



## **CONPET S.A.**

str. Anul 1848 nr. 1-3, Ploiești, 100559, Prahova, România  
Tel: +40-244-401360; fax: + 40 – 244 – 516451  
e-mail: conpet@conpet.ro; web: www.conpet.ro  
CUI: 1350020; Cod CAEN 4950; Înregistrată la Registrul  
Comerțului Prahova sub numărul J29/6/22.01.1991  
Capital social subscris și vărsat 28 569 842,40 lei



# **QUARTERLY REPORT**

**ON THE ECONOMIC-FINANCIAL ACTIVITY OF CONPET S.A.**

**FOR THE PERIOD ENDED September 30, 2016**

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## REPORT AND ISSUER IDENTIFICATION DATA

Quarterly report as per:	Law no. 297/2004 regarding the capital market and CNVM Regulation no. 1/2006 regarding the issuers and the securities operations
Report Date	14.11.2016
Issuer's Name	CONPET S.A.
Registered offices	No, 1-3, Anul 1848 Street, Ploiești, Prahova County, Zip Code 100559
Telephone/facsimile	+40-244 401360 / +40-244 516451
E-mail / Internet	<a href="mailto:conpet@conpet.ro">conpet@conpet.ro</a> / <a href="http://www.conpet.ro">www.conpet.ro</a>
Sole Registration Number,	1350020
Trade Registry Number	J29/6/22.01.1991
The regulated market trading the issued securities	Bucharest Stock Exchange, category Premium
Subscribed and 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	661,435,139 RON (76.40 RON/share at 30.09.2016)
Accounting standard applied	International Accounting Standard 34 - „Interim Financial Reporting”
Auditing	Simplified Interim Financial Statements concluded at 30.09.2015 have not been audited

**Economic-Financial Statement**

The evolution of the main indicators for the company, within the 9 months period concluded on the 30<sup>th</sup> of September 2016, in relation to the budget and the same period of the previous year, is presented as follows:

Indicators	Achieved 9 months 2016	Budgeted 9 months 2016	Achieved / Budgeted 9 months 2016 [▲/▼%]	Achieved 9 months 2015	Achieved 9 months 2016/2015 [▲/▼%]
<b>PERFORMANCE INDICATORS BOA/Director General</b>					
EBITDA ( <i>million RON</i> )	96.24	90.29	▲6.6%	94.28	▲2.1%
Operating expenses (%Turnover)	84.93%	88.91%	▼4.5%	87.68%	▼3.1%
Productivity (thousand RON/employee)	183	177	▲3.4 %	180	▲1.7%
Number of technical failures	20	40	▼50.0%	35	▼42.9%
Number of broker reports	9	2		6	
BSE position - capitalization	15	25		17	
<b>OPERATIONAL INDICATORS</b>					
Total transported quantities ( <i>thousand tons</i> )	5.234.722	4.995.323	▲4.8%	5.296.983	▼1.2%
Operating costs/ ton ( <i>RON/ton</i> )	45.89	49.41	▼7.1%	47.29	▼3.0%
<b>FINANCIAL INDICATORS</b>					
Total operating revenues ( <i>million RON</i> )	305.43	302.04	▲1.1%	308.46	▼1.0%
Operating expenses ( <i>million RON</i> )	240.22	246.82	▼2.7%	250.48	▼4.1%
Operating profit margin (% operating income)	21.35	18.28	▲16.8%	18.80	▲13.6%
<b>INVESTMENT PLAN MONITORING INDICATORS</b>					
<b>Investments</b> – total ( <i>million RON</i> ), of which:	34.65	38.68	▼10.4%	23.43	▲47.9%
Investments - public ( <i>million RON</i> )	29.88	30.01	▼0.4%	16.59	▲80.1%
Investments - operator ( <i>million RON</i> )	4.77	8.66	▼45.0%	6.84	▼30.3%

The financial statements related to the period January - September 2016 are not audited and have been prepared in compliance with the International Accounting Standard 34 - "Interim Financial Reporting".

**Statement of the Financial Standing on September 30, 2016**

(Thousand RON)	September 30, 2016 (not- audited)	December 31, 2015 (audited)	[▲/▼%]
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	401,089	398,698	▲0.6%
Intangible assets	2,029	2,852	▼28.9%
Financial assets	340	306	▲11.1%
<b>Total</b>	<b>403,458</b>	<b>401,856</b>	<b>▲0.4%</b>
<b>Circulating assets</b>			
Inventories	8,424	8,189	▲2.9%
Trade receivables and other receivables	39,790	42,204	▼5.7%
Short-term investments	162,576	256,149	▼36.5%
Cash and cash equivalents	222,905	124,121	▲79.6%
Non-current assets held for sale	3,031	3,031	-
Deferred expenses	805	231	▲248.5%
<b>Total</b>	<b>437,531</b>	<b>433,925</b>	<b>▲0.8%</b>
<b>TOTAL ASSETS</b>	<b>840,989</b>	<b>835,781</b>	<b>▲0.6</b>
<b>Shareholders' equity</b>			
Share capital	28,570	28,570	-
Revaluation Reserves	86,900	93,604	▼7.2%
Legal reserves and other reserves	527,153	506,833	▲4.1%
Retained Earnings	79,055	72,316	▲9.3%
Result of the year	56,735	63,199	▼10.2%
<b>Total</b>	<b>778,413</b>	<b>764,522</b>	<b>▲1.8%</b>
<b>Long-term debts</b>			
Long-term commercial debts	702	714	▼1.7%
Provision for employee benefits	3,593	3,720	▼3.4%
Net debt regarding the deferred corporate tax	1,123	96	
<b>Total</b>	<b>5,418</b>	<b>4,530</b>	<b>▲19.6%</b>
<b>Short-term debts</b>			
Commercial debts	18,233	20,043	▼9.0%
Other debts	28,425	26,047	▲9.1%
Short-term provisions	9,336	19,340	▼51.7%
<b>Total</b>	<b>55,994</b>	<b>65,430</b>	<b>▼14.4%</b>
<b>TOTAL DEBTS</b>	<b>61,412</b>	<b>69,960</b>	<b>▼12.2%</b>

<b>Deferred revenues</b>			
Investment subsidies	1,148	1,281	▼10.4%
Deferred revenues	16	18	▼11.1%
<b>Total</b>	<b>1,164</b>	<b>1,299</b>	<b>▼10.4%</b>
<b>EQUITY CAPITAL AND DEBTS</b>	<b>840,989</b>	<b>835,781</b>	<b>▲0.6%</b>

### Non-current assets

The non-current assets recorded an increase by 1,602 thousand RON (0.4%) on 30.09.2016, as compared to December 31, 2015 mainly in the context of an investment volume higher than the depreciation of fixed assets.

The commissionings made during 01.01.2016 - 30.09.2016 amounted to 25,256 thousand RON.

### Circulating assets

On September 30, 2016, the circulating assets recorded an increase by approximately 1% as compared to December 31, 2015, from 433,925 kRON to 437,531 kRON, mainly caused by the 5,211 thousand RON increase in cash availabilities, while the value of the receivables decreased by 2,414 kRON (5.7%).

The inventories recorded 2.9% increase compared to 31.12.2015 due to the recognition as inventory of the tubular material (pipe) resulted from the pipes disassembly and replacement works.

The receivables decreased by 5.7% due to the diminution of the VAT rate from 24% (2015) to 20% (starting January 2016) and the proceeds of other receivables.

