

The net cash from operating activities decreased in 2017 by 6% YoY, mainly due to the diminution of the proceeds related to the core business determined by the decrease of the volumes transported to clients.

The cash from investment activities increased in 2017 due to government securities, purchased in 2016, having reached maturity.

The net cash from financing activities comprises the dividends payments and also the receipt from Depozitarul Central, in 2017, of the non-distributed dividends balance related to year 2016. The amounts paid during the reporting period were higher YoY, following the approval, by the General meeting of Shareholders, of the allocation to dividends, of the profit related to 2016 and of certain amounts from the retained earnings (143.6 mRON), as well as the distribution of aditional dividends from reserves representing own financing sources and from the retained earnings (85 mRON).

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1. Business Description and General Information

The company CONPET S.A. ("the Company") is a joint-stock company, administered in a unitary system, as per the Company's Act no. 31/1990, republished, subsequent amendments, is registered to Prahova Trade Registry under no. J29/6/1991 and the Financial Supervisory Authority by the registration certificate no. 7227/1997.
The registered offices' address is Ploiești municipality, no. 1-3, Anul 1848 Street , Prahova County.

Starting September 5th 2013, the company's shares are being traded on the regulated market administered by Bucharest Stock Exchange (Rom, BVB), under the symbol "COTE".

Currently, the company CONPET S.A. is included in 7 out of the 9 indices, respectively ***BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BET-NG and BET Plus***. This company achievement shows performance, economic-financial stability, transparency, enhanced visibility and high interest from the investors in Romania and abroad.
At 29.12.2017, CONPET S.A. had a market capitalization amounting to 860.56 mRON (184.68 mEURO), ranking 18 in "Top 25 issuers according to capitalization".

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.

Company Set-Up

CONPET is established 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 2,572,156 shares representing 29.71% and
- Natural persons, with 1,002,000 shares representing 11.57%.

Company's Mission

CONPET mission is the operation of the National Transport System via Pipelines under safe and secure conditions, easing free access to the system's available throughput 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 on the operation of the crude oil, rich gas condensate and ethane National Transport System, 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 interconnected major pipelines ensuring the collection of the oil extracted from the exploitation area or the imported oil and the transport thereof from the hand-over sites to the processing units.
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 throughput 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 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 conlcuded 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 between 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. The tariffs for the transport on the import transport sub-system are being applied per refineries, per batches, being implemented the bracket tariff model.
The transport tariffs include:
- The Operating cost, including: the materials expenses, personnel expenses, pipelines maintenance expenses, energy, gas and water expenses, fixed asses 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.

2. Preparation Grounds

(a) (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 intepretations approved by the International Accounting Standards Board („IASB"), International Accounting Standards („IAS") and interpretations issued by the International Financial Reporting Interpretations Committee („IFRIC").

The financial statements prepared on the date and for the financial year ended December 31, 2017 have been audited.

(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 revaluated value, while the stocks are being evaluated at the smallest value between the cost and the net achievable value.

The accounting policies defined hereunder 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.

(f) 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 agreement with NAMR (concessioning authority) according 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, where the majority of shares are held by the State, being a public company, for which reason it does not fall under the provisions *IFRIC 12 Services Concession agreements.*

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 RON 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:

	December 31, 2017	December 31, 2016
RON/EURO	4.6597	4.5411
RON/USD	3.8915	4.3033
RON/GBP	5.2530	5.2961

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 movement of short-term investments, 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 Debts
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 to the suppliers and other liabilities include the exchange value of the invoices issued by the suppliers of goods, executed works and supplied services.

Interest bearer Loans
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, favorable and unfavorable foreign exchange differences, fees and risk 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 consisting of common shares is recorded at the value established on the basis of the establishment documents and addenda, as applicable, 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 having fulfilled the legal procedures provided as per the Law no. 31/1990.

d) Tangible Assets
(i) Acknowledgment and Assessment
Tangible assets in operation 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;
- Other tangible assets
- Operating petroleum product;
- Tangible and intangible assets in progress

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

reporting period.
Tangible assets are stated in the financial position at the revalued amount, less accumulated depreciation and accumulated impairment losses, except for the advance payments and tangible assets in progress which are stated at cost.

The cost of an item of tangible assets comprises the purchase price, including import duties and non-recoverable purchase taxes, transport costs, handling fees, commissions, notary fees, costs of obtaining permits and other non-recoverable expenses directly related to the tangible asset and any direct costs attributable to bringing the asset to the location and operating conditions.
Tangible assets in progress are unfinished investments made by himself or on contract. They are valued at the cost of production or acquisition cost, as applicable. Tangible assets in progress are put in the category of assets completed after the reception, putting into operation and commissioning thereof, as the case may be.
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 carrying amount of a tangibel asset item the current repairs and usual 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 property and equipment.

***(ii)* Subsequent costs**
Replacement of certain tangible assets components
Parts of some tangible assets items may require replacement at regular intervals.
If part of a tangible asset, which 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 a tangible asset item, is performing recurrent major general inspections to detect major defects, whether parts of those assets have or have not been replaced. By the time a regular general inspection is performed, the related 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 sale.
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 the 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 should be its revalued amount at the date of the last revaluation, net of accumulated value adjustments.
When certain components of a tangible asset have different useful life, they are accounted for as separate items (major components) of tangible asset.
The situation on the evolution of tangible assets of the Company for the years 2016, 2017 is detailed in note 5.

The Operating Oil Product

The Operating oil product is measured in the balance sheet at the cost determined from the revaluation made according to GD. 26 of 22 January 1992 ,updated with inflation up to 31.12.2003, when the economy of Romania was inflationary. Given that the Company's operating oil product physically renews with every pumping and that the constituent parts of this product do not suffer, due to this, qualitative or moral depreciation, the operating oil product has no useful life, therefore it does not depreciate. The Company presents oil operating product at cost, including the effects of restatements of previous years as per the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".
(iii) Reclassification as investments property

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 to be sold during the normal carry out of the activity, the asset is being tranferred in investments property.

(iv) Intangible Assets held in view of Sale

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

The non-current 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 by more than one year. An extension of the period does not prevent an asset (or an asset group to be disposed) to be classifed as being held in view of sale in case the delay is caused by events or circumstances outside the management control and there are enough proofs that the company remains committed to the plan regarding the asset's sale (or the sale of the asset group asset group to be disposed).

The intangible assets (or asset group to be disposed) classified as being held in view of sale are being asssessed 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 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 the 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 patrimony

The company manages goods belonging to the State's public domain, as concession provider of the Oil Concession Agreement concluded with the National Agency for Mineral Resources, approved by GD no. 793/2002 for a period of 30 years.

According to the concession agreement, the objectives assumed by CONPET SA under its business are: ensuring the operation of the national pipeline system under maximum safety conditions and economic efficiency, continuous improvement of service quality and environmental protection.
The investments made by the company to the 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 reinstated the value of goods forming the State public domain, after the integral amortization thereof.
At December 31, 2017, have been evaluated, by S.C. EAST BRIDGE SRL Bucharest, the movable, immovable assets, special constructions and lands belonging to the states public domain, under the concession of CONPET S.A., as per GD 81/2003. As per the synthesis of appraisal report, the goods and lands under the concession of CONPETS.A., belonging to the State's public domain, at 31.12.2017 were depreciated by a total net value of 7,248,987 RON.
The value of goods from the State public domain under concession at 31 December 2017 amounts to 121,487,573 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 revalued amount based on an appraisal 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. The costs associated to the maintenance of the software programs are recognized as expenses upon registration.
The intangible assets are presented in the statement of the financial position at the revalued amount, less the accumulated amortization and the loss from accumulated depreciation.

(ii) Subsequent Expenditure
The 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 the goodwill and the internally generated 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. The useful lifespan have been revised upon revaluation.

(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 at the date of preparation of these financial statements.

(h) Depreciation of Assets
The 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 indices. If such indices exist, is being estimated the recoverable amount of the said assets.
The recoverable amount of an asset or of a cash-generating unit is the maximum between its use value and its fair value, less the 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 use value, the expected future cash flows are discounted using a 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.
The impairment losses recognized in prior periods are assessed at each reporting date in order to determine whether they 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 carrying-value 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 that, during the previous years hadn't been recognized a 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, so as to evaluate the possibility of existence of a depreciation thereof, which could attract the record of an adjustment for depreciation.

The 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 the 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.
The short-term receivables are not discounted. The recoverable amount of other assets is deemed the highest value between the fair value (less sale costs) and the use value. Estimating the use value of an asset involves updating the estimated future cash flows using a pre-tax discount rate that reflects current market assessments regarding the time value of money and the risks specific to the asset.
Impairment losses on financial assets or a receivable recorded at the 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 like inventory objects.
The inventories are valued at the lower of cost and net realizable value.
The cost of inventories is based on the first in - first out (FIFO) principle and includes costs incurred for the purchase of inventories, production or processing costs and other costs incurred for bringing the inventories in the form and present location.
The 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, are being established value adjustments for obsolete, slow moving or degraded inventories.

