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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



## QUARTERLY REPORT REGARDING THE ECONOMIC FINANCIAL- ACTIVITY OF CONPET S.A. at

SEPTEMBER 30, 2018

(Period 01.01.2018 - 30.09.2018)

Prepared in compliance with Art 125 of ASF Regulation no. 5/2018



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## 1. COMPANY PRESENTATION

### 1.1 Report and issuer identification data

#### QUARTERLY REPORT

Prepared in compliance with:

the provisions of Article 67 of Law no. 24/ 2017  
regarding the issuers of financial instruments  
and market operations;  
Annex 13 of Regulation no. 5/10.05.2018  
on the issuers of financial instruments and  
market operations;

Date of the report	13.11.2018
Company's name	CONPET S.A.
Registered Offices	No. 1-3, Anul 1848 Street, Ploiesti Prahova County, Zip Code 100559,
Telephone/facsimile Number	0244 401360 / 0244 516451
E-mail / Internet	<a href="mailto:conpet@conpet.ro">conpet@conpet.ro</a> / <a href="http://www.conpet.ro">www.conpet.ro</a>
Trade Identification Number at the Trade Register Office	1350020
Trade Registry Number	J29/6/22.01.1991
The regulated market trading the issued securities	Bucharest Stock Exchange, Premium category
Subscribed and entirely paid-up share capital	28,569,842.40 RON
Main features of the issued securities	8,657,528 shares with a nominal value of 3.3 RON/share
Total market value	742,815,902 RON (85.80 RON/share at 29.06.2018)
Applied accounting standard	International Accounting Standard no. 34 - „Interim Financial Reporting”
Auditing	The Interim Financial Statements concluded at 30.09.2018 have not been audited

## 1.2 Main activities

CONPET is a strategic company, part of the architecture of the national energy system, being the operator of the crude oil national transport system via pipelines. CONPET is a State-held company, listed at the Bucharest Stock Exchange, under COTE symbol.

CONPET was established 1990, based on the Government Decree no. 1213/1990 regarding the set-up of joint-stock companies in the industry, by taking-over the entire assets and liabilities of I.T.T.C. Ploiești, being the first company established in the oil industry in Romania. Following the take-over of all assets and liabilities of I.T.T.C. Ploiești, CONPET became the operator of the crude oil, rich gas, condensate and ethane National Transport System.

Since 2002, CONPET is the concessionnaire of the operation of the crude oil, rich gas, condensate and ethane National Transport System, base on the oil Concession Agreement concluded with the National Agency for Mineral Resources, approved pursuant of GD no. 793/25.07.2002.

The Crude Oil, Rich Gas, condensate and Ethane Pipeline Transport System (NTS) is being defined and regulated by Law no. 238/7.06.2004 - Petroleum Law and the Methodological Norms for the enforcement of the Petroleum Law approved under GD no. 2075/2004 and is part of the state's public property, being of strategic importance.

## 1.3 The company's mission, vision and values

**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 as well as accessing the related markets corresponding to the segments of the value chain of the oil industry

**CONPET vision** targets the maintenance of its position of strategic player in the Romanian oil industry, acting as crude oil, ethane and rich gas carrier via pipelines and by rail.

**The company values have been identified and are oriented for:**

- Ongoing training, adaptability and qualitative increase;
- Social awareness and respect for the environment;
- Professionalism, effectiveness and performance.

## 1.4 Shareholding

The shareholding's synthetic structure, at reference date 30.09.2018, is as follows:

- 58.7162% - the Romanian State by the Ministry of Energy;
- 41.2838% - Free float

Shareholder's Name	Number of shares	Percentage%
The Romanian State by the Ministry of Energy	5,083,372	58.7162%
Legal persons	2,500,373	28.8809%
Natural Persons	1,073,783	12.4029%
<b>Total</b>	<b>8,657,528</b>	<b>100.0000%</b>

Table 1 - CONPET S.A. Shareholding Structure at 30.09.2018

The share capital of CONPET at 30.09.2018 is of 28,569,842.40 RON and is divided into 8,657,528 nominative shares, each share with a nominal value of 3.3 RON/share.

CONPET did not perform transactions having as scope its own shares; consequently, at the end of 2017, the company did not hold own shares.

### **1.5 Company Organization**

CONPET was established 1990, based on the Government Decree no. 1213/1990 regarding the set-up of joint-stock companies in the industry, by taking-over the entire assets and liabilities of I.T.T.C. Ploiești, being the first company established in the oil industry in Romania.

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Since 2002, CONPET is the concessionaire of the operation of the crude oil, rich gas, condensate and ethane National Transport System, base on the oil Concession Agreement concluded with the National Agency for Mineral Resources, approved pursuant of GD no. 793/25.07.2002.

The crude oil, rich gas, condensate and ethane National Transport System (NTS) is State's public property and bears strategic importance.

The NTS is being defined and regulated pursuant to the Oil Law no. 238/ 7 of June 2004 and the Methodological Norms for the Application of the Oil Law, approved pursuant to GD no. 2075/2004.

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

The company CONPET performs the activity in the following locations:

- CONPET headquarters: Ploiești Municipality, no. 1-3, Anul 1848 Street, Prahova County;
- CONPET headquarters 2: Ploiești Municipality, no. 8, Rezervoarelor Street, Prahova County;
- 56 work sites.

The operational and administrative activities covering 24 counties are organized per divisions, and inside the divisions per business sectors, according to their territorial spread.

### **1.6 Development Strategic Objectives**

The company's strategic objectives for the period 2018-2022 are formulated based on the conclusions of the diagnose analysis and the strategic analysis of the competition, in view of materializing the opportunities and consolidating the strong points existing at company level, to each objective being associated specific actions to be fulfilled:

- Decrease of operating expenses
- Development of new activities, related and non related to the core business;
- Defining the Company as a regional player;
- Outstanding management of the human resources;
- Implementation and development of the corporate government principles;

## 2. CONPET - EXECUTIVE SUMMARY

### 2.1 Operating Activity Indicators

The evolution of the product volumes (crude oil, condensate and rich gas), transported via the National Transport System (NTS), during January - September 2018, vs. the Revenues and Expenditure Budget and the similar period last year, by transport subsystems, is contained in the table below:

Indicators (Thousand tons)	Achieved Jan-Sept 2018	Budget Jan-Sept 2018	Achieved Jan-Sep 2017	Variation% Achieved/Budget 2018	Variation% 2018/2017
Quantities transported on the domestic subsystem	2,637	2,584	2,670	▲2.0%	▼1.2%
Quantities transported on the import subsystem	2,439	2,287	2,340	▲6.7%	▲4.2%
<b>Total</b>	<b>5,076</b>	<b>4,871</b>	<b>5,010</b>	<b>▲4.2%</b>	<b>▲1.3%</b>

Table 2 - Evolution of the transported quantities during Jan - Sept 2018 as compared to Budget 2018 and the similar period in 2017

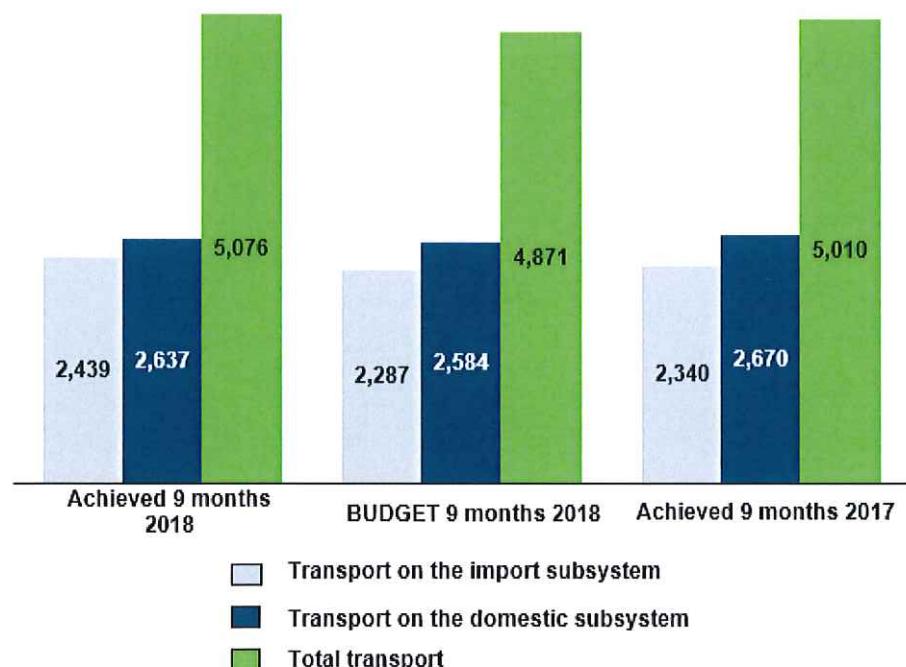


Chart 1 - Evolution of the quantities transported on the domestic and import subsystems (thousand tons)

## 2.2 Economic-financial Indicators

The main economic-financial Indicators of the company achieved during January – September 2018, as compared to the ones foreseen in the Budget and to the similar period in 2017, are presented in the table below, as follows:

Indicators	January - September 2018			Achieved Jan-Sep 2017	% Variation 2018/2017
	Achieved	Budget	% Variation Achieved/ Budget		
Turnover (thousand RON)	283,692	278,349	▲ 1.9%	282,510	▲ 0.4%
Operating Revenues (thousand RON)	308,619	302,534	▲ 2.0%	308,138	▲ 0.2%
Operating Expenses (thousand RON)	260,572	265,853	▼ 2.0%	240,877	▲ 8.2%
Operating Profit (EBIT) (thousand RON)	48,047	36,681	▲ 31.0%	67,261	▼ 28.6%
Operating profit margin (% Operating Revenues)	15.6%	12.1%	▲ 3.5p.p.	21.8%	▼ 6.2p.p.
EBITDA (thousand RON)	81,343	69,942	▲ 16.3%	100,684	▼ 19.2%
Operating Expenses (% Turnover)	91.9%	95.5%	▼ 3.6p.p.	85.3%	▲ 6.6p.p.
Total Revenues (thousand RON)	312,383	303,748	▲ 2.8%	310,803	▲ 0.5%
Total Expenses (thousand RON)	260,578	265,928	▼ 2.0%	240,911	▲ 8.2%
Gross profit (thousand RON)	51,805	37,820	▲ 37.0%	69,892	▼ 25.9%
Net profit (thousand RON)	43,718	32,160	▲ 35.9%	58,873	▼ 25.7%
Average number of employees	1,643	1,646	▼ 0.2%	1,666	▼ 1.4%
Productivity (thousand RON/employee)	187,839	183,800	▲ 2.2%	184,957	▲ 1.6%

Table 3 - The main economic-financial Indicators achieved in January- September 2018 vs Budget and the ones achieved in the same period of 2017

## 2.3 Investments

The 2018 Investments Program considered the continuation of the works for the rehabilitation of the major pipelines for the transport of crude oil and rich gas, as well as investment works on the installation, machinery and equipment related to the Crude Oil National Transport System.

During the nine months period ended September 30, 2018, CONPET S.A. achieved investments in amount of 51,794 thousand RON.

Investments (million RON)	Budget YEAR 2018	January - September 2018			January - September 2017		
		Achieved	Program	Degree of achievement %	Achieved	Program	Degree of achievement %
Total investment, o/w:	76,625	51,794	57,548	90%	24,383	38,106	64%
Public Domain	67,990	49,207	53,393	92%	18,782	30,279	62%
Operating Domain	8,635	2,587	4,155	62%	5,601	7,827	72%

Table 4 - Evolution of the investments achieved in January- September 2018 as compared to program and the similar period in 2017

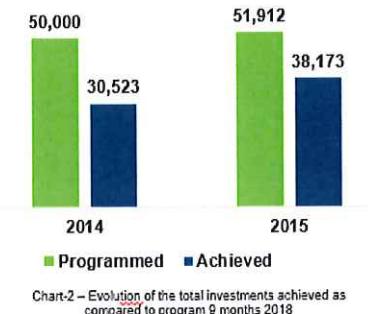


Chart 2 – Evolution of the total investments achieved as compared to program 9 months 2018

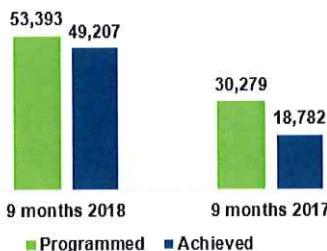


Chart 3 – Evolution of the investments in the public domain achieved as compared to program 9 months 2018



Chart 4 – Evolution of the investments in the operating area achieved 9 months 2018 as compared to 9 months 2017

## 2.4 Company's Stock Market Indicators

At 30.09.2018, CONPET S.A. had a market capitalization of 742.82 million RON (159.40 million Euro), ranking 19 in "Top 25 issuers according to capitalization".

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 20.06.2018, the company FTSE Russell decided to include the company CONPET S.A. in the index FTSE Frontier Markets.

FTSE Russell represents one of the biggest financial assessment agencies at world level. This agency supplies financial data to international investors, prepares and reviews annually the classification of the countries, from the point of view of the capital markets, into 4 categories - developed capital markets, advanced emerging capital markets, secondary emerging capital markets and frontier capital markets, based on the review of 21 criteria surveying the regulatory framework, custody and settlement, the trading framework and the derivative operations.

**The FTSE Frontier Markets Index** watches the evolution of the frontier markets and is made of approx. 400 companies. FTSE Frontier recorded a yield of approximately 21% over the last 5 years. Any change in the structure of the index is closely monitored by the management of the global investment funds which align their portfolios to this index.

The inclusion of CONPET in the composition of the FTSE Frontier Markets Index is beneficial for the company due to the fact that part of the institutional investors follow the replication of the indices' structures as an Needless to say, it triggers a boost of the investors' trust in CONPET S.A., the company being considered a benchmark in the Romanian capital market.

### 3. ANALYSIS OF THE COMPANY'S BUSINESS

#### 3.1 Analysis of the operating activity

##### 3.1.1 The regulatory Framework

The core business of CONPET is included in NACE code 4950 – Transports through pipelines, activity defined by law as being the ensemble of the activities for the operation of the major pipelines or segments thereof, as well as the take-over, handling, dispatching, storage, selection, transport and delivery of crude oil to the end-consumers, distributors, to export, or along the route.

CONPET S.A. is the operator of the Crude Oil, Rich Gas, condensate and Ethane Pipeline Transport System (NTS) based on the Oil Concession Agreement concluded with the National Agency for Mineral Resources, approved pursuant to GD no. 793/2002.

The Crude Oil, Rich Gas, condensate and Ethane Pipeline Transport System (NTS) is being defined and regulated by Law no. 238/7.06.2004 - Petroleum Law and the Methodological Norms for the enforcement of the Petroleum Law approved under GD no. 2075/2004.

The activity related to the crude oil transport through the National Transport System is a public service of national concern and strategic importance, being included in the regulated segment of the internal oil market. The transport service is being supplied under the natural monopoly regime based on the tariff set by NAMR (The National Agency for Mineral Resources).

##### 3.1.2 The Crude oil, Condensate and Rich Gas Transport Activity

CONPET S.A. Ploiești is the operator of the crude oil and rich gas National Transport System and has as core business the transport via pipelines and by rail of the crude oil, condensate and rich gas from domestic production, as well as the transport via pipelines of the imported crude, to the refineries in Romania. The company performs its operating and administrative activities in 24 counties.

The Crude Oil National Transport System represents the ensemble of the interconnected major pipelines, providing the collection of the oil extracted from the exploration sites or of those coming from import and the transport thereof from the delivery sites to the processing units, by the producers/importers, through pumping stations, rail loading -unloading ramps, as well as through all the installation, equipment and related endowment. The concessionaire of the crude oil National Transport System entitles as common carrier and has 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 leased by CONPET is currently formed of the following subsystems:

- The imported crude transport subsystem - transport throughput of approx. 11.8 million tons/year;
- The domestic crude transport subsystem - transport throughput of approx. 6.1 million tons/year;

- Rich gas transport sub-system - transport throughput of approx. 0.1 million tons/year.

### Main components of the transport infrastructure

Centralized per subsystems, the technological endowment of CONPET in what regards the crude oil and rich gas transport process includes:

**1. The Subsystem for domestic crude and condensate transport**, which includes facilities easing transport from the extraction fields to Petrobrazi, Arpechim and Petrotel Lukoil refineries; it mainly includes the following production capacities:

- Operational pipelines with a total length of 1,581 km;
- Pumping stations;
- Storage capacity of approx. 135,000 cubic meters.

This system is made of the warehouses, pumping stations, loading/unloading ramps and the pipelines providing the crude oil and condensate transport from the extraction sites to the refineries/delivery sites.

- Currently, the domestic crude oil transport is being performed to Petrobrazi refinery and Arpechim Pitesti warehouse.
- This system includes a number of 56 warehouses and pumping stations, 10 loading ramps, 1 own unloading ramp to which are being added direct unloading ramps from Petrobrazi refinery and Arpechim warehouse. The connection between these pumping stations with the loading/unloading ramps and the warehouse in the refineries is being made by means of the crude oil transprt pipelines with diameters ranging from 4" to 14".

**2. The Subsystem for rich gas and liquid ethane transport** - eases the products transport from the extraction fields to Petrobrazi and Arpechim refineries and mainly holds the following production capacities:

- Rich gas operational pipelines in total length of 12 km;
- Two rich gas loading ramps Biled and Marghita;
- The ethane transport pipeline having 139 km in length (starting 2009 has no longer been transported ethane).

**3. Subsystem for imported crude transport**, eases transport from Oil Terminal, Constanta to Petrobrazi, Arpechim, Petrotel Lukoil, Petromidia refineries and Arpechim warehouse and mainly holds the following production capacities:

- Operational pipelines in total length of 963 km;
- Pumping Stations;
- Storage capacities of approx. 44500 cubic meters.

**4. The rail transport subsystem**, for the railway transport of crude oil and rich gas to Petrobrazi, Arpechim and Lukoil refineries mainly holds the following production operating capacities:

- 10 crude oil and condensate loading ramps;
- 2 rich gas loading ramps
- 1 crude oil loading ramp (Moinesti, which is OMV Petrom);
- 1 crude oil and condensate unloading ramp and 1 rich gas unloading ramp (Barbatesti);
- 13 locomotives;
- Rail infrastructure of 12.7 km;
- 40 crude oil tanks and 28 rich gas transport tanks.

### 5. Vehicle Fleet

As per the structure of the vehicle fleet, at the date of preparation of the Administration Plan, CONPET disposes of a number of 239 vehicles, as follows:

- Vehicles for human transport and land vehicles: 76 pieces;

- Land vehicles and vehicles for human and merchandise transport, work teams, interventions: 70 pieces
- Special vehicles vidanja, crane vehicles, UDS, PRB diggers, truck: 20 pieces
- Other vehicles means of intervention bulldozer -excavators, mini excavator tracked, digger trucks, special trailers, prover trailer, compressor trailer, trailer for equipment transport, forklifts 73 pieces

## 6. Tanks

CONPET personnel performs the transport activity, by making use of the 138 crude oil and condensate tanks and 10 rich gas tanks (all OMV Petrom property). Out of the total of 138 tanks of various capacities:

- CONPET: 51 pieces;
- OMV PETROM: 67 pieces;
- Oil Terminal: 7 pieces;
- PETROTEL LUKOIL: 5 pieces;
- Rompetrol S.A.: 8 pieces

Given the natural distribution of the oil fields spread over the entire Romanian territory, the National Transport System was built as to meet the transport needs from all those fields to the refineries. The system operation is being made based on the local dispatch centers, coordinated from the Company's Central Dispatch.

The transport activity by products: crude oil, rich gas and condensate, programmed and achieved within the first 9 months of 2018 YOY, is as follows:

Transport Subsystems	Indicators and products	Achieved Jan-Sep 2018	Achieved Jan-Sep 2018/2017	Variation % 2018/2017
<b>Domestic crude oil, condensate and light condensate</b>				
DOMESTIC	- programmed quantities (thousand tons)	2,568	2,632	▼2.4%
	- achieved quantities (thousand tons)	2,622	2,656	▼1.3%
	-degree of achievement	102.1%	100.9%	▲1.2pp
	- degree of use of the transport throughput	57.26%	58.00%	▼0.7pp
<b>Rich gas</b>				
	- programmed quantities (thousand tons)	16	12	▲33.3 %
	- achieved quantities (thousand tons)	15	14	▲7.1%
	-degree of achievement	93.8%	116.6%	▼22.8-p.p.
	- degree of use of the transport throughput	17.48%	9.53%	▲8.0p.p.
<b>Total domestic subsystem</b>				
	- programmed quantities (thousand tons)	2,584	2,644	▼2.3%
	- achieved quantities (thousand tons)	2,637	2,670	▼1.2%
	-degree of achievement	102.1%	100.9%	▲1.2p.p.
	- degree of use of the transport throughput	56.5%	56.5%	
<b>Crude oil</b>				
IMPORT	- programmed quantities (thousand tons)	2,287	2,095	▲9.2%
	- achieved quantities (thousand tons)	2,439	2,340	▲4.2%
	-degree of achievement	106.7%	111.7%	▼5.0 p.p.

