



**CONPET S.A., Romania**

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TIN: RO 1350020; NACE Code 4950; CRN J29/6/22.01.1991

Subscribed and paid-up share capital 28 569 842.40 RON



**Interim Financial Statements at the date and for the six months  
period ended at  
June 30, 2018**

**Prepared in compliance with:  
International Accounting Standard no. 34 - „Interim Financial Reporting”**



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## **CONTENTS**

**Page**

### **Interim Financial Statements**

Interim Statement of the Financial Standing	2 – 3
Interim statement of the profit or loss and other global result elements	4
Interim Statement of the changes in equity	5 – 6
Interim Cash-flow Statement	7 - 8
Explanatory Notes to the interim financial statements	9 - 29

**The company CONPET S.A.**

Interim Statement of the Financial Standing at June 30, 2018

*(All the amounts are expressed in RON, unless otherwise specified)***INTERIM STATEMENT OF THE FINANCIAL STANDING AT JUNE 30,2018**

	Note:	June 30, 2018 (revised)	December 31, 2017 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	4	417,776,146	407,275,686
Intangible assets	5	980,061	1,462,672
Financial Assets	6	903,712	973,782
Receivables on deferred income tax		2,118,485	970,394
<b>Total non-current assets</b>		<b>421,778,404</b>	<b>410,682,534</b>
<b>Current assets</b>			
Inventories	7	9,020,482	9,024,205
Trade receivables and other receivables	8	47,351,293	46,753,071
Short-term investments	10	70,953,628	70,623,518
Cash and cash equivalents	9	166,451,048	209,847,265
Prepaid expenses		1,584,055	1,842,877
<b>Total current assets</b>		<b>295,360,506</b>	<b>338,090,936</b>
<b>TOTAL ASSETS</b>		<b>717,138,910</b>	<b>748,773,470</b>
<b>Equities and liabilities</b>			
<b>Equities</b>			
Subscribed and paid-up share capital	11	28,569,842	28,569,842
Legal reserves	11	5,713,968	5,713,968
Revaluation reserves	11	28,345,981	31,016,763
Other reserves	11	492,787,718	478,500,458
Retained Earnings	11	44,489,080	40,211,069
Result of the period	11	21,625,612	74,387,774
<b>Total equities</b>		<b>621,532,201</b>	<b>658,399,874</b>
<b>Deferred income</b>			
Investment Subsidies		1,248,342	1,314,536
Deferred income		10,909	12,010
<b>Total deferred revenues</b>		<b>1,259,251</b>	<b>1,326,546</b>
<b>Long-term liabilities</b>			
Long-term provisions	13	13,295,870	12,817,661
<b>Total Long-term liabilities</b>		<b>13,295,870</b>	<b>12,817,661</b>

**The company CONPET S.A.**

Interim Statement of the Financial Standing at June 30, 2018

*(All the amounts are expressed in RON, unless otherwise specified)***Current liabilities**

Trade liabilities	12	27,470,633	30,653,848
Current income tax	12	2,592,820	3,761,986
Other liabilities	12	38,053,444	32,281,986
Short-term provisions	13	12,934,691	9,531,569
<b>Total current liabilities</b>		<b>81,051,588</b>	<b>76,229,389</b>
<b>Total liabilities</b>		<b>94,347,458</b>	<b>89,047,050</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>		<b>717,138,910</b>	<b>748,773,470</b>

These interim financial statements and the related notes, from page 3 to page 27 have been authorized for issue and signed by the company management at 9 of August 2018.

**Director General**  
**Eng. Dan-Silviu Baciu, E.M.B.A.**

**Economic Director,**  
**Econ. Sanda Toader**

**INTERIM STATEMENT OF THE PROFIT AND LOSS ACCOUNT AND OTHER GLOBAL RESULT ELEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018**

	Note:	6 months ended at June 30, 2018 (revised)	6 months ended at June 30, 2017 (retreated)
<b>The Operating Revenues</b>	16		
Turnover revenues		184,931,130	186,314,395
Other revenues		15,045,754	15,389,511
Earnings from disposal of assets		-	899,618
<b>Total operating revenues</b>		<b>199,976,884</b>	<b>202,603,524</b>
<b>Operating Expenses</b>	17		
Inventory related expenses		3,269,384	3,229,734
Expenses with energy and water		5,948,665	5,172,245
Personnel expenses		65,958,492	57,854,364
Value adjustment on current, non-current assets		22,242,246	22,280,158
Value adjustments on the current assets		(96,920)	(1,063,173)
Expenses related to external services		48,817,415	49,074,190
Other expenses		26,650,529	27,819,699
Loss from disposal of assets		50,665	-
Provision adjustments		3,881,331	(2,192,051)
<b>Total operating expenses</b>		<b>176,721,807</b>	<b>162,175,166</b>
<b>Operating profit</b>		<b>23,255,077</b>	<b>40,428,358</b>
Financial revenues		2,373,563	1,920,176
Financial expenses		4,333	19,658
<b>Financial profit</b>	18	<b>2,369,230</b>	<b>1,900,518</b>
<b>Profit before taxation</b>		<b>25,624,307</b>	<b>42,328,876</b>
Expenses with the current income tax	14	5,146,786	6,116,363
Expenses with (revenues coming from) deferred income tax		(1,148,091)	445,033
<b>Profit of the period</b>		<b>21,625,612</b>	<b>35,767,480</b>
<b>Other global result elements</b>		<b>-</b>	<b>(4,928,491)</b>
<b>TOTAL GLOBAL RESULT</b>		<b>21,625,612</b>	<b>30,838,989</b>
<b>Earnings per share</b>		<b>2.50</b>	<b>4.13</b>

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**Director General**  
**Eng. Dan-Silviu Baci, E.M.B.A.**

**Economic Director,**  
**Econ. Sanda Toader**

The company CONPET S.A.  
 (All the amounts are expressed in RON, unless otherwise specified)

**INTERIM STATEMENT OF THE EQUITIES AT THE DATE OF JUNE 30, 2018 (revised)**

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained Earnings	Result of the period	Total equities
<b>Balance at January 1, 2018</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>31,016,763</b>	<b>478,500,458</b>	<b>40,211,069</b>	<b>74,387,774</b>	<b>658,399,874</b>
Net result of the period	-	-	-	-	-	21,625,612	21,625,612
Augmentation of the reserve representing modernization quota fund	-	-	-	11,127,812	-	-	11,127,812
Reversal of surplus from revaluation	-	-	(2,670,782)	-	2,670,782	-	-
Dividends due to shareholders	-	-	-	-	-	(69,621,097)	(69,621,097)
Allocation from profit provided by law - exemption from the reinvested income tax	-	-	-	-	1,352,092	(1,352,092)	-
Other allocations from the preceding year's result	-	-	-	3,159,448	255,137	(3,414,585)	-
<b>Balance at June 30, 2018</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>28,345,981</b>	<b>492,787,718</b>	<b>44,489,080</b>	<b>21,625,612</b>	<b>621,532,201</b>

Note: The „Other Reserves” item also includes the reserve representing the modernization quota in amount of 457,070,983 RON at 30.06.2018 (30.06.2017: 434,423,653 RON), this not being distributable.

