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 Cod unic de inregistrare: R 1350020, Cod CAEN 4950
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 Capital social subscris si varsat 28 569 842,40 lei



N.R. 43069/05.11.2014.

QUARTERLY REPORT

REGARDING THE ECONOMIC-FINANCIAL ACTIVITY OF S.C. CONPET S.A.

**on the date and for the period of nine months ended
September 30, 2014**

REPORT AND ISSUER IDENTIFICATION DATA

Quarterly report as per:	Art. 227 of Law no. 297/2004 regarding the capital market and CNVM Regulation no. 1/2006 regarding the issuers and the securities operations
Report Date	September 30 th , 2014
Contents	Interim financial statements
Issuer's Name	S.C. CONPET S.A.
Registered offices	No, 1-3, Anul 1848 Street, Ploiesti, Prahova County, Zip Code 100559
Telephone/facsimile	0244 401360 / 0244 516451
E-mail / Internet	conpet@conpet.ro / www.conpet.ro
Sole Registration Number,	1350020
Trade Registry Number	J29/6/22.01.1991
The regulated market trading the issued securities	Bucharest Stock Exchange, I st Tier
Subscribed and paid-up share capital	28,569,842.40 Lei 8,657,528 shares with a nominal value of 3.3 Lei/share, Dematerialized, nominative, ordinary, indivisible, freely tradable shares as of 05.02.2005, under COTE symbol
Main features of the issued securities	429,846,265.2 Lei (49.65 Lei/share at 30.09.2014)
Total market value	International Accounting Standard 34 - „Interim Financial Reporting”
Accounting standard applied	Financial Statements are not being audited
Auditing	



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MAIN RESULTS OF THE EVALUATION OF COMPANY'S BUSINESS

1. Core Business:

- a. The pipeline transport system is 3,809 km in length, of which 3,161 km are being effectively used for the transport of crude oil, rich gas, condensate and liquid ethane. According to the transported fluid, the transport subsystems are: domestic crude and condensate transport subsystem, Imported crude oil transport subsystem, rich gas transport subsystem and ethane transport subsystem;
- b. CONPET collects, by way of the applied tariff, a modernization quota for the financing of the investments in the public domain;
- c. The utilization of the transport system lowered, from 28.8% in 2009 to 27.12%, as a result of the decrease in the volumes transported for Rompetrol; the decrease was caused by Rompetrol having constructed their own marine terminal;
- d. The updates of the transport tariffs are differentiated as follows:
 - i. The domestic transport tariffs were annually updated during 2007-2013, as per the legal regulations in force. During the first 9 months of 2014, the domestic crude transport tariff was the one approved by NAMR within the month of December 2013;
 - ii. The import transport tariffs - Ploiesti basin (Petrobrazl and Lukoil) were not adjusted in the same manner, being frozen at 2010 level.

2. Technical-Investments:

- a. The current pipeline replacement frequency is given by the inline inspection thereof, the damage inspection and the aggressive stance of the attacks, the replacements within the last few years, amounting approximately 392 km in length having been performed on the pipelines with the highest degree of utilization;
- b. The number of technical unprovoked breakages decreased by almost 36% yoy, respectively from 80 during January - September 2013, to 51 recorded at 30.09.2014.

3. The Implemented Management Systems:

- a. As of September 2007, CONPET has implemented, maintained and improved an integrated management system in compliance with the requirements of ISO 9001:2008, ISO 14001:2005 and OHSAS 18001:2008 standards.

4. IT:

- a. The IT system operates on Microsoft infrastructure;



- b. In 2010, CONPET finalized the implementation of the ERP system, platform enabling data exchange in a unified framework, unified interface for development and modernization, high accessibility level, increased productivity by flexible adjustment of the data updates and a large variety of data exchange interfaces.

5. Environment:

- a. CONPET's environment and water management permits are all valid.

6. Legal:

- a. CONPET is involved in a number of 83 trials, out of which, in 18 files CONPET is acting as defendant. Provisions have been made for all litigations where a flow output is likely to occur;
- b. None of these files incurs any risk related to the stability and continuity of the company business.

7. Financial:

The synthesis of the financial results at September 30, 2014 is exposed in the table below,

INDICATORS	30.09.2014	30.09.2013	[%]
Transported volume Tons	4,912,381	4,244,198	115.7
Operating revenues	302,306,146	283,534,901	106.6
Operating expenses	251,245,409	244,872,846	102.6
EBITDA	86,240,223	69,453,149	124.1
Depreciation	35,179,486	30,591,094	115.0
EBIT	51,060,737	38,862,055	131.3
Financial result	7,152,328	8,697,550	82.2
EBT	68,213,065	47,559,606	122.4
Income tax	10,259,314	7,936,231	129.2
Net profit	47,953,751	39,623,374	121.0
No. of shares	8,657,528	8,657,528	100.0
Gross result/share	6,72	5,49	122.4



1. ECONOMIC - FINANCIAL STATEMENT

The financial statements corresponding to January-September 2014 are not being audited and have been prepared in compliance with the International Accounting Standard 34 – "Interim Financial Reporting".