Transport Subsystems	Indicators and products	Achieved Jan-Sep 2018	Achieved Jan-Sep 2018/2017	Variation % 2018/2017
TOTAL	- degree of use of the transport throughput	27.6%	26.5%	▲ 1.1p.p.
	- programmed quantities (thousand tons)	4,871	4,739	▲ 2.8%
	Achieved quantities (thousand tons)	5,076	5,010	▲ 1.3%
	-degree of achievement	104.2%	105.7%	▼ 1.5p.p.
	- degree of use of the transport throughput	37.62%	36.97%	▲ 0.7p.p.

Table 5 - Transported quantities by types of products and by transport subsystems 9 months 2018 - 9 months 2017

During January-September 2018, out of the transported and delivered domestic production amounting to 2,637 thousand tons of crude oil, rich gas and condensate, by rail have been transported 871 thousand tons, which represents 33.0% of the overall transported quantity, out of which:

- directly to the refineries - 769 thousand tons, (88.3% of the transported quantity by rail);
- from Barbatesti ramp - 102 thousand tons, (11.7% of the transported quantity by rail).

During February 25 - April 4 2017, the refinery Petrotel Lukoil was in scheduled technical overhaul.

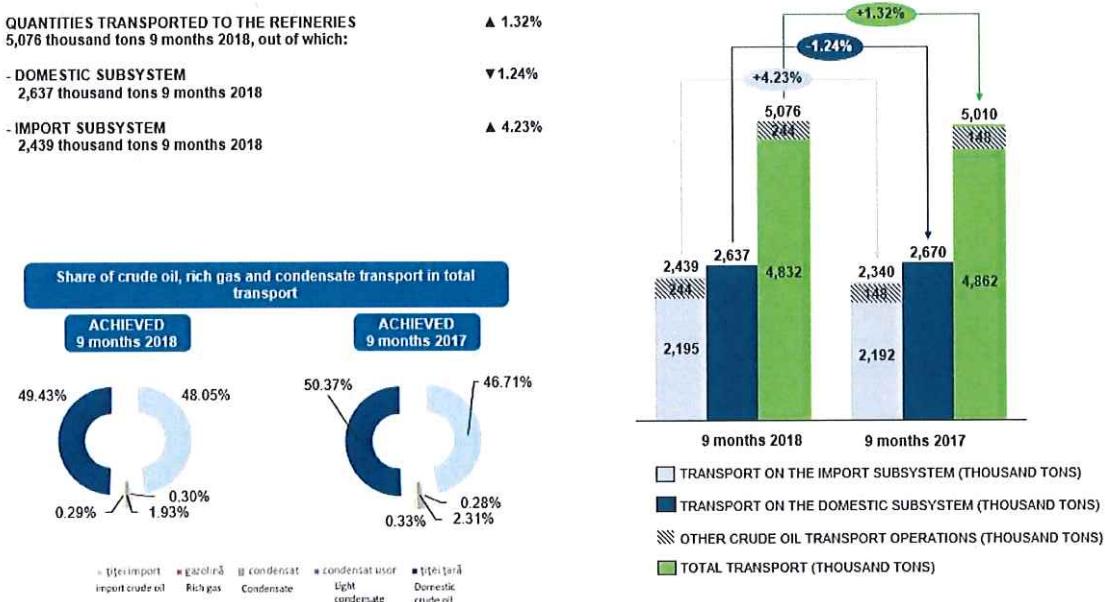


Chart 5 - Quantities transported on the transport subsystems

The total quantity transported during January-September 2018 was higher by approx. 66 thousand tons as compared to the same period of 2017. The evolution of the transport on the two subsystems was different in this period as compared to the similar period in 2017; consequently, the transported quantity on the domestic subsystem was lower by 33 thousand tons (1.2%), and on the import transport subsystem increased by 99 thousand tons (4.2%).

The tariffs for the supply of crude oil, rich gas, condensate and ethane are regulated by the NAMR and are distinguished per transport subsystems.

During January-September 2018, the tariffs practiced for the supply of the transport services on the crude oil, rich gas, condensate and ethane domestic subsystem are those approved by the NAMR, as follows:

- During 01.01.2018 - 18.06.2018, as per the Order no. 32/2016, for the supply of the transport services related to the crude oil, rich gas, condensate on the domestic subsystem the average tariff was 79.75 RON/ton;
- As of 19.06.2018, as per the Order no.117/15.06.2018, on the domestic transport subsystem the average tariff is 84,37 RON/ton.

For the supply of the transport service on the import subsystem, the tariffs are applied per batches of transported quantities and refineries, as follows:

Period	Arpechim		Ploiesti Basin		Petromidia	
	Thousand tons/month	RON/ton	Thousand tons/month	RON/ton	Thousand tons/month	RON/ton
09.02.2016 – 18.06.2018 (Order no. 32/2016)	< 100	38.85	< 100	38.00	< 100	8.00
	> 100	16.60	> 100	16.00	> 100	7.33
19.06.2018 – to date (Order no.117/2018)	< 120	38.85	< 120	38.00	< 120	27.00
	> 120	16.60	> 120	16.00	> 120	24.74

Table 6 - Tariffs for the transport on the import subsystem

The transport tariffs include a modernization quota meant exclusively for the financing of the investments related to the National Transport System.

The total value of the services VAT excluded, invoiced to the beneficiaries during January - September 2018 is in amount of 280,138 thousand RON and in detail by every beneficiary, is as follows:



Chart 6 - Share of transport revenues per refineries in total transport revenues

The company holds a monopoly position on the crude oil transport via pipelines market, not having competitors in its main area. The transport services are being contracted based on a frame contract approved by the National Agency for Mineral Resources, the practiced transport tariffs being regulated and approved by the same authority.

The transport services supplied by CONPET SA address to a reduced number of potential beneficiaries; consequently, the volume thereof is closely related to the trade policy applied by the beneficiaries of the supplied services. A situation of significant dependency is being recorded in relation to OMV Petrom, which is the main client when referring to the domestic crude oil transport and the only client for the transport of rich gas and condensate.

The volume of the transport services the company may supply also depends on the capacity to process crude oil in Romania. The fact that the National Transport System operated by CONPET S.A. is not interconnected to other external regional transport systems, is not allowed for the services supplied by the company to have a larger addressability, for refineries outside our country.

Following the petrochemical industry restructuring in Romania, the crude oil, condensate and rich gas transported quantities lowered, which negatively influenced the system's degree of use.

To conclude, the revenues which may be achieved by the company from the supply of transport services is directly dependent on the evolution of the company's activity processing crude oil in Romania.

Given the conditions, by the support of the Ministry of Energy and the National Authority for Mineral Resources (NAMR), the company pays efforts to identify new opportunities that lead to the increase of the degree of use of the system and takes part to all the meetings and debates which concern potential regional projects in its area of focus and expertise.

The crude oil and derivatives extraction and processing activities in Romania are very unpredictable, which may negatively influence the company's financial standing.

### 3.1.3 Other activities

Furthermore, as compared to the transport services, the company has other activities which contribute with 1.3% revenues in turnover. These activities consist in: the lease of lands and telecommunication equipments, railway tank shunting services, sale of pipe material resulting following the pipeline replacement works, etc.

### 3.1.4 Analysis of the operating activity

In the table below is presented the evolution of the transport services supply for the period January- September 2018, as compared to the same period in 2017 and by the provisions in the budget related to 2018 9 months:

Indicators (Thousand RON)	Achieved Jan-Sep 2018	Budget Jan-Sep 2018	Achieved Jan-Sep 2017	% Variation Achieved/Budget 2018	Variation % 2018/2017
Revenues on the domestic transport subsystem	217,618	215,689	214,276	▲ 0.89%	▲ 1.56%
Revenues on the import transport subsystem	62,520	59,463	64,655	▲ 5.14%	▼ 3.3%
<b>Total</b>	<b>280,138</b>	<b>275,152</b>	<b>278,931</b>	<b>▲ 1.81%</b>	<b>▲ 0.43%</b>

Table 7 - Statement of the transport revenues

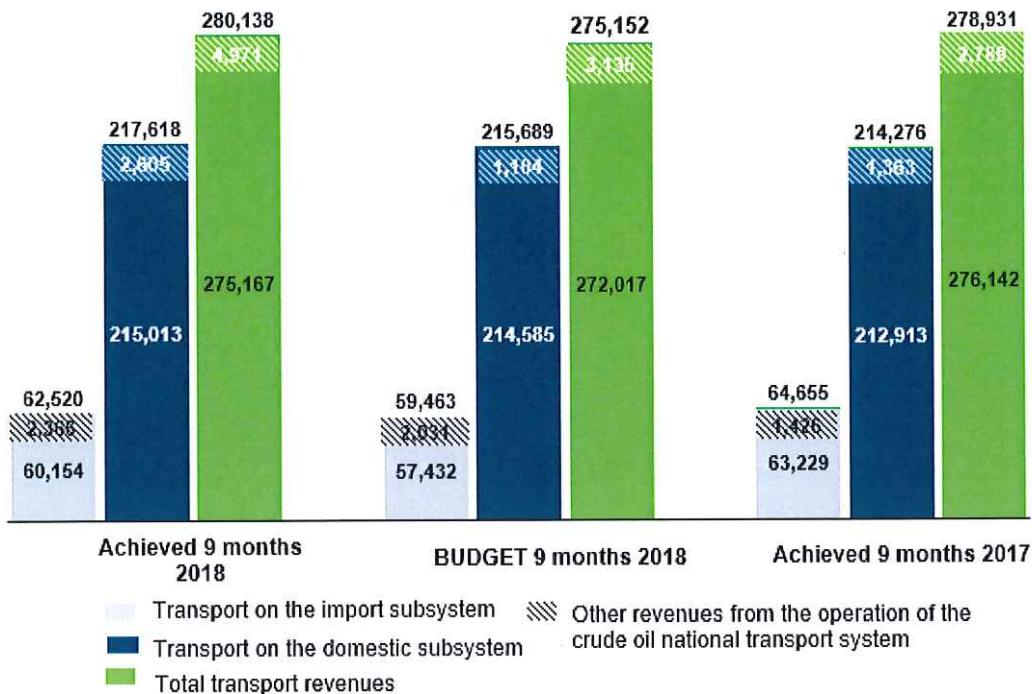


Chart 7 - Evolution of the transport revenues per subsystems

### 3.1.5 Procurement

The procurement activity performed in compliance with the provisions of the internal Procurement Norms and other internal procedures of CONPET S.A..

The service procurement contracts with values higher than 100,000 Euro and of the works procurement contracts with values higher than 500,000 Euro are presented in Annexes 5 and 6 to this report.

### 3.1.6 Company mergers and reorganizations, procurements and disposals of assets during the first 9 months of 2018

During January-September 2018 there were no company mergers or reorganizations and have been made procurements and disposal of assets.

The company has no open subsidiaries in Romania or abroad.

### 3.1.7 Assessment of human resources and social dialog activity

The number of employees at September 30, 2018 amounted to 1,650, by 61 persons lower than the number of employees at 31.12.2017.

In order to streamline the business, the company management considered, all along 2018, the termination of a number of 58 positions in various organizational entities of the company, by the consequence of individual dismissal of the employees occupying those positions, for reasons non-attributable to them.

The layoff action took place in two stages, the first stage starting with March 30, 2018, for a number of 29 posts, the second stage starting with June 1, 2018 for 29 posts.

The elimination of the 58 positions triggered mainly the reshaping of the resource necessary to achieve the set objectives, expenses reduction, as well as optimization of the necessary of personnel within the functional structures, adapted at the current company needs.

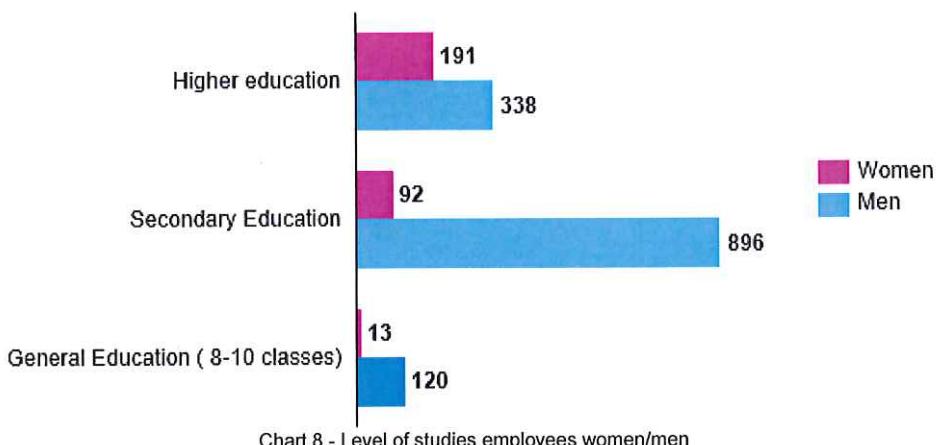
The process of identification of the posts proposed to be eliminated took place at all departments level and consisted in:

- ✓ In case of every job, identification of the correlation between the number of positions and the work volume;
- ✓ The degree of work load of every employee, as well as of the interaction of the activities performed between the occupants of the positions;
- ✓ The total use, by the occupant of the positions, of the working time related to the achievement of the work duties;
- ✓ The possibility to grant complementary tasks to the occupied positions, according to the work load of that particular position, without affecting the activity performance, under secure and optimum conditions;
- ✓ The possibility to extend the routes surveyed by the pipeline route operators;
- ✓ The possibility to exercise the job duties in more work sites with reduced activity where is not necessary to maintain a full job employee.

The personnel structure according to the level of studies and gender, at September 30, 2018 is exposed in the table below:

Studies	Total	% in total employees	Women	% in total employees	Men	% in total employees
General education (8-10 grades)	133	8.06%	13	0.79%	120	7.27%
Secondary education	988	59.88%	92	5.58%	896	54.30%
Higher education	529	32.06%	191	11.58%	338	20.48%
<b>Total</b>	<b>1650</b>	<b>100%</b>	<b>296</b>	<b>17.95%</b>	<b>1355</b>	<b>82.05%</b>

Table 8 - Personnel structure by education level and gender



At 30.09.2018, the degree of syndicalization of the work force is 99.76 %. During January - September 2018, there have been no elements of a conflicting nature between employees and the management of the company.

### The Personnel Risk and the Waging System

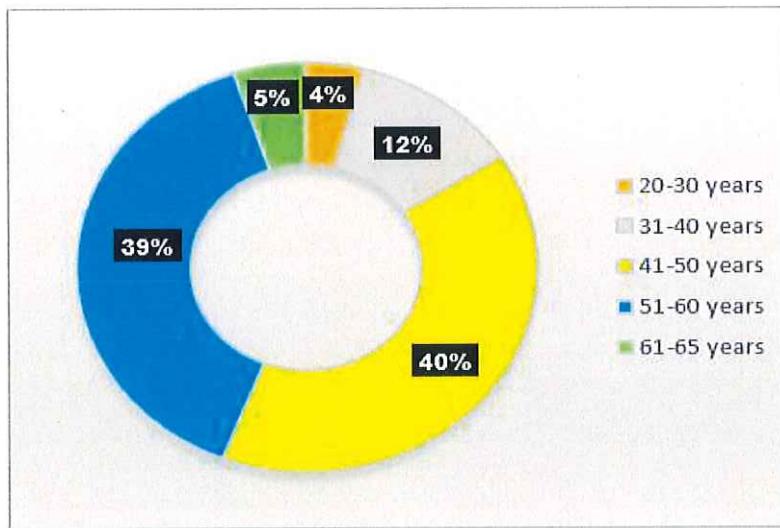


Chart 10 - Structure by age groups

The mean age of CONPET personnel is high enough (48.5 years old), the advantage being that 53.11% of the personnel has over 20 years of experience in the company, which stands for 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 retirement of the experienced employees.

### The Negotiation and Conclusion of a new Collective Labor Agreement

The duration of the collective labor agreement concluded by the company with the representatives of the Trade union expired on August 31, 2018, its duration being extended until December 31, 2018, by addendum and based on the mandate given by the Board of Administration to the Director General.

#### 3.2 Investments achieved 9 months 2018 as compared to programmed 9 months 2018

The investment projects within CONPET targets, mainly, enhancing efficiency of the transport activity under operation, under safe conditions, the National Transport System.

The investments are being financed out of own sources made up of: the modernization quota targeting exclusively the financing of works executed at the assets belonging to the public domain

as well as for the financing of new investment related to the public domain and other own sources (profit and amortization).

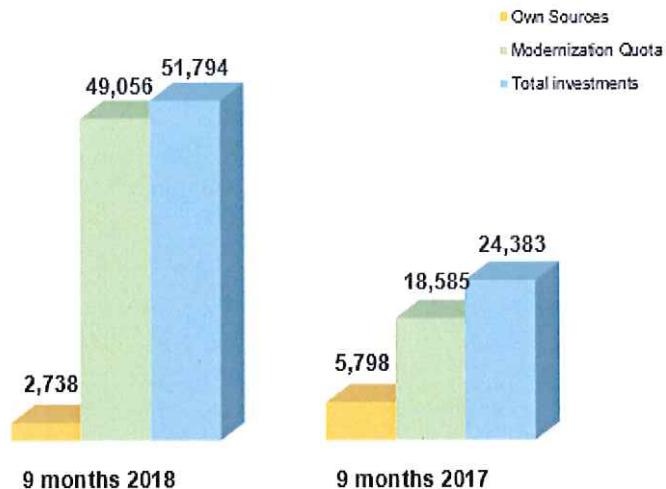
Within the first 9 months of 2018, CONPET programmed investments in amount of 57,548 thousand RON and achieved 51,794 thousand RON (90%).

The value of the investment objectives achieved in 2018 9 months, on types of assets' membership, as compared to the program for the first semester and the same period of 2017, is as follows:

Name (million RON)	Program	January - September 2018			Program	January - September 2017		
	YEAR 2018	Achieved	Program	%	YEAR 2017	Achieved	Program	%
<b>Total investments, o/w:</b>	76,625	51,794	57,548	90%	64,269	24,383	38,106	64%
Public Domain	67,990	49,207	53,393	92%	51,317	18,782	30,279	62%
Operating Domain	8,635	2,587	4,155	62%	12,952	5,601	7,827	72%

Table 9 - Investments achieved within 9 months 2018 as compared to the Budget and the similar period in 2017

The investments achieved in 9 months 2018, as compared to program and YOY, by financing sources, are exposed in the chart below:



In summary, the statement of the investment achievement during January - September 2018 is exposed as follows:

#### A. Investment objectives – Public Domain

During January-September 2018, have been achieved investment objectives in amount of 49,207 thousand RON, as compared to a 9 months program of 53,393 thousand RON and annually of 67,990 thousand RON.

The main investment objectives in progress are:

- Replacement of the Ø 24" crude oil pipeline Constanta - Midia, in the area of Ovidiu city, Constanta County, on a length of approximately 1140 m;

- Replacement crude oil pipeline Ø 14" Constanța - Bărăganu, Castelu - Cuza Vodă - Mircea Voda area, Constanța County, on a length of approximately 12580 m;
- Replacement crude oil transport pipeline 14" Bărăganu - Călăreți resulted following the in-line inspection with smart pig in length of 7.5 km (by sections);
- Safety disposal works for Arges river crossing, Cateasca area, Arges County, stage 2;
- Safety disposal for the aerial crossing of Prahova river with the 12 3/4" and 14 3/4" pipelines Cartojani-Ploiești, Stejaru village, Brazi commune, Prahova County;
- Modernization and monitoring of the cathodic protection system related to the NTS domestic and import;
- Pilot system for the identification and location of product leaks from the crude oil main transport pipelines Poiana Lacului-Siliste-Ploiești;
- Upgrade in Moreni, Oprișenești, Mădulari pumping system.

## B. Investment objectives – Operating Domain

During January-September 2018, have been achieved investment objectives related to the operating area in amount of 2,587 thousand RON, as compared to a 9 months program of 4,155 thousand RON and annually of 8,635 thousand RON.