**INTERIM STATEMENT OF THE CHANGES IN EQUITY AT THE DATE OF JUNE 30,2017 (retreated)**

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained Earnings	Result of the period	Total equities
<b>Balance at January 1, 2017</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>32,957,666</b>	<b>536,238,701</b>	<b>120,685,850</b>	<b>71,546,604</b>	<b>795,712,631</b>
Net result of the period	-	-	-	-	-	35,767,480	35,767,480
Actuarial Gain/(loss) of the period	-	-	-	-	(4,928,491)	-	(4,928,491)
<b>Total global result</b>	-	-	-	-	<b>(4,928,491)</b>	<b>35,767,480</b>	<b>30,838,989</b>
Augmentation of the reserve representing modernization quota fund	-	-	-	10,858,527	-	-	10,858,527
Reversal of surplus from revaluation	-	-	(2,720,310)	-	2,720,310	-	-
Corporate tax related to the retained earnings	-	-	-	-	(1,255,097)	-	(1,255,097)
Dividends due to shareholders	-	-	-	-	(73,725,670)	(69,836,604)	(143,562,274)
Allocation from profit provided by law - exemption from the reinvested income tax	-	-	-	-	1,710,000	(1,710,000)	-
<b>Balance at June 30, 2017</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>30,237,356</b>	<b>547,097,228</b>	<b>45,206,902</b>	<b>35,767,480</b>	<b>692,592,776</b>

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**Director General**  
**Dan-Silviu Baci, E.M.B.A.**

**Economic Director,**  
**Econ. Sanda Toader**

**INTERIM CASH-FLOW STATEMENT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018 (revised)**

**(DIRECT METHOD)**

	<b>Name of the Element</b>	<b>6 months ended at June 30, 2018</b>	<b>6 months ended at June 30, 2017</b>
	<b>Cash flows from operating activities:</b>		
+	Proceeds from services supply	193,137,048	199,692,134
+	Proceeds from interests related to banking investments	1,957,740	1,221,583
+	Other proceeds	2,131,735	2,401,295
-	Payments to the suppliers of goods and services	53,182,508	55,285,084
-	Payments to and on behalf of the employees	64,185,854	56,188,567
-	VAT Payments	20,434,472	24,969,109
-	Corporate tax payments	6,315,952	7,743,195
-	Other payments regarding the operating activities	20,218,298	17,699,616
<b>A</b>	<b>Net cash from operating activities</b>	<b>32,889,439</b>	<b>41,429,441</b>
	<b>Cash flows from investment activities:</b>		
+	Proceeds from sale of tangible assets	6,570	1,424,124
+	Proceeds from modernization quota	25,326,114	25,963,435
+	Proceeds from short-term financial investments	-	142,959,952
+	Proceeds from interests related to government securities	-	1,622,248
-	Payments for purchase of tangible assets	40,502,097	19,110,522
<b>B</b>	<b>Net cash from investment activities</b>	<b>(15,169,413)</b>	<b>152,859,237</b>
	<b>Cash flows from financing activities:</b>		
+	Proceeds dividends transferred to Depozitarul Central	5,891,170	2,709,838
-	Paid dividends	67,005,869	143,058
<b>C</b>	<b>Net cash from financing activities</b>	<b>(61,114,699)</b>	<b>2,566,780</b>
<b>=</b>	<b>Net increase of the cash and cash equivalents=A+B+C=D2-D1</b>	<b>(43,394,673)</b>	<b>196,855,458</b>
<b>D1</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>209,845,721</b>	<b>244,597,901</b>
<b>D2</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>166,451,048</b>	<b>441,453,359</b>
	<i>To which is being added:</i>		
	<i>Government securities as government bonds and treasury bills</i>	<i>70,309,618</i>	<i>18,928,815</i>
	<b>Total availabilities at the end of the period</b>	<b>236,760,666</b>	<b>460,382,174</b>

The variation per total cash-flow knows a downward trend from 441 million RON to 166 million RON.

This decrease in cash was determined by the dividend payments in the second semester of 2017 (228 million RON), distributed from the profit of 2016 and other capital items (retained earnings and own sources of financing), as well as by the payment, during the reporting period, of the net dividends from the net profit for the year 2017 (67 million RON).



The effects of the three activity areas (operation, investments and financing) over the cash in 2018 H1 is as follows:

- the operating activity triggered a cash-flow in amount of 33 million RON;
- the investment activity ended with a negative cash-flow, the payments for the procurement of the fixed assets being higher by 15 million RON than the input of cash from the modernization quota;
- the financing activity was negatively influenced by 61 million RON, the cash outputs for the payment of dividends within the month of June being in amount of 67 million RON.

If we compare the cash from the operating activity in 2018H1 with the one registered in 2017H1, it can be noticed a decrease by 8 million RON determined by higher payments to employees as a result of wage growth.

In the cash flow table, there is a decrease in the proceeds from the supplied services in the first half of 2018 compared to the same period in 2017, this decrease being driven by higher collection in January 2017 from invoices issued with 24% VAT, existing in the balance on 31.12.2016.

The cash of investment activity declined in the first six months of 2018 due to the decrease in the investments in government securities after the payment of dividends out of profit and to other capital items (retained earnings and other reserves - own sources of financing) leading to a significant decrease in cash.

The net cash from financing activities also recorded a decrease during the reporting period following the approval by the General Meeting of Shareholders, of the payment of dividends within the month of June 2018, as compared to 2017 when the distribution was decided for the month of July.

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**Director General**  
**Eng. Dan-Silviu Baci, E.M.B.A.**

**Economic Director,**  
**Econ. Sanda Toader**

## **1. Business Description and General Information**

The company CONPET S.A. ("The Company") is a joint-stock company, with a unitary system administration, as per Law no. 31/1990 on the companies, republished, subsequent amendments, is registered at the Prahova Trade Registry under no. J29/6/1991, and the Financial Supervisory Authority by the registration certificate no. 7227/1997.

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

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

The company's shares are traded at the Bucharest Stock Exchange (BSE) starting with September 5, 2013, under the COTE symbol.

Currently, the company CONPET S.A. is included in 7 out of the total of 9 stock indices, respectively in **BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BET-NG and BET Plus indices**. This company achievement translates into performance, economic-financial stability, transparency, enhanced visibility and increased interest of the investors.

At 30.06.2018, CONPET S.A. had a market capitalization of 779.18 million RON (167.16 million Euro), ranking 18 in "Top 25 issuers according to capitalization".

### *Company Establishment*

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

At 30.06.2018, 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 2,536,458 shares representing 29.30% and
- natural persons, with 1,037,698 shares representing 11.98 %

### *Company's Mission*

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

### *Other Information on the Company's Business*

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

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

The crude oil National Transport System represents the ensemble of the major interconnected pipelines ensuring the collection of the oil extracted from the exploitation areas or of the imported crude and the transport thereof from the delivery 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 capacity to all the inquirers, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis.

The crude oil National Transport System belongs to the Romanian State public domain, is being administered by NAMR. (As per the Oil Law provisions). This comprises a pipeline system of approx. 3,800 km and a transport throughput of 18.5 million tons/year.

#### *The Legal Environment*

The activity in the oil sector is being regulated by the Oil Law no. 238/2004. The National Agency for Mineral Resources, acting as specialized body of the central public administration, bearing legal personality, is the competent authority empowered to apply the provisions of this normative act.

As per the provisions of the Oil Law no.238 /2004, the National Agency for Mineral Resources entitles as Concession Provider of the goods belonging to public domain, concessioned to the operators acting in the oil industry, together with other State authorities, negotiates and concludes, on State's behalf, oil agreements; awards mining concession licenses and exploitation permits; issues regulating acts, norms, instructions, orders and rules; observes the compliance of the titulars of the concession agreements with the concession licenses and exploitation permits conditions; manages the Crude Oil and Natural Gas National Pipeline Transport Systems and regulates the exploitation activities thereof by system's concession agreements concluded with national/commercial companies/nominated by the Government; annuls the concession/administration acts etc.