### Long-term Debts

The long-term debts recorded 888 thousand RON (19.6%) increase compared to the end of 2015, determined by the increase of the net debt by the deferred corporate tax. The reversal of the provisions for which, late 2015, was acknowledged the receivable from deferred tax, triggered the decrease thereof and also the diminution of the net debt regarding the deferred corporate tax.

### Short-term Debts

On September 30, 2016, the short-term debts recorded 14.4% decrease as compared to December 31, 2015, due to the reversal of the short-term provisions amounting to 10,004 thousand RON, as follows:

- 5,566 kRON representing employees' share of profit on 31.12.2015, the amount being paid in May 2016;
- 787 kRON variable allowances of the executive and non-executive administrators (in amount of 787 kRON), reversed following the settlement of these obligations in May 2016;

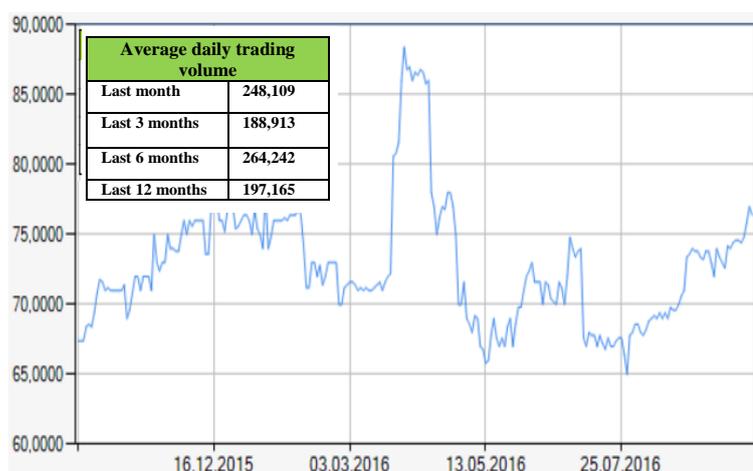
- 1,764 kRON representing expenses with the demolition of Breaza cardiovascular Recovery Base, approved in the meeting held on 14.03.2013, reversed following the performance of certain demolition works and registration of the related expenses.

### Equity Capital

On September 30, 2016, the equity capitals recorded 1.8% increase (13,891 kRON) determined by the changes related to the following elements:

- Capital diminution by 2015 net profit distributed to dividends (63,199 kRON);
- increase of the reserves representing modernization quota - 20,320 kRON;
- net profit earned in 2016 9 months - 56,735 kRON.

### COTE Share Performance



Issue Info	
Total number of shares	8,657,528
Nominal value (RON/share)	3.30
Share capital (RON)	28,569,842.40
Total 52 weeks	
No. of trades	7,780
Traded Volume	766,684
Traded value (RON)	55,036,822
52 weeks high	90.00
52 weeks low	64.80
Stock market Indicators	
Market cap.(RON)	661,435,139
PER	10.47
P/BV	0.87
EPS	7.30
DIVY	9.55
Dividend (2015)(RON/share)	7.29

### COTE share performance vs. market indices where it is included (%)



Price Statistics	
% 1 month	3.5%
% 3 months	3.5%
% 6 months	-11.9%
% vs BET 1 month	4.4%
% vs BET 3 months	-3.4%
% vs BET 6 months	-15.4%
% YDT	-0.7%
% YOY	13.3%

During 01.01.2016 - 30.09.2016 have been issued 9 analysis reports by the following brokerage companies: Swiss Capital S.A. - 7 reports on 20.01.2016; 05.02.2016; 10.05.2016; 13.05.2016, 08.08.2016; 17.08.2016; 31.08.2016; Wood&Company -1 report, on 10.02.2016 and Raiffeisen Bank-1 report on 15.03.2016.

On 21.06.2016, Bucharest Stock Exchange launched the White Paper on communication of the listed companies, which is the result of an internal study conducted by the BSE for the evaluation of the information submitted by the companies listed on the Regulated Market Bucharest Stock Exchange, by their corporate websites. As per the analysis, CONPET S.A. ranked 9, out of a total of 83 companies.

In the meeting held on 05.10.2016, Bucharest Stock Exchange approved the amendment of the BSE index manuals, being introduced new rules for BET and BET-TR indexes and a *Watchlist* (list of eligible companies). As per the new regulations, the two indices reflect the performance of the most traded companies listed on the BSE and observe the highest investor relations and corporate governance standards. On 06.10.2016, the BSE made public that in the list of eligible companies is also included the company CONPET S.A..

## **Dividends**

The Ordinary General Meeting of Shareholders decided, during the meeting dated April 28, 2016, the distribution of a gross dividend per share, related to 2015, in amount of 7,2998881436 RON/actiune.

The dividend was calculated in compliance with the provisions of the applicable laws on profit distribution in majority state-owned companies, based on a distribution rate of 93.3%.

Total dividend to be distributed:	63,198,986 RON
Dividend per share:	7.2998881436 RON
Date ex-dividend:	July 5, 2016
Date of payment:	July 21, 2016

The dividends payment related to 2015 was made via Depozitarul Central as of 21.07.2016, to the shareholders registered in the Shareholders' Registry at the registration date 06.07.2016 (ex-date 05.07.2016).

Until 30.09.2016, the payment agent paid the dividends in amount of 59,102 thousand RON, out of the total dividends to be paid amounting to 63,199 thousand RON. The tax on dividends/revenues of the non-residents withheld and paid to the State Budget was in amount of 1,254 thousand RON.

## The Profit and Loss Account

Thousand RON	9 months period ended 30.09.2016 (not- audited)	9 months period ended 30.09.2015 (not- audited)	9 months 2016/2015 [▲/▼%]	Q3 2016	Q3 2015	Q3 2016/2015 [▲/▼%]
Transported quantities (thousand tons)	<b>5,235</b>	<b>5,297</b>	▼1.2%	<b>1,765</b>	<b>1,880</b>	▼6.1%
Turnover revenues	282,842	285,664	▼1.0%	95,361	97,188	▼2%
Other revenues	22,583	22,791	▼0.9%	7,810	8,024	▼3%
<b>Total venituri din exploatare</b>	<b>305,425</b>	<b>308,455</b>	▼1.0%	<b>103,171</b>	<b>105,212</b>	▼2%
Inventories and other outside expenses	11,511	12,977	▼11.3%	3,426	3,300	▲4%
Personnel expenses	83,251	79,038	▲5.3%	27,339	26,022	▲5%
Value adjustments on tangible and intangible assets	31,035	36,297	▼14.5%	10,712	12,125	▼12%
Value adjustments on circulating assets	(91)	(563)	▼83.8%	(41)	(148)	▼72%
Third-party expenses	77,917	81,197	▼4.0%	26,193	27,390	▼4%
Other expenses	46,724	49,327	▼5.3%	14,204	17,900	▼21%
Provisions adjustments	(10,130)	(7,796)	▲29.9%	(1,065)	(974)	9%
<b>Total operating expenses</b>	<b>240,217</b>	<b>250,477</b>	▼4.1%	<b>80,768</b>	<b>85,615</b>	▼6%
<b>Operating profit</b>	<b>65,208</b>	<b>57,978</b>	▲12.5%	<b>22,403</b>	<b>19,597</b>	▲14%
Financial Revenues	2,775	4,543	▼38.9%	895	1,240	▼28%
Financial expenses	74	5		18	4	
<b>Financial profit</b>	<b>2,701</b>	<b>4,538</b>	▼40.5%	<b>877</b>	<b>1,236</b>	▼29%
<b>Earnings before tax</b>	<b>67,909</b>	<b>62,516</b>	▲8.6%	<b>23,280</b>	<b>20,833</b>	▲12%
Corporate tax expense	10,112	10,506	▼3.8%	3,590	3,900	▼8%
Deferred tax expense on the reversal of the temporary differences	1,062	-		-	-	
<b>Corporate tax</b>	<b>11,174</b>	<b>10,506</b>	▲6.4%	<b>3,590</b>	<b>3,900</b>	▼8%
<b>Profit for the year</b>	<b>56,735</b>	<b>52,010</b>	▲9.1%	<b>19,690</b>	<b>16,933</b>	▲16%