During the analyzed period, for the investment objectives have been obtained 21 building permits, out of which 13 for pipeline rehabilitation works.

In the activity related to the endorsement and conclusion of agreements regarding the right of way and temporary use of certain lands in order to perform the works provided in the investment program, we have encountered and we are still facing a series of shortcomings, such as:

- Conditioning the Forest Guard in what concerns the issue of permits of temporary occupation of the land plots belonging to the forestry private property real estate in the areas affected by CONPET investments, to the presentation, together with the technical documentation, of the landowner (s) agreement in authentic form;
- Unreasonable financial claims of the landowners or even refusals thereof to enable the access to the land and works execution at the crude oil NTS components.
- The conditionings imposed by the administrator of the land and/or concessionaire to execute works in a certain period of time, very short, on certain pieces of land, because, in their turn, have certain commitments towards the Agency for payments and intervention in agriculture, in order to maintain the land in a certain shape.

These situations occurred in the investment performance of the following works:

- Replacement of the Ø10 3/4" crude oil pipeline Madulari-Botorani, in the area of National Road DN 67 B Dragasani-Tg. Carbunesti, Guioseni locality and Maciuca locality, Valcea County, on a length of about 2250 m;
- Replacement of crude oil pipelinei Ø 10 3/4" Line1+Line2 Siliște - Ploiești L=2x3481 m, in areas Ilfoveni-Forest Iuda, line Racovița, Hăbeni - Comișani, Mija (batch 3), -SC ERBASU CONSTRUCT SRL ;
- Replacement of the Ø 14" C2 – C3 crude oil pipeline, on 8 sections in Balta Ialomitei area, Ialomita county, on a length of approximately 4037 m, Section1, l=253 m and section T4, l=823 m, works execution during 15.03-15.04.2019.

The unsettlement with celerity of these causes may influence the degree of achievement of 2018 investments program.

Within the first 9 months of 2018, within the Development Maintenance Direction have been performed 37 design works, out of which have been endorsed in the Steering Committee of CONPET 21 works with a total investment value of 70,146,796.72 RON, as follows:

- Replacement of a section of the Ø10 3/4" Line1 pipeline Barbatesti-Orlesti in Bucsani area – Cerna river left bank, Fartatesti commune, Valcea County – 500 m from the Suvar garden -V.S. Cerna river right bank, with a value estimated by the designer of 422,360.82 RON;
- Safe disposal works pipeline Ø4" Izvoru-Joint Ø10 3/4" Icoana-Cartojani in Teleorman river area, with a value estimated by the designer of 200,054.1 RON;
- Replacement of the 24" crude oil pipeline Constanta - Midia in the area of Navodari bridge - start of the above ground route, on a length of 405m., with a value estimated by the designer of 1.238.30 RON;
- Safety disposal for no. 2 undercrossing of Ø10 3/4" pipeline Potlogi – P.F. Arges, Sabar river, Gaiseni locality, Giurgiu county, on a length of 350 m, with a value estimated by the designer of 613,746,3 RON;
- Replacement of the 12"+14" crude oil pipeline Cartojani-Ploiesti in the areas Crivat-Catunu 550 m + 30 m horizontal drilling undercrossing National Road DN 1A Buc.-Pl., Cornesti commune, Dambovita county, with a value estimated by the designer of 1.364.345,20 RON.
- Upgrade of the system for monitoring the vibrations and temperatures of the pumping machineries in the automated stations Calareti si Constanta Sud, with a value estimated by the designer of 572,850,26 RON;
- Cathodic protection system and earthing for leak tank,500 cubic meters - Constanta Sud pumping station, with a value estimated by the designer of 60,895,48 RON;
- Technical economic documentation (PT - technical report, CS - scope of work, Work quantities, DDE - detail execution documentation, DE - economic documentation) for 6 cathodic protection stations of the domestic and import crude oil transport pipelines (SPC Independența, SPC Lucianca, SPC Chiroiu, SPC Poieni, SPC Parc 9 and SPC Parc 7 Roata) by a value estimated by the designer of 1,533,776 RON;
- Replacement of Ø10 3/4" F1 + F2 crude oil pipeline Silistea Ploiesti, L= 2 x 3481m, in the areas Ilfoveni-luda forest, Racovita valley way, Habeni-Comisani, Mija, with a value estimated by the designer of 4,454,012.45 RON;
- Safe disposal of the Argeș river aerial crossing Rătești area, Argeș county, with a value estimated by the designer of 3,722,213.75 RON;
- Thermal power plant for technological steam production used in the warehouse and Barbatesti ramp, with a value estimated by the designer of 4,707,010.30 RON;
- Hydro technical works for safety disposal of Prahova river aerial crossing by the crude oil transport pipelines belonging to CONPET S.A. - works of emergency intervention for the safety disposal of the metal piles supporting the aerial crossing of Prahova river, Stejaru area, Brazi commune, of the crude oil transport main lines Ø12 3/4" și Ø14 3/4", with a value estimated by the designer of 5,376,686.89 thousand RON, out of which have been executed under emergency conditions works in amount of 2,773,837.68 thousand RON; further on, will be submitted to tender works in amount of 2,602,849.21 RON;
- Replacement of the Ø10 3/4" line 1 crude oil pipeline Orlesti – Poiana Lacului, L=295m, Negrea grazing ground – Poiana Lacului area, with a value estimated by the designer of 427,895.94 RON.

- Optimization of SCADA system and Hardware and Software of the automation data transmission units, with a value 15,210,000 RON
- Replacement of two pipeline sections Ø65/8" Urziceni - Claviatura Albești Paleologu, section valve Jilavele-Borna 1, on a length of 1900 m and Borna 2 - valve road Armășești, 400 m length, with a value of 883,845 RON;
- Replacement of the Ø 14 C2 – C3 crude oil pipeline, on 8 sections in Balta Ialomitei area, Ialomita County, on a length of approximately 4037 m, with a value of 4,490,414.62 RON;
- Systematization of technological keyboards of the Ø10¾" F1 and Ø10¾" F2 pipelines Siliste-Ploiești, respectively 8"+ 10" Ploiești Beltway and mounting of the cleaners reception installation on the Ø10¾" F1 crude oil pipeline Siliste-Ploiești in the area of Gara de Vest Railway Station, Ploiești city, Prahova County with a value of 848,814 RON;
- Modernization of PSI tank with a throughput of about 1100 m<sup>3</sup>, in Calareti pumping Station, with a value of 679,422 RON;
- Modernization of the crude oil pumping systems in Madulari pumping stations - Valcea County, Moreni- Dambovita County, Oprisenesti - Braila County: Oprisenesti pumping station - collection of tank leaks Oprisenesti - 5 cubic meters, with a value of 134,899 RON;
- Rehabilitation of 5 crude oil loading ramps: Cireșu, Berca, Imeci, Marghita, Suplacu de Barcău , with a value of 22,547,570 RON;
- Replacement of crude oil pipeline Line 1+Line 2 10 3/4 Ticleni-Ploiești, Scaiosi locality area, Orlești commune, Valcea County, 300 m on every line, with a value of 657,685 RON.

During the same period, was finalized the procurement procedure for 60 investment objectives (here-included independent machinery and equipment).

Commissioning achieved within the first six months of 2018 amounted to 25,250 thousand RON, out of which, per financing sources:

- 22,573 thousand RON out of the modernization quota;
- 2,677 thousand RON out of other own sources;

The main investment works commissioned were the followings:

- Upgrade of the heat station and heating network Marghita;
- Microwave radio relay transport capacity increase on Baraganu- Constanța section and displacement of Constanța Nord location + microwave radio relay system software upgrade;
- Modernization of exterior lightening by the use of LED technology sources from West and Import Divisions - locations Constanța, Pecica, Orlești, Biled, Videle and Poiana Lacului;
- Modernization of exterior lightening by the use of LED technology sources from East and South Divisions - locations Urlați, Moreni, Cireșu and Berca;
- Safe disposal of the crude oil pipeline Ø 10¾" F1 Bărbătești-Orlești in Orlești locality, Orlești commune, Valcea county
- Replacement crude oil transport pipeline 14" Bărăganu - Călăreți resulted following the in-line inspection with smart pig in length of 7.5 km (by sections);
- Upgrade of the system for monitoring the vibrations and temperatures of the pumping machineries in the automated stations Calareti si Constanța Sud.

In view of increasing the degree of achievement of the investments, all this time, the Maintenance Development Direction made recurrent checks of the physical and ad valorem achievement of the investment program and undertook certain measures in this direction;

- Meetings with the contractors of the objectives for the settlement, with celerity, of the various issues encountered during the contracts performance process.
- Meetings with the authorities having issued the endorsements/permits/agreements necessary in the process of works execution in order to clarify and speed up the settlement thereof.

### 3.3. Analysis of the financial business

The financial information presented in this report have been supplied based on the interim financial statements for the six months period ended September 30, 2018, prepared in compliance with the International Accounting Standard no. 34 - „Interim Financial Reporting”.

#### 3.3.1 Report grounds

The quarterly report of the Board of Administration for the period January - September 2018 is prepared in compliance with the provisions of Article 67 of Law no. 24/2017 regarding financial instruments issuers and market operations and Annex no. 13 of ASF Regulation no.5/2018 regarding issuers and securities operations;

#### 3.3.2 Statement of the Financial Standing at September 30, 2018

In summary, the Statement of the Financial Standing at September 30, 2018 is the following:

Name of the element (million RON)	September 30, 2018 (unaudited)	Sunday, December 31, 2017 (audited)	Variation 2018/2017
Non-current assets	429,714	410,682	▲4.6%
Current assets	300,446	338,091	▼11.1%
<b>Total Assets</b>	<b>730,160</b>	<b>748,773</b>	<b>▼2.5%</b>
Equities	644,954	658,400	▼2.0%
Deferred income	1,222	1,326	▼7.8%
Total liabilities	83,984	89,047	▼5.7%
<b>Shareholders' equity and liabilities</b>	<b>730,160</b>	<b>748,773</b>	<b>▼2.5%</b>

Table 10 - Synthesis of the company's financial standing at 30.09.2018 as compared to 31.12.2017

The extended variant of the financial standing at Sunday, September 30, 2018 is presented in Annex no. 1.

**The total assets** decreased by 2.5% (18,613 thousand RON) as compared to the level recorded at December 31, 2017 following the decrease of the circulating assets.

**The intangible assets** recorded, at 30.09.2018, 4.6% increase, as compared to December 31, 2017, mainly generated by input of fixed assets in a value higher than the value of the amortization registered during 2018 9 months.

**The current assets** lowered by 11.1% (37,645 thousand RON), from 338,091 thousand RON at 31.12.2017 to 300,446 thousand RON at 30.09.2018. The decrease was mainly determined by

the diminution of the cash availabilities due to the dividends payment distributed out of 2017 profit (approx. 69 million RON).

At 30.09.2018, the availabilities from modernization quota existing in bank accounts and in government securities amounted to 189,695 thousand RON, lower by 22,157 thousand RON as compared to 31.12.2017 (211,852 thousand RON). The cash representing the modernization quota has a special regime, provided in GD no. 168/1998, this being destined exclusively to the financing of the modernization works and development works related to the goods belonging to the public domain.

**The equities** lowered by 2% (13,446 thousand RON) as compared to December 31, 2017 reaching 644,954 thousand RON, the decrease being determined by the amendment of the following capital elements:

- Other reserves records an increase by 15,616 thousand RON following the augmentation by 12,457 thousand RON of the reserve representing modernization quota, from 445,943 thousand RON at December 31, 2017 to 458,400 thousand RON at September 30, 2018, as well as the augmentation of the reserve representing financing own sources distributed out of 2017 profit, in amount of 3,159 thousand RON;
- The capital elements representing retained earnings and the year's result records a total decrease in amount of 25,023 thousand RON, mainly generated out of the net profit achieved in 2018 9 months, below the level of the net profit achieved in 2017;
- diminution of the revaluation reserves by the amount of 4,039 thousand RON representing surplus achieved from these reserves acknowledged in the retained earnings.

**The long-term liabilities** records a decrease by 0.4% (49 thousand RON) as compared to December 31, 2017, following the augmentation of the long-term provisions.

**The current liabilities**, in amount of 71,216 thousand RON, decreased by 5,014 thousand RON as compared to December 31, 2017, mainly due to the diminution of the trade liabilities.

### 3.3.3. Profit & Loss Account for the period January - September 2018

Within the 9 months period ended September 30, 2018, CONPET S.A. obtained a net profit of 43,718 thousand RON, lower by 15,154 thousand RON as compared to 9 months 2017 (58,873 thousand RON).

The financial results achieved in 2018 9 months, as compared to Budget and the achievements of the similar period in 2017 are the followings:

Indicators (thousand RON)	Achieved	Budget	Achieved	Variation	
	Achieved Jan-Sep 2018	Achieved Jan-Sep 2018	Achieved Jan-Sep 2017	Achieved vs. Budget 2018	2018 vs. 2017
<b>Turnover</b>	<b>283,692</b>	<b>278,349</b>	<b>282,510</b>	<b>▲ 1.9%</b>	<b>▲ 0.4%</b>
Total operating revenues	308,619	302,534	308,138	▲ 2.0%	▲ 0.2%
Total operating expenses	260,572	265,853	240,877	▼ 2.0%	▲ 8.2%
<b>Operating Profit (EBIT)</b>	<b>48,047</b>	<b>36,681</b>	<b>67,261</b>	<b>▲ 31.0%</b>	<b>▼ 28.6%</b>
<b>EBITDA</b>	<b>81,343</b>	<b>69,942</b>	<b>100,684</b>	<b>▲ 16.3%</b>	<b>▼ 19.2%</b>
Financial revenues	3,764	1,214	2,665	▲ 210.0%	▲ 41.2%

Indicators (thousand RON)	Achieved	Budget	Achieved	Variation	
	Achieved Jan-Sep 2018	Achieved Jan-Sep 2018	Achieved Jan-Sep 2017	Achieved vs. Budget 2018	2018 vs. 2017
Financial expenses	6	75	34	▼92.0%	▼82.4%
<b>Financial profit</b>	<b>3,758</b>	<b>1,139</b>	<b>2,631</b>	<b>▲229.9%</b>	<b>▲42.8%</b>
Total revenues	312,383	303,748	310,803	▲2.8%	▲0.5%
Total expenses	260,578	265,928	240,911	▼2.0%	▲8.2%
<b>Gross Profit</b>	<b>51,805</b>	<b>37,820</b>	<b>69,892</b>	<b>▲37.0%</b>	<b>▼25.9%</b>
<b>Net Profit</b>	<b>43,718</b>	<b>32,160</b>	<b>58,873</b>	<b>▲35.9%</b>	<b>▼25.7%</b>

Table 11 - The main economic-financial Indicators achieved in 2018 9 months vs Budget 2018 and the same period of 2017

The operating profit achieved at 30.09.2018, as compared to the same period of 2017, decreased by 19,214 thousand RON (28.6%), mainly due to the increase of the personnel expenses. Consequently, the gross profit and the net profit also recorded decreases by 18,087 thousand RON (25.9%) and respectively of 15,154 thousand RON (25.7%) and EBITDA indicator is 19,341 thousand RON (19.2%) lower than the preceding year.

As compared to the budget provisions, the operating profit registers 31% increase and the EBITDA indicator reflects a degree of achievement of 116.3%.

The company recorded financial revenues higher than those provided in the budget, the increase thereof contributed by 2,631 thousand RON to the excess of the gross profit planned within the first nine months.

The statement of the profit and loss account for the nine months period ended September 30, 2018 is presented in detail in annex no. 2.

The evolution of the financial results in 9 months 2018 YoY is exposed in the Chart below:

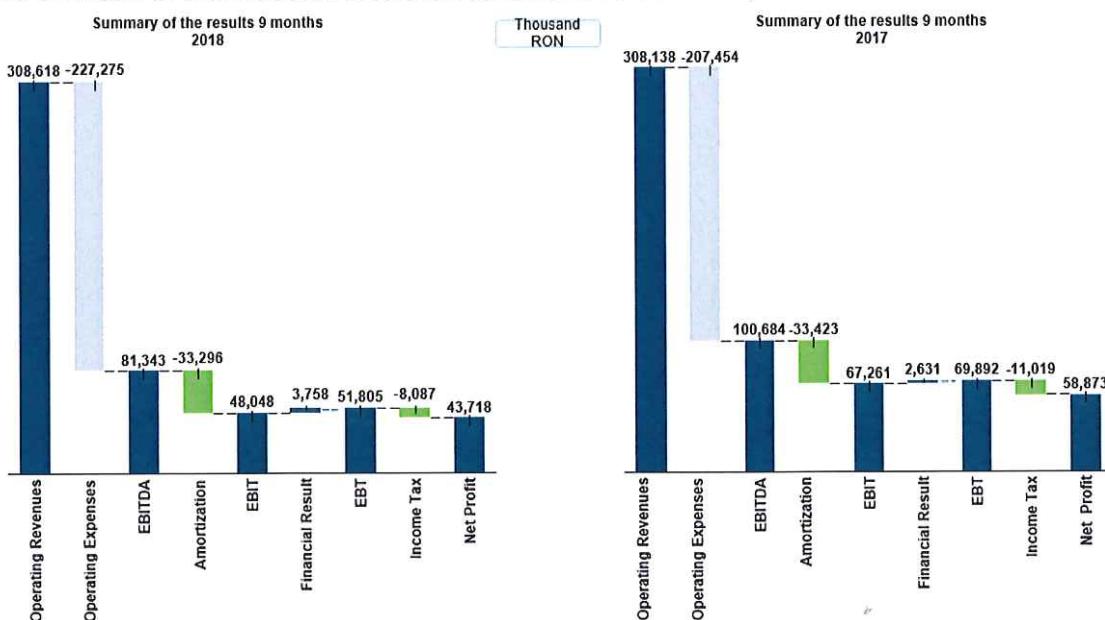


Chart 12 - Synthesis of the financial results in January-September 2017-2018

## Operating Revenues

As compared to the approved budget and preceding period, the total revenues of the operating activity in 2018, 9 months are as follows:

Achieved Jan-Sep 2018	Budget Jan-Sep 2018	Variation % Achieved/Budget 2018	Indicators (thousand RON)	Achieved Jan-Sep 2018	Achieved Jan-Sep 2017	Variation % 2018/2017
280,138	275,152	▲1.8%	Total revenues from transport services	280,138	278,931	▲0.4%
3,554	3,197	▲11.2%	Other Turnover Revenues	3,554	3,579	▼0.7%
<b>283,692</b>	<b>278,349</b>	<b>▲1.9%</b>	<b>Turnover</b>	<b>283,692</b>	<b>282,510</b>	<b>▲0.4%</b>
21,481	21,910	▼2.0%	Write-back of reserve constituted based on the expenses with the modernization quota	21,481	22,479	▼4.4%
3,446	2,275	▲51.5%	Other operating revenues	3,446	3,149	▲9.4%
<b>308,619</b>	<b>302,534</b>	<b>▲2.0%</b>	<b>Total operating revenues</b>	<b>308,619</b>	<b>308,138</b>	<b>▲0.2%</b>

Table 12 - Statement of the operating revenues

### Revenues from transport services supplied via the National Transport System

The transport revenues hold 98.74% in turnover, the difference of 1.26% (3,554 thousand RON) representing revenues from various activities such as leases of lands and telecommunication equipments, rail shunting, sale of pipe material etc.

The company recognizes monthly, the operating revenues, reserves from the modernization quota at the level of the amortization of the tangible assets financed therefrom. Within the first 9 months, the value of these revenues is of 21,481 thousand RON.