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

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

The transport tariffs approved by NAMR are differentiated on the two subsystems belonging to the National Transport System, namely the sub-system for the transport of the crude oil, rich gas, condensate and ethane from the domestic production and the sub-system for the transport of the imported crude. The tariffs for the transport on the import subsystem are applied per refineries, according to the transported quantities, being used the bracket tariff model.

The transport tariffs include:

- the operating cost, including: material expenses, personnel expenses, pipeline maintenance expenses, expenses with energy, gas and water, costs related to the amortization of the fixed assets, the royalty and other taxes applicable to the transporter, expenses related to the provision of pipeline guard, decontamination expenses, other expenses;
- modernization and development quota;
- reasonable profit margin.

## **2. Preparation Grounds**

### **(a) Declaration of Conformity**

These interim financial statements have been prepared pursuant to the Order of the Minister of Public Finances no. 2844/2016, for the approval of the accounting regulations compliant with the International Financial Reporting Standards (IFRS).

These interim financial statements of the Company were prepared pursuant to the IAS 34 - Interim Financial Reporting. They do not include all the necessary information in order to provide a complete set of financial statements in compliance with the International Financial Reporting Standards and must be read together with the annual financial statements of the Company, prepared at December 31, 2017. Nevertheless, certain selected explanatory notes have been included in order to explain the events and transactions significant for the understanding of the changes occurred in the financial standing and company performance since the last annual financial statements at the date and for the financial year ended December 31, 2017.

The Interim Financial Statements at June 30, 2018, prepared in compliance with IAS 34 have not been audited, but have been revised by the financial auditor.

These interim financial statements have been authorized for issue and signed by the company management at 9 of August 2018.

### **(b) Accounting Estimates and Professional Reasoning**

The preparation of the financial statements implies the use, by the Company management, 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 historical experience, as well as on other factors considered reasonable given these estimates. The results of these estimates set the grounds for the professional reasonings regarding the accounting value of the assets and liabilities that cannot be obtained from other information sources. The actual results may be different from the estimates values.

The estimates performed by the company are revised whenever changes occur regarding the circumstances on which the estimate was based or following subsequent available information.

The significant reasoning used by the management for the application of the Company's accounting policies and the main sources of uncertainty regarding the estimates have been the same with those applied to the financial statements related to 2017.

## **3. Accounting Policies**

The accounting policies applied in these interim financial statements are the same with those applied in the financial statements of the Company at the date and for the financial period ended at December 31, 2017.

The following new standards and amendments to the existing standards issued by the Committee for the International Accounting Standards (IASB) and adopted by the European Union (EU) entered into force during the annual reporting period ended June 30, 2018, but had no significant effect on the financial statements and have not been presented in detail:

- IFRS 15 "Revenues from the contracts concluded with clients" and Amendments;
- IFRS 9 "Financial instruments" – classification and evaluation;
- Amendments to IFRS 4 "Insurance Contracts" – the Application of IFRS 9 "Financial instruments" with IFRS 4 "Insurance Contracts";
- Amendments to IFRS 2 "Payment based on shares";

- Amendments to various standards Improvements brought to IFRS (cycle 2014-2016) resulting from the IFRS annual improvement program (IFRS 1 Adoption for the first time of the International Standards of Financial Reporting and IAS 28 Investments in associated entities and venture agreements);  
Certain new standards or amendments shall enter into force subsequent to the date of January 1, 2019, The Company chose not to adopt their implementation in the interim financial statements.

#### 4. Tangible assets

During January-June 2018, the tangible assets evolved as follows:

Name	Lands and land improvements	Buildings and special installation	Operating oil products	Machinery and equipment	Measuring and control devices	Means of transport	Other tangible assets	Tangible assets in progress	Total tangible assets
<b>Gross accounting value at January 1, 2018</b>	<b>22,584,099</b>	<b>226,786,502</b>	<b>42,072,846</b>	<b>80,104,803</b>	<b>65,418,061</b>	<b>28,398,221</b>	<b>6,411,128</b>	<b>33,961,299</b>	<b>505,736,959</b>
Aggregate amortization at January 1, 2018	-	-	-	(34,312,830)	(43,729,974)	(17,374,213)	(3,044,256)	-	<b>(98,461,273)</b>
<b>Net accounting value at January 1, 2018</b>	<b>22,584,099</b>	<b>226,786,502</b>	<b>42,072,846</b>	<b>45,791,973</b>	<b>21,688,087</b>	<b>11,024,008</b>	<b>3,366,872</b>	<b>33,961,299</b>	<b>407,275,686</b>
Input of tangible assets	-	4,854,787	-	2,044,514	402,518	1,576,963	72,246	23,338,148	<b>32,289,176</b>
Output of tangible assets	-	(41,689)	-	(8,447)	(2,905)	-	(4,194)	-	<b>(57,235)</b>
Amortization registered during the period	-	(10,204,078)	-	(4,463,475)	(5,109,593)	(1,524,288)	(430,047)	-	<b>(21,731,481)</b>
<b>Net accounting value at June 30, 2018</b>	<b>22,584,099</b>	<b>221,395,522</b>	<b>42,072,846</b>	<b>43,364,565</b>	<b>16,978,107</b>	<b>11,076,683</b>	<b>3,004,877</b>	<b>57,299,447</b>	<b>417,776,146</b>
<i>Net accounting value at January 1, 2018</i>	<i>22,584,099</i>	<i>226,786,502</i>	<i>42,072,846</i>	<i>45,791,973</i>	<i>21,688,087</i>	<i>11,024,008</i>	<i>3,366,872</i>	<i>33,961,299</i>	<i>407,275,686</i>
<i>Net accounting value at June 30, 2018</i>	<i>22,584,099</i>	<i>221,395,522</i>	<i>42,072,846</i>	<i>43,364,565</i>	<i>16,978,107</i>	<i>11,076,683</i>	<i>3,004,877</i>	<i>57,299,447</i>	<i>417,776,146</i>
<b>Difference</b>	<b>-</b>	<b>(5,390,980)</b>	<b>-</b>	<b>(2,427,408)</b>	<b>(4,709,980)</b>	<b>52,675</b>	<b>(361,995)</b>	<b>23,338,148</b>	<b>10,500,460</b>

During 01.01.2018 – 30.06.2018, the net value of the tangible assets increased by the amount of 10,500,460 RON, difference resulting from:

- increase of 32,289,176 RON, representing input of tangible assets;
  - diminution by 21,731,481 RON, representing amortization of tangible assets related to the period;
  - diminution by 57,235 RON representing the remaining value of the disposed tangible assets;
- Tangible assets commissioned during January - June 2018 were in amount of 8,951,028 RON.

The amortization method used is the linear method.

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

At 30.06.2018, CONPET has recorded in the company patrimony lands in surface of 733.648,93 sq.m. with a fair value amounting to 22,584,099 RON, held based on the Ownership Certificates 709,949.07 sq.m.) and sale-purchase contracts (23,699.86 sq.m.):

At the date of June 30, 2018, the Company's share capital was not augmented by the value of the lands held pursuant to the 47 ownership certificates, in surface of 554,537.62 sq.m.. The land Ownership Certificates for the lands not included in the share capital, have been obtained during 2001-2005, and the appraised value at the date of obtaining the certificates, set in compliance with GD 834/1991, is of 26,255,918 RON. These lands have been obtained in the company patrimony on the expense of other equity reserves.