1.1 a) Statement of the Financial Position

	30.09.2014 [Lei]	31.12.2013 [Lei]	[%]
Assets			
Fixed assets			
Tangible assets	400,613,638	413,715,800	96.8
Intangible assets	3,569,195	6,308,341	56.6
Financial investments	679,297	1,020,324	66.6
Total fixed assets	404,862,130	421,044,465	96.2
Current assets			
Inventories	7,338,122	7,404,013	99.1
Trade receivables and other receivables	41,625,272	41,797,973	99.8
Short-term investments	7,600,000	7,080,956	107.3
Cash and cash equivalent	305,625,337	249,494,539	122.1
Prepaid Expenses	290,868	218,445	133.2
TOTAL Current assets	362,479,599	308,995,926	118.4
TOTAL Assets	767,341,729	727,040,391	105.5
Shareholders equity and debts			
Shareholders' Equity			
Share capital, out of which:	28,569,842	145,794,385	19.6
<i>Subscribed share capital</i>	<i>28,569,842</i>	<i>28,569,842</i>	<i>100.0</i>
<i>Inflation adjustments of the share capital</i>	<i>0</i>	<i>117,224,543</i>	<i>0.0</i>
Revaluation reserves	100,735,492	112,473,352	89.5
Legal reserves	5,713,968	5,713,968	100.0
Other reserves	464,777,258	441,436,180	105.2
Retained earnings	45,878,930	(85,961,582)	
Profit/loss for the period	47,953,751	31,297,556	153.2
Total Shareholders' equity	693,629,241	650,753,839	106.5
Long term debts			
Deferred tax liabilities	3,478,973	3,478,973	100.0
Provision for the employee benefits	2,915,898	3,187,830	91.5
Trade liabilities		625,135	0.0
Total long term liabilities	6,394,871	7,291,938	87.7



Trade Liabilities	24,826,997	25,184,565	98.5
Other liabilities	26,407,256	23,217,850	113.7
Short term provisions	15,081,776	19,525,449	77.2
Deferred income	22,624	25,157	89.9
Investment subsidies	978,964	1,041,593	93.9
Total current liabilities	67,317,617	68,994,614	97.6
Total liabilities	73,712,488	76,286,552	96.6
Total shareholder's equity and debts	<u>767,341,729</u>	<u>727,040,391</u>	<u>105.5</u>

Tangible Assets

During 01.01-30.09.2014 the net value of the tangible assets decreased by 13,102,162 Lei (96.83%), amount resulted from:

- increase by 20,517,251 Lei of the tangible assets under the category *Constructions*, constituted from:
 - 31,795,476 Lei the commissioning of certain tangible assets in progress;
 - 91,978 Lei fixed assets disposal;
 - 11,186,247 Lei depreciation corresponding to 01.01.2014 - 30.09.2014.
- diminution by 19,540,066 Lei of the assets under the category *Plant and Machinery and Transport Vehicles*, out of which:
 - 2,186,548 Lei commissioning;
 - 35,001 Lei fixed assets disposal
 - 21,691,613 Lei depreciation corresponding to 01.01.2014 - 30.09.2014.
- diminution by 330,929 Lei of the fixed assets under category *Fixtures and fittings, other tangible assets*, out of which:
 - 198,440 Lei commissioning;
 - 680 Lei fixed assets disposal;
 - 528,689 Lei depreciation corresponding to 01.01.2014 - 30.09.2014.
- diminution by 13,748,418 Lei of the tangible assets in progress, made of:
 - 17,552,375 Lei expenses related to the continuation of already started works in the previous period and launch of new investment works;
 - 31,421,070 Lei, disposal of fixed assets in progress, out of which commissionings amounting 31,300,792 Lei and discard of three investment projects in total amount of 120,277 Lei;
 - 120,277 Lei provisions cancellations related to the three discarded projects.



Inventories

The comparative situation of the inventories for the reporting period is as follows:

	30.09.2014 [Le]	31.12.2013 [Le]
Raw materials and consumables	9,103,091	9,478,611
Adjustments for the asset's impairment: depreciated and slowly moving inventories	(1,764,969)	(2,074,599)
TOTAL	7,338,122	7,404,013

The inventories are made of raw materials, materials, spare parts and other consumables that are to be used to perform the company's core business, as well as of security and intervention inventories intended for the likely technical accidents caused or triggered by natural disasters.