The main economic-financial indicators achieved during the 9 months period ended 30.09.2016, as compared to the Revenues and Expenditure Budget (Budget) for the same period, are exposed in the table below:

Indicators (thousand RON)	Achieved 9 months 2016	Budgeted 9 months 2016	[▲/▼%]
<b>Net turnover</b>	<b>282,842</b>	<b>277,609</b>	<b>▲ 1.9%</b>
Operating revenues	305,425	302,045	▲ 1.1%
Operating expenses	240,218	246,822	▼ 2.7%
<b>EBITDA</b>	<b>96,243</b>	<b>90,289</b>	<b>▲ 6.6%</b>
<b>Depreciation</b>	<b>31,035</b>	<b>35,066</b>	<b>▼ 11.5%</b>
<b>Operating profit</b>	<b>65,208</b>	<b>55,223</b>	<b>▲ 18.1%</b>
<b>Financial profit</b>	<b>2,701</b>	<b>2,425</b>	<b>▲ 11.4%</b>
Total revenues	308,200	304,530	▲ 1.2%
Total expenses	240,291	246,882	▼ 2.7%
<b>EBT (Gross profit)</b>	<b>67,909</b>	<b>57,648</b>	<b>▲ 17.8%</b>
Corporate tax	11,174	8,144	▲ 37.2%
<b>Net profit</b>	<b>56,735</b>	<b>49,504</b>	<b>▲ 14.6%</b>

The evolution of these indicators vs. 9 months 2015 is as follows:

Indicators (thousand RON)	Achieved 9 months 2016	Achieved 9 months 2015	[▲/▼%]
<b>Net turnover</b>	<b>282,842</b>	<b>285,664</b>	<b>▼ 1.0%</b>
Operating revenues	305,425	308,455	▼ 1.0%
Operating expenses	240,218	250,477	▼ 4.1%
<b>EBITDA</b>	<b>96,243</b>	<b>94,276</b>	<b>▲ 2.1%</b>
<b>Depreciation</b>	<b>31,035</b>	<b>36,297</b>	<b>▼ 14.5%</b>
<b>Operating profit</b>	<b>65,208</b>	<b>57,978</b>	<b>▲ 12.5%</b>
<b>Financial profit</b>	<b>2,701</b>	<b>4,538</b>	<b>▼ 40.5%</b>
Total revenues	308,200	312,998	▼ 1.5%
Total expenses	240,291	250,482	▼ 4.1%
<b>EBT (Gross profit)</b>	<b>67,909</b>	<b>62,516</b>	<b>▲ 8.6%</b>
Corporate tax	11,174	10,506	▲ 6.4%
<b>Net profit</b>	<b>56,735</b>	<b>52,010</b>	<b>▲ 9.1%</b>

The turnover records 1.9% increase as compared to the budget provisions, but a slightly decrease, by 1% vs. 9 months 2015, triggered by the decrease of the quantities contracted for the transport on the domestic sub-system.

**Operating Results****Operating revenues**

As compared to the budgetary provisions, the transported quantities and the achieved revenues look as follows:

Indicators (thousand RON)	Achieved 9 months, 2016	Budgeted 9 months, 2016	[▲/▼%]
<b>Transport services</b>			
<b>Transported quantities - tons, o/w:</b>	<b>5,235</b>	<b>4,995</b>	<b>▲4.8%</b>
<i>Domestic subsystem – tons</i>	2,783	2,765	▲0.6%
<i>Import subsystem - tons</i>	2,452	2,230	▲9.9%
<b>Transport revenues - RON, o/w:</b>	<b>281,450</b>	<b>275,868</b>	<b>▲2.0%</b>
<i>Domestic subsystem</i>	223,753	221,202	▲1.2%
<i>Import subsystem</i>	57,697	54,666	▲5.5%
<b>Other operating revenues, o/w:</b>	<b>23,975</b>	<b>26,177</b>	<b>▼8.4%</b>
Rents	909	1,144	▼20.5%
Other revenues related to the turnover	482	597	▼19.2%
<b>Other operating revenues, o/w:</b>	<b>22,584</b>	<b>24,436</b>	<b>▼7.6%</b>
- Reversal of the depreciation of fixed assets financed from the modernization quota	20,215	21,990	▼8.0%
- Revenues from sale of assets	1,405	1,760	▼20.2%
- Other revenues	964	686	▲40.5%
<b>Total operating revenues</b>	<b>305,425</b>	<b>302,045</b>	<b>▲1.1%</b>

The evolution of the quantities and revenues achieved, as compared to the same period of the previous year, is as follows:

Indicators (thousand RON)	Achieved 9 months, 2016	Achieved 9 months, 2015	[▲/▼%]
<b>Transport services</b>			
<b>Transported quantities - tons, o/w:</b>	<b>5,235</b>	<b>5,297</b>	<b>▼1.2%</b>
<i>Domestic subsystem – tons</i>	2,783	2,936	▼5.2%
<i>Import subsystem - tons</i>	2,452	2,361	▲3.8%
<b>Transport revenues - RON, o/w:</b>	<b>281,450</b>	<b>283,793</b>	<b>▼0.8%</b>
<i>Domestic subsystem</i>	223,753	232,554	▼3.8%
<i>Import subsystem</i>	57,697	51,239	▲12.6%
<b>Other operating revenues, o/w:</b>	<b>23,975</b>	<b>24,662</b>	<b>▼2.8%</b>
Rents	909	1,148	▼20.8%
Other revenues related to the turnover	482	723	▼33.3%
<b>Other operating revenues, o/w:</b>	<b>22,584</b>	<b>22,791</b>	<b>▼0.9%</b>

- Reversal of the depreciation of fixed assets financed from the modernization quota	20,215	21,549	▼6.2%
- Revenues from sale of assets	1,405	401	▲250.1%
- Other revenues	964	841	14.6%
<b>Total operating revenues</b>	<b>305,425</b>	<b>308,455</b>	<b>▼0.9%</b>

### Transport Tariffs

The tariffs practiced by the company for the transport of crude oil, rich gas and condensate through the National Transport System are regulated tariffs and are being established by means of cost-plus method, methodology approved under the Order no.53/2008 of the National Agency for Mineral Resources.