At the date of 30.06.2018, the fair value of these lands is in amount of 12,348,115 RON.

The tangible assets also include the operating oil product, evaluated in the statement of the financial standing at the cost determined from revaluation, retreated by the application of IAS 29 "The financial reporting in Hyperinflationary Economies". At the date of 30.06.2018, the value of the operating oil product left the same with the one recorded at the beginning of the year, respectively of 42,072,846 RON.

#### *Tangible assets in progress*

During 01.01.2018 - 30.06.2018, the Company has executed tangible assets investment works, included in the "2018 Investments Program", consisting in: replacements of sections of pipelines on various lengths and routes, crude oil pipelines commissioning works at the rivers under-crossings and over-crossings, tanks modernizations, loading ramps modernization, modernization of pumping systems in various stations, external lightening installations execution, modernization and monitoring of the cathodic protection stations, rail tanks recurrent inspections, modernizations related to the telecommunications system, as well as procurement of fixed assets which do not work independently.

## **5. Intangible assets**

The evolution of the intangible assets, during January-June 2018 is exposed, as follows:

<b>Name</b>	<b>Licenses and software</b>	<b>Other intangible assets</b>	<b>Total intangible assets</b>
<b>Inventory value at January 1, 2018</b>	<b>4,009,627</b>	<b>1,100,018</b>	<b>5,109,645</b>
Aggregate amortization at January 1, 2018	(2,640,858)	(1,006,115)	(3,646,973)
<b>Net accounting value at January 1, 2018</b>	<b>1,368,769</b>	<b>93,903</b>	<b>1,462,672</b>
Input of intangible assets	28,154	-	28,154
Amortization registered during the period	(486,872)	(23,893)	(510,765)
<b>Net accounting value at June 30, 2018</b>	<b>910,051</b>	<b>70,010</b>	<b>980,061</b>
<b>Net accounting value at January 1, 2018</b>	<b>1,368,769</b>	<b>93,903</b>	<b>1,462,672</b>
<b>Net accounting value at June 30, 2018</b>	<b>910,051</b>	<b>70,010</b>	<b>980,061</b>
<b>Difference</b>	<b>(458,718)</b>	<b>(23,893)</b>	<b>(482,611)</b>

During 2018 H1, the net value of the intangible assets decreased by the amount of 482,611 RON, difference resulting from:

- increase of input of intangible assets in amount of 28,154 RON;
- diminutions from the amortization recorded within the 6 months period, in total amount of 510,765 RON.

The amortization method used is the linear method.

The intangible assets include: IT programs, software licenses and intangible assets of the kind of right of use of the electricity and water feeding networks, recognized in the assets at the value of the expenses made by the company with the execution of these joints.

## 6. Financial Assets

Within the first six months of 2018, the financial assets evolved as follows:

Name	Other long-term investments	Long-term receivables	Total financial investments
<b>Net accounting value at January 1, 2018</b>	<b>5,000</b>	<b>968,782</b>	<b>973,782</b>
Inputs	-	42,911	42,911
Outputs	-	112,981	112,981
<b>Net accounting value at June 30, 2018</b>	<b>5,000</b>	<b>898,712</b>	<b>903,712</b>
<b>Difference</b>	<b>-</b>	<b>(70,070)</b>	<b>(70,070)</b>

At 30.06.2018, the Company holds participations in the share capital of Monitor Independent Registry.

In the financial investments are also included long-term receivables made of redeemable guarantees paid by the Company for temporary set-aside of certain land surfaces used for performing investment works.

## 7. Inventories

Name	Consumables	Residual products	Services in progress	Total inventories
<b>Gross accounting value at January 1, 2018</b>	<b>6,431,393</b>	<b>3,025,984</b>	<b>525,025</b>	<b>9,982,402</b>
Adjustments for depreciation of inventories	(872,933)	(85,264)	-	(958,197)
<b>Net accounting value at January 1, 2018</b>	<b>5,558,460</b>	<b>2,940,720</b>	<b>525,025</b>	<b>9,024,205</b>
Inventory inputs during the period	3,401,804	2,050,291	279,708	5,731,803
Inventory consumption during the period	(3,779,584)	(1,675,555)	(364,930)	(5,820,069)
Revenues from (expense with) adjustments for depreciation of inventories	16,485	68,058	-	84,543
<b>Net accounting value at June 30, 2018</b>	<b>5,197,165</b>	<b>3,383,514</b>	<b>439,803</b>	<b>9,020,482</b>
<b>Net accounting value at January 1, 2018</b>	<b>5,558,460</b>	<b>2,940,720</b>	<b>525,025</b>	<b>9,024,205</b>
<b>Net accounting value at June 30, 2018</b>	<b>5,197,165</b>	<b>3,383,514</b>	<b>439,803</b>	<b>9,020,482</b>
<b>Difference</b>	<b>(361,295)</b>	<b>442,794</b>	<b>(85,222)</b>	<b>(3,723)</b>

The inventories are made up of materials, spare parts 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 breakdowns or following natural disasters.

The residual products, mainly represent pipe material resulted following the pipeline replacement works.



## 8. Trade receivables and other receivables

At June 30, 2018 și December 31, 2017, the trade receivables and other receivables is the following:

	<b>June 30 2018</b>	<b>December 31, 2017</b>
Clients	37,218,190	35,713,475
Adjustments for depreciation of receivables	(698,358)	(698,234)
Other trade receivables	415,125	311,122
<b>Subtotal trade receivables (net value)</b>	<b>36,934,957</b>	<b>35,326,363</b>
Other receivables	13,156,304	14,179,176
Impairment of other receivables	(2,739,968)	(2,752,468)
<b>Subtotal other receivables (net value)</b>	<b>10,416,336</b>	<b>11,426,708</b>
<b>Total receivables</b>	<b>47,351,293</b>	<b>46,753,071</b>

**Clients' structure per activities**, is as follows:

	<b>June 30 2018</b>	<b>December 31, 2017</b>
Clients- transport activity	36,146,765	34,719,399
Other clients - auxiliary activities	1,071,424	994,076
<b>Total</b>	<b>37,218,190</b>	<b>35,713,475</b>

*Trade receivables* are no interest bearer and have an average day sales outstanding of 28 days. The main trade receivables in balance at June 30, 2018, represents amounts to be received from: OMV PETROM S.A.: 31,017,602 RON (December 31, 2017: 30,330,382 RON), Petrotel Lukoil S.A.: 5,167,171 RON (December 31, 2017: 4,143,760 RON).

The transport services supplies performed by these clients hold a significant share (over 98%) in the Company's turnover.

The major client of the company, OMV PETROM SA, holds over 66% of the total receivables, in balance at June 30, 2018.

*Other receivables* in amount of 13,156,304 RON are mainly made of:

- the dividends under payment at Depozitarul Central, in amount of 6,834,541 RON;
- amounts to be recovered from different natural and legal persons, most of them in litigation pending before the law courts, in amount of 2,197,971 RON;
- non-exigible VAT in amount of 1,023,592 RON, related to un-arrived invoices;
- interest to be collected in amount of 504,310 RON, for the cash placed in bank deposits.

*Impairment of other receivables* are recorded for debits related to the legal files pending before the Law Court, fiscal obligations and fines paid and facing challenging procedure.

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

At June 30, 2018, the impairment value is in amount of 2,739,968 RON, 12,500 RON less than in December 31, 2017.