Trade receivables and other receivables

Comparative situation of the receivables for the reporting period, according to seniority and types of receivables, is as follows:

	30.09.2014 [Le]	31.12.2013 [Le]
Clients	37,602,564	39,770,229
Long term receivables < 1 year	7,089	24,089
Adjustments for doubtful receivables	(637,903)	(637,903)
Subtotal trade receivables (net value)	36,971,750	39,156,415
Other receivables	7,108,821	5,191,332
Adjustments for other doubtful receivables	(2,459,713)	(2,554,343)
Subtotal other receivables (net value)	4,649,108	2,636,989
Prepayments	4,413	4,569
Total other short-term receivables	41,625,272	41,797,973

Other long term receivables	562,207	735,524
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Clients' structure per activities is as follows:

	30.09.2014	31.12.2013
Clients - transport activity	36,741,878	38,863,678
Other clients - auxiliary activities	860,686	906,551
Total	37,602,564	39,770,229

The trade receivables are not interest bearer and have 28 days rotation speed.



The main clients holding significant share (97%) in the turnover are: S.C. OMV PETROM S.A., S.C. Petrotel Lukoil S.A., S.C. Rompetrol Rafinare S.A..

The Company's main client, OMV PETROM S.A., holds over 80% of the total receivables, at September 30th 2014.

Other receivables amounting 7,108,821 Lei mainly include amounts receivable from various physical and legal persons with litigations pending before the Courts of Law, non-exigible VAT, unrarried invoices, as well as interest receivable related to under three months maturity deposits.

Adjustment of impairment of doubtful receivables and other doubtful receivables

At the reporting date, the adjustments of impairment of receivables are in total amount of 3,097,616 Lei, being recognized as income during January - September 2014 the amount of 94,630 Lei, following the encashment of certain debts and challenged fines.

The Company Policy is to record adjustment for 100% value loss for the clients under litigation, insolvency, bankruptcy and for other debts related to the constituted legal files or fines falling under challenge procedure.

At the end of 2014 IIIrd Quarter, the Company maintained the impairment adjustments constituted (637,903 Lei) for the doubtful trade receivables corresponding to the debts receivable from the following partners:

- S.C. Biodiesel SRL Comanesti (204,661 Lei);
- S.C. Nec Industrii SRL Bucuresti (340,938 Lei);
- CTF Bucuresti (50,512 Lei);
- S.C. Perfect Metal SRL (7,551 Lei),
- S.C. ICIM S.A. Ploiesti (33,598 Lei)
- S.C. Tobias SRL Constanta (643 Lei).

They refer to the counter value of certain services supplied by the company, these being under litigation with respective beneficiaries and/or penalties calculated for the failure to execute the contracts in due time.

The difference of 2,459,713 Lei represent adjustments for other receivables - debtors legal files pending before the Courts.

Cash and Cash Equivalents

At September 30th 2014 and December 31st 2013, the cash and cash equivalents are as follows:

	30.09.2014	31.12.2013
	[Lei]	[Lei]
Current bank accounts	1,065,519	1,925,214
Bank deposits ≤3 months maturity	304,476,101	247,508,995
Petty cash	10,398	11,460
Other cash equivalents	73,319	48,870
Total	305,625,337	249,494,539

The company manages a modernization and development expenses quota meant to financially sustain the rehabilitation and modernization of the National Crude Oil Pipeline Transport System, amount that is being collected in distinct cash accounts and used for the payment of the modernization works at the assets belonging to the public domain, to create



new assets to be transferred to the public domain following the total depreciation thereof. Hence, at 30.09.2014, the cash corresponding to the modernization quota to be found in the companies accounts amounts 131,513,791 Lei (43% of the overall liquidities).

Short-Term Investments

The short-term financial investments are assets held by the Company in order to reach profit in a period less than one year. They represent > 3 months maturity deposits and interest receivable at due date.

Short-term Investments	30.09.2014 [Lei]	31.12.2013 [Lei]
Bank deposits with maturity > 3 months	7,600,000	7,080,956

Provisions

Provisions for Litigations

The company is involved in litigations with the owners of lands crossed/undercrossed by pipelines belonging to the Crude Oil National Transport System, State public property. By way of their land ownership right, the land owners filed the company in Court, asking the Court to order the payment of damages for lack of land use but also for the impossibility to perform social and commercial building operations. The trials are pending before various Courts on the Romanian territory, with subject-matter and territorial jurisdiction to judge such reasons. Within the first 9 months of 2014, have not been registered other amendments by way of bringing to Court new litigations; consequently, at 30.09.2014, the company registered provisions for litigations in amount of 9,557,944 Lei.

Provisions for Employees' Benefits

Last year were recorded provisions for employees' benefits in total amount of 6,662,928 Lei, out of which: 3,475,098 Lei account for provision for the employees' share of profit and the amount of 3,187,830 Lei represent retirement provision.

The liabilities regarding the employees' share of net profit were paid in full up to 30.09.2014. The provision related to the employees' share of profit in amount of 3,475,098 was recognized as income in 2014.

At September 30th 2014 rest highlighted retirement provisions in amount of 2,915,898 Lei, the difference of 271,932 Lei being cancelled following the retirements taking place during this period.