(j) Dividends
The dividends are recognized as a liability in the period in which their distribution is approved. The distribution shall be made after the approval of the annual financial statements.

(k) Revaluation Reserves

The 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.

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), either at the revaluation reserve as a distinct sub-element in “ Shareholders Euquity” or in the "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 the 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 as a decrease of the reserve from the revaluation by the minimum between the value of that reserve and the amount of the decrease; 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 represents an achieved gain. The gain is deemed realized as monthly amortization is being registered 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 shows *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 no previous decrease recognized as an expense related to that asset,
- As an increase of *the reserve established out of the modernization quota,* up to the set-off of the decrease previously recognized and for which, simultaneously with the depreciation expense was also diminished 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 January 1, 2004, which are deducted from calculation of taxable profit through tax depreciation or from expenditure regarding the assets ceded and / or asset retirement, shall be taxed concomitant with the deduction of the fiscal depreciation, 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 the taxpayer or of any other reason except for transfer, after May 1, 2009, of the reserves mentioned in the previous paragraph.

(l) Legal Reserves
The legal reserves are constituted in a rate of 5% of gross statutory profit, as of the end of the year until the total legal reserves reached 20% of the nominal share capital (statutory) paid-up in compliance with the legal provisions. These reserves are deductible at the calculation of the income tax and are distributable exclusively upon liquidation of the Company.

(m) Other Reserves

The company constitutes profit reserves also at the expense of the modernization quota, based on the GD no.168 / 1998 on setting the quota for the expenses necessary for the development and modernization of crude oil and natural gas production, refining, transport and petroleum distribution, subsequent amendments, presented in GD’s no. 768 of 7 September 2000 and 1116 of 10 October 2002 and according to the provisions of lAw no.227/2015 on the Fiscal Code. 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 at the expense 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.

(o) 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, at the 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.
The Company recognizes a provision for retirement benefits. The discounted value of the liabilities on the Company's determined benefits and the cost incurred by the related current services are determined based on the the use of the Projected unit Credit method (IAS 19). The Company operates no other pensions or post-retirement benefits plan and, conseqently, has no sort of other pensions-related liabilities.

(ii) Short-term Employees Benefits

The short-term employees' benefits are the ones to be settled in no more than 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 while the services are supplied and are assessed on a non-discounted 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 current obligation (legal or implicit) as a result of a past event, it is probable that an outflow of resources 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, of the costs required to settle the present obligation.
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 is 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 that, 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. The 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 the 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, proportionally, 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, depending on currency fluctuations: net gain or net loss.

t) Tax

The income tax expenses comprise current tax and deferred tax.
The income tax is recognized in the statement of the global result or in other elements of the global result, if the tax is related to 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, 2017, the income 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 the tax on assets and liabilities and their book value, used for the individual financial statements reporting.
Deferred tax is calculated using the tax rates that are expected to apply to the temporary differences upon their reversing, 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 the 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, with the liability of dividends' 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 the future events. New information may become available, thus causing the Company to change its judgment regarding the accuracy in estimating the existing fiscal liabilities; such changes in tax obligations affect the tax expense in the period in which such determination is made.

(u) Earnings per Share

The company discloses the basic and dilluted earnings per share for the ordinary shares. The basic earnings per share is determined by dividing the profit or loss attributable to the Company's ordinary shareholders to the weighted average number of ordinary shares for the period under review. The 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 the 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

The contingent liabilities are not recognized in the position of 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, 2017 shows comparability with the statement of the financial position for the financial years ended December 31, 2017 and December 31, 2016.

(z) New standards and interpretations

The following new standards and amendments of the existing standrds issued by the Committtee for International Accounting Standards (CIAS) and adopted by the European Union (EU) have not entered into force yet for the period of annual financial reporting concluded on December 31st 2017 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 the accounting policy** *[IAS 8.31 (b)]*	**Potential impact on the financial statement** *[IAS 8.31 (e)]*
IFRS 15 Revenue from contracts with customers *(in force for annual periods starting with or after January 1st 2018)*	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; 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; 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); 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;	The company will adopt the new standard in the individual financial statement of the year 2018. It is expected that impact of the application for the first time of this standard be unsignificant.
IFRS 9 Financial instruments – classification and evaluation *(in force for annual periods starting with or after January 1st 2018)*	IFRS 9 is the standard that replaces IAS 39 Financial instruments: Recognition and evaluation; The standard introduces new requirements concerning the classification, evaluation, depreciation and risk coverage accounting;	The company will adopt the new standard in the individual financial statement of the year 2018. It is expected that impact of the application for the first time of this standard be unsignificant.

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)]*
Amendments to IFRS 15 Revenues from clients contracts Clarifications to IFRS 15 Revenues from clients contracts *(in force for annual periods starting with or after January 1st 2018)*	The amendments to IFRS 15 have as scope the clarification of the requirements of standard IFRS 15 Revenues from clients contracts, particularly the accounting for identification of the discharge of obligations, amending the formulation of the assets principle "distinctively identifiable", of the considerations with regards to the principal and the attorney-in-fact, here included the evaluation of the fact that an entity acts as attorney-in-fact , as well as the application of the control and licensing principle, supplying additional guidance on the accounting of the intellectual property and the rohyalties. Also, the clarifications provide practical additional solutions available to the entities that apply the IFRS either completely in retrospect, or choose to apply the amended retrospective approach;	The company will adopt the new standard in the individual financial statement of the year 2018. It is expected that impact of the application for the first time of this standard be unsignificant.
Amendments to IFRS 4 "Insurance Contracts" – Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (*in force for annual periods starting or following the date of January 1, 2018*)	The amendments to IFRS 4 offer the entities that carry out mainly insurance activities the possibility to postpone up to January 1, 2021, the date of enetering into force of IFRS 9. Also, the amendments to IFRS 4 allow the entities that issue insurance contracts to remove from the profit or loss a part of the additional accounting inconsistencies and temporary volatility that could occur when IFRS 9 is being applied before IFRS 17 (the new standard for insurance contracts replacing IFRS 4).	It is being estimated that the adoption of these amendments to IFRS 4 will not have impact on the financial statements as this standard is not applicable on the drafting date of these financial statements.

Amendments to IFRS 16 “Leasing contracts” (in force for the annual periods starting or following the date of January 1, 2019)	The amendments to IFRS 16 aim at the improvement of the financial reporting with regards to the leasing contracts.	The impact of application for the first time of these standards is under assessment.
Amendments to IFRS 2 “Payment based on shares” (in force for annual periods starting or following the date of January 1, 2018)	The amendments to IFRS 2 aim at clarifying the manner in which the companies should apply the standard in certain specific cases.	It is estimated that the adoption of this amendments to IFRS 2 shall not bear impact on the financial statements, as this standard is not applicable on the drafting date of these financial statements.

Amendments to various standards "Improvements of IFRS (cycle 2014-2016" resulting from the annual project of improvement of IFRS (IFRS 1 "Adoption for the first time of the International Standards of Financial Reporting" and IAS 28 "Investments in associated entities and joint ventures" – in force for the annual periods starting or following the date of January 1, 2018)	The objective of these amendments is to remove the inconsistencies and clarify certain formulations.	It is estimated that the adoption of these amendments should not bear impact on the financial statements. The IAS standard 28 is not applicable on the draft date of these financial statements.

The following standards and amendments of the existing standards, issued by the Committee for International Accounting Standards (CIAS) and adopted by the European Union (EU) have 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)]*
Amendments to IAS 12 “Corpoarate tax” (in force for annual periods starting or following the date of January 1, 2017)	The scope of these amendments is to clarify the receivables accounting method with regards to the deffered tax that are associated to the debt instruments assessed at fair value.	The adoption of the amendments to IAS 12 had no impact on the financial statements.
Amendments to IAS 7 “Cash Flow Statement” (in force for the annual periods starting with or following January 1, 2017)	The scope of these amendments is to deliver information that enable the users of the financial statements to assess the amendments occurred in relation to the debts resulting from financiaing activities.	The adoption of the amendments to IAS 7 had no impact on the financial statements.
The amendments to various standards “Improvements of IFRS (cycle 2014-2016” resulting from the annual Improvement project of IFRS (IFRS 12 “the presentation of the interests existing in other entities” – *in force for annual periods starting or following the date of January 1, 2017*	The scope of these amendments is to remove the inconsistencies and clarify certain formulations.	The adoption of these amendments to IFRS 12 had no impact on the financial statements, as this standard is not applicable on the drafting date of these financial statements.

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 techiques, 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 or 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 assement 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 the replacement cost when appropriate. The 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.
Were 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.