## **Statement of receivables according to age**

### **Trade receivables**

	<b>June 30 2018</b>	<b>December 31, 2017</b>
<b>Clients, o/w:</b>	<b>37,218,190</b>	<b>35,713,475</b>
<i>Current and non-depreciated receivables</i>	36,388,830	34,981,599
<i>Current and depreciated receivables</i>	698,358	698,234
<i>Outstanding and non-depreciated receivables, o/w:</i>	131,002	33,642
- outstanding amounts less than 30 days	107,789	19,616
- outstanding amounts between 30 days and 60 days	8,262	10,329
- outstanding amounts between 60 days and 90 days	3,225	3,421
- outstanding amounts between 90 days and 1 year	11,726	276
<b>Other trade receivables, out of which:</b>	<b>415,125</b>	<b>311,122</b>
<i>Current and non-depreciated receivables</i>	415,125	311,122

### **Other receivables**

	<b>June 30 2018</b>	<b>December 31, 2017</b>
<i>Current and non-depreciated receivables</i>	10,416,336	11,426,708
<i>Current and depreciated receivables</i>	2,739,968	2,752,468
<b>Total</b>	<b>13,156,304</b>	<b>14,179,176</b>

## **9. Cash and cash equivalents**

At June 30, 2018 and December 31, 2017, the cash and cash equivalents look as follows:

	<b>June 30 2018</b>	<b>December 31, 2017</b>
Current bank accounts	3,244,648	4,368,575
Bank deposits with maturity ≤ 3 months	163,174,442	205,452,128
Cash on hand	25,481	25,019
Other cash equivalents	6,477	1,543
<b>Total</b>	<b>166,451,048</b>	<b>209,847,265</b>

Decrease in cash balance and cash equivalents at June 30, 2018, by approx. 21 % as compared to December 31, 2017, was determined by the payment within the month of June of the dividends distributed out of the profit of 2017 financial year.

The cash also includes the modernization quota collected through the tariff, exclusively available for the payment of the exchange value of the modernization and development works related to the goods from the public domain. At the end of 2018 H1, the modernization quota available for the financing of the investments in the public domain amounts to 200,410,793 RON, out of which: the amount of 130,101,175 RON is in bank accounts and the difference of 70,309,618 RON is held in government securities, these being presented in note 10 "Short-term investments".

## **10. Short-term investments**

Short-term financial investments are investments performed by the Company in government securities (government bonds), with superior yields as compared to maturity deposits, in view of obtaining financial revenues.

The company CONPET S.A.  
 Explanatory Notes to the interim financial standing at June 30,2018  
 (All the amounts are expressed in RON, unless otherwise specified)

	June 30 2018	December 31, 2017
Government securities (government bonds)	70,309,618	70,309,618
Interest related to government securities	644,010	313,900
<b>Total</b>	<b>70,953,628</b>	<b>70,623,518</b>

At the end of 2018 H1, the government securities held by the Company are detailed in the following box:

Issuer	Depository	Type Products	Series	No . Of securities	Nominal value instrument	Coupon value	Interest (%)	Value at 30.06.2018 (RON)
Ministry on Public Finances	RAIFFEISEN	Government bonds with coupon	RO1318DBN034	1,735	10,000	560	0.82%	18,122,108
Ministry on Public Finances	BRD	Government bonds with coupon	RO1318DBN034	5,010	10,000	560	0.97%	52,187,510
<b>Total</b>								<b>70,309,618</b>

## 11. Equities

### *Share capital*

During the reporting period, the share capital of the company did not change, remaining at the value of 28,569,842 RON, being divided into 8,657,528 ordinary shares with a nominal value of 3.3 RON/share and corresponds to the one registered at the Trade Register Office.

The structure of CONPET S.A. share capital and shareholding at June 30, 2018 is exposed as follows:

Shareholders	June 30, 2018			December 31, 2017		
	Number of shares	Amount (RON)	(%)	Number of shares	Amount (RON)	(%)
Romanian State by the Ministry of Energy	5,083,372	16,775,128	58.7162	5,083,372	16,775,128	58.7162
Legal persons	2,536,458	8,370,311	29.2977	2,572,156	8,488,114	29.7101
Natural persons	1,037,698	3,424,403	11.9861	1,002,000	3,306,600	11.5737
<b>Total</b>	<b>8,657,528</b>	<b>28,569,842</b>	<b>100%</b>	<b>8,657,528</b>	<b>28,569,842</b>	<b>100%</b>

### *Legal reserves*

At June 30, 2018 the value of the legal reserve is of 5,713,968 RON (December 31,2017: 5,713,968 RON). The company has distributed out of profit for the legal reserve 20% of the share capital as per EGO no.64/2001, the Law no.571/2003, Law no.31/1990 and the Articles of Incorporation.

### *Other reserves*

At June 30, 2018 "Other reserves" are in amount of 492,787,718 RON, increasing by 14,286,269 RON as compared to the beginning of the year, following the augmentation of the reserve representing the modernization quota by the amount of 11,127,812 RON and the reserve representing own financing resources generated by the distribution out of the profit of the year 2017 of the amount of 3,159,448 RON.

The highest share (92.75%) in "Other Reserves" is being held by the reserve related to the modernization quota, in amount of 457,070,983 RON at June 30, 2018.

### Revaluation reserves

At June 30, 2018, in the financial standing the revaluation reserves are being presented at the net value of 28,345,981 RON, resulting after the diminution of the gross value by the related deferred tax recognized directly in the equities, as per IAS 12.

### Retained earnings

At June 30, 2018 the retained earnings amounts to 44,489,080 RON and includes mainly the difference in value of 41,818,297 RON, related to the tangible assets - oil operating product resulting from the application for the first time of IAS 29.

### Profit of the Period

The profit achieved in the first six months of 2018 amounts to 21,625,612 RON.

## 12. Trade Liabilities and Other Liabilities

At June 30, 2018 and December 31, 2017, the trade receivables and other receivables look as follows:

Liabilities	December 31, 2017	June 30 2018	Maturity date for the balance at June 30,2018		
			Under 1 year	1-5 years	Over 5 years
Trade liabilities	30,653,848	27,470,633	27,470,633	-	-
Other debts, here included the fiscal liabilities and the liabilities regarding the social insurances	36,043,972	40,646,264	40,646,264	-	-
<b>Total</b>	<b>66,697,820</b>	<b>68,116,897</b>	<b>68,116,897</b>	<b>-</b>	<b>-</b>

The goods and services suppliers for the operating activity are mainly represented by: SNTFM CFR Marfa, Tinmar Energy, OMV Petrom, Edenred Romania S.R.L, Premier Energy, OMV Petrom Marketing, Prodiatour, RCS&RDS, Cameleon Security Systems, Con Metal, CF, Orange Romania, Omniasig Vienna Insurance, Dinamic Consult, Service Implementare Productie. The value of the acquisitions from these suppliers in the first half of the year 2018 has a share of 53.22% in total acquisitions.

The value of assets acquisitions from these suppliers in the first half of the year 2018 has a share of 39.24% in total acquisitions.