The transport tariffs are distinct on the two transport subsystems, domestic and import, and reveal the followings:

*Average rate for the transport service through the Domestic sub-system*

-RON/ton-

- ✓ Order no.199/2013 for 11.12.2013-08.02.2016 **78.64**
- ✓ Order no.32/2016 for 09.02.2016- to date **79.75**

*The rates related to the Import sub-system transport activity* are those approved by NAMR Order. No. 32/02.02.2016, starting 09.02.2016. The rates apply to refineries, per ranges of transported quantities, based on tariff bands, as follows:

Quant. (ton)	Arpechim	Ploiești Basin	Petromidia
0 – 100 000	38,85	38,00	8.00
>100 000	16,60	16,00	7.33

### Quantities of transported products billed at 9 Months

The quantity contracted with OMV Petrom for the transport on the domestic sub-system, for 9 months 2016, decreased by 7.2% (approximately 200k tons), as compared to the quantity contracted in the same period of 2015. The evolution of the transported quantities on the domestic sub-system within the last years shows a constant fall, by approx. 200k tons per year, which is due, on the one hand, to the natural decline of the deposits, in correlation with the decrease of the investments made by OMV Petrom in the drilling of new wells.

On the import sub-system, the quantity contracted with Lukoil, for 9 months 2016, increased by 20% YOY (approximately 332k ton), representing the utmost processing capacity the refinery may reach, where in 2016 has not been recorded any outage for overhaul.

In January - September, 2016, the overall product transported quantity lowered by 1.2% as compared to the transported quantity in the similar period of 2015, with a decreasing trend, from 5,297 ktons to 5,235 ktons.

The evolution in the first 9 months of 2016 YoY, is different on the two transport subsystems, namely: the quantity transported on the import subsystem increased by 90k tons, as compared to the same period of the previous year, and the quantity transported on the domestic subsystem decreased by 153k tons.

**QUANTITIES TRANSPORTED ON THE DOMESTIC AND IMPORT SUBSYSTEMS**

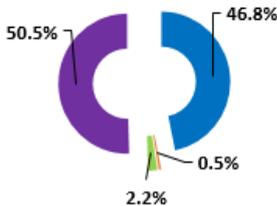
9 months 2016 / 9 months 2015

**5,235 thousand tons**  
TOTAL TRANSPORTED QUANTITIES ▼ 1.2%

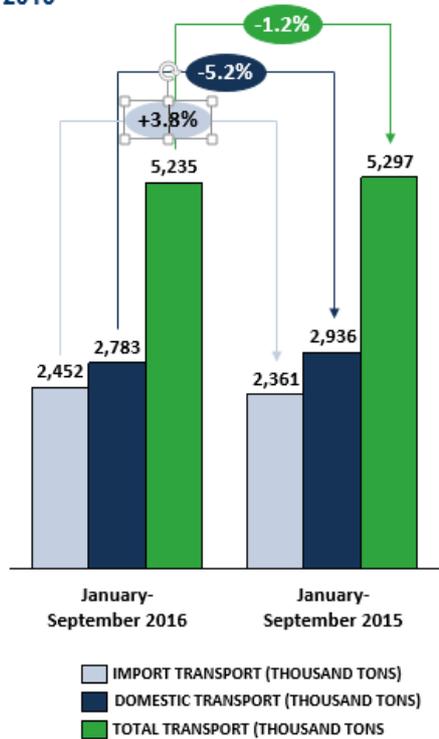
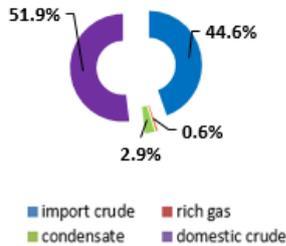
**53.2%**  
SHARE OF DOMESTIC TRANSPORTED QUANTITIES  
IN TOTAL TRANSPORTED QUANTITIES -2.2 p.p.

**46.8%**  
SHARE OF IMPORT TRANSPORTED QUANTITIES  
IN TOTAL TRANSPORTED QUANTITIES +2.2 p.p.

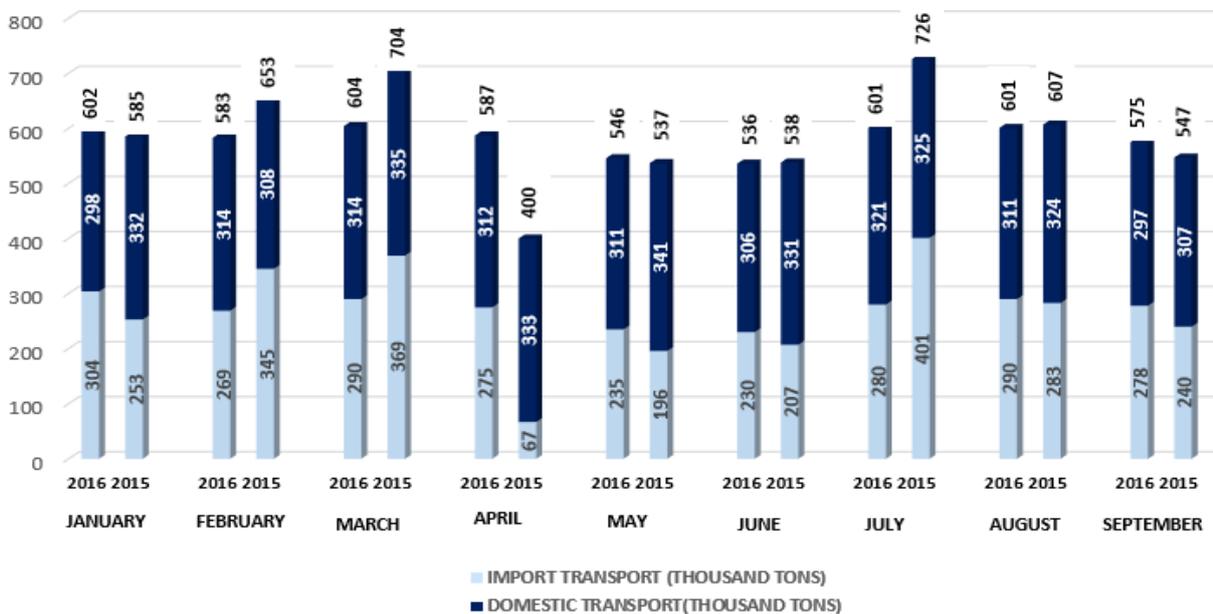
Share of crude oil and derivatives transport  
January-September 2016



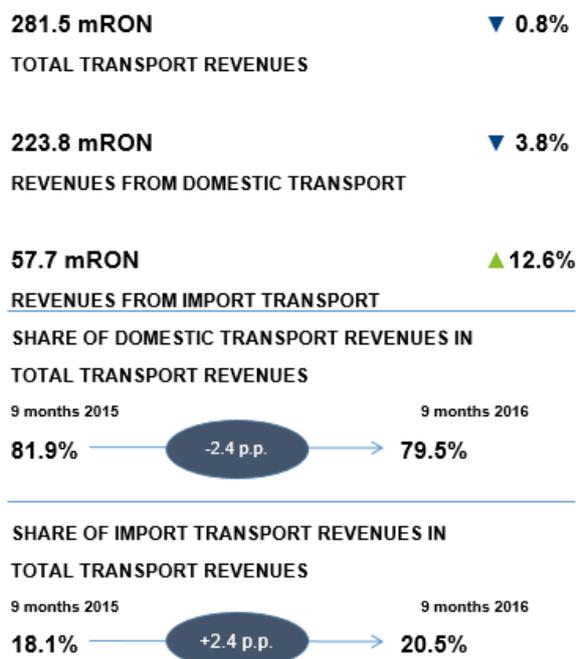
Share of crude oil and derivatives transport  
January-September 2015



**MONTHLY EVOLUTION OF THE TRANSPORTED QUANTITIES**  
9 months 2016 / 9 months 2015



**REVENUES ACHIEVED FROM THE TRANSPORT ON THE DOMESTIC AND IMPORT SUBSYSTEMS**  
9 months 2016 / 9 months 2015



The revenues from the transport services provided in the first 9 months of 2016 decreased by **0.8% YoY** (281,450 kRON in 9M 2016 from 283,793 kRON in 9M 2015), with decreases on the domestic subsystem of 3.8% (223,753 kRON in 2016 compared to 232,554 k RON in 2015).