This provision was calculated according to actuarial methods based on the average wage estimate, the average number of salaries due for payment upon retirement, the estimate for the period when they will be paid and was brought to the current value by making use of a discount factor based on the interest related to certain maximum safety investments. (government bonds).

Other Provisions

At September 30th 2014, the „other provisions” item amounting 5,523,832 is made of:

- 2,608,552 Lei provisions regarding the environment-related expenses;
- 206,424 Lei provisions for not-taken leaves;



- 727,516 Lei provisions for local taxes and fees (litigations);
- 1,981,340 Lei provisions for expenses related to assets in progress (Breaza cardiovascular recovery facility).

1.1 b) The Global Result Statement for the period ended September 30th 2014 is as follows:

	Nine months period ended September 30,2014 (Lei)	Nine months period ended September 30,2013 (Lei)
Revenues		
Sale revenue	281,950,523	257,194,438
Other revenues	20,355,623	28,340,465
Total operating revenues	302,306,146	283,534,901
Expenses		
Expenses for raw materials and consumables	13,381,060	11,946,764
Personnel expenses	72,243,397	71,672,623
Value adjustments on tangible and intangible assets	35,179,486	30,591,095
Value adjustments on current assets	(404,259)	(12,243)
Outside expenses	88,687,284	89,316,516
Other expenses	46,874,046	41,856,824
Provisions adjustments	(4,715,605)	(698,732)
Total operating expenses	251,245,409	244,672,846
Operating profit	51,060,737	38,862,055
Financial Revenues	7,404,996	9,064,764
Financial Expenses	252,668	367,214
Financial Profit	7,152,328	8,697,550
Earnings before tax	58,213,065	47,559,605
Income tax expenses	10,259,314	7,936,231
Profit for the year	47,953,751	39,623,374

The synthesis of the financial statements at 30.09.2014 yoy is exposed here-under:

Indicator	Nine months period ended September 30,2014	Nine months period ended September 30,2013	2014/2013
[Lei]			[%]



Net turnover	281,950,523	257,194,436	109.6
Operating revenues	302,306,146	283,534,901	106.6
Operating expenses	251,245,409	244,672,846	102.6
Gross operating profit	51,060,737	38,862,055	131.3
EBITDA	86,240,223	69,453,149	124.1
Financial Revenues	7,404,996	9,064,764	81.6
Financial Expenses	252,668	367,214	68.8
Gross financial profit	7,152,328	8,697,550	82.2
Total revenues	309,711,142	292,599,665	105.8
Total expenses	251,498,077	245,040,060	102.6
Gross Profit	58,213,065	47,559,605	122.4
Net Profit	47,953,751	39,623,374	121.0

The evolution of the financial results at 30.09.2014, compared to the budgetary provisions:

Indicator	Nine months period ended September 30,2014	Nine months period BVC provision September 30,2014	Execution Rate
[Lei]			[%]
Net turnover	281,950,522	267,073,743	105.5
Operating revenues	302,306,146	289,858,210	104.2
Operating expenses	251,245,409	266,534,210	94.2
Gross operating profit	51,060,737	23,324,000	218.9
EBITDA	86,240,223	56,168,758	153.5
Financial revenues	7,404,996	7,950,000	93.1
Financial expenses	252,668	450,000	56.1
Gross financial profit	7,152,328	7,500,000	95.3
Total revenues	309,711,142	297,808,210	104.0
Total expenses	251,498,077	266,984,210	94.2
Gross profit	58,213,065	30,824,000	188.8
Net profit	47,953,751	26,114,000	183.6

During January 1st – September 30th 2014 the turnover increased by 9.6 % yoy and by 5.5% as compared to budgetary provisions. The 2014 lift was due to an increase of the transport revenues by 5.4% as compared to the Income and Expenditure Budget and by 9.5% yoy.

Within the first 9 months of 2014 the operating expenses increased by 6,573 thousand Lei yoy. The operating expenses growth rate for January-September 2014 was frontloaded by the growth rate of the turnover, by 7% yoy.

The operating profit increased by 12,199 thousand Lei (31.3%) within the first 9 months yoy.

The financial revenues registered a decrease by 545 thousand Lei (6.9%) as compared to the Income and Expenditure Budget (Rom. BVC) and by 1,660 thousand Lei (18.4%) as compared to the first 9 months of 2013, due to the decrease in the interest rate for bank deposits.