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

Liabilities	December 31, 2017	Saturday, June 30, 2018	Maturity date for the balance at June 30,2018		
			Under 1 year	Inputs 1-5 years	Over 5 years
Salaries and assimilated debts	4,020,702	4,696,703	4,696,703	-	-
Salaries contributions	2,942,010	3,473,560	3,473,560	-	-
Ordinary Income Tax	3,761,986	2,592,820	2,592,820	-	-
Royalty due to the State Budget	7,133,441	7,127,591	7,127,591	-	-
VAT payable	2,645,752	3,632,319	3,632,319	-	-

Other taxes and liabilities - the State Budget	1,102,192	2,099,581	2,099,581	-	-
Dividends Payable	13,971,193	16,586,422	16,586,422	-	-
Other liabilities	466,695	437,267	437,267	-	-
<b>Total</b>	<b>36,043,972</b>	<b>40,646,264</b>	<b>40,646,264</b>	-	-

### **13. Provisions**

	<b>June 30 2018</b>	<b>December 31 2017</b>
Provisions for litigations	3,924,068	4,135,815
Provisions for employees benefits	22,259,871	18,163,415
Other provisions for risks and expenses	46,622	50,000
<b>Total</b>	<b>26,230,561</b>	<b>22,349,230</b>
<i>Long-term provisions</i>	<i>13,295,870</i>	<i>12,817,661</i>
<i>Short-term provisions</i>	<i>12,934,691</i>	<i>9,531,569</i>

#### ***Provisions for litigations***

In the first six months of the year 2018, the provisions for the litigations have registered a decrease by 211,747 RON, following the completion of several litigations during the period and update of the necessary amounts for the settlement of the potential litigations pending before the court during the previous period.

The company is involved in several litigations for damages required by several 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 they are being crossed by the crude oil transport pipelines belonging to the public domain.

#### ***Provisions for Employees Benefits***

The changes registered in the structure of provisions for the employees benefits have been determined by the increase of the provisions constituted for the benefits granted upon retirement, for employees share of profit and untaken annual leaves.

The biggest share in the provisions for the employees benefits is being held by *the provision for the benefits granted upon retirement*, in amount of 13,625,628 RON, out of which 13,295,870 RON stand for long-term liabilities, and 329,758 RON stand for short-term liabilities.

At 30.06.2018 the provision for the benefits on retirement granted to the employees is 328,657 RON higher, increased due to time passing.

*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 each financial year, under the Ordinance no.64/2001 and MPFO no. 144/2005. The Ordinance no.64 from August 30, 2001 sets out that the accounting profit remaining after the deduction of the corporate tax to the majority or entirely state-owned companies 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 30.06.2018, the provision for the employees share of profit totally amounts to 5,477,151 RON, of which the amount of 3,035,803 RON represents provision constituted for service supplied by the employees in 2017 and the amount of 2,441,348 RON represents provision constituted for Half I of the year 2018.

The provision for the untaken annual leaves is of 2,817,019 RON at the end of June, 2018, registering an increase by 1,326,451 RON as compared to December 31, 2017.

### **Other provisions**

The balance of the position "Other Provisions" in amount of 46,622 RON is being represented by the provisions related to environment expenses.

### **14. Current and Deferred Corporate Tax**

The expense related to current and deferred corporate tax of the company at June 30, 2017 and June 30,2018 is being determined at a statutory rate of 16%.

	<b>6 completed months June 30, 2018</b>	<b>6 completed months At June 30, 2017</b>
Expenses with ordinary corporate tax	5,146,786	6,116,363
Expense with /(revenues from) deferred corporate tax	(1,148,091)	445,033
<b>Total</b>	<b>3,998,695</b>	<b>6,561,396</b>

### **Reconciliation of the effective tax rate:**

	<b>6 completed months At June 30, 2018</b>	<b>6 completed months At June 30, 2017</b>
Profit before tax	25,624,307	42,328,876
-Income tax at a statutory rate of 16%	4,099,889	6,772,620
<b>Effect on the corporate tax, of:</b>		
- Non-deductible expenses	887,121	1,075,548
Non-taxable revenues	(246,614)	(1,410,708)
Elements similar to the revenues	510,965	443
Elements similar to the expenses	(419)	(123,290)
Exempted corporate tax	(62,291)	-
-Amounts representing sponsorship falling under the limits provided by law	(41,865)	(198,250)
<b>Expenses with ordinary corporate tax</b>	<b>5,146,786</b>	<b>6,116,363</b>

The dynamics table regarding the deferred taxes during 1st Half of 2018 reveals the followings:

<b>2018 H1</b>	<b>Net value at 1<sup>st</sup> of January</b>	<b>Deferred corporate tax recognized in the profit and loss account</b>	<b>Net value June 30, 2018</b>	
			<b>Receivable related to the deferred corporate tax</b>	<b>Liability related to the deferred corporate tax</b>
Reevaluation of tangible assets	(2,483,543)	508,112	<b>3,377,308</b>	<b>(5,352,739)</b>
Provisions	2,914,147	654,892	<b>3,569,039</b>	-
Adjustments of current assets	539,790	(14,913)	<b>524,877</b>	-
<b>Deferred corporate tax before compensation</b>	970,394	1,148,091	7,471,224	(5,352,739)
Receivable/debt compensation			(5,352,739)	5,352,739
<b>Deferred corporate tax- receivable</b>				<b>2,118,485</b>

## **15. Result per share**

The result per share at 30.06.2018, as compared to the same period of the previous year is the following:

	<b>6 completed months At June 30 2018</b>	<b>Six months period ended June 30, 2017</b>
Profit of the Financial Year	21,625,612	35,767,480
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)	2.50	4.13

## **16. Operating Revenues**

### **a) Turnover Revenues**

	<b>6 completed months June 30, 2018</b>	<b>6 completed months June 30 2017</b>
Revenues from transport service, of which:	182,034,154	184,126,057
<i>Revenues from transport services on the Domestic Subsystem</i>	143,199,317	143,377,849
<i>Revenues from transport services on the Import Subsystem</i>	38,834,837	40,748,208
Revenues from rents	738,331	695,031
Other revenues included in the turnover	2,158,645	1,493,307
<b>Turnover Revenues</b>	<b>184,931,130</b>	<b>186,314,395</b>

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 the first six months of 2018, the quantities transported on subsystems, as compared to the same period of the previous year are the followings:

	<b>6 completed months June 30, 2018</b>	<b>6 completed months June 30, 2017</b>
Domestic Subsystem	1,758,392	1,784,875
Import Subsystem	1,539,622	1,426,578
<b>Total quantities (tons)</b>	<b>3,298,014</b>	<b>3,211,453</b>

The total volume of transported products increased by 2.70% in the first six months of 2018 YoY, given the decrease by 1.48% of the quantity transported on the domestic transport subsystem and the increase by 7.92% of the quantity transported on the import subsystem.

The tariffs for the supply of the transport services used during January 1, 2018 and June 18, 2018 approved by the National Agency for Mineral Resources by Order no.32/02.02.2016, were the followings:

- for the domestic transport subsystem, the average tariff is 79.75 Lei/ton;
- for the import subsystems the tariffs are applied per refineries, based on transported quantities batches, being used the bracket tariff model:

Period	Arpechim		Ploiesti Basin		Petromidia	
	Thousand tons/month	Lei/ton	Thousand tons/month	Lei/ton	Thousand tons/month	Lei/ton
February 9, 2016 - 18.06.2018	< 100	38.85	< 100	38.00	< 100	8.00
	> 100	16.60	> 100	16.00	> 100	7.33

Starting 19.06.2018 have entered into force the tariffs for the supply of the transport service approved by the National Agency for Mineral Resources by Order no. 117/15.06.2018, which are the followings:

- for the domestic transport subsystem, the average tariff is 84.37 RON/ton;
- for the import subsystems the tariffs are applied per refineries, based on transported quantities batches, being used the bracket tariff model:

Period	Arpechim		Ploiesti Basin		Petromidia	
	Thousand tons/month	Lei/ton	Thousand tons/month	Lei/ton	Thousand tons/month	Lei/ton
19.06.2018 - up to date	< 120	38.85	< 120	38.00	< 120	27.00
	> 120	16.60	> 120	16.00	> 120	24.74

#### b) Other operating revenues

	6 completed months June 30, 2018	6 completed months June 30, 2017
Revenues out of modernization quota consumption	14,198,302	15,104,907
Earnings from disposal of assets	-	899,618
Other revenues	847,452	284,604
<b>Total Operating Expenses</b>	<b>15,045,754</b>	<b>16,289,129</b>

The revenues from the modernization quota represent 94.37% of other operating revenues achieved in the first six months of the year 2018, registering a decrease by 6% as compared to the same period of 2017.