Within the assessment report drafted on December 31, 2017 for the assessment of the constructions was used the approach by cost, using the net replacement cost method (NRC), considering the specialised character thereof. NRC is a value meant for the financial reporting used in case of specialized properties or restricted markets, for which the market information is limited or is not available. The major premises of the approach by cost is that a prudent investor could not pay for an asset with an amount bigger than the cost by which the named asset coulf be replaced.
In case of lands was used the market approach.

In the following chart are being presented the fair values classified on the 3 level in the hierarchy of fair values, structured on group of tangible assets:

	Level 1	Level 2	Level 3	The fair value at December 31, 2017
Lands and lands development activities	-	-	22,584,099	22,584,099
Special buildings and installations	-	-	268,859,348	268,859,348
Machinery and Equipment	-	-	45,791,973	45,791,973
Measuring and control devices	-	-	21,688,087	21,688,087
Vehicles	-	-	11,024,008	11,024,008
Other assets	-	-	3,366,872	3,366,872

	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
Machinery and 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

5.Tangible Assets

During 2017, as compared to 2016, the tangible assets evolved as such:

Description	Land and land improvements	Buildings and special installations	Operating oil products	Machinery and equipment	Measurement and control devices	Vehicles	Other tangible assets	Ongoing tangible assets	Total tangible assets
Gross book value – balance as at Jan 01, 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**
Cumulated depreciation as at Jan 01, 2017	-	(37,580,696)	-	(25,745,765)	(32,275,610)	(14,554,479)	(2,212,363)	-	**(112,368,913)**
Adjustments for assets depreciation	-	-	-	-	-	-	-	(69,191)	**(69,191)**
Net book value – balance as at Jan 01, 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 assets inputs	-	21,673,280	-	3,231,773	2,881,853	2,425,102	554,723	17,974,050	**48,740,781**
Scrappings of ongoing tangible assets and other outputs	-	-	-	-	-	-	-	(76.318)	(76.318)
Tangible assets ouputs	-	(2,417,006)	(420,165)	(148,118)	(106)	-	(1,121)	-	**(2,986,516)**
Depreciation registered along the year	-	(18,938,207)	-	(9,095,652)	(11,879,892)	(2,903,396)	(860,404)	-	**(43,677,551)**
Adjustments for the depreciation of the tangible assets recognized as income	-	-	-	-	-	-	-	69,191	**69,191**
Revaluation appreciations	1,101,080	2,170,807	-	-	-	-	-	-	**3,271,887**
Revaluation depreciations	(991,419)	(543,242)	-	-	-	-	-	-	**(1,534,661)**
Net book value at Dec 31, 2017	**22,584,099**	**226,786,502**	**42,072,846**	**45,791,973**	**21,688,087**	**11,024,008**	**3,366,872**	**33,961,299**	**407,275,686**
Net book value – balance as at Dec 31, 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 book value at December 31, 2017	*22,584,099*	*226,786,502*	*42,072,846*	*45,791,973*	*21,688,087*	*11,024,008*	*3,366,872*	*33,961,299*	*407,275,686*

Difference	***109,661***	***1,945,632***	***(420,165)***	***(6,011,997)***	***(8,998,145)***	***(478,294)***	***(306,802)***	***17,966,923***	***3,806,813***

Description	Land and land improvements	Buildings and special installations	Operating oil products	Machinery and equipment	Measurement and control devices	Vehicles	Other tangible assets	Ongoing tangible assets	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**
Cumulated depreciation as at Jan 01, 2016	-	(19,570,119)	-	(18,671,402)	(21,492,675)	(10,935,026)	(1,480,444)	-	**(72,149,666)**
Adjustments for assets depreciation	(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**
Tangible assets inputs	-	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 in view of sale	2.409.935	611.630		8.478	-	-	1.144	-	3.031.187
Scrapping from ongoing tangible assets	-	-	-	-	-	-	-	(1.736.680)	(1.736.680)
Tangible assets outputs	-	(505,735)	(372,703)	(258,769)	(60,990)	-	-	-	**(1,198,197)**
Depreciation registered along the year	-	(18,416,632)	-	(8,654,740)	(12,026,208)	(3,756,890)	(734,340)	-	**(43,588,810)**
Adjustments for the depreciation of the tangible assets recognized as income	470,621	379,751	-	216,925	340,131	4,037	-	1,736,680	**3,148,145**
Adjustments for the depreciation of the assets established along the year	-	-	-	-	-	-	-	(69,191)	**(69,191)**
Net book value 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 1, 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 at December 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***
Difference	***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 31.12.2017 the net value of the tangible assets has increased as compared to the end of 2016, by the amount of 3,806,813 RON, as follows:

+ 30,766,731 RON representing commissionings out of tangible assets in progress;
- 3,062,834 RON representing outputs of tangible assets at at remaining values, of which:
- 2,934,877 RON representing outputs from tangible assets to the residual value, of which: 853,093 RON stands for the residual value of the dismantled/scrapped tangible assets, 420,165 RON sold oil product, 69,191 scrapped tangible assets in progress;
+69,191 RON representing adjustments for depreciation recognized as income in 2017, related to the scrapped tangible assets in progress;
- 43,677,551 RON representing amortization of tangible assets in 2017;
+ 17,974,050 RON representing the difference between the value of the tangible assets in progress achieved in 2017 and the ones commissioned during the year.
+ 1,737,226 RON representing total net appreciation from the revaluation of the buildings and lands at 31.12.2017.

The lands held by the Company are located in Ploiesti at the company's corporare offices and in the 24 counties covered by the transport pipelines or where are being located the crude oil tanks loading ramps.
At 31.12.2017, CONPET has recorded in the company patrimony lands in surface of 733,648.93 sqm with a fair value amounting to 22,584,099 RON, namely:

- 554,537.62 sqm represent lands held under 47 Certificates of ownership obtained during 2001-2005, appraised on the date of acquiring the certificates, 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. At 31.12.2017 the fair value of these lands amounts to 12,348,115 RON;
- 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, 2017, the fair value of these lands is in amount of 3,144,984 RON;
- 23,699.86 sqm represent lands acquired by the Company upon several sale-purchase contracts. A part of the owned lands are related to the corporate offices in Ploiesti City and on the other procured lands are placed telecommunication towers located in different sites over the country. At 31.12.2017 the fair value of these lands amounts to 7,091,000 RON.

Revaluation of tangible assets
At the date of adoption, for the first time, of IFRS (year 2013), the company chose to use the fair value as deemed cost.
At December 31, 2017 were appraised, S.C. EAST BRIDGE SRL București, the goods in group I – buildings and lands in the company's patrimony.
Pursuant to the results comprised in the revaluation report, the fair value at 31.12.2017 related to the tanfible assets in group I, representing lands and buildings, register a total net increase of 1,737,226, which in the structure looks as follows:

Crt. no.	Class	Net accounting value at 31.12.2017	Fair value at 31.12.2017	Revaluation differences
1	Lands	22,474,438	22,584,099	109.661

2	Buildings	225,158,936	226,786,501	1.627.565
TOTAL		247.633.374	249,370,600	1,737,226

Following the revaluation of the lands belnging to the company they registered an increase of the net accounting value in amount of 109,661 RON.
The company recognized an increase of the net accounting value out of the tangible assets comprised in group 1 "Buildings" existing in the company's patrimony at 31.12.2017, in total amount of 1,627,565 RON.

The impact on the financial statements, resulting from the registration of the differences related to the revaluation of tangible assets, namely the appreciations and depreciations as compared to the remainder, registered at 31.12.2017, is of augmentation of the equities in amount of 1,737,226 RON, of which reserves 1,625,671 RON and the year's profit 111,555 RON, as follows:

Reserves	***1,625,671***
Revaluation reserves	1,637,496
Other reserves (modernization quota)	(11,825)
Year's profit	***111,555***
Expenses form revaluation of tangible assets	(288,866)
Revenues from revaluation of tangible assets	388,596
The revenues related to the expenses borne out of the modernization quota	11,825
Total equities	**1,737,226**

The tangible assets also include the operating oil product. 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, restated by 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	**31 december 2017**	**31 december 2016**
The value of the oil oprating product at cost	254,549	256,977
Differences related to the restatement as per IAS 29	41,818,297	42,236,034
Balance of the operating oil supply (restated)	**42.072.846**	**42,493,011**

The reduction of the balance related to oil product CONPET property by the amount of 420,165 RON during 2017 is due to the sale of the quantity of 943 tons of rich gas in January 2017, following the closing down of the transport pipeline Ticleni-Petrobrazi.

Tangible Assets in Progress
Along 2017, 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 instllations, 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 "2017 Investment Program".