INCOME

As compared to the Income and Expenditure Budget (Rom. BVC), in the per segments and activities structure, the total revenues related to operating activities at 30.09.2014 are as follows:

Indicator	Nine months period ended September 30,2014	Nine months period BVC provision September 30,2014	[%]
[Lei]			
Income from transport activity, out of which:			
<i>Transported volume</i>			
<i>Tons</i>	4,912,381	4,182,435	117.5
<i>Lei</i>	280,526,686	266,048,928	105.4
Income from crude transport on the Domestic Subsystem			
<i>Tons</i>	2,982,421	3,015,435	98.9
<i>Lei</i>	237,169,485	237,133,808	100.0
Income from crude transport on the Import Subsystem			
<i>Tons</i>	1,929,951	1,167,000	165.4
<i>Lei</i>	43,357,202	28,915,120	149.9
Rental income	858,698	624,794	137.4
Other revenues	565,137	400,021	141.2
Other operating income, out of which:			
Modernization quota recognized as income	18,897,032	22,298,595	84.7
Income from sale of assets	761,363	223,500	340.6
Other revenues	697,229	262,372	265.7
Total operating revenues	302,306,146	289,858,210	104.3

The operating income registered 4.3% increase as compared to the Income and Expenditure Budget provisions, being influenced by the following factors:

- o The transport revenues increased by 5.4% as compared to the budgetary provisions, being highlighted in the structure, on transport subsystems, as follows:
 - An increase by 0.2% of the revenues generated by the domestic crude transport;
 - An increase by 49.9% of the revenues generated by the import crude transport;
- o Other operating revenues fell by 10.7% as compared to the budgetary provisions, due to the diminution of the income resulting from the recognition as income of the assets depreciation expenses financed out of the modernization quota.

The evolution of the total revenues on operating activities during the reviewed period is as follows:

Indicator	Nine months	Nine months	[%]
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		period ended September 30,2014	period ended September 30,2013	
[Lei]				
Revenues from transport activities, out of which:				
	Tons	4,912,381	4,244,198	115.7
	Lei	280,526,687	256,135,314	109.5
Income from crude transport on the Domestic Subsystem				
	Tons	2,982,421	3,004,818	99.3
	Lei	237,169,485	225,842,222	105.
Income from crude transport on the Import Subsystem				
	Tons	1,929,951	1,239,379	155.7
	Lei	43,357,202	30,293,092	143.1
Rental income		858,698	712,105	120.5
Other revenues		565,137	347,016	162.8
Other operating expenses, out of which:		20,355,624	26,340,466	77.2
Modernization quota recognized as income		18,897,032	21,187,334	89.1
Income from sale of assets		761,363	451,298	168.7
Income from sale of rich gas stocks			1,026,790	0.0
Other revenues		697,229	3,675,044	18.9
Total operating income		302,306,146	283,534,901	106.6

During January - September 2014, as compared to the same period in 2013, the income from transport activities increased by 24,391.4 thousand Lei (9.5%). The 9.5% increase was mainly generated by the upbringing, by 668 thousand tons of the transported quantities, especially on the import subsystem (increase by 558 thousand tons, representing 11,783 thousand Lei), but also by the augmentation of the domestic transport tariff as of December 2013;

The income from core business (crude oil, rich gas and condensate transport services) accounts for the largest share (92.8% within the first nine months of 2014 and 90.3% within the first nine months of 2013) in the total operating expenses of the company.

During the first 9 months of 2014, other operating expenses recorded a diminution by 5,985 thousand Lei (22.8%) yoy, due to the decrease of the revenues recognized as income in modernization quota and to several other revenues incurred by other activities generated by circumstantial situations, namely from the encashment of certain securities for participating in bidding procedures and sale of some quantities from the rich gas stock performed during the first 9 months of 2013.

EXPENSES

As compared to the Income and Expenditure Budget (Rom. BVC), the total operating expenses at 30.09.2014 are as follows:

Indicator	Nine months period ended September 30,2014	Nine months period BVC provision September 30,2014	Execution Rate
[Lei]			[%]



Material expenses, out of which:	5,442,120	6,799,211	80.0
-expenses for consumables	2,823,020	2,608,390	108.2
-Fuel expenses	2,138,396	2,346,000	91.2
Other outside expenses (with energy and water)	7,938,941	8,266,000	96.0
Personnel expenses, out of which:	72,243,397	76,862,462	94.0
-Salary expenses	49,205,418	50,428,550	97.6
-Expenses related to the social security insurance contributions and other legal requirements	14,896,573	17,762,964	83.9
-Other personnel expenses	8,141,405	8,670,938	93.9
Tangible and intangible assets depreciation related expenses	35,179,486	32,844,758	107.1
-Outside services expenses, out of which:	88,687,284	99,607,047	89.0
-Maintenance (Maintenance, current and capital repairs) expenses	1,930,675	6,460,500	29.9
-Crude oil rail transport expenses	59,564,281	62,186,156	95.8
-Decontamination expenses	1,031,388	3,040,000	33.9
- Royalties	21,252,866	19,762,371	107.5
-other third party services	4,908,075	8,158,020	60.2
Provisions adjustments	-4,715,605	-3,902,597	
Other operating expenses, out of which:	46,469,787	46,057,339	100.9
-modernization quota expenses	43,357,022	41,284,189	105.1
Total operating expenses	251,245,409	266,534,210	94.2