Concurrently with the depreciation of the fix assets from the modernization quota, the Company recognizes in the revenues reserves - the modernization quota at the level of the amount of expenses with depreciation.

## 17. Operating Expenses

#### a) Stocks and Utilities Expenses

	6 completed months June 30, 2018	6 completed months June 30, 2017
Expenses with consumables	2,753,933	2,531,736
Other material expenses	470,778	666,295
Other Expenses with energy and water	5,948,665	5,172,245
Expenses related to merchandise	44,673	31,703
<b>Total expenses related to stocks and utilities</b>	<b>9,218,049</b>	<b>8,401,979</b>



## b) Personnel Expenses

The personnel expenses include salaries expenses and the related contributions, the benefits and bonuses granted to the employees and the allowances related to the mandate contracts of the members of the Board of Administration and the Director General.

	6 months ended at June 30 2018	6 months ended at June 30 2017
Salary and related contributions expenses	58,455,578	46,232,057
Liabilities regarding the employees' benefits	1,662,588	7,247,656
Liabilities regarding the employees' bonuses	5,099,374	3,332,533
Allowances/Indemnifications of the Director General and of the members of the Board of Administration	740,952	1,042,118
<b>Total personnel expenses</b>	<b>65,958,492</b>	<b>57,854,364</b>

The personnel expenses are detailed as follows:

	6 months ended at June 30 2018	6 months ended at June 30 2017
Salary and related contributions expenses	58,455,578	46,232,057
<b>Total salaries and contributions</b>	<b>58,455,578</b>	<b>46,232,057</b>

### Liabilities regarding the Employees' Benefits and bonuses. Waging

Pursuant to the provisions of the Collective Labor Agreement in force, the company has granted the following benefits to its employees: quarterly premiums, retirement support, marriage support, other benefits, as well as bonuses such as: holiday and treatment vouchers, including the transport, presents given to the employees, birth grants, funeral grants and serious diseases, humanitarian grants, meal vouchers, other bonuses.

The benefits granted to the employees, within the first six months of 2018, reveal the followings:

### Liabilities regarding the employees' benefits

	6 months ended at June 30 2018	6 months ended at June 30 2017
Quarterly premiums	499,361	648,531
Retirement supports	245,830	266,184
Marriage supports	7,564	14,788
Employees share of profit	-	4,754,892
The company's contribution to facultative pension schemes	-	1,512,580
Company's contribution to voluntary health insurance	764,946	-
Other benefits	144,887	50,681
<b>Total</b>	<b>1,662,588</b>	<b>7,247,656</b>

### Liabilities regarding the employees' bonuses

	6 months ended at June 30 2018	6 months ended at June 30 2017
Holiday and treatment vouchers	493,012	562,920
Gifts offered to employees' and to the employees' children	157,350	159,450
Grants related to birth, death, serious diseases	311,616	252,745
Meal vouchers	2,735,775	1,757,468
Other bonuses	1,401,621	599,950
<b>Total</b>	<b>5,099,374</b>	<b>3,332,533</b>

Have been registered increases in the expenses related to birth, death, serious diseases, humanitarian grants as there was an intensification of both the events and the amount stipulated in the new Collective Labor Agreement applicable as of September 1, 2017, granted for a part thereof.

Moreover, it has been registered an increase of the expenses with the meal vouchers granted to the employees, following the increase of the nominal value of a meal voucher at 15 RON, in compliance with the provisions of the Collective Labor Agreement applicable as of January 1, 2018.

The increase registered at other bonuses represents the exchange value of the gift vouchers granted to the employees on the occasion of the Company Day (300 RON/employee), as well as the increase of the exchange value of the transport subscriptions to and from the place of domicile to the work place, disbursed to the employee in percentage of 75% starting with 01.01.2018.

### **Waging system - the Director General and the Board of Administration members**

	<b>6 months ended at June 30 2018</b>	<b>6 months ended at June 30 2017</b>
Allowance/Indemnification of the Director General	221,304	522,212
Allowances/Indemnifications of the members of the Board of Administration	519,648	519,906
<b>Total</b>	<b>740,952</b>	<b>1,042,118</b>

The expenses with the indemnifications related to the contracts of mandate of the members of the Board of Administration and the Director General records a decrease as compared to 2017 H1, due to the amendments occurred following the expiry of the mandates of the Board of Administration mandates and the Director General's mandate at the date of 27.11.2017, respectively 05.12.2017 and the conclusion of new contracts with the members of the Board of Administration and the Director General appointed in capacity following this date. In the new mandate contracts is not provided the grant of a variable indemnification and the fixed indemnification for the administrators is set to 2 gross average earnings.

### **c) Expenses related to external services**

	<b>6 months ended at June 30 2018</b>	<b>6 months ended at June 30 2017</b>
Rail transport expenses	27,680,774	28,104,245
Expenses with royalties, commercial leasing and rentals	14,830,088	14,905,244
Third-party pumping expenses	2,257,675	2,397,841
Maintenance and repair Expenses	1,117,979	700,042
Expenses with the decontamination, monitoring of the environmental factors	353,366	221,082
Travel expenses	348,817	359,096
Expenses related to the transport of goods and personnel	35,815	28,085
Postal and telecommunication expenses	274,216	257,336
- Other expenses with services performed by third parties	1,918,685	2,101,219
<b>Total expenses related to external services</b>	<b>48,817,415</b>	<b>49,074,190</b>

*The expenses with royalties, commercial leasing and rentals* 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

	6 months ended at June 30 2018	6 months ended at June 30 2017
Taxes, fees and similar levies related expenses	1,118,609	699,968
Compensations, fines and penalties expenses	15,787	804,664
Donations granted (Sponsorship)	41,865	198,250
Losses from disposal of assets and other capital operations	50,665	-
Environmental protection expenses	37,729	25,309
Expenses with the establishment of the modernization quota	25,326,114	25,963,435
Other operating expenses	110,425	128,073
<b>Other expenses</b>	<b>26,701,194</b>	<b>27,819,699</b>

Within the first six months of 2018, the expenses recorded with other taxes, fees and similar levies mainly include, the expenses with the local taxes and expenses with the contribution to the special fund, due under the Law no. 448/2016 regarding the protection and promotion of the persons with handicap.

The company constitutes reserves regarding the modernization quota through other operating expenses in compliance with the provisions of the GD no. 168/1998 further amendments and with the provisions of the Fiscal Code approved pursuant to Law no. 227/2015, further amendments and updates.