The decrease of revenues from the domestic subsystem of 8,801 kRON was partially compensated by the increased revenues on the import subsystem, of 6,458 kRON.

Compared to Budget, the revenues from transport services recorded 2% increase (5,582 kRON) as a result of having exceeded the transport schedule on the domestic subsystem by 18 thousand tons (0.6%), and on the import subsystem by 222 thousand tons (9.9%).

The transport revenues account for 99.5% in turnover, respectively 92.2% in the company's overall operating revenues.

The operating revenues also include other revenues (23,975 thousand RON) representing: rents, other services supplied, depreciation of the fixed assets financed out of the modernization quota reversed as income, sale of assets.

**Operating expenses**

The operating costs achieved within the first nine months, as compared to Budget, reveal as follows:

Indicators (kRON)	Achieved 9 months 2016	Budgeted 9 months 2016	[▲/▼%]
<b>Material expenses</b>	<b>4,707</b>	<b>5,862</b>	<b>▼19.7%</b>
<b>Other outside expenses ( with energy and water )</b>	<b>6,804</b>	<b>7,493</b>	<b>▼9.2%</b>
<b>Personnel expenses</b>	<b>83,251</b>	<b>85,667</b>	<b>▼2.8%</b>
<b>Expenses related to the depreciation of the tangible and intangible assets</b>	<b>31,035</b>	<b>35,066</b>	<b>▼11.5%</b>
<b>Outside expenses</b>	<b>77,917</b>	<b>78,127</b>	<b>▼0.3%</b>
<b>Provision adjustments</b>	<b>(10,221)</b>	<b>(11,606)</b>	<b>▼11.9%</b>
<b>Other operating expenses</b> , here-included the modernization quota	<b>46,724</b>	<b>46,213</b>	<b>▲1.1%</b>
<b>Total operating expenses</b>	<b>240,217</b>	<b>246,822</b>	<b>▼2.7%</b>

The cost performance 9 months 2016 YOY, is the following:

Indicators (kRON)	Achieved 9 months 2016	Achieved 9 months 2015	[▲/▼%]
<b>Material expenses</b>	<b>4,707</b>	<b>5,555</b>	<b>▼15.3%</b>
<b>Other outside expenses ( with energy and water )</b>	<b>6,804</b>	<b>7,422</b>	<b>▼8.3%</b>
<b>Personnel expenses</b>	<b>83,251</b>	<b>79,038</b>	<b>▲5.3%</b>
<b>Expenses related to the depreciation of the tangible and intangible assets</b>	<b>31,035</b>	<b>36,297</b>	<b>▼14.5%</b>
<b>Outside expenses</b>	<b>77,917</b>	<b>81,197</b>	<b>▼4.0%</b>
<b>Provision adjustments</b>	<b>(10,221)</b>	<b>(8,359)</b>	<b>▲22.3%</b>
<b>Other operating expenses</b> , here-included the modernization quota	<b>46,724</b>	<b>49,327</b>	<b>▼5.3%</b>
<b>Total operating expenses</b>	<b>240,217</b>	<b>250,477</b>	<b>▼4.1%</b>

The operating costs within the first nine months record a decrease both in relation to the similar period in 2015 ( 4.1 %, from 250,477 thousand RON to 240,217 thousand RON ), as well as to the Budget (2.7%, from 246,822 thousand RON to 240,217 thousand RON).

The operating costs on the two subsystems decreased by 3.5% YOY (227.42 mRON from 235.76 mRON).

The cost per transported ton achieved in 9 months 2016 YOY decreased by 2.39% (from 44.51 RON/ton for 9M 2015 to 43.44 RON/ton for 9M 2016).

In structure, the cost/per ton performance is different, namely:

- Within the first 9 months, the domestic sub-system achieves higher cost per ton by 1.21%, from 65.75 RON/ton to 66.55 RON/ton, generated by the 5% decrease in the transported quantities.
- The Import subsystem records 4.88 RON decrease in the cost per ton, from 18.09 RON/ton to 17.21 RON/ton, due to the approx. 3.8% increase in the transported quantities.

## The Operating Profit

During the first 9 months of 2016, **EBITDA** increased with 2.1% (1,968 thousand RON) compared with the similar period of the previous year.

The **EBITDA** evolution in 9 months was sustained mainly by the improvement of operating cost control (excluding depreciation), whose reduction with 2.3% (4,998 thousand RON) exceeded the loss caused by the decrease with 1% (3,030 thousand RON) of operating income, as a result of reduction in the request of transportation on the Country subsystem with 153 thousand tons (decrease with 5.2%).

Compared with the Budget provisions, EBITDA is by 6.6% (5.954 thousand) higher as a result of the favourable impact determined by the increase by 1.1% of operating income due to the increase of quantities of oil transported on the Import subsystem and from the maintenance of operating costs (excluding depreciation) by 1.2% (2,574 thousand RON) below the budgeted value.

Transport services to customers OMV Petrom and Petrotel LUKOIL bring 99% of EBITDA to the company, of which OMV Petrom accounts for 80% and Petrotel-Lukoil 19%.

In the first 9 months the amount transported to Petrotel Lukoil reached the maximum level of the refining capacity. The amount of oil transported for OMV Petrom in the first 9 months is lower only by 8% compared to the processing capacity of Petrobrazi.

**The Domestic transport subsystem** registered a positive result with 2.5% below the one obtained in the similar period of 2015 (38.5 million RON 9 months 2016 compared with 39.5 million RON 9 months to the previous period).

**The Import transport subsystem** registered a positive result with 82% higher than the one obtained in the similar period of 2015 (15.5 RON 9 months 2016 compared with 8.5 million RON 9 months to the previous period).

**EBIT** registered an increase of **12.5%** compared with 9 months 2015 (62,208 thousand RON from 57,978 thousand RON), increase that is due mainly to the Import transport subsystem segment.

### Gross profit

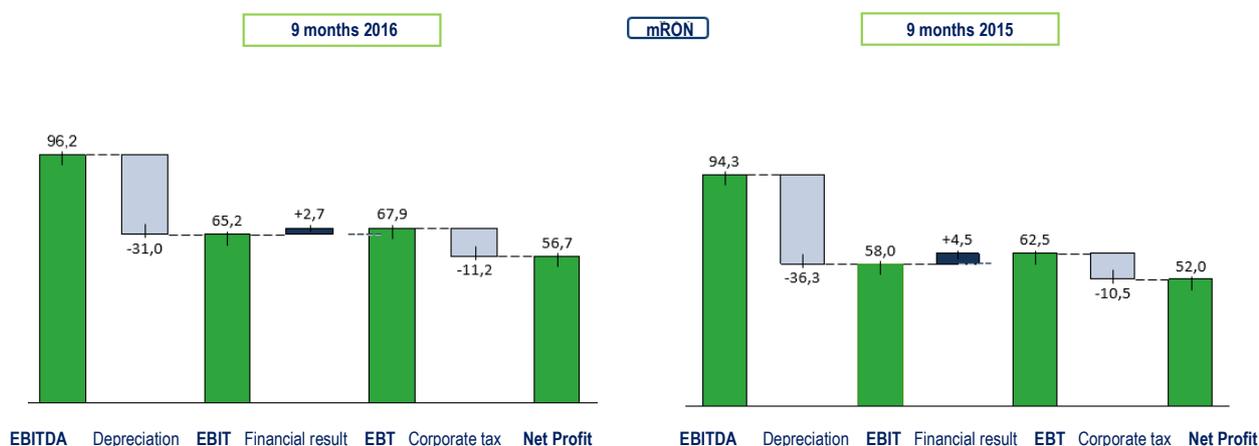
Profit before tax registered an increase of 8.6% compared to 9 months 2015 (67.909 thousand RON de la 62.516 thousand RON)

### Financial result

The financial result registered for 9 months in 2016 was positive (2,701 thousand RON), but in decrease with 40.5% compared with the previous year, determined by the decrease in the interest income with 38%.