**The operating expenses** achieved during January - September 2018, as compared to the same period of the preceding year and the budgeted provisions are as follows:

Achieved	Budget	Achieved/Budget	Indicators (thousand RON)	Jan-Sep 2018	Jan-Sep 2017	Variation
				%2018/2017		
4,939	5,537	▼10.8%	<b>Material expenses, out of which:</b>	4,939	4,696	▲5.2%
2,756	2,666	▲3.4%	-expenses with consumables	2,756	2,402	▲14.7%
1,452	1,598	▼9.1%	- fuel expenses	1,452	1,231	▲18.0%
7,967	8,384	▼5.0%	<b>Other outside Expenses (with energy and water)</b>	7,967	7,082	▲12.5%

Jan-Sep 2018		Variation%	Indicators (thousand RON)	Jan-Sep 2018	Jan-Sep 2017	Variation
Achieved	Budget	Achieved/Budget				%2018/2017
103,965	105,256	▼ 1.2%	Personnel expenses	103,965	84,542	▲ 23.0%
33,296	33,261	▲ 0.1%	Expenses with the amortization of tangible and intangible assets	33,296	33,423	▼ 0.4%
73,728	78,025	Third party expenses, o/w:	Expenses with outside services, out of which:	73,728	73,828	▼ 0.1%
1,487	3,460	▼ 57.0%	--maintenance expenses ( maintenance, current and capital repairs )	1,487	1,101	▲ 35.1%
41,255	40,809	▲ 1.1%	- expenses with the crude oil transport by rail	41,255	41,962	▼ 1.7%
375	1,282	▼ 70.7%	- expenses with decontamination works	375	345	▲ 8.7%
21,658	21,279	▲ 1.8%	- oil royalty	21,658	21,503	▲ 0.7%
8,953	11,195	▼ 20.0%	-other services performed by third parties	8,953	8,917	▲ 0.4%
(106)	(226)	▼ 53.1%	Value adjustments on the current assets	(106)	(1,191)	▼ 91.1%
724	(52)		Provision adjustments	724	(3,119)	-
36,059	35,668	▲ 1.1%	Other operating expenses, out of which:	36,059	41,616	▼ 13.4%
33,938	32,666	▲ 3.9%	- modernization quota expenses	33,938	39,152	▼ 13.3%
260,572	265,853	▼ 2.0%	Total operating expenses	260,572	240,877	▲ 8.2%

Table 13 - Statement of the operating expenses

Within the first 9 months of 2018, the operating expenses are in amount of 260,572 thousand RON, registering 8.2% increase as compared to the ones registered in 2017 9 months, mainly due to the salary increases and the provision expenses related to untaken annual leaves and employees share of profit, ) registered during January- September 2018.

During the 9 months period have been recorded expenses below the budgeted level, as follows:

- Expenses related to external services 4,297 thousand RON (5.5%);
- Personnel expenses 1,291 thousand RON (1.2%);
- Material expenses: 598 thousand RON (10.8%);
- Expenses with energy and water 417 thousand RON (5.0%).

For some of these expenses, the differences may be the effect of a time delay between achieved and budgeted.

The operating costs registered with the operation of the two transport subsystems (domestic and import) during January - September 2018 increased by 7.6% as compared to 2017 and are generated by the influence of certain factors, such as: price rise in electricity and gas, increase of the personnel expenses following the negotiation of a new collective labor agreement and the increase of the gross minimum wage.

The profit related to the transport activity on the domestic sub-system lowered by 10.03 million RON, mainly due to the increase of the personnel expenses (15.44 million RON).

From the transport on the import subsystem during January-September 2018, resulted a profit by 5.61 million RON lower YoY, especially due to the decrease in transport revenues (2.13 million RON) and the increase of the personnel expenses (3.91 million RON).

The profitability of the transport subsystems is as follows:

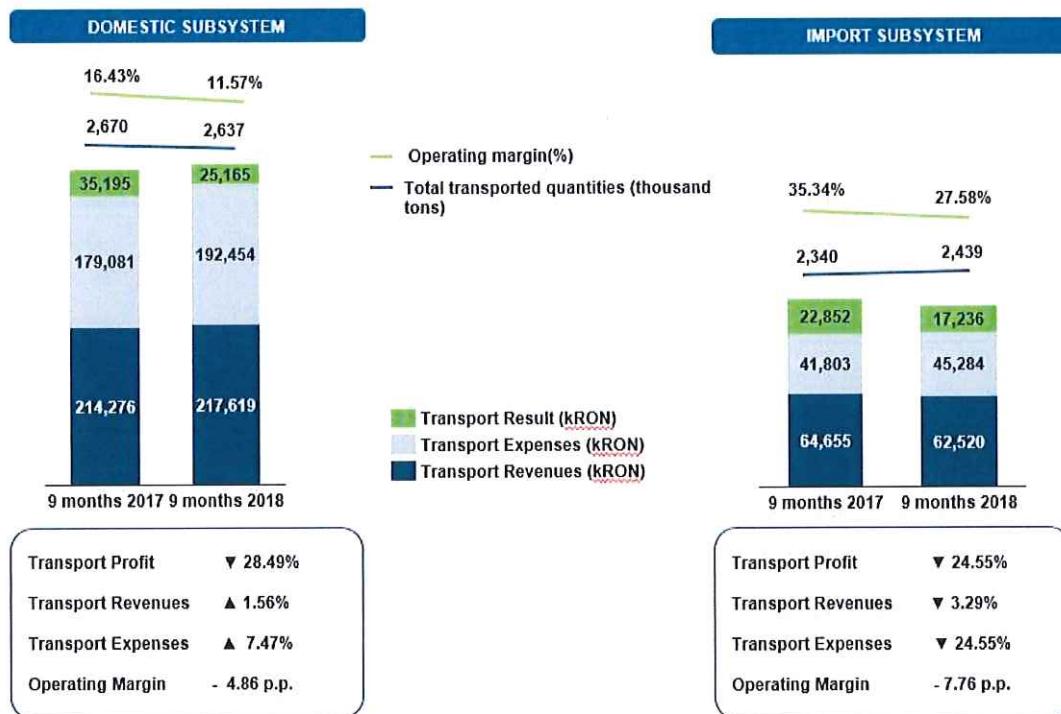


Chart 13 - Profitability of the transport subsystems

The operating profit (EBIT) increased during January - September 2018 by 11,366 thousand RON as compared to the budget provisions and the net profit increased by 11,558 thousand RON.

As compared to the first 9 months of 2017, the evolution of the operating profit and the net profit decreased by 28.6% (from 67,261 thousand RON to 48,047 thousand RON within the first 9 months of 2018), respectively 25.7% as compared to 9 months 2017 (from 58,873 thousand RON to 43,718 thousand RON).

### 3.3.4 The main economic-financial indicators

Name of the indicators	Calculation formula	Achieved September 30 2018	Achieved September 30 2017
Current liquidity indicator	Current assets/Current Debts	4.93	7.78
The indicator of the level of debt	(Borrowed capital/equity)x100	0	0
Customer debit speed of rotation (days)	Customers average balance/ Turnover (inclusive of VAT) x 270 days	29	29
Fixed assets speed of rotation (no. of times)	Turnover/fixed assets	0.66	0.71

Table 14 - Main economic-financial indicators

**Current liquidity indicator** measures the company's ability to perform its short-term obligations. The indicator reflects a good company's ability to cover the current liabilities on account of current assets. The decrease in the level of the indicator in 2018 is determined by the diminution of the value of the current assets, respectively the decrease of cash availabilities.

**The indicator of the degree of debt:** the company has not engaged loans and consequently there are no risks regarding a possible non-fulfillment of the obligations of this kind.

**Customer debit speed of rotation** expresses the effectiveness of the company in collecting its receivables. The indicator registers an ascending level, resulted in the collection of receivables at 29 days.

**Fixed assets speed of rotation** evaluates the efficiency of the fixed assets activity by examining the turnover value generated by a certain amount of assets. The level of this indicator is 0.66 rotations related to the year 2018, 9 months.

### 3.3.5 Cash-flow

The Cash-flow Statement for the nine months period ended September 30, 2018 is as follows:

(DIRECT METHOD)		January - September 2018	January - September 2017
	Name of the element (million RON)		
A	Net cash from operating activity	58,622	58,962
B	Net cash from investment activities	-33,832	102,403
C	Net cash from financing activities	-59,909	-136,590
	<b>Net increase of the cash and cash equivalents=A+B+C</b>	<b>-35,119</b>	<b>24,775</b>
D1	Cash and cash equivalents at the beginning of the period	209,847	244,598
D2	Cash and cash equivalents at the end of the period	174,728	269,373

To which is being added:

Government securities as government bonds and treasury bills	70,310	74,087
<b>Total availabilities at the end of the period</b>	<b>245,038</b>	<b>343,460</b>

Table 15 - Synthesis of the cash-flows for the nine months period ended September 30, 2018 vs 2017

The variation per total cash flow acknowledges a downward trend from 269 million RON to 175 million RON. This cash decrease was determined by the investment payments which doubled in 2018 as compared to 2017, but also by the decrease of cash at the beginning of the period.

The effects of the three activity areas (operation, investment and financing) over the cash in 9 months period 2018 reveal the followings:

- the operating activity triggered a cash-flow in amount of 59 million RON;
- the investment activity ended with a negative cash-flow, the payments for the procurement of the fixed assets being higher by 34 million RON than the input of cash from the modernization quota;
- The financing activity lowered the total cash flow by 60 million RON due to the cash outputs for the payment of dividends in amount of 69 thousand RON.

As compared to the same period of the previous year, the net cash flow generated by the operating activity along the three quarters period in 2018 was similar to the one in the same period of 2017.

The cash from investment activities registered a decrease in the first 9 months of the year 2018 due to the significant increase of the payments for tangible assets purchase.

The net cash from financing activities registers lower negative levels in 2018 as compared to 2017 when have been distributed dividends from both the profit and the retained earnings and other reserves.

The detailed cash-flow statement for the 9 months period ended September 30, 2018 is presented in detail in annex no. 3.

### 3.3.6 Related Parties Transactions

In January- September 2018, 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 - September 2018	Settlements During January - September 2018	Thousand RON	
				Unsettled amounts at September 30 2018	
SNTFM CFR Marfă S.A.	6,080	49,298	49,877	5,502	
Partner	Amounts Unsettled at December 31, 2016	Procurement During January - September 2017	Settlements Period January - September 2017	Unsettled amounts at September 30 2017	
SNTFM CFR Marfă S.A.	5,902	50,165	52,317	3,750	

Table 16 - Procurement from related parties

### 3.4 Other aspects

#### 3.4.1 State of the lands not included in the share capital

At 30.09.2018, CONPET has recorded in the company patrimony lands in surface of 733,648.93 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.).

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 30.09.2018, the fair value of these lands is in amount of 12,348,115 RON.

### 3.4.2 Litigations

The most important disputes in which the company is involved are shown below:

#### **a) The disputes concerning the ownership of the tangible assets of the company**

CONPET S.A. is involved in a single process for claiming a right of ownership of Real Estate property in question:

**File no. 2378/105/2009 - Prahova Court - pending settlement.**

**Stage: Appeal**

Through Sentence no. 5872/18.12.2017, the Prahova Court dismissed the action of the plaintiff Cojocaru Irinel regarding the claim of the 2,500 sqm of land owned by CONPET S.A. as being unfounded.

The judgment was appealed by Cojocaru Irinel.

Deadline: 29.11.2018

#### **b) Disputes concerning the claims of landowners transited by the National Oil Transmission System**

On 30.09.2018 CONPET S.A. had a number of 16 cases at different procedural stages pending before the courts, having as object the landowners' claims related to the non-use of the land owned and transited by the National Oil Transmission System. Of these, we list a number of 8 cases that we consider to be important in terms of the amount of claims made by the plaintiffs, and representative by the legal content of the applications for summons (the rest of the cases repeating broadly some of the legal actions types outlined below):

- **File no. 3451/108/2016\* – pending settlement**

**Stage: CONPET S.A. appeal at the High Court of Cassation and Justice**

By Decision no. 761/23.11.2017 The Timișoara Court of Appeal admits the appeal of the plaintiff U.A.T. Pecica, Arad County, cancels the appealed sentence remanding the case for retrial at the Arad Court. The decision no. 761/23.11.2017 was appealed by CONPET S.A. at the High Court of Cassation and Justice.

**Clarifications:** U.A.T. of the city of Pecica has formulated an application for a writ of summons ordering the defendant CONPET S.A. to divert the oil pipeline crossing a number of 22 urban plots intended for building new dwellings, to pay the amount of euro 65,000 representing the value of the house located in the plot No. A141.7760 / 5/174, registered with the Land Registry under

no. 306869, because it can no longer be used, the payment of an annual rent, during the existence of the pipeline, as a result of encumbering the areas shown above the legal servitude of CONPETS and the obligation of the defendant CONPET S.A. to grant compensation for the period 31.10.2014-31.05.2016 due to the limitation of the ownership rights over the 22 urban plots and the decrease of the value of the land movement on the real estate market due to the restrictions imposed by the Order 196/2006 of NAMR with regard to constructions. It also requested the defendant CONPET S.A. that each 3 years to adjust the amount of damages to the circulation value at that time for similar lands and the provisions of the future orders of A.N.R.M. By the Report dated 07.06.2018 the High Court of Cassation and Justice acknowledged the inadmissibility of Conpet's appeal being promoted against a final judgment, which does not fit into the hypothesis regulated by Art. 483 par. 1 of the Civil Procedure Code.

By the conclusion report of 10.10.2018 the ICCJ admits the appeal declared by the appellant-defendant Conpet S.A. against civil decision no. 761/A of November 23, 2017, pronounced by the Timișoara Court of Appeal - Civil Section II. Sets a deadline for resolving the appeal on 30.01.2019.

- **File no. 1372/212/2017 – Constanța court – pending settlement**

**Stage: Merits**

Cruceanu Alin Florinel sued CONPET S.A. requesting the court to order Conpet SA to pay damages equal to the market value of the real estate property of 460 sqm located in Lazu commune, str. Luceafărului nr. 29, Constanța County and of the real estate property of 460 sqm located in Lazu commune, str. Luceafărului nr. 31, Constanța County, amount which was set to be EUR 30,000, or the equivalent in RON 134,700; ordering Conpet SA to pay the equivalent amount of the non-use of the land as a rent for the last three years; ordering Conpet SA to pay the costs of this application. Subsequently, the plaintiff stated his action on the second head of claim requesting the court to order Conpet SA to pay the amount representing the non-use of the two real estate properties the period from 10.12.2015 to the date of the final judgment by it was approved the first head of claim.

Conpet submitted a counterclaim requesting to order the plaintiff to allow CONPET S.A. the exercise of the right of legal easement instituted by the provisions of art. 7 and following of Law no. 238/2004 on the two lands owned by the plaintiff Cruceanu Alin Florinel, situated in Comuna Agigea, Satul Lazu, str. Luceafărului nr. 29 respectively 31, Constanța County. The exercise of the legal servitude right is to be done on a 2.4 meter wide corridor located along the Ø 20 crude oil pipeline". Constanța-Bărăganu, in order to have permanent access to the pipeline for the daily inspection of the pipeline status and the execution of any repair work and for setting the amount of the annual rent stipulated by the law, due by us to the plaintiff in exchange for the exercise of the right of legal servitude.

**Deadline:** 06.12.2018

- **File no. 18344/212/2017 – Constanța Court – pending settlement**

**Stage: Merits**

Mitu Dumitru and Mitu Rodica sued CONPET S.A. demanding the payment of damages for the two plots of land located in Sat Lazu, comuna Agigea, Constanța county, affected by the route of some pipelines transporting petroleum products, as well as ordering the defendant to pay an annual rent for the non-use on the land affected by the exercise of the legal easement right

starting with 20.06.2014 and of certain compensation in the form of an annual payment for damaging the use of the part of the land on which the pipeline is not located, with the obligation to pay the court costs.

Conpet submitted a counterclaim requesting to order the plaintiff to allow CONPET S.A. the exercise of the right of legal easement instituted by the provisions of art. 7 and following of Law no. 238/2004 on the two lands owned by the two plaintiffs. The exercise of the legal easement right is to be done on a 2.4 meter wide corridor located along the Ø 20 crude oil pipeline". Constanța-Bărăganu, in order to have permanent access to the pipeline for the daily inspection of the pipeline status and the execution of any repair work and for setting the amount of the annual rent stipulated by the law, due by us to the plaintiff in exchange for the exercise of the right of legal servitude. Conpet also filed a third party claim for the MINISTRY OF PUBLIC FINANCES and the NATIONAL MINERAL RESOURCES AGENCY (ANRM) so that if CONPET S.A. Ploiești would be unsuccessful in relation to the plaintiffs' claims submitted in the third party claim, to compensate us for the amounts that we will be required to pay to the plaintiffs.

**Deadline:** 17.10.2018

- **File no. 14960/280/2015 - Pitesti Court - pending settlement**

**Stage: merits**

Cîrstea Stelian and Cîrstea Gherghina filed a writ of summons asking the court to order the defendant Conpet to pay the failure to use from the date when the land was acquired - more precisely from October 6<sup>th</sup>, 2014, the **non-use** which it temporarily assesses at the amount of Lei 1,000 – the amount of the writ of summons shall increase after the administration of the evidence and the obligation of CONPET S.A. to remove its pipelines and related installations from the land plot of the plaintiff's property, and to the extent that it is not possible, the defendant to be required to pay a monthly amount equivalent to the amount of a rent for the land occupied and affected by the pipelines and installations on it – at the amount of the rents on the open market.

**Deadline:** 23.10.2018

- **File no. 220/262/2017 - Moreni Court - pending settlement**

**Stage: Merits**

Chivu Ion formulated an application for a writ of summons requesting the court to order CONPET S.A. to diverge of the oil pipeline passing through his property on an area of 1,753 square meters located in the Ocnița commune T14, P114, to establish the access site by requesting Conpet S.A. to pay an annual rents for both the access road and the pipeline that damages the land and compensation for the land affected by the pipeline.

**Deadline:** 20.11.2018

- **File no. 21382/281/2015 - Ploiești Court– pending settlement**

**Stage: Merits**

Through the decision of 02.05.2017 Ploiești Court, suspended the judgement of the case under art. 242 par. 1 Code of Civil Procedure (non-fulfilment by the plaintiff of the obligations imposed by the court). In December 2017 the case was reinstated. Iordache Margareta formulated an application for a writ of summons, asking to request the defendant Conpet to pay the equivalent for the **non-use** of the building that is the plaintiff's property, a land located in Blejoi village, Ploiești village, Prahova County, for the last three years prior to the introduction of the action.

Deadline: 15.11.2018

- File no. 8425/281/2015 – Ploiești Court– pending settlement

**Stage: Merits**

**Panaiteșcu Mircea** has formulated an application for a writ of summons asking to request Conpet to pay the amount of Lei 5,000 lei **non-use** and an annual rent of lei 12,000. Conpet filed a counterclaim requesting the establishment of the right to legal easement and the establishment of the annual rent.

Through the sentence no. 5772/29.06.2018 the Ploiești Court partially admits the application for the writ of summons. Admissibility in part of the counterclaim. It requests the defendant to pay an annual rent of Lei 58.89 (79.66 kg of STAS grain) for the defendant to exercise the right of legal easement, for a land area of 461 square meters corresponding to the 2.5 m corridor, as of the date of introduction of the action. It requests the defendant to pay the court costs in the amount of lei 20, representing court stamp duty corresponding to the admissible head of claim, lei 600 representing the agriculture specialty expertise fee and lei 600 lawyer fee with discount. With separate court costs for the defendant. The judgment may be appealed after communication.

Deadline: --

- File no. 5413/204/2017 –Prahova Court – pending settlement

**Stage: Merits**

Dobrogeanu Dumitru and Dobrogeanu Păun loan formulated an application for a writ of summons asking the court that through the judgment it shall pronounce, order the CONPET S.A. to pay an annual rent for the land plots occupied by the two pipelines for the transport of oil products (petroleum) as of 01.07.2014 and in the future, for the duration of the existence of the pipelines, to pay the losses incurred by not meeting the economic objectives on the area remaining between the two pipelines after their restriction and the area along DN1 (E60) and to pay the court costs. The first head of claim was estimated by the plaintiffs at Euro 48,000/ year (lei 220,000) and the second head of claim at the amount of lei 25,000/year.

Through the sentence no. 2446/28.08.2018 the Prahova court admits the exception to the lack of passive capacity to stand trial, invoked by the defendant ANRM. It rejects the application, in contradiction with this defendant, on the grounds of being formulate against a person who is not party in the law suit. It rejects the application formulated against the defendant Conpet SA, as there is *res judecata*. It rejects the application brought against the defendant Conpet SA, as there is *res judecata*. It found that the defendants had not applied for court costs. The judgment may be appealed after communication

**c) Litigation in administrative court**

CONPET S.A. has 2 litigations on docket with the courts, which are:

- File no. 6575/105/2017 – Prahova Court – pending settlement

**Stage: Merits and the CONPET S.A. appeal at the Ploiești Court of Appeal against the Interim Decision no. 442/23.02.2018 rejecting the application for the suspension of the enforcement of the measures issued by the Prahova Court.**

Through the Interim Decision no. 442/23.02.2018 the Prahova Court rejected the request of CONPET S.A. to suspend the Court of Auditors' measures established through the Decision no.