6. Intangible Assets

In 2017, as compared to 2016, the intangible assets evolved as such:

Description	**Sofware (licenses included)**	**Other intangible assets**	**Total intangible assets**
Inventory value at January 1,2017	**5,227,704**	**1,082,675**	**6,310,379**
Cumulated depreciation at January 1, 2017	(3,372,176)	(967,001)	(4,339,177)
Net accounting value at January 1,2017	**1,855,528**	**115,674**	**1,971,202**
Intangible Assets Inputs	439,780	17,344	457,124
Depreciation registered during the year	(926,539)	(39,115)	(965,654)
Net book value – balance as at Dec 31, 2017	**1,368,769**	**93,903**	**1,462,672**
Ney book value – balance as at Jan 01, 2017	***1,855,528***	***115,674***	***1,971,202***
Net book value – balance as at Dec 31, 2017	***1,368,769***	***93,903***	***1,462,672***
Changes in net book value	***(486,759)***	***(21,771)***	***(508,530)***

Description	**Licențe și soft**	**Alte imobilizări necorporale**	**Total imobilizări necorporale**
Inventory value at January 1,2016	**4,772,838**	**965,331**	**5,738,169**
Cumulated depreciation at January 1, 2016	(1,921,338)	(965,331)	(2,886,669)
Net accounting value at January 1,2016	**2,851,500**	**-**	**2,851,500**
Intangible Assets Inputs	454,865	117,344	572,209
Depreciation registered during the year	(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 31.12.2017 the net value of the intangible assets has decreased compared to the end of 2016, by the amount of 508,530 RON, as e result of:

+ 457,124 RON inputs out of intangible assets (licenses, software, etc), in amount of 457,124 RON
- The amortization of the intangible assets registered in 2017, in amount of 965,654 RON.

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

7 Financial Assets

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

Description	**Other long term investments**	**Long term receivables**	**Total financial assets**
Net accounting value at January 1, 2017	**5,000**	**651,965**	**656,965**
Additions	-	449,816	449,816
Disposals	-	132,999	132,999
Net accounting value at December 31, 2017	**5,000**	**968,782**	**973,782**
Changes in the net book value	**-**	**316,817**	**316,817**

Description	**Other long term investments**	**Long term receivables**	**Total financial assets**
Net accounting value at January 1, 2016	5,000	300,860	305,860
Additions	-	423,261	423,261
Disposals	-	72,156	72,156
Net accounting value at December 31, 2016	5,000	651,965	656,965
Changes in the net book value	-	351,105	351,105

At 31.12.2017, the Company holds shares to the share capital of the Independent Monitor Register.
In the financial assets are also included long term receivables made up of redeemable guaranties paid by the Company for temporary withdrawal from the agricultural use of several land surface used in view of perfroming certain investment works.

8 Stocks

Description	**Consumables**	**Goods and merchandise**	**Total stocks**
Gross book value at January 1, 2017	**6,696,731**	**3,249,989**	**9,946,720**
Impairment of stocks	(1,241,883)	(156,706)	(1,398,589)
Carrying value at Jan 01, 2017	**5,454,848**	**3,093,283**	**8,548,131**
Stocks additions along the period	10,804,389	2,639,345	13,443,734
Stocks consumption along the period	(11,069,727)	(2,338,325)	(13,408,052)
Expense with (resulting from) impairment of stocks	368,950	71,442	440,392
Carrying value at December 31, 2017	**5,558,460**	**3,465,745**	**9,024,205**
Carrying value at balance at January 1,2017	***5,454,848***	***3,093,283***	***8,548,131***
Carrying value at December 31, 2017	***5,558,460***	***3,465,745***	***9,024,205***
	103,612	***372,462***	***476,074***

Description	**Consumables**	**Goods and merchandise**	**Total stocks**
Gross book value at January 1, 2016	**9,570,786**	**626**	**9,571,412**
Impairment of stocks	(1,382,251)	-	(1,382,251)
Carrying value at Jan 01, 2016	**8,188,535**	**626**	**8,189,161**
Stocks additions along the period	7,371,712	360,745	7,732,457
Transfer between stocks categories along the period	(3,249,606)	3,249,606	-

Stocks consumption along the period	(6,996,161)	(360,988)	(7,357,149)
Expense with (resulting from) impairment of stocks	(16,338)	-	(16,338)
Carrying value at December 31, 2016	**5,298,142**	**3,249,989**	**8,548,131**
Carrying value at balance at January 1,2016	***8,188,535***	***626***	**8,189,161**
Carrying value at December 31, 2016	**5.298.142**	**3.249.989**	**8.548.131**
Changes in carrying value	***(2.890.393)***	***3.249.363***	***358.970***

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

9 Trade Receivables and other receivables

At December 31, 2017 and December 31, 2016 the trade receivables and other receivables look as follows:

	December 31, 2017	December 31, 2016
Customers	35,713,475	38,656,637
Impairment of receaivables	(698,234)	(688,638)
Other trade receivables	311,122	216,383
Subtotal – Trade receivables (net)	**35,326,363**	**38,184,382**
Other receivables	14,179,176	7,727,011
Impairment for other receivables	(2,752,468)	(3,555,333)
Subtotal other receivables (net value)	**11,426,708**	**4,171,678**
Total receivables	**46,753,071**	**42,356,060**

The customers structure on activities is the following**:**

	December 31,2017	December 31,2016
Clients- transport activity	34,719,399	37,790,395
Other clients – auxiliary activities	994,076	866,242
Total	**35,713,475**	**38,656,637**

The trade receivable are not interest bearer and have a proceeds duration of 29 days.
The main receivables in the balance sheet at December 31, 2017 are from: OMV PETROM S.A. – 30,330,382 RON (December 31, 2016: 33,314,260 RON), Petrotel Lukoil S.A. – 4,143,760 RON (December 31, 2016: 4,143,833 RON), Rompetrol Rafinare S.A. - 283,083 RON (December 31, 2016: 332,302 RON).
The transport services de performed by these clients have a significant share (over 99%) of the Company's turnover.
The main client of the Company, OMV PETROM S.A. holds approximately 65% of the total short-term receivables at 31 December,2017.

Other receivables, amounting to 14,179,176 RON mainly include the dividends to be found at the payment Agent CEC Bank, unclaimed by CONPET shareholders (9,629, 316 RON, respectively 67.9%), amounts to be recovered from different natural and legal persons in litigation pending before the law courts (2,197,282 RON, respectively 15.5%), non-exigible VAT related to unarrived invoices (1,158,929 RON, respectively 8.2%), as well as the interest receivable relate to the deposits with maturity under three months (421,991 RON, namely 3.0%).

Impairments for the depreciation other receivables are registered for debts related to the files pending before the law courts, fiscal obligations and fines paid and under the challenge procedure.
At December 31, 2017, the value of these adjustments amounts to 2,752,468 RON, decreasing by 802,865 RON as compared to December 31,2016, following the registration in the company's costs of several debts lost in court.

The Company's policy is to register impairments in quantum of 100% of the value of the receivable for the clients in litigation, in insolvency, in bankruptcy and for other debts related to the established legal files or the fines facing challenge procedure.

Seniority-related statement of receivables

Trade receivables

	December 31, 2017	Decembrer 31, 2016
Clients, of which:	**35,713,475**	**38,656,637**
Current and undepreciated receivables	*34,981,599*	*37,939,456*
Outstanding and undepreciated of which:	*33,642*	*28,543*
-outstanding less than 30 days	19,616	15,481
- outstanding between 30 and 60 days	10,329	6,112
- outstanding between 60 and 90 days	3,421	-
- outstanding between 90 and 1 year	276	6,950
Outstanding and depreciated receivables, of which:	*698,234*	*688,638*
-outstanding over 1 year	698,234	688,638
Other trade receivables, of which:	**311,122**	**216,383**
Current and undepreciated receivables	*311,122*	*216,383*

Other receivables

	December 31, 2017	Decembrer 31, 2016
Current and undepreciated receivables	*11,426,708*	*4,171,678*
Current and depreciated receivables	*2,752,468*	*3,555,333*
Total	**14,179,176**	**7,727,011**

10 Cash and cash equivalents

At December 31,2017 and December 31, 2016 the cash and cash equivalents reveal the followings:

	31 decembrie 2017	31 decembrie 2016
Current bank accounts	4,368,575	4,164,928
Bank deposits (maturity ≤ 3 months)	205,452,128	240,426,995
Cash on hand	25,019	5,978
Other cash equivalents	1,543	385
Total	**209,847,265**	**244,598,286**

At December 31, 2017 the value of the cash and cash equivalents decreased by 14.2% YoY.
The availability representing the modernization quota in amount of 211,852,372 RON has a special use regime, provided at GD no.168/1998, and is exclusively destined to the financing of

the modernization works and development of the goods belonging to the public domain. The availability includes: cash in amount of 141,542,754 RON and short-term investments in amount of 70,309,618 RON.

11 Short-term investments

The short term financial investments are investments performed by the Company in State securities (Government bonds) , with superior yields as compared to the term deposits, in view of obtaining financial revenues.