**Net Profit**

Profit after tax grew by 9.1% compared with 9 months 2015 (56,735 thousand RON from 52,010 thousand RON).

**FROM EBITDA TO NET PROFIT**  
9 months 2016/9 months 2015**Cash-flow Statement on 30 September 2016 (direct method) - not audited**

	Name of element	01.01.2016 – 30.09.2016	01.01.2015 – 30.09.2015
	<b>Cash flows from operating activities:</b>		
+	Proceeds from services	300,737	304,719
+	Proceeds from interest payable on bank investments	1,345	3,293
+	Other revenues	7,732	5,588
-	Payments to suppliers of goods and services	88,196	101,004
-	Payments to and on behalf of employees	83,789	79,894
-	VAT payments	37,150	45,285
-	Pay of income tax	10,880	9,380
-	Other payments on operating activities	29,071	29,631
<b>A</b>	<b>Net cash from operating activities</b>	<b>60,728</b>	<b>48,406</b>
	<b>Cash flows from investment activities:</b>		
+	Proceeds from sale of tangible assets	1,405	401
+	Proceeds from upgrading share	40,535	44,690
+	Proceeds from short-term financial investments	263,545	50,441
+	Proceeds from interest on government securities	3,461	361
-	Payments for acquisition of tangible assets	40,359	28,467
-	Payments for short-term financial investments	172,095	296,179
<b>B</b>	<b>Net cash from investment activities</b>	<b>96,492</b>	<b>(228,752)</b>
	<b>Cash flows from financing activities:</b>		
+	Proceeds from dividends transferred to Depozitarul Central	2,044	-

-	Paid dividends	60,480	49,331
<b>C</b>	<b>Net cash from financing activities</b>	<b>(58,436)</b>	<b>(49,331)</b>
	<b>Net increase in cash and equivalents of cash =A+B+C=D2-D1</b>	<b>98,784</b>	<b>(229,677)</b>
<b>D1</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>124,121</b>	<b>335,368</b>
<b>D2</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>222,905</b>	<b>105,691</b>

To which the following are added:

Government securities in the form of government  
bonds and treasury bills

161,889      253,339

**Total availability at the end of the period**      **384,794**      **359,030**

Conpet activities generate stable and visible cash flows.

Net cash from operating activities increased in the period January-September 2016 compared with the same period in 2015 due to the reduction in VAT share from 24% to 20% starting with 01/01/2016, as well as through the reduction of procurements.

**The investment activity** registers an increase in the period analysed from 2016 mainly due to the collection government securities purchased in 2015 and of corresponding interest.

**Net cash from financing activities** includes dividend payments, but also the collection in 2016 of the non distributed balance of the dividends for 2014 from the Central Depository.

In the first 9 months the availabilities from accounts reached 384.794 thousand RON compared to 359.030 thousand RON in the same period in 2015.

### Capital Expenditures (Investments)

Investment projects within CONPET aim mainly at increasing the efficiency of transportation activity.

Investments are financed by own sources composed of: upgrading share (for the modernisation of assets from the public domain and new investments) and other sources.

Investments accomplished during January - September 2016 compared with the program for the same period and total for 2016 are presented as follows:

Name ( thousand RON)	Corrected Program 2016	Cumulative 9 months 2016		
		Program	Achieved	%
<b>TOTAL, of which:</b>	<b>56,976</b>	<b>38,676</b>	<b>34,649</b>	<b>90%</b>
Public Domain (modernization quota)	42,627	30,014	29,884	100%
Operator Field (profit)	14,349	8,662	4,765	55%

The investment program has considered:

- continuation of works to rehabilitate main pipelines to transport crude oil and rich gas;
- investment works on equipment installations and afferent endowments corresponding to national transportation system, of which the most important being:
  - Upgrading and monitoring of cathodic protection system at central and sector level, related to crude oil transportation pipelines Ticleni-Ploiesti, F1 and F2;
  - Modernization of pumping systems;
  - Implementation and wireless infrastructure equipment in the premises Conpet from Ploiesti;

- Implementation of a solution Document Management solution.

Investment objectives implemented during January - September 2016 are amounting to 25,256 thousand RON and are presented as follows:

- Replacement of crude oil pipeline 28" Constanta-C1, 13 sections of 17 sections;
- Internal inspection of 12" pipelines at Dunare and Borcea undercrossing, 14" Poarta Alba – Pitesti respectively;
- Replacement of ethane pipeline 5 9/16" Turburea-ARPECHIM Pitesti, left bank of Amaradia creek, Stejari locality, on a length of about 350 m;
- Replacement of crude oil pipeline Ø 10 3/4"F2 Radinesti-Ploiesti, in the areas Aninoasa-Batar point, Izvoras creek and Dealul Oltului, Valcea county, on a length of approximately 0.4 km;
- Implementation and wireless infrastructure equipment in the premises Conpet from Ploiesti;
- Implementation of a solution of Document Management;
- Fire water tank supply R28 Moreni;
- Modernization of Constanta Sud II Dispatch;
- Modernisation of Poiana Lacului building;
- Replacement of pipeline 14" Constanta-Baraganu, Valea Nemtilor area, on a length of 1.000 m;
- Systematisation of launching-receiving installations for Moreni cleaners;
- Replacement of the rich oil transportation pipeline ø 4" de-rich oil Abramut – Rampa Marghita, in the sub-crossing areas CF Marghita – Sacuieni 300 m and of crude oil pipeline Petreu – Rampa Marghita storage ø 6 5/8" on a length of approximately 700 m, Petreu village, Abramut Commune, Bihor County;
- Modernisation of Ciresu pumping system.
- Independent utilities and equipment;

## Procurement

The procurement activity took place based on the approved annual procurement program, the internal procedural procurement Norms and the specific operating procedures.

During 01.01- 30.09.2016, the company concluded 3 procurement service contracts with values higher than 100,000 Euro and a procurement works contract with value higher than 500,000 Euro, this statement being reflected in the annexes to this report.

## Economic and Financial Indicators

Name of indicator	Calculation formula	9 months 2016	9 months 2015
1. Current liquidity indicator	Current assets / Current liabilities	9.36	8.43
2. Turnover speed, for client debit items (days)	Average client balance/ Turnover x 270 days	34	32
3. Turnover speed of fixed assets (times)	Turnover/Fixed assets	0.70	0.71

**Current liquidity indicator** measures the company's ability to meet its short-term obligations. The obtained value of 9.36 is above the recommended and acceptable amount which is 2. The evolution of the indicator reflects a good capacity of the company to cover current liabilities on the account of current assets.

**Turnover speed, for client debit items** expresses the efficiency of the company in collecting its receivables. The indicator registered a rising level, resulted in the collection of receivables in 34 days.