14/21.06.2017 for the transfer of the amount of lei 927,154.06 lei representing income to the state budget from the capitalization of the tubular material resulted from the decommissioning of some parts of the fixed assets belonging to the state's public domain, together with the related interests and penalties, updated at the date of payment and transfer to the budget, at the updated value, of the amounts identified as a result of the extension of the verifications regarding the net amounts resulted from the capitalization of the materials related to the fixed assets belonging to the state's public domain, dismantled and decommissioned. CONPET S.A. appealed against the Intermediate Decision no. 442/23.02.2018 at Ploiești Court of Appeal.

Through the application for a writ of summons CONPET S.A. appealed against the Decision no. 78/09.08.2017 issued by the Court of Auditors of Romania so that through the decision it shall pronounce, the court to order:

- **The partial annulment of the Decision no. 78/09.08.2017 issued by the Romanian Court of Auditors, respectively:** reason 2 regarding Point II of the Appeal no. 27718/10.07.2017 (regarding the measures no I.2 and I.3 of the Decision no 24/21.06.2017, for the elimination of the deviation provided in points 2 and 3 of the same decision), the findings from items A and B.
- **Partial annulment of Decision no. 14/21.06.2017, issued by the Prahova Chamber of Auditors, namely:**
  - **the findings provided in item no. 2** on the decommissioning and capitalization of pipeline sections belonging to the National Transport System - part of the public domain of national interest, without a government decision to pass from the public domain of the state to the private domain, for the preparation of the documentation for decommissioning and scrapping;
  - **the findings set out in point no. 3** regarding the fact that in 2016 a recoverable underground pipeline was capitalized through tender according to the recovery procedure approved under the regulation on the conditions for participation in the tender and the way of conducting the tender for the capitalization of the underground and/or the overground metal tubular material. The capitalization took place prior to the adoption of a government decision approving the transition from the public domain of the state to the private domain for the purpose of capitalizing, according to the law;
  - **Measure no. 2 on the inventory** to identify the portions of the National Transport System that have been abandoned or decommissioned as a result of the investments made to the National Transport System within the programs for rehabilitation, modernization and development and the transmission of the ANRM results for the initiation of the government decision for the approval of the passage from the public domain of the state to the private domain of the state with a view to their decommissioning. The regulation of the method of decommissioning through internal procedure, scrapping and capitalization of the parts of the National Transport System which have been decommissioned following the rehabilitation, modernization and development works carried out by the statutory undertaker;
  - **Measure no. 3 on the transfer of the amount of lei 927,154.06** representing income to the state budget from the capitalization of the tubular material resulted from the decommissioning of some of the tangible assets belonging to the public domain of the state, together with the interest and related penalties, updated at the date of payment. The extension of the checks to identify all the net proceeds resulting from the capitalization of materials related to the dismantled, decommissioned fixed assets belonging to the public domain of the state, and their transfer to the budget, at the updated value.

➤ **Suspension of the measures established by Decision no. 14/21.06.2017**, issued by the Prahova Chamber of Auditors, points no. I.2 and I.3, respectively, measures 2 and 3 thereof until the final settlement of the case.

Through the decision of 23.02.2018 the Prahova Court rejected the application for the suspension of the execution of the administrative act as unfounded. The judgment was appealed by Conpet SA. Through the decision no. 2946/19.09.2018 the Ploiești Court of Appeal admits the appeal. It entirely decommissions the decision under appeal and remands the case for retrial to the same court of law. Final. The file having the object of the application for suspension was registered at the Prahova Court under no. 6575/105/2017/a1\*.

Deadline for remanding the request for suspension 25.10.2018

Deadline for the trial: 07.11.2018

- **File no. 689/42/2017 –Ploiești Court of Appeal– pending settlement**

#### **Stage: Merits**

CONPET SA filed a complaint against administrative acts issued by the National Agency for Fiscal Administration – General Directorate for Solving Complaints - Regional Directorate of Public Finance of Galați – Buzău County Public Finance Administration through which were established additional tax liabilities in the total amount of lei 5,505,101, which consist of: lei 3,088,868 profit tax; lei 1,528,155 interest/late payments increases; lei 432,274 late payment penalties; lei 283,613 value added tax; lei 130,782 interest/delay penalties increases and lei 41,405 late payment penalties (interest/late payment increases and penalties were calculated up to date 31.12.2015) respectively:

- Decision no. 114/06.04.2017 issued by the National Agency for Fiscal Administration - General Directorate for Solving Complaints, with headquarters in Bucharest, strada Apolodor nr. 17, sector 5, code 050741, Bucharest, represented by Mirela Călugăreanu and Alin Ghiurcă;
- Taxation decision no. F-BZ 436/31.10.2016, regarding the additional tax payment obligations established by the fiscal inspection for legal entities, issued by the Regional General Directorate of Public Finance of Galați - the Buzău County Administration of Public Finances, both within the National Agency for Fiscal Administration;
- The Fiscal Inspection Report no. F-BZ 584/31.10.2016, concluded by the inspectors from the National Agency for Fiscal Administration - General Directorate of Public Finance of Galați – Buzău County Administration of Public Finances - Fiscal Inspection Service,
- The tax decision no. F-BZ 436/31.10.2016.

**Deadline:** 23.10.2018

### **3.5 Analysis of the corporate activity**

#### **3.5.1 Capital market business**

The shares issued by CONPET S.A. are traded on the regulated market administered by Bucharest Stock Exchange, on Main segment, at Equity sector - category Premium, under "COTE" symbol.

At the end of 2018 Q3, the trading price of CONPET shares recorded a decrease by 13.77% compared to the closing price of the first trading day of the year.

In summary, the transactions recorded with CONPET shares on Bucharest Stock Exchange during January - September 2018 are as follows:

- Have been performed 9,589 trades, 43% lower YoY (16,697 transactions). Nevertheless, the total volume of shares traded amounted to 1,538,963 shares, 70% higher than the volume recorded during January- September 2017 (900,823 shares);
- The total value of trades amounted to 156,125,105 RON, 56% higher than the value recorded in 2017 9 months (100,088,437 RON);
- The average trading price was of 101.34 RON/share, lower by 9.77 Ron/share versus the average price of the shares registered during the same period of 2017 (111.11 RON/share);
- The maximum limit registered by the trading price was 120 RON/share and was reached both in the last week of January and the first day of February;
- A peak of the transactions was recorded on 21.02.2018, when a total volume of 611,933 shares was traded, in amount of 61,805,233 RON, representing 39.76% of the total volume of COTE shares traded during January -September 2018 ;
- The Market capitalization at the end of 2018 Q3 was of 742,815,902 RON, a decrease by 18.29% as compared to the value recorded at the end of 2017 Q3 (909,040,440 RON). At 28.09.2018, as per TOP 100 issuers according to capitalization, CONPET ranked 19.

During January- September 2018, CONPET S.A. shares continued to gain investors' interest, which can be proved by the volume and value of the trades related to the analyzed period, which indicates increased liquidity level of the share.

The main trading indices during January- September 2018 for the shares issued by CONPET are presented in the following table:

Indices Month	Average price (RON/share)	No. of trades	No. of traded shares	Value of trades (RON)
January	112.39	1,596	54,932	6,173,638
February	102.53	2,175	707,740	72,566,976
March	113.36	965	39,158	4,438,997
April	101.34	507	541,175	54,840,244
May	97.94	1,162	50,813	4,976,778
June	94.61	1,153	51,756	4,896,659
July	88.09	591	21,669	1,908,830
August	89.99	688	25,712	2,313,775
September	87.14	752	46,008	4,009,208
<b>Cumulated</b>	<b>101.45</b>	<b>9,589</b>	<b>1,538,963</b>	<b>156,125,105</b>

Table 17 - Main trading indices

Stock performance within the last 9 months CONPET: -11.56 % BET index: 4.60 %

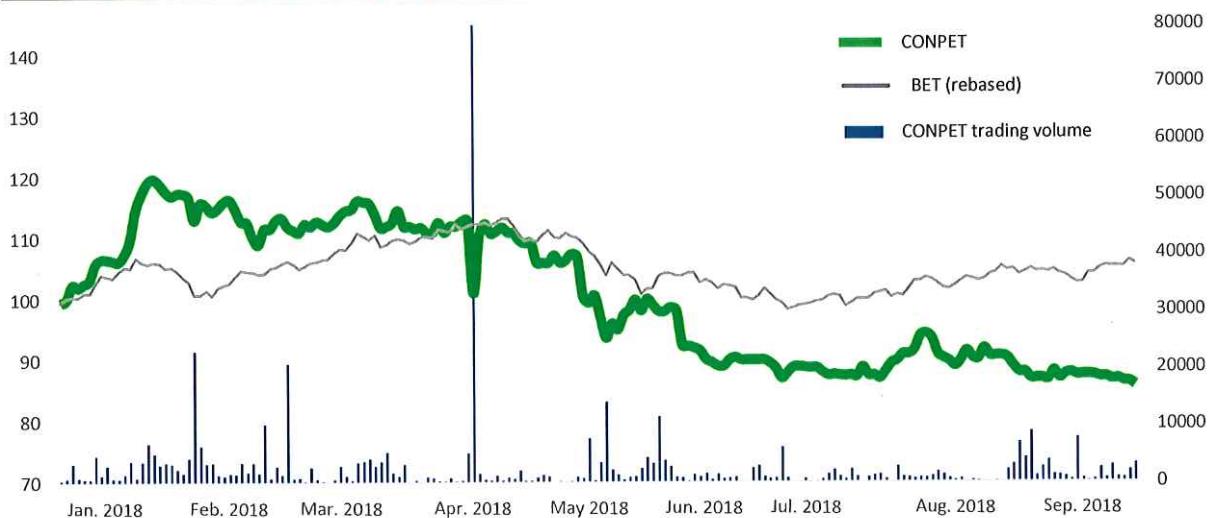


Chart 14 - Evolution of COTE share vs. BET index (rebased) (RON)

Currently, the company CONPET S.A. is included in 7 out of the total of 9 stock indices of the Bucharest Stock Exchange, respectively **BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BET-NG and BET Plus indices.**

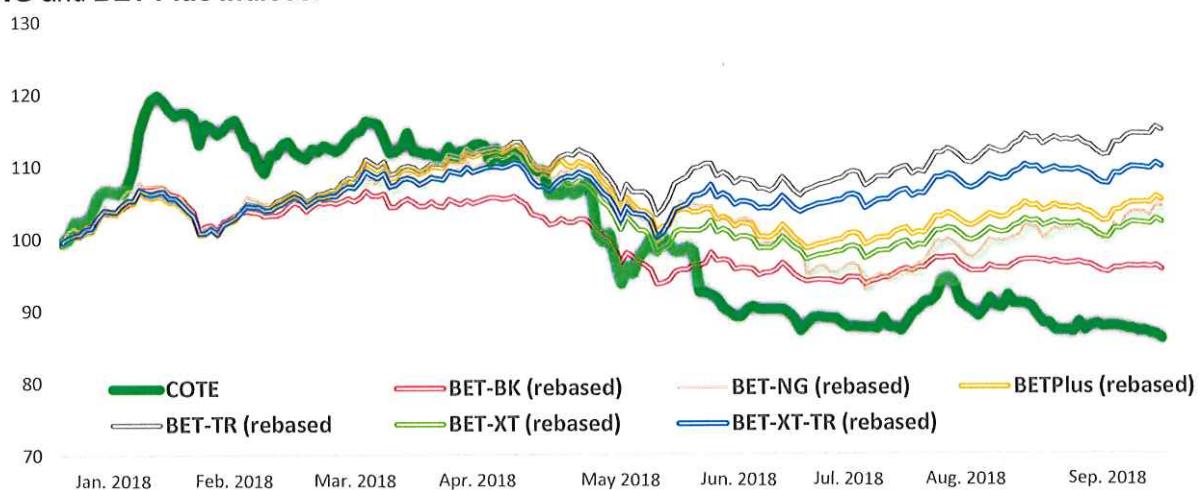


Chart 15 - Evolution of Cote share vs. stock indices (rebased) where it is included in 2018 Q3 (RON)

Additionally, at 20.06.2018, the company FTSE Russell, one of the biggest financial assessment agencies at world level, decided the inclusion of the company CONPET S.A. Ploiesti in the index **FTSE Frontier Markets**. The FTSE Frontier Markets Index watches the evolution of the frontier markets and is made of approx. 400 companies. FTSE Frontier recorded a yield of approximately 21% over the last 5 years. Any change in the structure of the index is closely monitored by the management of the global investment funds which align their portfolios to this index. The inclusion of CONPET in the composition of the FTSE Frontier Markets Index is beneficial for the company due to the fact that part of the institutional investors follow the replication of the indices' structures as an investment strategy.

Obviously, this triggers a boost of the investors' trust in CONPET S.A., the company being considered a benchmark in the Romanian capital market.

The evolution of the average trading price of CONPET S.A. shares, during January-September 2018, is the following:



Chart 16 - Evolution of the average trading price of the shares

During January-September 2018, the average trading price of CONPET S.A. shares followed a descending trend, the maximum limit amounting to 113.36 RON/share, being reached in March. Within the first 3 months of 2018, the average trading price of CONPET shares was above the values recorded within the same period last year, which tendency has not been maintained any longer starting the month of April.

### Own shares, issuance of bonds or other debt instruments

CONPET S.A. did not perform transactions having as scope purchase of own shares and does not hold own shares at the end of 2018 Q3.

CONPET has not issued bonds or other debt instruments.

### Dividends

CONPET S.A. maintained the dividend policy, distributing dividends out of profit in amount of over 90%, the gross dividend per share awarded out of the profit of 2017 was of 8.04 RON, ranking second in top dividends distributed by the companies listed at the Bucharest Stock Exchange, category Premium. The dividend yield recorded at the date of dividend payment was of 8.93%.

The Ordinary General Meeting of Shareholders dated 26.04.2018 approved the distribution as dividends of the amount of 69,621,097 RON out of the net profit related to 2017 financial year.

The date of payment was set by the OGMS for 28.06.2018.

The evolution of the gross dividend per share paid in the financial years within the last 5 years is the following:

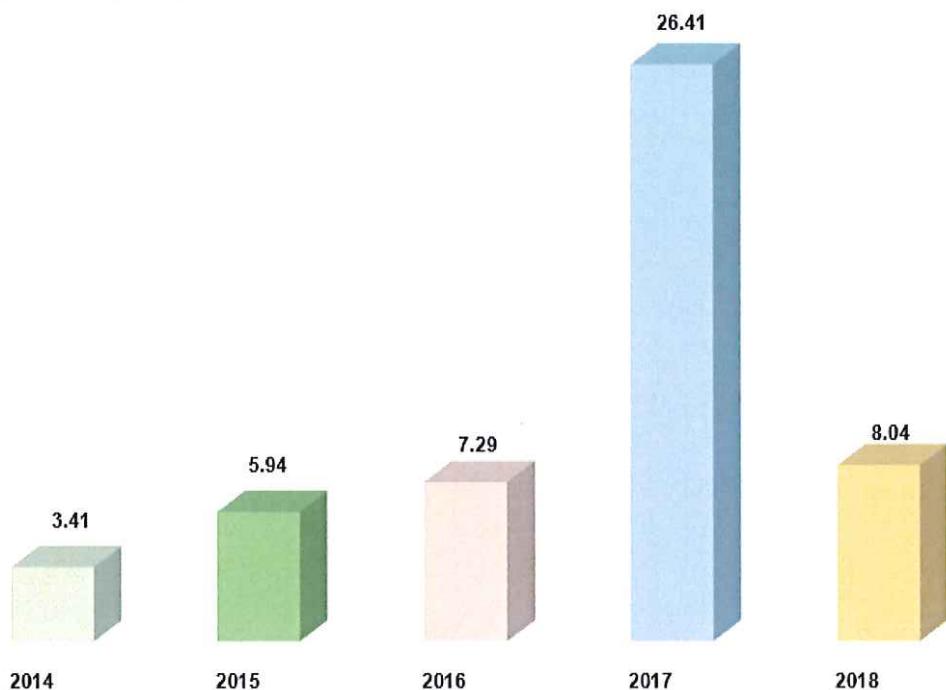


Chart 17 Evolution of the dividend per share during 2014-2018

In 2017 was distributed an additional dividend of 18.34 RON/share, distributed from the retained earnings and from other reserves - own financing sources, the gross dividend/share distributed from of 2016 profit amounted to 8.07 RON/share.

### 3.5.2. Shareholding Structure

At the reference date 30.09.2018, the consolidated synthetic structure of the shareholder was the following:

Shareholders	September 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	2,500,373	8,251,231	28.8809	2,572,156	8,488,114	29.7101
Natural Persons	1,073,783	3,543,483	12.4029	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>

Table 18 - The shareholding structure at September 30, 2018 as compared to December 31, 2017

At 21.02.2018, the shareholder SIF Banat-Crisana S.A. reported the holding of a number of 562,740 shares representing 6.5% of the company's share capital.

At 29.10.2018, the shareholder Utilico Emerging Market Trust PLC reported the holding of a number of 723,108 shares representing 8.35% of the company's share capital.

### 3.5.3 The Board of Administration

The Company is administered by a Board of Administration made of 7 members. The Board of Administration is led by a chairman who cannot act like Director General of the company.

Starting with 28.11.2017, the General Meeting of Shareholders appointed provisional Board of Administration members with a limited mandate for a duration of 4 months, respectively until 28.03.2018 or until the completion of the selection procedure provided by the EGO no. 109/2011 approved with subsequent amendments and completions by Law no. 111/2016, if this takes place prior to 4 months as of the appointment of the provisional administrators.

On 05.03.2018, the General meeting of Shareholders approved the extension of the mandates of the administrators in capacity for a period of 2 months, respectively until the date of 28.05.2018.

On 17.05.2018, the General Meeting of Shareholders revoked the Board of Administration members and appointed, by the application of the cumulative voting method, the new Board of Administration formed of 7 members, for a duration of 4 months, respectively until 17.09.2018, or until the completion of the selection procedure provided by the EGO no. 109/2011 approved with subsequent amendments and completions by Law no. 111/2016, if this takes place prior to the expiry date of the administrators' mandate.

Following the selection procedure provided by the EGO no. 109/2011, approved with amendments and completions by Law no. 111/2016, respectively until 22.08.2018, the General Meeting of Shareholders approved the constituent members of the Board of Administration by the application of the cumulative voting method, as follows:

- Iacob Constantin - Ciprian, Romanian citizen;
- Popa Claudiu - Aurelian, Romanian citizen;
- Gavrilă Florin - Daniel, Romanian citizen;
- Albulescu Mihai – Adrian, Romanian citizen;
- Gheorghe Cristian – Florin, Romanian citizen;
- Meșca Darius – Dumitru, Romanian citizen;
- Pavăl Karina, Romanian citizen;

Settles the mandate duration of the elected administrators at 4 years, respectively starting with 22.08.2018 until 21.08.2022 (inclusive of).

During the meeting dated 28.08.2018, the Board of Administration of CONPET S.A.. decided on the appointment of Mr. Gheorghe Cristian - Florin in the capacity of BoA Chairman starting with 28.08.2018 until 21.08.2022 (inclusive of).

In the same meeting, the BOA members approved the structure and constituency of the consultative committees at the level of CONPET S.A. Board of Administration, as follows:

- The Nomination and Remuneration Committee: Mr. Albulescu Mihai-Adrian – Chairman;  
Members: Mr.Iacob Constantin - Ciprian, Mr Gavrilă Florin - Daniel , Ms. Pavăl Karina, Mr.Meșca Darius – Dumitru
- The Audit Committee: Mr. Gavrilă Florin – Daniel - Chairman;

Members: Mr.Iacob Constantin - Ciprian, Mr.Meșca Darius – Dumitru

- The Development, Authorities and Investor Relations Committee: Mr. Popa Claudiu – Aurelian – Chairman;

Members: Mr.Meșca Darius – Dumitru Mr.Albulescu Mihai-Adrian

### **3.5.4 The Executive Management**

During 01.01.2018 -30.09.2018, the executive management had the following composition:

#### **The organizational structure valid from 01.01.2018 until 31.01.2018**

BACIU Dan-Silviu	Director General
TOADER Sanda	Director, Economic Direction
DUMITRACHE Mihaela - Anamaria	Director, Trade and Regulated Activites Direction

#### **The organizational structure valid from 01.02.2018 until 30.09.2018**

BACIU Dan-Silviu	Director General
DUMITRACHE Mihaela - Anamaria	Deputy Director General 1
Vacant - until 03.04.2018	Deputy Director General 2
VOICU Ioan – as of 03.04.2018	Director, Economic Direction
TOADER Sanda	Director, Operations Transport Direction
STOICA Narcis - Florin	Director, Development Maintenance Direction
BUZATU Dan	

During the meeting held on 04.09.2018, the Board of Administration of the company approved the initiation of the recruitment and selection procedure of the company's managers (Director General and Financial Director - also called Economic Director), for the application of the provisions of the EGO 109/2011, further amendments and completions;this is to take place without independent expert and exclusively by the Nomination and Remuneration Committee.