The trend of the total operating activities at 30.09.2014 as opposed to the same period last year, is as follows:

Indicator	Nine months period ended September 30,2014	Nine months period ended September 30,2013	Execution Rate
[Lei]			[%]
Material expenses, out of which:	5,442,120	4,338,110	125.4
-expenses for consumables	2,823,020	2,326,848	121.3
-Fuel expenses	2,138,396	2,011,262	106.3
Other outside expenses (with energy and water)	7,938,941	7,608,654	104.3
Personnel expenses, out of which:	72,243,397	71,672,623	100.8
-Salary expenses	49,205,418	48,480,286	101.5
-Expenses related to the social security insurance contributions and other legal requirements	14,896,573	14,741,461	101.1
-Other personnel expenses	8,141,405	8,450,876	96.3
Tangible and intangible assets depreciation related expenses	35,179,486	30,591,095	115.0
-Outside services expenses, out of which:	88,687,284	89,316,516	99.3
-Maintenance (Maintenance, current and capital repairs) expenses	1,930,675	3,440,985	56.1
-Crude oil rail transport expenses	59,564,281	60,863,364	97.9
-Decontamination expenses	1,031,388	738,711	139.6
- Royalties	21,252,866	12,511,135	169.9



-other third party services	4,908,075	11,762,322	41.7
Provisions adjustments	-4,715,605	-698,732	674.9
Other operating expenses, out of which:	46,469,787	41,844,580	111.1
-modernization quota expenses	43,357,022	39,697,342	109.2
Total operating expenses	251,245,409	244,672,846	102.6

The operating expenses incurred during 01.01 - 30.09.2014 are in amount of 251.25 million Lei, representing 94.2% out of the approved budget.

Furthermore, the budgeted figures have been overrun by the fixed assets depreciation expenses resulted from the tangible assets revaluation, by the royalties and the modernization quota on exceeding the transport incurred income, accounting for the base for these expenses.

The value of the operating expenses grew by 2.6 at 30.09.2014 as compared to 30.09.2013, on account of the fixed assets depreciation expenses, resulted from the tangible assets revaluation, of the royalties and the modernization quota on exceeding the transport incurred income, accounting for the base for these expenses.

The value of the fuel and energy expenses grew by 6.3%, respectively 4.3%, in 2014 vs. 2013, due to the augmentation of the procurement costs.

c) Economic-Financial Indicators

Financial Indicators	30.09.2014	30.09.2013
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Profitability Indicators		
Sale gross margin	20.65	18.49
Sale net margin	17.01	15.41
Operating profit margin (EBIT %)	18.11	15.11
Profit margin (EBITDA %)	30.59	27.00
	30.09.2014	31.12.2013
Return on Equity (ROE)	6.91	4.81
Return on Assets (ROA)	6.25	4.30

Liquidity Indicators	30.09.2014	31.12.2013
Current liquidity - in no. of times	7.07	6.32
Quick liquidity - in no. of times	6.93	6.16

Activity (management) Indicators	30.09.2014	31.12.2013
Inventories turnover (in number of days)	641	499
Inventories turnover speed (number of times)	0.43	0.73



Rotation speed of the clients' debts (days)	28	30
Rotation duration of the clients' debts (no. of times)	9.88	5.96
Rotation speed of the credits purveyors (days)	21	15
Rotation speed of the credits purveyors (no. of times)	13.05	12.4

Degree of Indebtness Indicators	30.09.2014	31.12.2013
Degree of Indebtness Indicator (Borrowed Capital/Equity)	0.00	0.00
(2) Degree of Indebtness Indicator (Borrowed Capital/Invested Capital)	0.00	0.00

Profitability Indicators

EBITDA margin grew from 27% to 30.59% following the increase of the operating profit by 31.3%.

Liquidity Indicators

The current liquidity indicator guarantees the coverage of the current liabilities by the current assets, which are usually liquid and can be easily enforced against, close to their book value.

The current liquidity calculated at 30.09.2014 exceeded by 5.07 the acceptable value 2.

Activity Indicators

The rotation speed of clients' debts conveys the company efficiency in collecting its claims and represents the number of days up to the date when the debtors will have paid off their debts to the company. The value obtained up to 30.09.2014 is approx. 28 days (medium balance of the clients' trade liabilities/turnover * no. of days).

2. COMPANY BUSINESS ANALYSIS

2.1. Capital Expenditure

COMPET investment projects are, first of all, aiming at increasing the efficiency of the transport activity.

The investments are financed from own sources that are being represented by: the modernization quota (for the modernization of the assets from public domain and new investments); depreciation and amounts out of profit intended for investments.