**Turnover speed for fixed assets** evaluates the efficiency of fixed assets by examining the value of turnover generated by a certain amount of fixed assets. The level of this indicator is of 0.70 rotations corresponding to 2016.

**The indebtedness indicator** of the share capital, calculated in terms of the share capital and in relation with the capital employed, expresses the effectiveness of credit risk management. The company has no medium or long term contract of loans.

## Other Aspects

### Litigations

The most important litigations in which our company is involved are described in the following:

- **File no. 5555/2/2014 - Court of Appeal Bucharest**

**Parties:** Ministry of Energy - Applicant

Conpet S.A., Fondul Proprietatea S.A., Regisco S.A., ASF- Defendants

**Procedural stage:** appeal (retrial)

**Term:**--

**Object of the application:** ACTION FOR THE RECOVERY of property of a number of 524,366 shares from the share capital of the Conpet S.A. company and the OBLIGATION TO MAKE

**Clarifications:** Through decision no. 118/30/01/2015 the Court of Appeal Bucharest admits the appeal declared by the DEPARTMENT OF ENERGY. It notes the ownership right of the applicant MINISTRY OF ECONOMY on 524,366 shares of CONPET SA. It orders defendants to take the necessary steps for the registration in the shareholder register.

DEPARTMENT OF ENERGY WITHIN THE MINISTRY OF ECONOMY AND FONDUL PROPRIETATEA SA appealed.

Through the decision no. 802/19.04.2016 HCCJ admits the appeals declared by the Ministry of Energy and the appellant-defendant S.C. FONDUL PROPRIETATEA S.A., decides the cassation of the contested decision and sends the case back to the same court.

- **File no. 2378/105/2009 – Prahova Court**

**Parties:** Cojocaru Irinel - applicant

Conpet S.A. – defendant

**Procedural stage:** Substance

**Hearing:** 29/11/2016

**Object:** PROPERTY CLAIMS for the land area of 2500 sqm located in Ploiesti, Rezervoarelor Street

- **File no. 6544/105/2011\* – Prahova Court**

**Parties:** Conpet S.A. – defendant

ICIM S.A. – defendant

E.T.H. Arhitectural Systeme S.R.L. by judicial liquidator the company Dascalescu & Co – applicant

**Procedural stage:** Substance

**Hearing:** 08.11.2016

**Object:** CLAIMS [amount in litigation: 1,146,784.7 RON plus damages (penalties / interest)]

• **File no. 4317/105/2014 - Court of Appeal Bucharest**

**Parties:** Conpet SA – applicant

PLOIESTI MUNICIPALITY - LOCAL FINANCE DEPARTMENT - defendant

**Procedural stage:** Appeal

**Hearing:** --

**Object:** Amount in litigation: 1,483,031 RON Conpet requests the court to dispose the following through the decision to be pronounced: cancellation of Decision no. 259/07/05/2014 issued by the Service of Local Public Finances of Ploiesti Municipality and of the Taxation Decision no. 22271/26.02.2014, as well as subsequent acts, namely the findings from the Report of tax audit with consequence of exemption from duty to pay the amount of 770,966 RON representing additional tax obligations and of the amount of 712,065 RON representing accessories corresponding to the basic obligations.

**Clarifications:** Through the judgement no. 825/31.05.2016 Prahova Court dismissed the action as unfounded. The decision was appealed by Conpet.

• **File no. 2549/270/2015 – Onesti District Court**

**Parties:** Conpet SA – defendant

National Company for Natural Gas Transport Transgaz SA - defendant

Moraru Daniel – applicant

Moraru Nicoleta Valentina – applicant

**Procedural stage:** Appeal

**Hearing:** --

**Object:** Moraru Daniel and Moraru Nicoleta Valentina formulated request for summons requesting the court to order the defendants to remove their constructions made without right on the land of the applicants, and in case of refusal to authorize the defendants to remove such buildings on the expense of the defendants;

**Clarifications:** On 01/03/2016 the court rejects as unfounded the request for summons. The decision was appealed by the applicants.

• **File no. 8425/281/2015 – Ploiesti Court**

**Parties:** Conpet SA – counterclaim defendant

Panaitescu Mircea – applicant - defendant

**Procedural stage:** Substance

**Hearing:** 03/11/2016

**Object:** Claims. Panaitescu Mircea filed application for summons asking Conpet to be ordered to pay the sum of 5,000 RON for lack of use and annual rent of 12,000 RON. Conpet filed counterclaim by which it requested the establishment of right of legal servitude and of an annual rent.

• **File no. 16082/281/2015 – Ploiesti Court**

**Parties:** Conpet SA – defendant

Ovidenie Dumitru - applicant

**Procedural stage:** Substance

**Hearing:** 29/11/2016

**Object:** Real estate claim. Ovidenie Dumitru formulates request of summons demanding for Conpet to be ordered with the restitution of the land area of 335 square meters located in

Com. Brazi; bringing the land to its original state; payment for the lack of use for the last 3 years. Conpet formulated request of presentation of the holder of real right.

• **File no. 14960/280/2015 – Pitesti Court**

**Parties:** Conpet SA – defendant

Cirstea Stelian and Cirstea Gherghina – applicants

**Procedural stage:** Substance

**Hearing:** 06/12/2016

**Object:** Cirstea Stelian and Cirstea Gherghina request for Conpet to be obliged to:

1. pay for the lack of use provisionally evaluated at 1,000 RON - following to increase the value based on the application of summons after the administration of evidences.
2. remove the pipelines and corresponding installations from the field and, to the extend in which this is not possible, to oblige the defendant to pay a monthly amount equalling the value corresponding to a rent for the occupied land.

• **File no. 21382/281/2015 – Ploiesti Court**

**Parties:** Conpet-defendant

lordache Margareta - applicant

**Procedural stage:** Substance

**Hearing:** 08.11.2016

**Object:** lordache Margareta requests for Conpet to be obliged to pay for the lack of use for the last three years for the land located in Blejoi commune, Ploiestori village.

• **File no. 668/317/2016 – Targu Carhunesti Court**

**Parties:** Conpet-defendant

Niculete Gheorghe-applicant

**Procedural stage:** Substance

**Hearing:** 31/10/2016

**Object:** Niculete Gheorghe formulates the request of summons asking Conpet to be ordered to pay the sum of 500 RON (amount provided as an estimate) representing value for the lack of land use for the property of the applicant in the past 3 years.

• **File no. 3451/108/2016 – Arad Court**

**Parties:** Conpet SA – defendant

Pecica Town - applicant

**Procedural stage:** Substance

**Hearing:** 23/11/2016

**Object:** Pecica town has requested:

Mainly: - to oblige CONPET S.A. to deviate the crude oil pipeline that crosses the land of the applicant, having a total surface of 20,287 sqm.

- to oblige CONPET S.A. to pay the amount of 65,000 euro representing the equivalent value for a house, as it can no longer be valued by the undersigned.

In subsidiary:

- to oblige CONPET S.A. to pay an annual rent, during the existence of the pipeline;
- CONPET to pay some compensation for the period 31.10.2014-31.05.2016 due to limiting the ownership right of the 22 plots of urban land and to lower the value of circulation of the land on the real estate market;
- to oblige CONPET S.A. to adjust every 3 years the amount of compensation;

## Shareholding structure

The shareholding structure on the reference date 30/09/2016 is the following:

Name of shareholder	No. of shares	%
Romanian state through the Ministry of Energy	5,083,372	58.7162
Legal entities	2,799,378	32.3346
Individuals	774,778	8.9492
<b>TOTAL</b>	<b>8,657,528</b>	<b>100</b>

## Board of Administration

Conpet S.A. company is managed by a Board of Administration consisting of 7 members appointed by the General Meeting of Shareholders for a period of 4 years.