## **4. RELEVANT CORPORATE EVENTS DURING 9 MONTHS 2018 AND SUBSEQUENT TO THE DATE OF SEPTEMBER 30, 2018**

### **March 5, 2018**

The General Meeting of Shareholders approved:

- The Revenues and Expenditure Budget and the Investments Program related to 2018;
- Initiation of the procedure for the selection of the administrators of the company CONPET S.A. and granting mandate to the Board of Administration to initiate and perform the Company's administrators selection procedure;
- The extension, based on the provisions of Art. 64<sup>1</sup> para (5) of the EGO 109/2011, of the Mandate of the administrators in capacity at 28.03.2018 by a period of 2 months, respectively until 28.05.2018;

### **April 17, 2018**

The company DEDEMAN SRL reports 7.413% shares held in the share capital of the company CONPET SA .

### **April 26, 2018**

The Ordinary General Meeting of Shareholders approved the annual financial statements for the financial year 2017 and the net profit distribution related to financial year 2017.

### May 17, 2018

The Ordinary General Meeting of Shareholders called by the Board of Administration of CONPET SA having included in the Agenda the approval of the Board of Administration and candidate profile;

On 23.04.2018, the shareholder Societatea de Investiții Financiare Banat – Crișana SA requested the supplementation of the Agenda by 6 new Items, wherefrom we mention:

- Revocation of the Board of Administration members and
- Election of a new Board of Administration formed of 7 members, by the application of the cumulative voting method and settlement of the mandate duration of the newly elected administrators to 4 months or until the completion of the selection procedure provided by the EGO no. 109/2011, if this takes place before the expiry date of the administrators' mandates.

### June 19, 2018

The National Agency for Mineral Resources issued the Order no. 117/15.06.2018 regarding the approval of the transport tariffs via the Crude oil, rich gas, condensate and ethane National Transport System, published in the Official Gazette of Romania no. 500 dated 19.06.2018.

### August 22, 2018

The General Meeting of Shareholders approved the constituent members of the Board of Administration for a period of 4 years, respectively starting with 22.08.2018 until 21.08.2018 (inclusive of).

### September 14, 2018

The General Meeting of Shareholders approved the rectified Revenues and Expenditure Budget for 2018.

### November 6, 2018

Following the performance of the procedure for recruitment and selection of the Director General and Economic Director in compliance with the provisions of the EGO no. 109/2011 regarding the corporate governance of the public enterprises, the Board of Administration approved:

- The appointment of Mr. CHIS Timur - Vasile in the capacity of Director General of CONPET S.A., starting with 07.11.2018, for a 4 years' mandate, respectively until 06.11.2022.
- The appointment of Mrs. TOADER Sanda in the capacity of Economic Director of CONPET S.A., starting with 07.11.2018, with a 4 years' mandate, respectively until 06.11.2022.

## 5. PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements at 30.09.2018 and for the 9 months period ended 30.09.2018 were prepared in compliance with IAS 34 - Interim Financial Reporting.

The interim financial statements do not include all information and elements published in the

annual financial statements and must be read together with the annual financial statements, prepared on December 31, 2017.

The simplified interim financial statements at the date and for the nine months period ended September 30, 2018, included in this report have been revised by the external auditor BDO Audit SRL.

### **Accounting Policies**

The accounting policies and the evaluation methods adopted in view of drafting the interim financial statements are compliant with those used at the preparation of the financial statements for the year concluded December 31, 2017.

### **Annexes**

**Annex no. 1** Interim Statement of the Financial Standing at September 30, 2018;

**Annex no. 2** Interim statement of the profit or loss and other global result elements for the nine months period ended September 30, 2018

**Annex no. 3** Interim cash-flow statement for the 9 month period ended at Sunday, September 30, 2018;

**Annex no. 4** Execution of the Revenues and Expenditure Budget at September 30, 2018;

**Annex no. 5** Statement of works and products procurement contracts with values higher than 500.000 Euro, concluded during 01.01.2018-30.09.2018;

**Annex no. 6** Statement of services procurement contracts with values higher than 100.000 Euro, concluded during 01.01.2018-30.09.2018;

**Chairman of the Board of Administration  
CONPET S.A.**

**Gheorghe Cristian – Florin  
S.s. illegible**

## Annex no. 1

## INTERIM STATEMENT OF THE FINANCIAL STANDING AT SEPTEMBER 30, 2018

	September 30, 2018 (unaudited)	December 31, 2017 (audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	426,190,939	407,275,686
Intangible assets	728,414	1,462,672
Financial Assets	927,338	973,782
Receivables related to the deferred corporate tax	1,866,777	970,394
<b>Total non-current assets</b>	<b>429,713,468</b>	<b>410,682,534</b>
<b>Current assets</b>		
Inventories	9,338,622	9,024,205
Trade receivables and other receivables	44,360,147	46,753,071
Short-term investments	71,121,419	70,623,518
Cash and cash equivalents	174,727,890	209,847,265
Prepaid expenses	898,108	1,842,877
<b>Total current assets</b>	<b>300,446,186</b>	<b>338,090,936</b>
<b>TOTAL ASSETS</b>	<b>730,159,654</b>	<b>748,773,470</b>
<b>Shareholders' equity and liabilities</b>		
<b>Equities</b>		
Subscribed and paid-up share capital	28,569,842	28,569,842
Legal reserves	5,713,968	5,713,968
Revaluation reserves	26,977,562	31,016,763
Other reserves	494,116,860	478,500,458
Retained Earnings	45,857,499	40,211,069
Result of the period	43,718,370	74,387,774
<b>Total equities</b>	<b>644,954,101</b>	<b>658,399,874</b>
<b>Deferred income</b>		
Investment Subsidies	1,211,383	1,314,536
Deferred income	10,359	12,010
<b>Total deferred revenues</b>	<b>1,221,742</b>	<b>1,326,546</b>
<b>Long-term liabilities</b>		
Long-term provisions	12,768,196	12,817,661
<b>Total long-term liabilities</b>	<b>12,768,196</b>	<b>12,817,661</b>

	September 30, 2018 (unaudited)	December 31, 2017 (audited)
<b>Current liabilities</b>		
Trade liabilities	20,506,633	30,653,848
Current income tax	3,817,909	3,761,986
Other liabilities	36,586,601	32,281,986
Short-term provisions	10,304,472	9,531,569
<b>Total current liabilities</b>	<b>71,215,615</b>	<b>76,229,389</b>
<b>Total liabilities</b>	<b>83,983,811</b>	<b>89,047,050</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>730,159,654</b>	<b>748,773,470</b>

## Annex no. 2

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

	<b>9 months ended at September 30, 2018 (unaudited)</b>	<b>9 months ended at September 30, 2017 (restated)</b>
<b>Operating Revenues</b>		
Turnover revenues	283,692,298	282,509,674
Other revenues	24,926,175	24,754,007
Earnings from disposal of assets	-	874,547
<b>Total operating revenues</b>	<b>308,618,473</b>	<b>308,138,228</b>
<b>Operating Expenses</b>		
Inventory related expenses	4,939,292	4,695,379
Expenses with energy and water	7,966,947	7,082,293
Personnel expenses	103,965,406	84,542,239
Value adjustments on current, non-current assets	33,295,518	33,422,875
Value adjustments on the current assets	(106,068)	(1,190,729)
Expenses related to external services	73,727,485	73,827,781
Other expenses	35,952,614	41,616,080
Loss from disposal of assets	106,730	-
Provision adjustments	723,437	(3,119,006)
<b>Total operating expenses</b>	<b>260,571,361</b>	<b>240,876,912</b>
<b>Operating profit</b>	<b>48,047,112</b>	<b>67,261,316</b>
Financial revenues	3,764,222	2,665,505
Financial expenses	6,791	34,409
<b>Financial profit</b>	<b>3,757,431</b>	<b>2,631,096</b>
<b>Profit before income tax</b>	<b>51,804,543</b>	<b>69,892,412</b>
Expenses with current income tax other taxes	8,982,556	10,369,439
Expenses with (revenues coming from) deferred income tax	(896,383)	650,188
<b>Profit of the period</b>	<b>43,718,370</b>	<b>58,872,785</b>
Other global result elements	-	(4,928,491)
<b>TOTAL GLOBAL RESULT</b>	<b>43,718,370</b>	<b>53,944,294</b>
Earnings per share	5.05	6.23

**INTERIM CASH-FLOW STATEMENT FOR THE NINE MONTHS PERIOD ENDED  
SEPTEMBER 30, 2018**

**(DIRECT METHOD)**

	Name of the Element	9 months ended at September 30, 2018	9 months ended at September 30, 2017						
	<b>Cash flows from operating activities:</b>								
+	Proceeds from services supply	301,531,730	299,930,704						
+	Proceeds from interests related to banking investments	2,948,082	1,857,559						
+	Other proceeds	3,830,016	4,233,446						
-	Payments to the suppliers of goods and services	81,703,143	84,849,896						
-	Payments to and on behalf of the employees	99,465,129	80,792,138						
-	VAT Payments	31,209,574	37,763,924						
-	Corporate tax payments	8,908,772	11,673,765						
-	Other payments regarding the operating activities	28,401,415	31,979,627						
<b>A</b>	<b>Net cash from operating activity</b>	<b>58,621,795</b>	<b>58,962,359</b>						
	<b>Cash flows from investment activities:</b>								
+	Proceeds from sale of tangible assets	222,989	1,424,124						
+	Proceeds from modernization quota	33,938,189	39,152,498						
+	Proceeds from short-term financial investments	-	161,888,767						
+	Proceeds from interests related to government securities	-	1,797,793						
-	Payments for purchase of tangible assets	67,993,666	27,773,593						
-	Payments from short-term financial investments	-	74,086,818						
<b>B</b>	<b>Net cash from investment activities</b>	<b>(33,832,488)</b>	<b>102,402,771</b>						
	<b>Cash flows from financing activities:</b>								
+	Proceeds dividends transferred to Depozitarul Central	9,479,683	2,709,838						
-	Paid dividends	69,388,366	139,300,175						
<b>C</b>	<b>Net cash from financing activities</b>	<b>(59,908,683)</b>	<b>(136,590,337)</b>						
<b>=</b>	<b>Net increase of the cash and cash equivalents=A+B+C=D2-D1</b>	<b>(35,119,376)</b>	<b>24,774,793</b>						
<b>D1</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>209,847,265</b>	<b>244,598,286</b>						
<b>D2</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>174,727,890</b>	<b>269,373,079</b>						
<p>To which is being added:</p> <table border="0"> <tr> <td>Government securities as government bonds and treasury bills</td> <td align="right">70,309,618</td> <td align="right">74,086,818</td> </tr> <tr> <td><b>Total availabilities and financial investments at the end of the period</b></td> <td align="right"><b>245,037,508</b></td> <td align="right"><b>343,459,897</b></td> </tr> </table>				Government securities as government bonds and treasury bills	70,309,618	74,086,818	<b>Total availabilities and financial investments at the end of the period</b>	<b>245,037,508</b>	<b>343,459,897</b>
Government securities as government bonds and treasury bills	70,309,618	74,086,818							
<b>Total availabilities and financial investments at the end of the period</b>	<b>245,037,508</b>	<b>343,459,897</b>							

## EXECUTION OF THE REVENUES AND EXPENDITURE BUDGET AT SEPTEMBER 30, 2018

EBITDA (thousand RON)	Achieved 9 months 2018	Budget 9 months 2018	Variation %
<b>I. TOTAL REVENUES</b>	<b>312,606</b>	<b>304,112</b>	<b>▲2.8%</b>
1.1 Total Operating Revenues	308,842	302,898	▲2.0%
1.2 Financial revenues	3,764	1,214	▲210.0%
<b>II TOTAL EXPENSES</b>	<b>260,801</b>	<b>266,292</b>	<b>▼2.1%</b>
2.1 Total operating expenses	260,795	266,218	▼2.0%
Goods and Services Expenses	65,139	71,183	▼8.5%
Taxes, fees and similar levies related expenses	23,295	23,253	▲0.2%
Personnel expenses, out of which:	103,965	105,256	▼1.2%
Salary related expenses:	95,906	96,683	▼0.8%
- salaries expenses	83,710	84,869	▼1.4%
- Bonuses	12,196	11,814	▲3.2%
Other personnel expenses, out of which:	3,008	3,141	▼4.2%
- Severance payment expenses related to personnel layoffs	3,008	3,141	▼4.2%
Expenses related to management and audit bodies, BoA and GMS	1,122	1,416	▼20.8%
Expenses with contributions due by the Employer	3,930	4,016	▼2.1%
Other operating expenses	68,396	66,526	▲2.8%
2.2 Financial expenses	6	74	▼91.9%
<b>GROSS RESULT (profit/loss)</b>	<b>51,805</b>	<b>37,820</b>	<b>▲37.0%</b>
<b>INCOME TAX</b>	<b>8,087</b>	<b>5,660</b>	<b>▲42.9%</b>
<b>ACCOUNTING PROFIT REMAINING AFTER THE DEDUCTION OF THE INCOME TAX</b>	<b>43,718</b>	<b>32,160</b>	<b>▲35.9%</b>
<b>INVESTMENT FINANCING SOURCES</b>	<b>51,794</b>	<b>57,548</b>	<b>▼10.0%</b>
<b>INVESTMENT RELATED EXPENSES</b>	<b>51,794</b>	<b>57,548</b>	<b>▼10.0%</b>
<b>SUBSTANTIATION DATA</b>			
Number of personnel	1,650	1,657	▼0.4%
Total average number of employees	1,643	1,646	▼0.2%
Outstanding payments	0	0	
Outstanding receivables	32	300	▼89.3%

The information included in the budget execution at September 30, 2018 are presented in the structure provided in Annex 1, set pursuant to the Order 3145/2017 regarding the approval of the layout and structure of the Revenues and Expenditure Budget, as well as the substantiating annexes thereof.

**STATEMENT OF WORKS AND PRODUCTS PROCUREMENT CONTRACTS WITH VALUES HIGHER THAN 500.000 EURO, CONCLUDED DURING 01.01.2018-30.09.2018**

Crt. no.	Name of Contractor	Scope of Contract	Title of contract	Applied procurement procedure	Name of Beneficiary (if different from the contracting authority)	Contract notice number	Initial contract value (RON)	Contract value after potential addenda (RON)	Start of the contract	Initially set contract duration (in months)	Final contract duration (in months)
<b>QUARTER I - 2 CONTRACTS</b>											
<b>VALUE QUARTER I = 6,373,021.06 RON</b>											
1	CONSTRUCTII FEROVIARE DRUMURI SI PODURI	Execution of hydro technical works in order to safely dispose the aerial crossing of Prahova river by the crude oil transport pipelines belonging to CONPET SA	L-CA 171/27.03.2018	NEGOTIATION WITHOUT PRIOR PUBLIC NOTICE	-	-	2,447,421.06	2,447,421.06	3/30/2018	6	6
		—extremely urgent works for the safe disposal of the metal piles supporting the aerial crossing of Prahova river, in Stejaru area, Brazi commune, of the crude oil major pipelines 12 3/4" and 14 3/4"									
2	OMV PETROM MARKETING	Fuel supply by Card system	P-CA 176 / 30.03.2018	TENDER	-	5066/08.02.2018	3,925,600.00	3,925,600.00	3/30/2018	36	36
<b>QUARTER II - 1 CONTRACTS</b>											
<b>VALUE QUARTER II = 4,540,209.92 RON</b>											

3	TINMAR ENERGY S.A.	Electricity Supply Batch 1	P-CA 337 / 30.03.2018	TENDER	-	16041/08.02.2018	4,601,641.264,540,209.92	7/1/2018	12	12
<b>QUARTER III - 2 CONTRACTS</b>										
<b>VALUE QUARTER III = 6,091,543.30 RON</b>										
4	CONSTRUCTII FEROVIARE DRUMURI ȘI PODURI	Safe disposal of the Argeș river aerial crossing Rătești area, Arges County	L-CA 399/27.03.2018	TENDER		27/07/08.02.2018	3,517,448.783,517,448.78	9/3/2018	10	10
5	CONSTRUCTII FEROVIARE DRUMURI ȘI PODURI	Hydrotechnical works for safe disposal of Prahova river aerial crossing by CONPET S.A. pipeline - Intervention works- in progress- for the safe disposal of the metal piles supporting Prahova river aerial crossing , Stejaru area, Brazi commune, of the crude oil major transport pipelines 12 3/4" and 14 3/4" -	L-CA 400/27.03.2018	TENDER		27/012/08.02.2018	2,502,094.522,502,094.52	9/3/2018	8	8
<b>CUMULATED TOTAL - 5 CONTRACTS</b>										
<b>CUMULATED VALUE =16.932.774.28 RON</b>										

**Annex no. 6**

**STATEMENT OF SERVICES PROCUREMENT CONTRACTS WITH VALUES HIGHER THAN 100.000 EURO, CONCLUDED DURING 01.01.2018-30.09.2018**

Crt. no.	Name of Contractor	Scope of Contract	Title of contract	Applied procurement procedure	Name of Beneficiary (if different from the contracting authority)	Contract notice number	Initial contract value (RON)	Contract value after potential addenda (RON)	Start of the contract	Initially set contract duration (in months)	Final contract duration (in months)
<b>QUARTER I - 2 CONTRACTS</b>											
<b>VALUE QUARTER I = 1,911,880.00 RON</b>											
1	REVA SA SIMERIA THE TRADE COMPANY FOR ROLLING STOCK REPAIR	Repairs and scheduled revisions RP-CIR (with intervention to container + CIR revision) of 38 60 cubic meters rail tanks for crude oil transport, RP-FIR (with intervention to container) of 3 rich gas tank cars, ISCLR revision to 2 tank cars for crude oil transport and 1 tank car for rich gas transport and replacement of 88 used axles at the 41 tank-cars			S-CA 29 / 31.01.2018	TENDER -	46623/16.11.2017	1,432,500.00	1,432,500.00	31.01.2018	12
											12

**Quarterly Report January-September 2018**



2	SERVICE IMPLEMENTARE PRODUCTE SA	Certification/re-certification services for the preparation of the documentation for recurrent reexamination from Ex point of view	S-CA 91 / 07.03.2018	TENDER	-	1870/15.01.2018	479,380.00	479,380.00	3/7/2018	12	12
<b>QUARTER II - 0 CONTRACTS</b>											
VALUE QUARTER II = 0.00 RON											
<b>QUARTER III - 0 CONTRACTS</b>											
VALUE QUARTER III = 0.00 RON											
<b>CUMULATED TOTAL - 2 CONTRACTS</b>											
CUMULATED VALUE =1,911,880.00 RON											



CONPET S.A., Romania  
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Tel: +40-244-401360; fax: +40-244-516451  
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 9 months  
period ended at  
September 30, 2018**

**Prepared in compliance with:  
International Accounting Standard no. 34 "Interim Financial Reporting"**



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*[Signature]*

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## INTERIM STATEMENT OF THE FINANCIAL STANDING AT SEPTEMBER 30, 2018

	Note	September 30, 2018 (unaudited)	December 31, 2017 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	4	426,190,939	407,275,686
Intangible assets	5	728,414	1,462,672
Financial Assets	6	927,338	973,782
Receivables related to the deferred corporate tax	14	1,866,777	970,394
<b>Non-current assets</b>		<b>429,713,468</b>	<b>410,682,534</b>
<b>Current assets</b>			
Inventories	7	9,338,622	9,024,205
Trade receivables and other receivables	8	44,360,147	46,753,071
Short-term investments	10	71,121,419	70,623,518
Cash and cash equivalents	9	174,727,890	209,847,265
Prepaid expenses		898,108	1,842,877
<b>Total current assets</b>		<b>300,446,186</b>	<b>338,090,936</b>
<b>TOTAL ASSETS</b>		<b>730,159,654</b>	<b>748,773,470</b>
<b>Shareholders' equity 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	26,977,562	31,016,763
Other reserves	11	494,116,860	478,500,458
Retained Earnings	11	45,857,499	40,211,069
Year's Result	11	43,718,370	74,387,774
<b>Total Equities</b>		<b>644,954,101</b>	<b>658,399,874</b>
<b>Deferred income</b>			
Investment Subsidies		1,211,383	1,314,536
Deferred income		10,359	12,010
<b>Total Deferred Income</b>		<b>1,221,742</b>	<b>1,326,546</b>
<b>Long-term liabilities</b>			
Long-term provisions	13	12,768,196	12,817,661
<b>Total long-term liabilities</b>		<b>12,768,196</b>	<b>12,817,661</b>



**CONPET S.A.**

Statement a of the Financial Standing at September 30, 2018  
(All amounts are expressed in LEI, if not otherwise indicated)

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**Current liabilities**

Trade liabilities	12	20,506,633	30,653,848
Ordinary Income Tax	12	3,817,909	3,761,986
Other liabilities	12	36,586,601	32,281,986
Short-term provisions	13	10,304,472	9,531,569
<b>Total current liabilities</b>		<b>71,215,615</b>	<b>76,229,389</b>
<b>Total liabilities</b>		<b>83,983,811</b>	<b>89,047,050</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>		<b>730,159,654</b>	<b>748,773,470</b>

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These interim financial statements and the related notes, from page 3 to page 27 have been authorized for issue and signed by the company's management at November 13, 2018.