The summary of the investment objectives achieved during the first 9 months of 2014, by types of works and ownership of assets, as compared to the programme for the same period and 2014 total is as follows:

Crt. No.	Name of the objectives	Programmed 2014	Cumulative 9 months		Crt. No. %
			Programmed	Achieved	
	Total general, out of which:	50,000	32,024	19,836	62%
I.	PUBLIC DOMAIN	44,519	28,056	17,181	61%
1.	Pipeline rehabilitation, out of which:	27,450	18,857	11,556	61%



1.1	Pipeline replacement	21,014	16,067	9,734	61%
1.2	Safe Disposal	6,436	2,790	1,822	65%
2	Modernization and monitoring of the cathodic protection system at central and sectoral level, related to Ticleni-Ploiesti, F1 and F2 crude oil transport pipelines	755	667	329	49%
3	Modernization and monitoring of the cathodic protection system related to the domestic and import National Transport System	230	0	0,00	-
4	Pilot system for detection and location of product leaks from the crude oil major pipelines system Videle-Cartojani - Ploiesti	4,111	0	0,00	-
5	Technical Consultancy and Assistance	50	0	0,00	-
6	Other investment objectives	11,923	8,532	5,296	62%
II	OPERATING AREA	5,481	3,968	2,655	67%
	Investment objectives, out of which:	4,091	2,938	1,896	65%
a)	<i>ONGOING WORKS</i> (pipeline rehabilitation, water feeding etc)	1,835	1,655	1,250	76%
b)	NEW WORKS, out of which:	2,256	1,283	646	50%
	Independent Equipment and Facilities	1,390	1,030	759	74%

The investments performed at 30.09.2014 amounted 19,836 thousand Lei, out of which, by financing sources:

- Other sources (modernization quota) – 16,087 thousand Lei;
- Own sources (profit) - 3,749 thousand Lei.

The investment programme targeted:

- The continuation of works for the rehabilitation of the major pipelines for crude oil and rich gas transport;
- Investment works on the installations, equipment and ancillary facilities related to the national transport system;

The commissionings performed during the first 9 months of 2014 amounted 34,180 thousand Lei, out of which, by financing sources:

- 31,330 thousand Lei from other sources - modernization quota;
- 2,850 thousand Lei from own sources - profit;

Investment objectives finalised and commissioned:

- Replacement crude pipeline Ø 10 3/4" Madulari-Botorani, DN 67 Dragasani-Tg. Jiu area, Maciuca locality, Valcea county;



- Relocation of the transformer and distribution post for Orlesti station;
- Replacement pipelines Ø 12 3/4" si 14 3/4" Arges river crossing, pipeline replacement (in protective tube);
- Replacement crude pipeline Ø 24" Constanta - Midia in the areas: Fantanele street deviation, Cardinal-Petrotrans, Ovidiu variant, milestone 31;
- Upgrade PSI Fire Prevention installation, Salonta ramp;
- Safe disposal works Arges river crossing, Cateasca area, Arges county;
- Replacement crude pipeline Ø 8 5/8" Oprisenesti-Ciresu, in Oprisenesti warehouse area;
- Replacement crude pipeline Ø 4+8 1/2", Comanesti-Vermesti station, in Comanesti station area – Trotus crossing;
- Water Softener Station CT Barbatesti;
- Water Softener Station CT Orlesti;
- Turnstile access control system, IInd headquarter;
- Locomotive LDH 81-0834-2 Ciresu ramp;
- Crude oil pipeline replacement Ø 14" Constanta-Baraganu, in Valea Dermegiului area;
- Crude oil pipeline replacement Ø 5 9/16" Ghelinta station- Imeci ramp, Imeni village area- Ghelinta Agricultural Production Cooperative (Rom. CAP);
- Rich gas pipeline replacement F1 Ø 6 5/8" Ticleni-Ploiesti in Artaroasa II area, Ciobani site, Morunglav locality, Olt county;
- Crude oil pipeline replacement Ø 6 5/8" F1 Satchinez-Biled, in Biled area, Timis county;
- Crude oil pipeline replacement 4" Petreu warehouse-Marghita ramp, Marghita ramp area;
- Replacement crude oil major pipeline Ø 10 3/4" Radinesti-Orlesti, UM Botorani area - downstream Ciobani work site;
- Replacement crude oil pipeline Ø 10 3/4" Icoana-Cartojani, in Bucov forest area, Slobozia Trasnitu commune, Arges county;
- Inline inspection 10 3/4" F1 Barbatesti-Ploiesti + F2 Radinesti-Ploiesti;
- Locomotive LDH 81-0803-7 Barbatesti ramp;

The 62% achievement of the investment programme foreseen for the first 9 months of 2014 was mainly due to the difficulties the company had to face along the awaiting of licenses, owners' agreements and building permits.

2.2. Elements bearing Impact over Income

Tariff Evolution

The transport tariffs related to the national crude oil, rich gas, and ethane pipeline transport network are being set upon the Order issued by the President of the National Agency for Mineral Resources and enter into force at their publishing in the Official Gazette of Romania. The methodology for setting the tariffs for the crude oil transport by the National crude oil, rich gas, and ethane pipeline transport network is being regulated by NAMR pursuant to Order no. 53/2008 related to the approval of the instructions regarding the criteria, methodology and procedure for setting the tariffs for the transport of crude oil, rich gas, condensate and liquid ethane through the national transport system.