	December 31, 2017	December 31, 2016
State securities (Government bonds)	70,309,618	161,888,767
Interest related to State securities	313,900	1,164,911
Total	**70,623,518**	**163,053,678**

At the end of 2017 the State securities held by the Company are being detailed in the following box:

Issuer	Depositary	Product type	Series	No.of securities	Instrument nominal value	Coupon Value	Interest (%)	Value at 31.12.2017 (RON)
The Ministry of Public Finances	RAIFFEISEN	Coupon government bonds	RO1318DBN034	1,735	10,000	560	0.82%	18,122,108
The Ministry of Public Finances	BRD	Coupon government bonds	RO1318DBN034	5,010	10,000	560	0.97%	52,187,510
Total								**70,309,618**

The reduction of the cah and the short-term investments at December 31, 2017 is mainly due to the payment, in July 2017 of the dividends out of the net profit related to the financial year 2016 and of some amounts out of the retained earnings (143.6 mRON), as well as the payment, in November 2017 of the additional dividends distributed out of reserves representing own financing sources and out of the retained earnings (85 mRON).

12 Equities

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 registered at the Trade Register Office.

The structure of the share capital and the shareholding structure of CONPET S.A. at December 31, 2017:

Shareholders	December 31, 2017			December 31, 2016		
	No. of shares	Amount (RON)	(%)	No. of shares	Amounts (RON)	(%)
The Romanian State represented	5,083,372	16,775,128	58,7162	5,083,372	16,775,128	58,7162

by the Ministry of Energy						
Legal persons	2,572,156	8,488,114	29,7101	2,785,694	9,192,790	32,1766
Natural persons	1,002,000	3,306,600	11,5737	788,462	2,601,924	9,1072
Total	**8,657,528**	**28,569,842**	**100%**	**8,657,528**	**28,569,842**	**100**

Legal Reserves

The legal reserves in amount of: 5,713,968 RON at December 31, 2017 (December 31, 2016). The company has transferred out of the profit for the legal reserve 20% of the share capital according to EGO 64/2001, Law no. 571/2003, Law 31/1990 and the T Articles of Incorporation.

Other Reserves

At December 31, 2017 Other Reserves are in amount of 478,500,458 RON.
Other reserves have decreased by the amount of 57,738,243 RON in 2017. The decrease is due to the dividends distribution out of these reserves in amount of 81,468,379 RON, as per OGMS Decision no.4/25.10.2017. In 2017 was registered the increase of the reserve representing the modernization quota by the amount of 22,378,044 RON and the reserve related to the net profit reinvested by the amount of 1,352,092 RON.

At 31 December, 2017 the major share in Other reserves is held by the reserve related to the modernization quota, calculated and collected as per the provisions of GD no.168/1998, in amount of 445,943,171 RON (93.20%).

Revaluation Reserves
At December 31, 2017 in the statement of the financial position the reserves out of revaluation are being presented at net value of 31,016,763 RON, resulting after the reduction of the gross value with the deffered income related directly recognized in the equities, as per IAS 12.
The reduction of the revaluation reserves in amount of 60,646,289 RON comes mainly from:

Retained Earnings
The retained earnings stands for the cumulated result of the Company. During 2017, the company has declared dividends out of the retained earnings in amount of 77,257,291 RON, as per the OGMS Decision no.2/26.04.2017 and OGMS Decision no.4/25.10.2017.

At December 31, 2017 the retained earnings is in amount of 40,211,069 RON and includes:
- The retained earnings representing loss resulting from the reinstatement of the revaluation reserve related to the lands not included in the share capital, by net amount of 2,188,200 RON (gross value 2,605,000 RON and deffered income tax of 416,800 RON);
- The retained earnings representing actuarial loss out of the benefits discount granted on retirement: 3,498,366;
- Retained earnings representing surplus out of revaluation reserves: 5,431,430 RON;
- The retained eranings resulting from the adoption, for the first time, of IAS 29, related to the fix assets representing operating oil product, recognized in tangible assets: 41,818,297 RON;
- Repartition to reserves of the profit amouth for whitch the company benefited from a corporate tax exemption as per the provisions of Art. 22 of Law 227/2015 on the Fiscal Code, ulterior amendments and completions: 1,352,092 RON

Year's Profit

The year's profit is of 74,387,774 RON at December 31, 2017 (December 31, 2016: 71,546,604 RON).

The proposal of net profit repartition at December 31,2017
The net accounting profit registered by CONPET S.A. at December 31, 2017, for which is being proposed the repartition, reinstated with the provision related to employess share of profit is of 77,356,774 RON.
The proposal of repartition on legal destionations of the accounting profit remaining after the corporate tax deduction at December 31, 2017, in amount of 77,356,774 RON is the following:

	Destination	Amount	Share of element in the total
I	The accounting profit remaining after the corporate tax deduction, reinstated with the provision related to the employees share of profit	**77,356,774**	**100.00%**
1	Other repartitions provided by the law – reinvested corporate tax exemption	1,352,092	1.75%
2	Cover of retained earnings representing loss	255,137	0.33%
3	Employees share of profit	2,969,000	3.84%
4	Dividends due to shareholders	69,621,097	90.00%
5	Other reserves	3,159,448	4.08%

The retained earnings representing actuarial loss from the discount of benefits granted on retirement in amount of 3,498,367 RON, as well as the retained earnings representing the loss resulting from the reinstatement of the revaluation reserve related to the lands non-included in the share capital, in amount of 2,188,200 RON are proposed to be covered from the retained earnings representing surplus achieved out of revaluation reserves, in total amount of 5,431,430 RON, as follows:

Retained earnings epresenting loss to be covered	Amount	Cover Source	Amount
The loss carried forward from the correction of the accounting errors	(2,188,200)	Retained earnings representing surplus achieved out of revaluation reserves	2,188,200
Retained earnings representing actuarial loss out of discount of benefits granted on retirement	(3,243,230)	Retained earnings representing surplus achieved out of revaluation reserves	3,243,230

13 Deferred Income

The deffered income have decreased by the amount of 157,436 RON as compared to the beginning of the reporting period, namely from 1,483,982 RON (at January1, 2017) to 1,326,546 RON (at December 31, 2017).

14 Trade Liablilities and other Liabilities

At December 31, 2017 and December 31, 2016 the trade liabilities and other liabilities reveal the followings:

Liabilities	December 31, 2016	December 31, 2017	Maturity date for the balance at December 31, 2017		
			Under 1 year	1-5 years	Over 5 years
Trade liabilities	20,657,756	30,653,848	30,653,848	-	-
Other liabilities, here included the tax liabilities and the social insurance liabilities	32,089,120	36,043,972	36,043,972	-	-
Total	**52,746,876**	**66,697,820**	**66,697,820**	**-**	**-**

The Company's suppliers related to the performance of the operation activity are being mainly represented by: SNTFM CFR Marfa, RCS&RDS, OMV Petrom S.A, Edenred Romania SRL, , Allianz Tiriac, OMV Petrom, Prodial Tour, Engie Romania. The value of assets procurement in 2017 hase a share of 55.48% in total procurement.

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

Description	December 31 2016	December 31 2017	Maturity for the balance sheet at December 31,2017		
			< 1 year	Between 1-5 yeas	Over 5 years
Salaries and assimilated debts	3,650,030	4,020,702	4,020,702	-	-
Salaries contributions	3,169,681	2,942,010	2,942,010	-	-
Current corporate tax	3,901,860	3,761,986	3,761,986	-	-
Deferred corporate tax	1,671,210	-	-	-	-
Royalty to to the State Budget	7,540,612	7,133,441	7,133,441	-	-
Vat payable	4,350,768	2,645,752	2,645,752	-	-
Other interests and liabilitie – State Budget	1,182,836	1,102,192	1,102,192	-	-
Dividends payable	6,204,944	13,971,193	13,971,193	-	-
Other debts	417,179	466,695	466,695	-	-
Total	**32,089,120**	**36,043,972**	**36,043,972**	**-**	**-**

As compared to the end of 2016, at chapter "other liabilities", in 2017 is being registered a material increase at the position „dividends payable", representing dividends payable unclaimed by the shareholders after the double distribution performed during 2017.