#### **18. Net Financial Result**

	6 months ended at June 30 2018	6 months ended at June 30 2017
Revenues from interests	2,041,159	1,282,187
Revenues from operations with securities and other financial instruments	330,110	623,064
Other financial revenues	2,294	14,925
<b>Total financial revenues</b>	<b>2,373,563</b>	<b>1,920,176</b>
Financial expenses	4,333	19,658
<b>Total financial expenses</b>	<b>4,333</b>	<b>19,658</b>
<b>Net Financial Result</b>	<b>2,369,230</b>	<b>1,900,518</b>

The net financial result increased by 24.66% within the first 6 months of 2018 as compared to the same period of 2017, amendment due to the increase in revenues from interests.

#### **19. Related Parties**

In 2018 H1, respectively 2017, the Company performed the following significant transactions with related parties:

##### **Procurement from related parties**

Partner	Unsettled amounts at December 31, 2017	Procurement During January - June 2018	Settlements During January - June 2018	Unsettled amounts at June 30 2018
SNTFM CFR Marfă S.A.	6,080,039	33,130,516	33,540,176	5,670,379

Partner	Unsettled amounts at December 31, 2016	Procurement During January - June 2017	Settlements During January - June 2017	Unsettled amounts at June 30 2017
SNTFM CFR Marfă S.A.	5,902,301	35,055,918	33,386,346	7,571,873

**20. Retreatment of the interim statement of the profit & loss account and other elements of the global result for the six months period ended June 30, 2017**

The provisions for the employees' share of profit, the provisions related to untaken annual leaves and the provisions for the benefits granted upon retirement have been budgeted in quarter IV of the the financial years prior to 2018 and have been presented in the annual financial statements. Starting with 2018, the estimated amounts for these provisions are stipulated quarterly and are reflected in the interim financial statements concluded at the date of June 30 2018, in compliance with IAS 34 - "Interim Financial Reporting".

In order to compare data in 2018 H1 with those from 2017 H1, has been performed the retreatment of the profit and loss account from 2017 H1, by the value of the said provisions, estimated for this period.

**THE INTERIM STATEMENT OF THE PROFIT AND LOSS ACCOUNT AND OTHER GLOBAL RESULT ELEMENTS FOR THE SIX MONTHS PERIOD ENDED AT JUNE 30, 2017 - RETREATED -**

	6 months ended at June 30, 2017 -Initial-	6 months ended at June 30, 2017 -Retreated-	Difference
<b>Operating Revenues</b>			
Turnover revenues	186,314,395	186,314,395	-
Other revenues	16,289,129	15,389,511	(899,618)
Earnings from disposal of assets	-	899,618	899,618
<b>Total operating revenues</b>	<b>202,603,524</b>	<b>202,603,524</b>	<b>-</b>
<b>Operating Expenses</b>			
Inventory related expenses	3,229,734	3,229,734	-
Expenses with energy and water	5,172,245	5,172,245	-
Personnel expenses	57,562,595	57,854,364	291,769
Value adjustments on current, non-current assets	22,280,158	22,280,158	-
Value adjustments on the current assets	(1,063,173)	(1,063,173)	-
Expenses related to external services	49,365,959	49,074,190	(291,769)
Other expenses	27,819,699	27,819,699	-
Provision adjustments	(7,700,057)	(2,192,051)	5,508,006
<b>Total operating expenses</b>	<b>156,667,160</b>	<b>162,175,166</b>	<b>5,508,006</b>
<b>Operating profit</b>	<b>45,936,364</b>	<b>40,428,358</b>	<b>(5,508,006)</b>

The company CONPET S.A.  
 Explanatory Notes to the interim financial standing at June 30,2018  
 (All the amounts are expressed in RON, unless otherwise specified)

Financial revenues	1,920,176	1,920,176	-
Financial expenses	19,658	19,658	-
<b>Financial profit</b>	<b>1,900,518</b>	<b>1,900,518</b>	<b>-</b>
<b>Profit before income tax</b>	<b>47,836,882</b>	<b>42,328,876</b>	<b>(5,508,006)</b>
Expenses with the current income tax	6,116,363	6,116,363	-
Expenses with (revenues coming from) deferred income tax	1,326,314	445,033	(881,281)
<b>Profit of the period</b>	<b>40,394,205</b>	<b>35,767,480</b>	<b>(4,626,725)</b>
<b>Other global result elements</b>	<b>-</b>	<b>(4,928,491)</b>	<b>(4,928,491)</b>
<b>TOTAL GLOBAL RESULT</b>	<b>40,394,205</b>	<b>30,838,989</b>	<b>(9,555,216)</b>
<b>Earnings per share</b>	<b>4.67</b>	<b>4.13</b>	<b>-0.54</b>

The operating expenses regarding the provisions in amount of 5,508,006 RON, included in the account related to the 2017 H1 result, is made of

- expenses related to provisions for the employees; share of profit, in amount of 2,938,990 RON;
- expenses related to provisions for untaken annual leaves, in amount of 2,332,936 RON;
- expenses related to provisions for the allowances/indemnifications awarded to the members of the Board of Administration, in compliance with the provisions of the EGO no. 109/2011 regarding the corporate governance, in amount of 185,799 RON;
- expenses related to provisions for the employees' benefits granted upon retirement, in amount of 50,281 RON.

The benefits granted upon retirement related to 2017 H1, have been estimated based on the Actuarial Report prepared by the Company GELID ACTUARIAL COMPANY S.R.L. Bucharest. The updated value of the provision was determined using the Projected Unit Credit Method (IAS 19). The benefits upon retirement received by an employee have been, first of all, augmented by the value of the employer's contributions and thereafter, every benefit was updated considering the employees' rotation, lay-offs and life expectancy until retirement. The number of years until retirement was calculated as difference between the date of retirement and the date of the reporting. The foreseen average of the work period left was calculated based on the number of years until retirement, given the rate of lay-offs, the rate of personnel turnover and the life expectancy.

The main actuarial hypotheses used for the calculation at June 30, 2017 have been the followings:

- a) The discount rate. Have been used the following values: the estimated rate of inflation on the long run 2% per year, the estimated real yield on the long run of the government bonds 2.2% per year, the liquidity premium for Romania 0%, the balance forward rate 4,2% per year.
- b) The estimated rate of inflation based on the statistics issued by INSSE and of the forecast of the National Bank of Romania is 3.2% in 2018, 3.1% in 2019, linearly decreasing up to 2.5% during 2020-2023, 2.5% in 2024-2030, following a decreasing tendency during the next years.
- c) the rate of increase of the monthly gross average earnings per company. For 2018 and the following years, has been estimated an indexation of the monthly gross average earnings per company by the annual inflation rate.

During 2017 H1, the movement in the provision for the benefits upon retirement granted to the employees is exposed in the table below:

<b>January 1, 2017</b>	<b>3,606,242</b>
Cost of the interest	71,862
Cost of the current service	139,866
Payments from provisions during the year	(266,184)
Actuarial loss related to the period	5,867,251
<b>June 30, 2017</b>	<b>9,419,037</b>

## **21. Subsequent Events**

At the date of 03.08.2018, took place the Ordinary General Meeting of Shareholders (OGMS), where the company shareholders have been informed on the extension of the deadline for the carry-on of the measures from the Decision no. 28/2013 of Prahova Chamber of Accounts, until the date of 30.06.2019.

These interim financial statements and the related notes, from page 3 to page 27 have been authorized for issue and signed by the company management at 9 of August 2018.

**Director General**  
**Eng. Dan-Silviu Baci, E.M.B.A.**

**Economic Director,**  
**Econ. Sanda Toader**