Director General,  
Eng. CHIŞ Timur - Vasile

Economic Director,  
Econ. TOADER Sanda



**INTERIM STATEMENT OF THE PROFIT AND LOSS ACCOUNT AND OTHER GLOBAL  
RESULT ELEMENTS FOR THE NINE MONTHS PERIOD ENDED**

**September 30, 2018**

		<b>9 months ended at September 30, 2018 (unaudited)</b>	<b>9 months ended at September 30, 2017 (restated)</b>
<b>Operating Revenues</b>	<b>16</b>		
Turnover Revenues		283,692,298	282,509,674
Other revenues		24,926,175	24,754,007
Earnings from disposal of assets		-	874,547
<b>Total operating revenues</b>		<b>308,618,473</b>	<b>308,138,228</b>
<b>Operating Expenses</b>	<b>17</b>		
Stocks Expenses		4,939,292	4,695,379
Expenses with energy and water		7,966,947	7,082,293
Personnel expenses		103,965,406	84,542,239
Value adjustments on current, non-current assets		33,295,518	33,422,875
Impairments of current assets		106,068.	(1,190,729)
Expenses with external services		73,727,485	73,827,781
Other expenses		35,952,614	41,616,080
Loss from disposal of assets		106,730	-
Provisions adjustments		723,437	(3,119,006)
<b>Total operating expenses</b>		<b>260,571,361</b>	<b>240,876,912</b>
<b>Operating Profit</b>		<b>48,047,112</b>	<b>67,261,316</b>
Financial revenues		3,764,222	2,665,505
Financial expenses		6,791	34,409
<b>Financial profit</b>	<b>18</b>	<b>3,757,431</b>	<b>2,631,096</b>
<b>Profit before income tax</b>		<b>51,804,543</b>	<b>69,892,412</b>
Expenses with ordinary corporate tax other taxes		8,982,556	10,369,439
Expenses with (revenues from) deferred corporate tax		(896,383)	650,188
<b>Profit of the Year</b>		<b>43,718,370</b>	<b>58,872,785</b>
<b>Other global result elements</b>		<b>-</b>	<b>(4,928,491)</b>
<b>TOTAL GLOBAL RESULT</b>		<b>43,718,370</b>	<b>53,944,294</b>
<b>Result per share</b>		<b>5.05</b>	<b>6.23</b>

These interim financial statements and the related notes, from page 3 to page 27 have been authorized for issuance and signed by the company 's management at November 13, 2018.

**Director General**  
**Eng. CHIŞ Timur-Vasile**

**Economic Director,**  
**Econ. TOADER Sanda**



## INTERIM STATEMENT OF EQUITIES FLOWS AT SEPTEMBER 30, 2018 (unaudited)

	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	-	-	-	-	-	43,718,370	43,718,370
Augmentation of the reserve representing modernization quota fund	-	-	-	-	12,456,954	-	12,456,954
White-back of revaluation surplus	-	-	(4,039,201)	-	4,039,201	-	-
Dividends due to shareholders	-	-	-	-	-	(69,621,097)	(69,621,097)
Allocation of profit provided by law - exemption from the reinvested corporate 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 sheet at September 30, 2018</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>26,977,562</b>	<b>494,116,860</b>	<b>45,857,499</b>	<b>43,718,370</b>	<b>644,954,101</b>

Note: The "Other Reserves" item also includes the reserve representing the modernization quota in amount of 458,400,125 Lei at 30.09.2018 (30.09.2017: 440,238,574 RON), not being distributable.



**INTERIM STATEMENT OF THE EQUITY FLOWS AT SEPTEMBER 30, 2017 (restated)**

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Result of the period	Total Equities
<b>Balance sheet 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	-	-	-	-	-	58,872,785	58,872,785
Actuarial Gain/(Loss) of the period	-	-	-	-	(4,928,491)	-	(4,928,491)
<b>Total global result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,928,491)</b>	<b>58,872,785</b>	<b>53,944,294</b>
Augmentation of the reserve representing modernization quota fund	-	-	-	-	16,673,448	-	16,673,448
Write-back of revaluation surplus	-	-	(4,052,988)	-	4,052,988	-	-
Corporate tax related to the retained earnings	-	-	-	-	(1,094,802)	-	(1,094,802)
Dividends due to shareholders	-	-	-	-	(73,725,670)	(69,836,604)	(143,562,274)
Allocation of profit provided by law - exemption from the reinvested income tax	-	-	-	-	1,710,000	(1,710,000)	-
<b>Balance sheet at Saturday, September 30, 2017</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>28,904,678</b>	<b>552,912,149</b>	<b>46,699,875</b>	<b>58,872,785</b>	<b>721,673,297</b>

These interim financial statements and the related notes, from page 3 to page 27 have been authorized for issuance and signed by the company's management at November 13, 2018.

Director General  
Eng. CHIŞ Timur-Vasile

Economic Director  
Econ. TOADER Sanda



**INTERIM CASH-FLOW STATEMENT FOR THE NINE MONTHS PERIOD ENDED September 30, 2018 (unaudited)**

**(DIRECT METHOD)**

	Name of the Item	9 months ended at September 30, 2018	9 months ended September 30, 2017
	<b>Cash flows from operating activities:</b>		
+	Proceeds from services supply	301,531,730	299,930,704
+	Proceeds from interests related to banking investments	2,948,082	1,857,559
+	Other proceeds	3,830,016	4,233,446
-	Payments to the suppliers of goods and services	81,703,143	84,849,896
-	Payments by and on behalf of the employees	99,465,129	80,792,138
-	VAT payments	31,209,574	37,763,924
-	Corporate tax payments	8,908,772	11,673,765
-	Other payments regarding operating activities	28,401,415	31,979,627
<b>A</b>	<b>Net cash from operating activities</b>	<b>58,621,795</b>	<b>58,962,359</b>
	<b>Net cash flows from investment activities:</b>		
+	Proceeds from sale of tangible assets	222,989	1,424,124
+	Proceeds from modernization quota	33,938,189	39,152,498
+	Proceeds from short-term financial investments	-	161,888,767
+	Proceeds from interests related to government securities	-	1,797,793
-	Payments for purchase of tangible assets	67,993,666	27,773,593
-	Payments for short-term financial investments	-	74,086,818
<b>B</b>	<b>Net cash from investment activities</b>	<b>(33,832,488)</b>	<b>102,402,771</b>
	<b>Cash-flows from financing activities</b>		
+	Proceeds dividends transferred to Depozitarul Central	9,479,683	2,709,838
-	Paid Dividends	69,388,366	139,300,175
<b>C</b>	<b>Net cash from financing activities</b>	<b>(59,908,683)</b>	<b>(136,590,337)</b>
=	<b>Net increase of the cash and cash equivalents=A+B+C=D2-D1</b>	<b>(35,119,376)</b>	<b>24,774,793</b>
<b>D1</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>209,847,265</b>	<b>244,598,286</b>
<b>D2</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>174,727,890</b>	<b>269,373,079</b>
	to which is being added:		
	Government securities as government bonds and treasury bills	70,309,618	74,086,818
	<b>Total availabilities and financial investments at the end of the period</b>	<b>245,037,508</b>	<b>343,459,897</b>

The cash and cash equivalents at 9 months 2018, as compared to cash registered at the end of the same period of the previous year meets a downward trend from 269. to 175 m Lei. This cash decrease was determined by low level of cash at the begining of the period, 35 m Lei lower as compared to the level registered at the begining of the 9 months period of the year 2017 and by the increase of payments for tangible assets, by 145% YoY.



CONPET S.A.

Interim Cash-flow Statement

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

The effects of the three activity areas (operation, investment and financing) over the cash in 9 months period 2018 reveal the followings:

- the operating activity triggered a cash-flow in amount of 59 m Lei.;
- the investment activity ended with a negative cash-flow, the payments for the procurement of the fixed assets being 34 m Lei higher than the input of cash from the modernization quota;
- the financing activity lowered the total cash flow by 60 m Lei, due to the cash outputs for the payment of dividends in amount of 69 m Lei.

As compared to the same period of the previous year, the net cash flow generated by the operating activity along the three quarters period in 2018 was similar with the one in the same period of 2017.

The cash from investment activities registered a decrease in the first 9 months of the year 2018 due to the significant increase of the payments for tangible assets purchase.

The cash flow related to the financing activity registers negative values, decreasing as compared to the same period of the previous year, due to dividend payments, lower in 2018 YoY. In 2017 the company distributed dividends both out of the year's profit as well as out of other capital items (retained earnings and own financing sources). The total amount of dividends paid in 2017 was of 139 m Lei and in 2018 of 69 m Lei.

These interim financial statements and the related notes, from page 3 to page 27 have been authorized for issuance and signed by the company 's management at November 13, 2018.

**Director General,  
Eng. CHIŞ Timur – Vasile**

**Economic Director,  
Econ. TOADER Sanda**



## **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 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 City, 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 (NAMR), 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 have been traded at the Bucharest Stock Exchange (BSE) as of September 5, 2013, under "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 30.09.2018, CONPET S.A. had a market capitalization of 742.8 million RON (159.3 million Euro), ranking 19 in "Top 25 issuers according to capitalization".

### *Company Set-up*

CONPET is set up based on GD no. 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 30.09.2018, 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 2,500,373 shares representing 28.88 %and
- natural persons, with 1,073,783 shares representing 12.40 %.

### *Company's Mission*

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

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

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

CONPET supplies transport services for its clients both via the crude oil National Transport System concession based on the Oil Concession agreement, as well as by railway tanks, from the loading ramps to the 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.

CONPET, as 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 and is being administered by NAMR (As per the Oil Law provisions). It 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 (NAMR), represents State interests in oil resources domain and is the competent authority authorized to apply the dispositions of Law 238/2004.

As per this normative act, 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.

The main responsibilities of ANRM are the followings:

- negotiates and concludes, on State's behalf, oil agreements;
- awards mining concession licenses and exploitation permits;
- issues regulating acts, norms, instructions, orders and rules;
- controls the compliance of the titulants of the concession agreements with the concession licenses and exploitation permits conditions;
- manages the Crude Oil and Natural Gas National Pipeline Transport Systems and regulates the exploitation activities thereof by system's concession agreements concluded;
- annuls the concession acts/administration acts.

#### *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- 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 transport tariffs are being established pursuant to Order no.53/2008 for the approval of the guidelines regarding the criteria, methodology and settlement procedure of the regulated tariffs for the transport via the National Transport System and are being approved by ANRM, acting as competent authority, based on the attributions and competences granted by Law no.238/2004, subsequent amendments and completions.

The transport tariffs 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 practiced for the transport on the import subsystem are being established on refineries, according to the transported quantities, and on the bracket tariff model.

The transport tariffs are being determined by allocation of the value of the transport service to oil quantities transported for the beneficiaries, on the corresponding distances, by using a methodology based on service cost determination, defined as the overall necessary revenues for covering the system transport operations, here included:

-the operating cost, including: the materials expenses, personnel expenses, pipelines maintenance expenses, energy, fixed assets expenses, royalties and other fees applicable to the carrier, expenses for the pipelines guard services, the amounts due to the land owners, other expenses etc;



- the modernization and development quota;
- a reasonable rate of profit .

## **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).

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.

These interim financial statements are not being audited and have not been revised by an independent auditor.

These interim financial statements have been authorized for issuance and signed by the company management at November 13, 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 are being permanently evaluated and are based on the historical experience, as well as on other factors, here included predictions of future events considered to be reasonable in certain circumstances. The results of these estimates set the grounds for the professional reasonings regarding the accounting values of the assets and liabilities that cannot be obtained from other information sources. The actual results may be different from the estimates values.

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 of the existing standards issued by the International Accounting Standards Committee (IASC) and adopted by the European Union (EU) have entered into force along the annual financial reporting period ended September 30, 2018 but they had a significant impact on the financial statements, hence have not been presented in detail:

- o IFRS, 15 "Revenues from the contracts with the clients" and Amendments;
- o IFRS 9 "Financial Instruments" - classification and evaluation;
- o Amendments to IFRS 4 "Insurance Contracts" - Application IFRS,9, Financial Instruments with IFRS, 4, Insurance Contracts;
- o The amendments to IFRS 2 "Payment based on shares"
- o The amendments to various standards "Improvements to IFRS (cycle 2014-2016) resulting from the annual improvement project of IFRS, (IFRS, 1, "Adoption for the first time of the International Financial Reporting Standards" and IAS, 28, "Investments in associated entities and joint ventures");



CONPET S.A.

Explanatory notes to the interim financial statement at Sunday, September 30, 2018

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

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Certain new standards and amendments will come into force ulterior to the date of January 1, 2019. The company opted for not adopting the application thereof in the interim financial statements.



#### 4. Tangible assets

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

Name	Land plots and land improvements	Buildings and special installations	Operating oil products	Machinery and equipment	Means of transport and control devices	Other tangible assets	Tangible assets in progress	Total tangible assets
<b>Gross accounting value at Monday, January 1, 2018</b>	22,584,099	226,786,502	42,072,846	80,104,803	65,418,061	28,398,221	6,411,128	33,961,299
Aggregate amortization at Monday, January 1, 2018	-	-	-	(34,312,830)	(43,729,974)	(17,374,213)	(3,044,256)	(98,461,273)
<b>Net accounting value at Monday, January 1, 2018</b>	22,584,099	226,786,502	42,072,846	45,791,973	21,688,087	11,024,008	3,366,872	33,961,299
Input of tangible assets	-	19,853,550	-	2,541,806	1,111,924	1,576,963	137,586	26,556,762
Output of tangible assets	-	(203,140)	-	(119,481)	(2,905)	-	(4,194)	-
Amortization registered during the period	-	(15,437,243)	-	(6,697,112)	(7,456,513)	(2,308,758)	(633,992)	(32,533,618)
<b>Net accounting value at Sunday, September 30, 2018</b>	22,584,099	230,999,669	42,072,846	41,517,186	15,340,593	10,292,213	2,866,272	60,518,061
<b>Net accounting value at Monday, January 1, 2018</b>	22,584,099	226,786,502	42,072,846	45,791,973	21,688,087	11,024,008	3,366,872	33,961,299
<b>Net accounting value at Sunday, September 30, 2018</b>	22,584,099	230,999,669	42,072,846	41,517,186	15,340,593	10,292,213	2,866,272	60,518,061
<b>Difference</b>	-	<b>4,213,167</b>	-	<b>(4,274,787)</b>	<b>(6,347,494)</b>	<b>(731,795)</b>	<b>(500,600)</b>	<b>26,556,762</b>
								<b>18,915,253</b>



The net value of the tangible assets at September 30, 2018 increased by the amount of 18,915,253 Lei, resulting from:

- input of tangible assets amounting to 51,778,591 RON;
- diminution of the net value with the amortization of tangible assets related to the period, in amount of 32,533,618 RON;
- Tangible assets outputs by sale in amount of 329,720 Lei, remaining value. The tangible assets put into operation during January-September 2018 amounted to 25,221,829 Lei.

The amortization method used is the linear method.

The lands held by the Company are located in Ploiești 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 September 30, 2018 CONPET has recorded in the company's 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.):

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 no.834/1991 is 26,255,918 Lei. These lands have been obtained in the company's 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 30.09.2018 the operation oil product rested the same with the one registered at the beginning of the year, respectively 42,072,846 Lei.

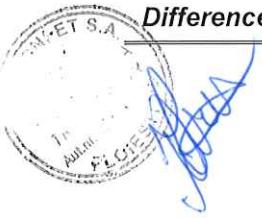
#### *Tangible assets in progress*

During 01.01.2018-30.09.2018, the Company has performed 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:

Name	Licenses and software	Other intangible assets	Total intangible assets
<b>Gross accounting 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	(726,572)	(35,840)	(762,412)
<b>Net accounting value at Sunday, September 30, 2018</b>	<b>670,351</b>	<b>58,063</b>	<b>728,414</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 September 30, 2018</b>	<b>670,351</b>	<b>58,063</b>	<b>728,414</b>
<b>Difference</b>	<b>(698,418)</b>	<b>(35,840)</b>	<b>(734,258)</b>



The net value of the intangible assets at September 30, 2018 decreased by 734,258 Lei, resulting from the following influences:

- inputs of intangible assets in amount of 28,154 RON; and
- diminution from the amortization of intangible assets related to the period, amount of 762,412 Lei.

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 the respective 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 intangible assets
<b>Net accounting value at January 1, 2018</b>	<b>5,000</b>	<b>968,782</b>	<b>973,782</b>
Inputs	-	66,537	66,537
Outputs	-	112,981	112,981
<b>Net accounting value at September 30, 2018</b>	<b>5,000</b>	<b>922,338</b>	<b>927,338</b>
<b>Difference</b>	<b>-</b>	<b>(46,444)</b>	<b>(46,444)</b>

At 30.09.2018, the Company holds participations in the share capital of Independent Monitor 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	Products 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	5,109,536	2,395,295	539,689	8,044,520
Inventory consumption during the period	(5,440,989)	(2,034,558)	(364,930)	(7,840,477)
Revenues from (expense with) adjustments for depreciation of inventories	40,638	69,736	-	110,374
<b>Net accounting value at Sunday, September 30, 2018</b>	<b>5,267,645</b>	<b>3,371,193</b>	<b>699,784</b>	<b>9,338,622</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 Sunday, September 30, 2018</b>	<b>5,267,645</b>	<b>3,371,193</b>	<b>699,784</b>	<b>9,338,622</b>
<b>Difference</b>	<b>(290,815)</b>	<b>430,473</b>	<b>174,759</b>	<b>314,417</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.

In the inventories are also being recognized the residual products which mainly represent tubular material resulting after pipelines replacement works.



## 8. Trade receivables and other receivables

At September 30, 2018 and December 31, 2017, the trade receivables and other receivables are the followings:

	September,30 2018	December 31, 2017
Clients	37,901,801	35,713,475
Adjustments for depreciation of receivables	(715,040)	(698,234)
Other trade receivables	353,284	311,122
<b>Subtotal trade receivables (net value)</b>	<b>37,540,046</b>	<b>35,326,363</b>
Other receivables	9,560,069	14,179,176
Impairment of other receivables	(2,739,968)	(2,752,468)
<b>Subtotal other receivables (net value)</b>	<b>6,820,101</b>	<b>11,426,708</b>
<b>Total receivables</b>	<b>44,360,147</b>	<b>46,753,071</b>

Clients' structure per activities is as follows:

	September 30 2018	December 31, 2017
Clients- transport activity	36,934,441	34,719,399
Other auxiliary activities	967,360	994,076
<b>Total</b>	<b>37,901,801</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 September 30, 2018 represent amounts to be received from: OMV PETROM S.A.: 32,083,153 RON (December 31, 2017: 30,330,382 RON), Petrotel Lukoil S.A.: 4,889,089 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 72 % of the total receivables, in balance at Sunday, September 30, 2018.

*Other receivables* in amount of 9,560,069 RON are mainly made of:

- the dividends under payment at Depozitarul Central, in amount of 2,887,652 Lei;
- 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 1,481,376 RON, related to un-arrived invoices;
- interest to be collected in amount of 734,805 RON, for the cash placed in bank deposits.