15 Provisions

	December 31 2017	December 31 2016
Provisions for litigations	4,135,815	3,012,183
Provisions for employee's benefits	18,163,415	11,747,998
Other provisions for risks and expenses	50,000	205,000
Total	**22,349,230**	**14,965,181**
Long-term provisions	*12,817,661*	*3,542,697*
Short-term provisions	*9,531,569*	*11,422,484*

Provisions for litigations

Detailed, the provisions for litigations are:

	December 31 2017	December 31 2016
Litigations for civil compensations	2,802,301	1,773,201
Litigations for breach of contract by third parties	1,192,999	1,192,999
Work related litigations	140,515	45,983
Total	**4,135,815**	**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 lands thereof. 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 31.12.2017 are registered provisions regarding the litigations for civil compensations in amount of 2,802,301 RON, increasing by 1,029,100 RON as compared to the amount thereof registered at 31.12.2016, in amount of 1,773,201 RON.
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, which has triggered the provisions increase.
The provision for work litigation in amount of 140,515 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 Employees Benefits

At December 31, 2017 the company includes at this chapter mainly the provision for benefits granted upon retirement and the provision for employees share of profit

The biggest share in the provisions for employees benefits is held by the provisions for benefits granted upon retirement, in amount of 13,296,971 RON, of which 12,817,661RON represent long-term obligations and 479,310 RON represent short-term obligations.
This provisions was registered under the Actuarial Report drafted by the Company GELID ACTUARIAL COMPANY S.R.L. București based on the services supply contract concluded with CONPET S.A.
As per the Labour Contract in force, the company must pay the employees upon retirement a benefit equal with a certain number of salaries, according to seniority and work history in the company.
The discount value of the provision was determined by usin the Projected Unit Credit Method (IAS 19). The benefits upon retirement received by an employee vave been primarily augmented vy the value of the employer's contributions and, afterwards, each benefit was discounted considering the employees rotation, dismissals and survival probability until retirement. Thr number of years untile retirement was calculated as difference between the retirement date and the reporting date. The forecasted average of the remaining working period was calculated based on the number of years until retirements, considering the trate of dismissals, the personnel fluctuation rate and the survival probability.
The main actuarial hypothesis used for the calculation at December 31, 2017 were the followings:

a) The discount rate. The were used the following values: the estimated rate of the inflation on long term 2% p.a., the real long-term estimated yield of the government bonds on long term 2,2% p.a., the first liquidity for Romania 0%, balance forward rate 4,2% p.a.

b) The rate of the estimated inflation based on the statistics issued by the National Institute of Statistics and BNR prognosis is of 3.2% in 2018, 3.1% in 2019, linearly decreasing up to 2.5% during 2020-2023, 2.5% during 2024-2030 and tracking a decrasing trend in the following years.

c) The inceasing rate of the monthly gross average salary per company. For the year 2018 was estimated an indexing of the monthly gross average salary per company by the rate of inflation forecasted for 2018. For the year 2019 and the following years was estimated an annual increase of the monthly gross average salary per company by the annual rate of inflation.

d) The mortality rate among the employees is based on the Mortality Scorebord of the Romanian population 2013 (men and women) issued by The National Institute of Statistcis.

In 2017, the dynamics in the provision for the benefits upon retirement granted to the employees is being presented in the chart herebelow:

Janurary 01, 2017	**3,606,242**
of which*:*	
short term	63,545
long term	3,542,697
Interest cost	139,568
Cost of current service	630,579
Payments out of provisions along the year	(536,065)
Actuarial loss related to the period	5,867,251
Cost of past service	3,589,396
December 31, 2017	**13,296,971**
of which*:*	
short term	479,310
long term	12,817,661

The provision related to the employees share of profit is being established based on the provisions of the Company's income and expenditure budget approved for the end of the financial statement, under the Ordinance no.64/2001 and MPFO no. 144/2005. The Ordinance no.64 from August 30, 2001 set out the the accounting profit remaining after the deduction of the corporate tax to the majority or entirely state-owned companies to be distributed within the limit of 10% of the net profit, but no more than the level of a monthly basic salary at the level of the economic agent, in the reference financial year. At 31.12.2017, the provision for the employees share of profit amounts to 2,969,000 RON, to which is added the amount of 66,803 RON related to the precautionary labour contribution.

Within the provisions related to employees benefits, the company has estabilsehd the profivions for the not taken leaves, which, at 31.12.2017 amount to 1,490,568 RON.

Also, there were established provisions for the allowances gratned to the members of the Board of Administration, as per the provisions of EGO.no.109/2011 on corporate governance, in total amount of 340,073 RON (here included the precautionary labour contribution) o/w:

- 104,115 RON representing the variable subocompenent 1 related to Quarter IV 2017;
- 235,958 RON representing the variable subocompenent 2 related to Year 2017, amount taken from the net profit

Other provisions

At December 31, 2017, the balance of the position “Other Provisions”, in amount 50,000 RON is being represented by the provisions related to environment expenses.

16 <u>Current and Deffered Corporate Tax</u>

The expense related to current and deferred corporate tax of the company in 2017 and in 2016 is being determined by a statutory sate of 16%.

	December 31, 2017	December 31, 2016
Expense with corporate tax	14,235,742	12,571,020
Expense with/(income from) deffered corporate tax	(2,000,378)	(84,256)
Total	**12,235,364**	**12,486,764**

Reconciliation of the effective tax rate:

	December 31, 2017	December 31, 2016
Profit before taxation	**86,623,138**	**84,033,367**
-Income tax at a statutory rate of 16%	13,859,702	13,445,338
Effect on the income tax, of:		
- Non-deductible expenses	2,137,594	3,216,668
- Non-taxable revenues	(1,746,746)	(3,218,483)
-Elements similar to revenues	1,033,079	962
- Elements similar to expenses	(247,085)	(939)
- Exempted income tax	(216,335)	(273,600)
- Amount representing sponsorship falling under the limts provided by law	(584,467)	(598,926)
Current income tax expense	**14,235,742**	**12,571,020**

Deferred Income Tax

The deferred tax to be paid and to be recovered have been calculated based on the taxable and/or deductible temporary differences, determined for the assets and liabilities as differences between the carrying value of the asset and/or liability and the amount attributed for fiscal purposes. The Company records the deferred taxes as an expense or as a revenue except for the tax generated by an event carried directly to the equity.

The deferred tax to be paid at 31.12.2017 is in amount of 5,860,850 RON, recognized on the expense of the equity elements, the deferred tax to be recovered acknowledged at 31.12.2017 in the global result statement amounts to 6,789,326 RON.

The table with the changes in the debt related to deferred taxes during 2017, is the following:

2017	Net balance January 01	Deferred tax recognized in profit and loss	Deferred tax recognized in equity	Net balance December 31	
				Receivable regarding the deferred tax	Payable regarding the deferred tax
Tangible assets revaluation	(4,245,154)	1,065,091	696,522	**3,377,308**	**(5,860,850)**
Changes in retained earnings	(37,633)	-	37,633	**-**	**-**
Provisions	1,912,479	62,907	938,760	**2,914,146**	**-**
Current assets adjustments	699,099	(159,309)	-	**539,790**	**-**
Deferred tax before off-set	(1,671,209)	968,688	1,672,915	**6,831,244**	**(5,860,850)**
Off-set asset/liability				**(5,860,850)**	**5.860.850**
Net deferred income tax (asset)					**970,394**

17. Result per share

The result per share within the last two years is:

	December 31 2017	December 31 2016
Profit for the year	74,387,774	71,546,604
Number of ordinary shares at the beginning and end of the period	8,657,528	8,657,528
Basic and diluted earnings per share (RON/share)	8.59	8.26

18. Operating Revenues

a) Turnover revenues

	December 31 2017	December 31 2016
Transport service revenues, o/w:	372,355,946	**378,575,084**
Domestic transport system related revenues	*284,890,036*	296,077,495
Import transport system related revenues	*87,465,910*	82,497,589
Lease revenues	1,398,798	**1,231,435**
Other revenues included in turnover	2,930,618	**1,839,547**
Total turnover revenues	**376,685,362**	**381,646,066**

Transport revenues are achieved from the services supplied to clients for the transport of the crude oil, rich gas and condensate volumes at the tariffs approved by Order of the President of The National Agency for mineral Resources.
In 2017, the transported volues per subsystems, as compared to the previous year, are as follows:

	December 31 2017	December 31 2016
Domestic Subsystem	3,550,405	3,685,087
Import Subsystem	3,269,318	3,393,257
Total quantities (tons)	**6,819,723**	**7,078,344**

The total volume of transported products lowered by 3.65% in 2017 as compared to 2016, following the decrease by 3.65 % of the quantities transported on the domestic transport subsystem and the 3.65% diminution of the volumes transported on the import subsystem.
The tariffs for the supply of the transport services in 2017, as approved by the National Agency for Mineral Resources, are as follows:

- For the domestic transport subsystem, the average tariff is 79.75 RON/ton;
- Fort the import transport subsystem, the tariffs are applied per refineries, per batches of transported quantities, being implemented the bracket tariff model:

Period	Arpechim		Ploiești Basin		Petromidia	
	Thousand tons/month	RON/ton	Thousand tons/month	RON/ton	Thousand tons/month	RON/ton
February 09, 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

	December 31 2017	December 31 2016
Revenues from modernization quota	29,812,824	27,664,211
Earnings from disposal of assets	945,006	-
Other revenues	4,124,038	1,620,047
Total operating revenues	**34,881,868**	**29,284,258**

The revenues related to the expenses borne by the modernization quota account for 85.47% in other operating revenues achieved, registering 7.77 % increase as compared to 2016.
Within the month of September 2017, the company recorded the amount of 1,546,138 RON in "Other Revenues", based on Resolution no. 3/19.09.2017, where the Ordinary General Meeting of Shareholders ascertained the prescription of the shareholders' rights to ask for the payment of dividends related to 2009 - 2013, unclaimed until 31.07.2017 and approved the registration of their value in the Company's revenues accounts.