The transport tariff is differentiated per transport subsystems, on domestic tariff and import tariff.



The tariffs approved by the National Agency for Mineral Resources for the servicing of domestic crude oil, rich gas and condensate transport, corresponding to 01.01.2013-30.09.2014 are as follows:

**Average tariff for the
transport on the domestic
subsystem**

-Lei/ton-

- Order no.199/2013 for the period 11.12.2013 - to date **78.64**

The tariffs related to the imported crude oil transport are those set by the NAMR pursuant to the Order no. 13/14.01.2010. The tariffs are being charged differently, per refineries, per transported quantities interval, being applied the tariff bracket system.

2.3. Shareholding Structure

The shareholding structure as per Shareholders' Registry at reference date 10.10.2014 is the following:

Componence	No. of Shares	Stake	SHARE CAPITAL (LEI)
The Romanian State by the Ministry of Economy	5 083 372	58.7162 %	16 775 127.6
Fondul Proprietatea S.A.	2 571 481	29.7020 %	8 485 821.3
Legal persons	392 598	4.5347%	1 295 558.6
Natural persons	810 099	7.0470%	2 013 336.9
TOTAL	8 657 528	100.0000 %	28 569 842.4

Number of shareholders: 11,241

3. CHANGES AFFECTING THE COMPANY EQUITY AND ADMINISTRATION

3.1. Cases of Non-compliance with the Financial Obligations

Not applicable

3.2. Changes in the Shareholders' Rights

Not applicable

3.3. Other Amendments In the Company

3.3.1. Organization Chart

As per BOA Decision no. 12/24.07.2014 was approved the new organization chart starting 01.09.2014.

The organizational changes targeted:

- *The transformation of the "Corporate Management Department" into the "Corporate*



Management Direction" and of the "Critical Infrastructures Protection Department" into the "Critical Infrastructures Protection Direction".

The transformation of the two departments, subordinated to the General Director, into directions, aimed at enhancing importance and authority thereof inside and outside the organization, particularly in relation to the inspection/control authorities.

At the same time, these two directions together with the Operations Direction and Economic Direction form the Executive Steering Committee, exercising equal decision-taking powers within the company, which throughout 2014-2017 mandate, will deal directly with the fulfillment of the strategic objectives disclosed in S.C. CONPET S.A. administration plan - by way of implementation of the actions and measures set by the General Director in the Management Plan.

All the same, the following changes took place:

- > *The transformation of the "Shareholders and Investors Relations Bureau" into "Investor and Capital Market Relations Service", subordinated to the Corporate Management Direction.*
- > *The transformation of the "Strategy and European Funds Bureau" into the "Strategy and European Funds Service", subordinated to the Corporate Management Direction.*
- > *The transformation of the "Permits/Endorsements Bureau subordinated to the Pipelines Integrity Service (The Maintenance Department) subordinated to the Critical Infrastructures Protection Direction and transformation thereof into "Permits/Endorsements Service".*

In compliance with the organizational structure of the company at 30.09.2014, approved pursuant to the BOA Decision no. 12, the executive management of S.C. CONPET S.A. had the following compeence:

Ilași Liviu	General Director
Ionescu Gheorghe	Operations Director
Toader Sanda	Economic Director
Niculăe Daniel	Manager of the Department for Protection of the Critical Infrastructures
Varlan Alexandru	Manager of the Corporate Management Department

3.3.2. Norms Regarding the Goods, Works and Services Procurement Procedures

Up to 05.06.2014, S.C. CONPET S.A. has observed the provisions of E.G.O. 34/2006 and G.D. 925/2006 regarding the public procurement. Starting 06.06.2014, the procurements within the company have been performed in compliance with the provisions of the "Internal Procedural Norms of Procurement", drafted pursuant to Order no. 14/09.01.2014 issued by the Minister delegate for Energy, corroborated with the provisions of Article 16, ldx 1 of E.G.O. no.34/2006 regarding the awarding of the public procurement contracts, public works concession contracts, service concession contracts, further amendments and additions. The internal procedural norms of procurement observe the principles stipulated by E.G.O. 34/2006, namely the non-discrimination, equal treatment, transparency, proportionality and mutual recognition principles invoked by E.G.O. 34/2006 and G.D. 925/2006 and have been approved by CONPET Ordinary General Meeting of Shareholders dated 29.04.2014.



4. PRESENTATION OF THE FINANCIAL STATEMENTS

The Interim financial Statements corresponding to 01.01.2014-30.09.2014 are not being audited and have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Chairman of the Board of Administration

Dan Weiler
S.s. Illegible
Stamp

General Director
Liviu Iliasi
S.s. Illegible

Economic Director
Sanda Toader
S.s. Illegible