*Impairments 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 September 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**

	September 30 2018	December 31, 2017
<b>Clients, o/w:</b>	<b>37,901,801</b>	<b>35,713,475</b>
Current and non-depreciated receivables	37,155,207	34,981,599
Outstanding and non-depreciated receivables, o/w:	31,554	33,642
- outstanding amounts less than 30 days	5,311	19,616
- outstanding amounts between 30 days and 60 days	3,887	10,329
- outstanding amounts between 60 days and 90 days	3,431	3,421
- outstanding amounts between 90 days and 1 year	18,924	276
Current and depreciated receivables	715,040	698,234
<b>Other trade receivables, out of which:</b>	<b>353,284</b>	<b>311,122</b>
Current and non-depreciated receivables	353,284	311,122

**Other receivables**

	September 30 2018	December 31 2017
Current and non-depreciated receivables	6,820,101	11,426,708
Current and depreciated receivables	2,739,968	2,752,468
<b>Total</b>	<b>9,560,069</b>	<b>14,179,176</b>

**9. Cash and cash equivalents**

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

	September 30 2018	December 31, 2017
Current bank accounts	1,404,790	4,368,575
Bank deposits with maturity ≤ 3 months	173,300,999	205,452,128
Cash on hand	18,461	25,019
Other cash equivalents	3,640	1,543
<b>Total</b>	<b>174,727,890</b>	<b>209,847,265</b>

Decrease in cash balance and cash equivalents at September 30, 2018, by approx. 17% 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 and by assets payments.

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 189,694,622 RON, out of which: the amount of 119,385,004 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 include investments performed by the Company in government securities (government bonds), with superior yields as compared to maturity deposits.



September 30      December 31,

CONPET S.A.

Explanatory notes to the interim financial statement at Sunday, September 30, 2018

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

	2018	2017
Government securities (government bonds)	70,309,618	70,309,618
Interest related to government securities	811,801	313,900
<b>Total</b>	<b>71,121,419</b>	<b>70,623,518</b>

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

Issuer	Depositor y	Type Products	Series	No . Of securities	Nominal value instrument	Coupon value	Interest (%)	Value at 30.06.2018 (RON)
Ministry of Public Finances	RAIFFEIS EN	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 has not changed, 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 September 30, 2018 is exposed as follows:

Shareholders	September 30, 2018			Sunday, December 31, 2017		
	Number of shares	Amount (RON)	(%)	Number of shares	Amount (RON)	Amount (Lei)
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	2,500,373	8,251,230	28.8809	2,572,156	8,488,114	29.7101
Natural Persons	1,073,783	3,543,484	12.4029	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 September 30, 2018 the value of the legal reserve is of 5,713,968 Lei (December 31,2017: 5,713,968 Lei). 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 September 30, 2018 "Other reserves" are in amount of 494,116,860 Lei, increasing by 15,616,402 Lei as compared to the beginning of the year , following the augmentation of the reserve representing the modernization quota by the amount of 12,456,954 Lei 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 Lei.

The highest share (92.77%) in "Other Reserves" is being held by the reserve related to the modernization quota, in amount of 458,400,125 Lei.

### *Revaluation reserves*

At September 30, 2018, in the financial standing the revaluation reserves are being presented at the net value of 26,977,562 Lei, 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 September 30, 2018 the retained earnings amounts to 45,857,499 Lei and includes mainly, the value resulted from the updated value with inflation indexes until 2003, effect of the application of IAS 29, of the oil operating product that the company has registered in the tangible assets accounts (41,818,297 Lei).

*Profit of the Year*

The year's profit achieved in the first six months of 2018 amounts to 43,718,370 Lei.

## **12. Trade Liabilities and Other Liabilities**

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

Liabilities	Maturity date for the balance at				
	December 31, 2017	September 30, 2018	June 30,2018		
			Under 1 year	1-5 years	Over 5 years
Trade liabilities	30,653,848	20,506,633	20,506,633	-	-
Other liabilities, here included fiscal debts and social insurances related debts	36,043,972	40,404,510	40,404,510	-	-
<b>Total</b>	<b>66,697,820</b>	<b>60,911,143</b>	<b>60,911,143</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, Prodial Tour, RCS&RDS, Cameleon Security Systems, Con Metal, CF, Orange Romania, OmniaSig Vienna Insurance, Dinamic Consult, Service Implementare Productie, Legal CF. The value of the acquisitions from these suppliers in the first half Month year 2018 has a share of 52.41% in total acquisitions.

The value of assets purchase from these suppliers in the first half of the year 2018 has a share of 40.65% in total acquisitions.

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

Liabilities	December 31, 2017	September 30, 2018	Maturity date for the balance at		
			Under 1 year	Inputs 1-5 years	Over 5 years
Salaries and assimilated debts	4,020,702	4,661,552	4,661,552	-	-
Salaries contributions	2,942,010	4,202,477	4,202,477	-	-
Ordinary Income Tax	3,779,846	3,817,909	3,817,909	-	-
Royalty due to the State Budget	7,133,441	7,642,401	7,642,401	-	-
VAT payable	2,645,752	4,842,211	4,842,211	-	-
Other interests and debts - State Budget	1,084.332	784,990	784,990	-	-



Dividends Payable	13,971,193	14,203,978	14,203,978	-	-
Other liabilities	466,695	248,992	248,992	-	-
<b>Total</b>	<b>36,043,972</b>	<b>40,404,510</b>	<b>40,404,510</b>	-	-

### **13. Provisions**

	<b>September 30 2018</b>	<b>December 31, 2017</b>
Provisions for litigations	3,952,364	4,135,815
Provisions for Employees Benefits	19,097,266	18,163,415
Other provisions for risks and expenses	23,038	50,000
<b>Total</b>	<b>23,072,668</b>	<b>22,349,230</b>
<i>Long-term provisions</i>	12,768,196	12,817,661
<i>Short-term provisions</i>	10,304,472	9,531,569

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

In the first six months of the year 2018, the provisions for litigations have registered a decrease by 183,451 Lei, 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 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 reduction 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 12,955,091 Lei, of which 12,768,196 Lei stand for long-term liabilities, and 186,895 Lei stand for short-term liabilities.

At 30.09.2018, the *provision for the employees share of profit* amounts to 4,039,742 Lei, constituted for the service supplied by the employees in the first 9 months of the year 2018.

The provision for the untaken annual leaves is of 2,817, 019 Lei at the end of June, 2018, increasing by 272,792 Lei as compared to December 31, 2017.

#### ***Other provisions***

The balance of the position "Other Provisions" in amount 23,038 Lei is being represented by the provisions related to environment expenses.

### **14. Corporate tax and other taxes**

The expenses with the current and deferred corporate tax during January-September 2018 and the same period of 2017 is being determined by a statutory rate of 16%.



CONPET S.A.

Explanatory notes to the interim financial statement at Sunday, September 30, 2018  
(All the amounts are expressed in RON, unless otherwise specified)

The expenses with corporate tax and other taxes include both the expenses related to the current corporate tax as well as the specific tax expense due under the Law no.170/2016 for the activity carried out within the company's canteens.

	9 months September 30, 2018	9 months September 30, 2017
Expenses with ordinary income tax	8,982,556	10,369,439
Expense with /(revenues from) deferred corporate tax	(896,383)	650,188
<b>Total</b>	<b>8,086,173</b>	<b>11,019,627</b>

**Reconciliation of the effective tax rate:**

	September 30 2018	September 30 2017
Profit before tax	51,804,543	69,892,412
-Corporate tax at a statutory rate of 16%	8,288,727	11,182,786
<b>Effect on the corporate tax, of:</b>		
- Non-deductible expenses	1,254,157	1,170,223
Non-taxable revenues	(1,082,582)	(1,510,489)
Elements similar to the revenues	771,533	741
Elements similar to the expenses	(634)	(185,005)
Exempted corporate tax	(112,231)	-
-Amounts representing sponsorship falling under the limits provided by law	(163,206)	(288,817)
* Specific tax	26,792	-
<b>Expenses with ordinary corporate tax other taxes</b>	<b>8,982,556</b>	<b>10,369,439</b>

\*In 2017, the specific tax-related expense was revealed at position "Other operating Expenses", according to the accounting regulations provisions applicable at that time.

The dynamics of debts/receivables with deferred taxes in the first 9 months of 2018 reveals the followings:

9 months 2018	Net value at 1 <sup>st</sup> of January	Deferred corporate tax recognized in the profit and loss account	Net value, September 30, 2018	
			Receivable related to the deferred corporate tax	Liability related to the deferred corporate tax
Reevaluation of tangible assets	(2,483,543)	768,459	3,377,308	(5,092,392)
Provisions	2,914,147	145,102	3,059,249	-
Adjustments of current assets	539,790	(17,178)	522,613	-
<b>Deferred corporate tax before compensation</b>	<b>970,394</b>	<b>896,383</b>	<b>6,959,169</b>	<b>(5,092,392)</b>
Receivable/debt compensation			(5,092,392)	5,092,392



Deferred corporate tax- receivable	1,866,777
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## 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:

	Nine months period ended September 30, 2017	Nine months period ended September 30, 2017
Profit of the Financial Year	43,718,370	58,872,785
Number of ordinary shares at the beginning and end of the period	8,657,528	8,657,528
Basic and diluted earnings per share (Lei/share)	5.05	6.80

## 16. Operating Revenues

### a) Turnover Revenues

	Six months period ended September 30, 2017	Six months period ended September 30, 2017
Revenues from transport service, of which:		
<i>Revenues from transport services on the Domestic Subsystem</i>	280,138,226	278,930,857
<i>Revenues from transport services on the Import Subsystem</i>	217,618,504	214,275,762
Revenues from rents	62,519,722	64,655,095
Other revenues included in the turnover	1,104,846	1,043,402
<b>Turnover Revenues</b>	<b>283,692,298</b>	<b>282,509,674</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 nine months of 2018, the quantities transported on subsystems, as compared to the same period of the previous year are the followings:

	Six months period ended September 30, 2017	Six months period ended September 30, 2017
Domestic Subsystem	2,637,051	2,669,750
Import Subsystem	2,439,001	2,340,162
<b>Total quantities (tons)</b>	<b>5,076,052</b>	<b>5,009,912</b>

The total volume of transported products increased by 1.32% 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 4.22% of the quantity transported on the import subsystem.

The tariffs for the supply of the transport services used during January 01,2018 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 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
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

	Six months period ended September 30, 2017	Six months period ended September 30, 2017
Revenues out of modernization quota consumption	21,481,235	22,479,051
Earnings from disposal of assets	-	874,547
Other revenues	3,444,940	2,274,956
<b>Total Operating Expenses</b>	<b>24,926,175</b>	<b>25,628,554</b>

The revenues from the modernization quota represent 86.18% of other operating revenues achieved in the first nine months of the year 2018, registering a decrease by 4.44% as compared to the same period of 2017, due to the decrease of the quota coefficient out of the approved tariffs. 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.

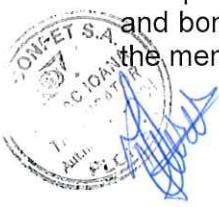
## 17. Operating Expenses

### a) Stocks and Utilities Expenses

	9 months ended at September 30, 2018	9 months ended at September 30, 2017
Expenses with consumables	4,207,711	3,632,718
Other material expenses	666,323	1,014,102
Other Expenses with energy and water	7,966,947	7,082,293
Merchandise expenses	65,258	48,559
<b>Total Stocks related Expenses And utilities</b>	<b>12,906,239</b>	<b>11,777,672</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.



	9 months ended at September 30, 2018	9 months ended at September 30, 2018
Salary and related contributions expenses	87,855,078	68,806,929
Liabilities regarding the employees benefits	5,982,415	8,174,767
Liabilities regarding the employees' bonuses	9,006,053	6,216,313
Allowances of the Director General	1,121,860	1,344,230
And of the members of the Board of Administration		
<b>Total personnel expenses</b>	<b>103,965,406</b>	<b>84,542,239</b>

The personnel expenses are detailed as follows:

	9 months ended at September 30, 2018	9 months ended at September 30, 2018
Salary and related contributions expenses	87,855,078	68,806,929
<b>Total salaries and contributions</b>	<b>87,855,078</b>	<b>68,806,929</b>

### Provisions for the Employees' Benefits Salary

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**

	9 months ended at September 30, 2018	9 months ended at September 30, 2018
Quarterly premiums	499,361	648,531
Retirement supports	378,200	395,579
Marriage supports	34,038	29,576
Employees share of profit	2,969,000	4,754,892
The company's contribution to facultative pension schemes and voluntary health insurances	1,880,641	2,267,665
Other benefits	221,175	78,524
<b>Total</b>	<b>5,982,415</b>	<b>8,174,767</b>

#### **Liabilities regarding the employees' bonuses**

	9 months ended at September 30, 2018	9 months ended at September 30, 2018
Gifts offered to employees' and to the employees' children	2,388,764	2,269,811
Grants related to birth, death, serious diseases	157,350	159,450
Meal vouchers	504,026	402,368
Other bonuses	3,964,635	2,628,563
<b>Total</b>	<b>9,006,053</b>	<b>6,216,313</b>



There 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 Lei, in compliance with the provisions of the Collective Labor Agreement applicable as of January 1, 2018.

The increases registered at other bonuses represents the exchange value of the gift vouchers granted to the employees on the occasion of the Company's Day (300 Lei/employee) and Ziua Petrolistului (The Oilman's Day") 150 Lei/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 01.01.2018.

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

	<b>9 months ended at September 30, 2018</b>	<b>9 months ended at September 30, 2018</b>
Allowance of the Director General	331,956	673,844
Allowances of the members of the Board of Administration	789,904	670,386
<b>Total</b>	<b>1,121,860</b>	<b>1,344,230</b>

The expenses with the allowances related to the contracts of mandate of the members of the Board of Administration and the Director General records a decrease as compared to the first nine months of 2017 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 allowance. The fix allowance for the administrators is being established at 2 average gross salary earnings and the the director general the fix allowance is being established at six gross average earnings.

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

	<b>9 months ended at September 30, 2018</b>	<b>9 months ended at September 30, 2018</b>
Rail transport expenses	41,254,683	41,962,000
Expenses with royalties, commercial leasing and leases	22,867,611	22,648,175
Third-party pumping expenses	3,499,466	3,535,243
Maintenance and repair Expenses	1,487,199	1,100,834
Expenses with the decontamination, monitoring of the environmental factors	375,448	345,152
Travel expenses	527,784	568,227
Expenses related to the transport of goods and personnel	50,193	39,126
Postal and telecommunication expenses	398,188	396,255
- Other expenses with services performed by third parties	3,266,913	3,232,768
<b>Total expenses related to external services</b>	<b>73,727,485</b>	<b>73,827,780</b>

*The expenses with royalties, commercial leasing and rentals mainly 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**

	9 months ended at September 30, 2018	9 months ended at September 30, 2018
Taxes, fees and similar levies related expenses	1,636,453	1,074,240
Compensations, fines and penalties expenses	18,110	851,167
Donations granted (Sponsorship)	163,206	288,817
Losses from disposal of assets and other capital operations	106,730	-
Environmental protection expenses	47,090	33,728
Expenses with the establishment of the modernization quota	33,938,189	39,152,498
Other operating expenses	149,566	215,629
<b>Other expenses</b>	<b>36,059,344</b>	<b>41,616,080</b>

Within the first nine 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. **The net financial result**

	9 months ended at September 30, 2018	9 months ended at September 30, 2018
Revenues from interests	3,262,547	1,864,306
Revenues from operations with securities and other financial instruments	497,901	778,991
Other financial revenues	3,774	22,208
<b>Total financial revenues</b>	<b>3,764,222</b>	<b>2,665,505</b>
Financial expenses	6,791	34,409
<b>Total financial expenses</b>	<b>6,791</b>	<b>34,409</b>
<b>The net financial result</b>	<b>3,757,431</b>	<b>2,631,096</b>

The net financial result increased by 42.81% 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**

During January – September 2018, namely 2017, the Company has carried out the following significant transactions with related parties:

**Procurement from related parties**

Partner	Unsettled amounts at December 31, 2017	Procurement During January - June 2018	Settlements 2018	Unsettled amounts at September 30 2018
SNTFM CFR Marfă S.A.	6,080,039	49,298,492	49,876,954	5,501,577



Partner	Unsettled amounts at December 31, 2016	Procurement During January - September 2017	Settlements Period January-September 2017	Unsettled amounts at September 30 2017
SNTFM CFR Marfa S.A.	5,902,301	50,164,858	52,316,830	3,750,329

**20. Retreatment of the interim statement of the profit&loss account and other elements of the global result for the nine months period ended September 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 financial years prior to 2018 and have been presented in the annual financial statements. Starting 2018 the estimated amounts for these provision are being provided quarterly and are being reflected in the interim financial statements ended September 30, 2018, as per IAS 34, "Interim Financial Reporting".

For comparing the data registered in the nine months period ended 30.09.2018 with the ones registered in the nine months period ended 30.09.2017 was performed the restatements of the profit and loss account for the period of nine months ended 30.09.2017 by the value of the respective provisions estimated for this period.

**INTERIM STATEMENT OF THE PROFIT AND LOSS ACCOUNT AND OTHER GLOBAL RESULT ELEMENTS FOR THE NINE MONTHS PERIOD ENDED**

**Saturday, September 30, 2017**  
**- RETREATED -**

	9 months ended at September 30, 2017 -Initial-	9 months ended at September 30, 2017 -Retreated-	Difference
<b>Operating Revenues</b>			
Turnover Revenues	282,509,674	282,509,674	-
Other revenues	25,628,554	24,754,007	(874,547)
Earnings from disposal of assets	-	874,547	874,547
<b>Total operating revenues</b>	<b>308,138,228</b>	<b>308,138,228</b>	-
Stocks Expenses	4,695,379	4,695,379	-
Expenses with energy and water	7,082,293	7,082,293	-
B. Personnel expenses	84,102,263	84,542,239	439,976
Value adjustments on current, non-current assets	33,422,875	33,422,875	-
Impairments of current assets	(1,190,729)	(1,190,729)	-
Expenses with external services	74,267,757	73,827,781	(439,976)
Other expenses	41,616,080	41,616,080	-
Provision adjustments	(8,168,324)	(3,119,006)	5,049,318
<b>Total operating expenses</b>	<b>235,827,594</b>	<b>240,876,912</b>	<b>5,049,318</b>
<b>Operating Profit</b>	<b>72,310,634</b>	<b>67,261,316</b>	<b>(5,049,318)</b>



Financial revenues	2,665,505	2,665,505	-
Financial expenses	34,409	34,409	-
<b>Financial profit</b>	<b>2,631,096</b>	<b>2,631,096</b>	-
<b>Profit before income tax</b>	<b>74,941,730</b>	<b>69,892,412</b>	<b>(5,049,318)</b>
Expenses with ordinary corporate tax			
other taxes	10,369,439	10,369,439	-
Expenses with (revenues from)			
deferred corporate tax	1,458,079	650,188	(807,891)
<b>Profit of the Year</b>	<b>63,114,212</b>	<b>58,872,785</b>	<b>(4,241,427)</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>63,114,212</b>	<b>53,944,294</b>	<b>(9,169,918)</b>
<b>Result per share</b>	<b>7.29</b>	<b>6.23</b>	<b>(1.06)</b>

The operating expenses regarding the provisions in amount of 5,049,318 RON, included in the account related to the 9 Period, is made of

- expenses related to provisions for the employees; share of profit, in amount of 2,788,283 RON;
- expenses related to provisions for the employees untaken annual leaves; 2,010,052 RON;
- expenses related to provisions for the allowances awarded to the members of the Board of Administration, in compliance with the provisions of the. 109/2011 regarding the corporate governance, in amount of 185,799 RON;
- expenses related to provisions for the benefits granted to the employees on retirement, in amount of 65,184 RON.

## 21. Subsequent Events

On 06.11.2018. following the carry out of the recruitment and selection procedure of the Director General and the Economic Director as per EGO no.109/2011 on the corporate governance of public enterprises, the Board of Administration approved the followings:

- a) The appointment of Mr. CHIŞ Timur-Vasile in the capacity of Director General of CONPET S.A., starting 07.11.2018, with a 4 years mandate, namely up to 06.11.2022.
- b) The appointment of Mrs. TOADER Sanda in the capacity of Economic Director of CONPET S.A., starting 07.11.2018, with a 4 years mandate, namely up to 06.11.2022.

These interim financial statements and the related notes, from page 3 to page 27 have been authorized for issuance and signed by the company 's management at November 13, 2018.

**Director General**  
**Eng. CHIŞ Timur-Vasile**  
**S.s. Illegible**

**Economic Director,**  
**TOADER Sanda**  
**S.s. Illegible**

Stamp