19. Operating expenses

a) Inventories and utilities expenses

	December 31 2017	December 31 2016
Materials and consumables expenses	5,130,505	4,888,670
Other material expenses	1,883,663	1,367,619
Other expenses with energy and water	9,535,459	9,694,945
Merchandise expenses	64,450	9,430
Total expenses on inventories and utilities	**16,614,077**	**15,960,664**

b) Personnel Expenses

	December 31 2017	December 31 2016
Salary Expenses	74,131,872	71,647,421
Social insurance and protection Expenses	18,737,458	18,620,122
Total salaries and contributions	**92,869,330**	**90,267,543**

Personnel Expenses include the allowance of the Board if Administration members, the employees' benefits and bonuses. These are as follows:

Liabilities regarding the employees' benefits and bonuses. The waging 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 benefits awarded to the employees, in 2017, are as follows:

Liabilities regarding the employees' benefits

	December 31 2017	December 31 2016
Quarterly bonus	902,481	2,077,299
Financial support - retirement	536,065	370,116
Financial support - marriage	40,667	27,416
Employees' share of profit	4,754,892	4,522,804
Company contribution - optional pension schemes	3,016,825	3,012,790
Company contribution - optional health insurance	-	1,535,922
Other benefits	117,281	1,211,136
TOTAL	**9,368,211**	**12,757,483**

Liabilities regarding the employees' bonuses

	December 31 2017	December 31 2016
Holiday/medical treatment vouchers and related transport	2,456,642	2,061,412
Gifts – women and minor children	239,850	295,500
Financial support – birth, death, illness, humanitarian	545,819	632,564
Meal vouchers	3,620,986	3,449,132
Other	595,763	333,218
TOTAL	**7,459,060**	**6,771,826**

Wage System –the Director General and the members of the Board of Administration

	December 31 2017	December 31 2016
Allowance related to the contract of mandate	830,356	853,908
Allowances of the BoA members	867,256	854,683
Total	**1,697,612**	**1,708,591**

Employees

In 2017, the average number of employees evolved as follows:

	December 31 2017	December 31 2016
Employees holding management positions	86	76
Employees holding administrative positions	487	478
Other employees	1,093	1,116
Total	**1,666**	**1,670**

c) The Outside Services Expenses include:

	December 31 2017	December 31 2016
Rail transport expenses	56,389,020	57,599,308
Royalties, commercial leasings and rental expenses	30,164,530	30,814,376

Third-party pumping related expenses	4,677,007	5,221,243
Expenses with maintenance and repairs	1,456,402	2,278,911
Expenses related to decontamination, monitoring of the environment factors	410,322	1,392,838
Travel, assignments and transfer expenses	812,381	749,388
Personnel and goods transport related expenses	715,058	687,012
Postal expenses and telecommunication charges	534,157	482,152
Other third-party services related expenses	4,695,990	4,581,854
Total outside services expenses	**99,854,867**	**103,807,082**

The royalties, commercial leasings and rental expenses comprise the oil royalty, calculated according to the Oil Law no. 238/2004, 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 2017	December 31 2016
Other taxes, duties and similar levies	1,504,913	5,632,828
Compensations, fines and penalties expenses	908,651	1,125,145
Donations granted (Sponsorship)	584,467	598,927
Assigned assets and other capital operations expenses	-	3,635,011
Environmental protection expenses	38,558	38,908
Expenses from revaluation of tangible assets	288,866	1,378,617
Expenses settlement modernization quota	52,190,868	53,878,327
Other operating expenses	275,989	265,838
Other expenses	**55,792,312**	**66,553,601**

In 2017, the other taxes, duties and similar levies include, most of them, the local taxes 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.

20. Net Financial Result

	December 31 2017	December 31 2016
Interest revenues	2,634,309	1,960,562
Revenues from title operations and other financial instruments	946,782	1,815,300
Other financial revenues	32,603	60,683
Total financial revenues	**3,613,694**	**3,836,545**
Other financial expenses	45,163	109,357
Total financial expenses	**45,163**	**109,357**
Net financial result	**3,568,531**	**3,727,188**

The financial revenues decreased by 5.81% in 2017 as compared to 2016, and the financial expenses lowered by 58.70 % in the current year, as compared to the preceding year. Due to this evolution, the net financial result lowered by 4.26% in 2017 as compared to 2016.

21. 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 accesibility in the application of the provisions of the Fiscal Code, by the systhematic 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.

22. Contingencies and Engagements

Capital engagements
The company has no other capital engagements granted.

Third-party guarrantees
The guarantees granted to third parties are exposed in the table below:

	December 31 2017	December 31 2016
Other intangible receivables	1,276,638	868,346
Total	**1,276,638**	**868,346**

Other intangible receivables are exposed separately, at the financial fixed assets line for long term guarrantees 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 2017, the Company does not record third-party engagements.

Guarrantees received

The received guarrantees are exposed in the table below:

	December 31 2017	**December 31 2016**
Performance guarrantees tranferred in the company's accounts	108,194	124,464
Execution bank guarrantees received from clients	26,989,360	25,941,416
Execution bank guarrantees received from suppliers	10,494,968	6,224,860
Performance guarrantees transferred to the beneficiaries accounts, blocked until the fulfilment of the release conditions	2,944,462	2,905,274
Total	**40,536,984**	**35,196,014**

Contingencies

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

23. Related parties

In 2017, the Company performed the following significant transactions with related parties:

- **Procurement from related parties**

Partner	**Non-settled amounts at December 31, 2016**	**Procurement during 01.01-31.12.2017**	**Settlements 01.01-31.12.2017**	**Non-settled amounts at December 31, 2017**
SNTFM CFR Marfă SA	5,902,301	66,960,497	66,782,759	6,080,039

24. Audit Expenses

The Company's Audit for the year 2017 was performed by BDO AUDIT SRL.
By the OGMS Resolution No. 3/29.11.2016, was approved the appointment of the company BDO AUDIT SRL as the financial auditor of the Company, for a three years period (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 and to services for the revision of the interim financial statements prepared at the date of June 30, 2017 in compliance with IAS 34.

25. 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 (RON). 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 RON, 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's exposure to the exchange rate risk expressed in RON was insignificant, as exposed in the statements below:

December 31, 2017	Value	RON	EUR	USD	GBP
Monetary assets					
Cash and cash equivalents	209,847,265	209,723,109	18,080	15,888	90,188
Short-term investments	70,623,518	70,623,518	-	-	-
Trade receivables and other short and long term receivables	47,721,852	47,683,950	37,902	-	-
Monetary debts					
Suppliers/different creditors	(31,109,967)	(31,109,967)	-	-	-
The net exposure in the statement of the financial position	**297,082,668**	**296,920,610**	**55,982**	**15,888**	**90,188**

December 31, 2016	Value	RON	EUR	USD	GBP
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 short and long term receivables	43,008,024	43,008,024	-	-	-
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**

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

	December 31, 2017	December 31, 2016

RON/EURO	4.6597	4.5411
RON/USD	3.8915	4.3033
RON/GBP	5.2530	5.2961

(b) The Credit Risk
The credit risk implies the risk 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 was:

	Net value	
	December 31, 2017	**December 31, 2016**
Trade receivables and other short and long term receivables	47,721,852	43,008,024
Total	**47,721,852**	**43,008,024**

The Company carries-out trade relations with approved third-parties exclusively on a contractual basis, which justifies the credit financing. The Company's management closely monitorize the exposure to the trade credit risk.
The financial assets which may submit the Company to the encashment risk, are mainly the trade liabilities.
The company implemented a series of policies according to which is being provided that the sale of services is being performed by clients with rapid proceeds. The value of the net liabilities (no depreciation adjustments) represents the maximum amount exposed to the encashment risk.

At December 31, 2017, the Company holds cash and cash equivalents in amount of 209,847,265 RON (at December 31, 2016: 244,598,286 RON), as well as short-term investments materialized in government securities, in amount of 70,623.518 RON at 31.12.2017 (on December 31, 2016: 163,053,678 RON), 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 Bank, OTP Bank, Piraeus Bank, Credit Europe 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 clients 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, 2017	**Adjustment December 31, 2017**	**Net value December 31, 2017**
Not reaching the maturity date	34,981,599	-	34,981,599
Maturity date exceeded between 1 - 30 days	19,616	-	19,616
Maturity date exceeded between 30 - 60 days	10,329	-	10,329
Maturity date exceeded between 60 - 90 days	3,421	-	3,421
Maturity date exceeded between 90 days -1 year	276	-	276
More than 1 year	698,234	698,234	-
Total	**35,713,475**	**698,234**	**35,015,241**

	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	-
Total	**38,656,637**	**688,638**	**37,967,999**

The statement of seniority of **other receivables** at the date of preparation of the statement of the financial position was:

	Gross value December 31, 2017	Adjustment December 31, 2017	Gross value December 31, 2016	Adjustment December 31, 2016
Not reaching the maturity date	14,179,176	2,752,468	7,727,011	3,555,333
Total	**14,179,176**	**2,752,468**	**7,727,011**	**3,555,333**

We hereby mention that, for **the intangible receivables below 1 year and the pre-payments for services** in amount of 311,122 RON (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:

	2017	2016
Balance at January 1	688,638	660,295
Increases during the year	9,596	38,550
Reversals during the year	-	(10,207)
Balance at December 31	**698,234**	**688,638**

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

	2017	2016
Balance at January 1	3,555,333	3,033,397
Increases during the year	2,653	559,590
Reversals during the year	(805,518)	(37,654)
Balance at December 31	**2,752,468**	**3,555,333**

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 inacceptable 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.

2017	Contractual cash-flows	< 1 year	1-5 years	> 5 years
Trade liabilities	30,653,848	30,653,848	-	-
Other liabilities	36,043,972	36,043,972	-	-
Total	**66,697,820**	**66,697,820**	**-**	**-**

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

(d) The Personnel Risk and the Salary System

On December 31st 2017, the structure according to age is not balanced, the age category with the highest rate ratio in the company was 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 (35%) and between 31 - 40 years old (12%).
The mean age of CONPET personnel is high enough (48.38 years old), the advantage being that 52% of the personnel has over 20 years of experience in the company, which stands for the stability and professionalism of the company's employees.
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 experienced employees due to natural causes. The analyzed level of this risk was low; this is a high tolerability risk and for the control thereof have been set medium and long-term measures by way of the personnel policy and the monitoring of the personnel fluctuations (personnel input/output in/from the company).

These employees are extremely valuable, as they gathered knowledge and unique skills, some of them requiring years of experience to be appropriated. Nevertheless, there is the risk for the company to face a qualified personnel shortcoming in the future, due to the increasing number of those who will meet the retirement conditions. The analyzed level of this risk was low; this is a high tolerability risk and for the control thereof have been set medium and long-term measures by way of the personnel policy and the monitoring of the personnel fluctuations.

(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. Furthermore, the dependency on the only client on the domestic transport sub-system and reduction of the production and/or refining business, not offset by the bringing into production of new capacities, bears a direct and negative impact on the revenues.

The analyzed level of the risk determined by the evolution of the oil&gas market at national and regional level, as well as of the global market was high; there is an intolerable risk for which have been instituted urgent measures to keep it under control, by 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's 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 a functional market economy to perform.

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.

According to Financial Times Stock Exchange (FTSE), Romania is currently classified as a frontier market and is included in the „WatchList" for a possible promotion to the secondary emerging market. An FTSE release is pointing out the followings: "Romania meets eight of the nine criteria needed to enjoy the status of secondary emerging market, following the recent developments in market infrastructure, which have been positively received by the global investors. The only criterion left to be complied with is: sufficient liquidity as to support an investment of significant magnitude at world level."

(g) Legislative-related Risks

The results of CONPET initiatives are hard to predict and may be amended following the lack of legislative stability 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 permanent systemic communication with all States' representatives and interested parties in order tointegrate the economic activity of the company in the strategy of Romania, the energy field and the industry sector, in order to prevent, as much as possible, the legislative risks.
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 no. 1107 dated November 14, 2012, which amends and complements 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 of losing the facility to provide the guard and protection of the pipelines by gendarmes.

(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's 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:
- has been submitted to the Ministry of Energy the draft amendment of the Petroleum Law and of the Roads Law in view of the 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 from Romania. The National Transport System operated by CONPET is not interconnected to other external regional transport systems.

Following the restructuring of the petrochemical industry in Romania, the transported volumes of crude, rich gas and condensate have lowered dramatically, triggering side effects on the degree of utilization of the system.

Considering that the Crude oil national Transport System in Romania is not interconnected to the any transport network outside the Romanian borders, the company's programmed revenues are directly dependent on the activity of the companies having as core business the takeover of crude oil in Romania.

Given these conditions, by the support of the Minister of Energy and the authority regulating the business (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.

It is necessary to emphasize the impredictibility of the activity related to the development and processing of the crude oil and derivatives in Romania, which may influence negatively the company's financial statements.

For this average risk, describing low tolerability, have been taken measures aiming at the reduction thereof, such as the identification and development of activities related to the core business.

(k) Operational Risks

The Company's 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 reduction of the activity of CONPET beneficiaries led to the application of certain procedures for the identification of other possibilities to operate the National Transport System.

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" is large; it is an intolerable risk for which have been set urgent measures to control it:

- Redefining the transport infrastructure according to demand-side.

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.

(l) 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. In 2017 have been reviewed the environment targets, these being included in a new Actions Plan for the fulfilment of the environment objectives.
The requirements of standard SR EN ISO 14001:2015 regarding the risks associated to environment aspects and environment compliance obligations are bound to be implemented; consequently, it will be necessary to revise procedure PS-MI-11 – identification of the environment aspects and associated impacts.

- *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, internal inspections performed by the HSEQ responsibles, internal audits carried-out by CONPET's employees working in the specialized entities.
The environment and water management authorities performed 106 inspections in CONPET sites, related to the observance of the legal requirements and observance of the measures disposed 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.

- *Pollutions bearing significant impact on the environment*

While pumping the crude oil on the transport pipelines, accidental pollutions may occur, triggering the contamination of the geological environment. Therefore, in 2017 have been reported accidental pollutions in the areas: Lumina, Triaj, Cernavodă, canal PAMN-Raja, Valul lui Traian, borna 11, Mircea Vodă, Cuza Vodă, Poarta Albă (Constanța county), Aninoasa, Țuicani (Dâmbovița county), Surani, Lacul Turcului, Orzoaia, Râfov, rafinăria Lukoil, Moara Nouă, Cioceni, Avicola Găgeni, Coada Malului (Prahova county), Dragalina, Ivănești (Călărași county), Jilavele, Gârbovi, Movilița, Balta Ialomiței, Grindu (Ialomița county), Pârvu Roșu, Popești (Argeș county), Nuci (Ilfov county), Crevedia Mare (Giurgiu county), Scaioși (Vâlcea county), Independența (Galați county), Vermești (Bacău county). The expenses incurred in 2017 with the decontamination of the affected areas amounted to 369,586.22 RON.
From the activity of storage of the crude oil in tanks, in time, the crude oil mechanical impurities sediment, generating the tank slurry, thus being necessary the recurrent discharge thereof, respectively the tanks repair/calibration. In 2017 the tanks have not been cleaned. All year long have been performed several procurement procedures in what concerns the crude oil tanks' cleaning services, resulting into the contracting of these services within the month of December. Furthermore, in 2017 took place 2 procurement procedures for colecting, transport and temporary storage in view of valorification/disposal of the hazardous wastes similar to paraffin (resulted from the inline cleaning of the crude oil transport pipelines and related manifolds under the operation of Conpet S.A), which were cancelled due to lack of bidders.
Based on the requirements from the ,,Environment monitoring" chapter included in the environment permits, was issued the *"*2017 *Annual Program for the Monitoring and Measurement of the Environment Factors' Characteristics*", which included the following determinations:
- concentration of pollutants in water emissions exhausted in the surface waters, in the sewing networks, as well as the pollutants concentration in the underground waters (current monitoring drillings), determination of the level of pollutants in case of accidental contaminations of the water courses;
- concentration of pollutants in the air emissions of the fixed and/or mobile sources (heating plants, crude oil storage tanks), as well as the concentration of air pollutants;
- concentration of specific pollutants contained in the soil samples;
- level of noise.

For the determination of the level of pollutants for the environment factors such as water, air, soil and noise are being made analysis by certified laboratories. Consequently, have been performed monitorings of the quality of the environment factors: water, air, soil, underground waters and have not been identified exceedings of the maximum allowable concentrations. In 2017, the costs incurred by the monitoring of the environment factors amounted to 24,872 RON.

26. Subsequent events

Have not been registered significant events subsequent to the closing down of 2017 financial year.

These financial statements from page 2 to page 58 have been authorized for issue and signed by the company management on March 20, 2018 by:

Director General,	**Economic Director,**
Eng. Dan-Silviu Baciu, M.B.A.	**Econ. Toader Sanda**