On 30.09.2016 the Board of Administration is as follows:

- Dan Weiler
- Liviu Ilasi
- Cristiana Chiriac
- Darius Dumitru Mesca
- Radu Bugica
- Roxana Elena Gheorghe
- Razvan Stefan Lefter

## Presentation of the Executive Members

In the period 01.01.2016 - 14.04.2016, the executive management of Conpet S.A. was composed of:

ILASI Liviu	Director General
IONESCU Gheorghe	Director, Operations Directorate
ZOICAN Liviu Aurel	Manager, Production Department
ANTONESCU Valentin Leonard	Deputy Manager, Production Department
BELDIMAN Ion	Maintenance Department Manager
BUZATU Dan	Manager, IT Telecommunications SCADA Department
TOADER Sanda	Director, Economic Directorate
CURTEANU Veronica	Manager, Financial Department
ALBU George Radu	Manager, Procurement Management and Investment Department
<i>NICULAE Daniel</i>	<i>Director, Critical Infrastructure Protection Directorate until 07.03.2016</i>

<i>NECSULESCU Radu</i>	<i>Director, Critical Infrastructure Protection</i> <i>Directorate starting 07.03.2016</i>
DUMITRACHE Anamaria	Manager, Corporate Management Department

After 15.04.2016 the executive management of Conpet S.A. was provided by:

ILAȘI Liviu	Director General
IONESCU Gheorghe	Deputy Director General
TOADER Sanda	Director, Economic Directorate
NIȚĂ Aurel Mircea	Director, Corporate Governance, Human Resources and Communication Directorate
BUZATU Dan	Director, Maintenance Development Directorate
DUMITRACHE Anamaria	Head of Legal, Regulated Activities Department

### **Cases of non-compliance with financial obligations**

Not applicable

### **Changes in the rights of holders of shares**

Not applicable

### **Other changes in the company**

#### **Organizational chart**

In compliance with the BoA no. 4/13.04.2016 a new organisational structure was approved, with effect from 15.04.2016, adapted to current needs and requirements of social development of the company, which targeted mainly:

- The reduction of management positions (from 83 to 78 positions), as well as of Executive Director (from 16 to 5 positions).
- The need to build a structure specifically to handle strategic projects in all areas of activity of the company.
- Increasing the role and effectiveness of the control function in every aspect related to the activities of the company.
- The need to concentrate within all divisions all complementary activities for a better coordination and tracking of the company's core functions.
- Streamlining the activities to lower costs and to meet strategic objectives of the company.
- The need to identify the opportunity to develop new related and non-related businesses.

**The organizational structure of „CONPET” S.A.** includes:

- General Meeting of Shareholders
- Board of Administration
- Director General
- Deputy General Directorate

- Executive Directorates (Economic Directorate, Corporate Governance, Human Resources and Communications Directorate; Maintenance Development Directorate)
- Departments (Transportation Operations Department, Commercial Department, Legal, Regulated Activities Department)
- Chief engineer
- Divisions Services and Offices
- Formations sectors, Pumping stations, Loading/unloading ramps, Warehouses, Working points (operational entities)

## Significant events

During the 9 months of 2016, in the company a series of important events were organised, such as:

### 29 January 2016

Ordinance no. 11/2016 of 27 January 2016 for amending and supplementing the Government Ordinance no. 26/2013 on strengthening financial discipline at the level of some economic operators to which the state or administrative-territorial units are majority or sole shareholders or hold directly or indirectly a majority interest by which the income and expenditure budgets are approved by the General Meeting of Shareholders.

### 2 February 2016

The National Agency for Mineral Resources (NAMR) issued Order No.32 / 2016 regarding the approval of transport tariffs by the Crude Oil, Rich gas, Condensate and Ethane National Pipeline Transport System, published in the Official Gazette no. 97 dated 02.09.2016.

### 17 March 2016

Through the Decision of the General Meeting of Shareholders no. 1/17.03.2016 the Revenues and Expenditure Budget and investment program for 2016 was approved.

### 13 April 2016

The Board of Administration approved the convocation of EGMS for 19.05.2016 with the following agenda:

Approval of share capital increase with the value of 92,188,158 RON representing contribution in kind (land) amounting 54,129,383 RON and in cash amounting to 38,058,775 RON from the actual value of 28,569,842.40 RON from the value of maximum 120,758,000.40 RON by the issuance of a maximum number of 27,935,805 new registered shares, at a price of 3.3 RON/share, equalling the nominal value (without issue premium) of which:

(i) 16,402,843 new shares amounting to 54,129,383 RON representing the contribution in kind of the Romanian state through representative Ministry of Energy with a total area of land of 554,537,61 sqm covered by the 47 certificates of ownership right certification for which CONPET obtained in 2001-2005 certificates of ownership right attestation;

(ii) maximum 11,532,962 new shares amounting 38,058,775 RON that will be offered within exercising the pre-emptive rights for subscription in exchange for the contribution in kind of the Romanian state through Ministry of Energy representative of other CONPET shareholders, that people who are shareholders on the registration date respectively, in order to maintain the share quotas held within CONPET on the registration date.

The value of lands established according to provisions of art. 6(3) of GD 834/1991 (by updating with hints of inflation) was of 54,129,383 RON, while their fair value was established at the amount of 11,816,028 RON.

Considering the significant differences between the two values, the Board of Administration requested that together with the publication of the convening notice and the Approval Report of the capital increase to also inform shareholders about the financial impact resulting from the share capital increase with the value established by GD no. 834/1991.

### **28 April 2016**

By Decision no. 2 dated 28.04.2016 the following were approved:

- The annual financial statements for the financial year concluded on 31.12.2015 prepared in accordance with applicable accounting regulations based on the annual report of the administrators for the financial year 2015
- Allocation of net profit for the financial year 2015, of gross dividend per share amounting 7.2998881436 RON/share and the date of 21.07.2016 as the date of payment.

In the OGMS of 28.04.2016, the Board of Administration proposed the distribution as special dividend to the shareholders of the amount of 72,314,486 RON (8.3527868463 gross dividend RON/share), existing on 31.12.2015 in the account of retained earnings.

The proposal was not approved, as the vote of "Against" shareholders concerning the approval of special dividend allocation represented 71.74%.

### **19 May 2016**

On 19.05.2016 the Extraordinary General Meeting of Shareholders (EGMS) was organised, having on the agenda the increase of share capital with the value of land for which Certificates of ownership right attestation were obtained during 2001-2005.

According to art. 240 paragraph (2) of Law no. 297/2004 on the capital market, share capital increase by contribution in kind must be approved by the Extraordinary General Meeting of Shareholders attended by shareholders representing at least 85% of its share capital. According to the present list of shareholders in EGMS dated 19 May 2016 resulted that there were present 83.8803% shareholders of the share capital, not meeting the legal conditions for holding this meeting.

### **20 May 2016**

At the second convening of shareholders in the EGMS from 20.05.2016 shareholders representing 76.8513% of the share capital (below 85%) were present. In these conditions a decision on the company's share capital increase through contributions in kind could not be adopted.

### **5 July 2016**

On 05.07.2016 the Extraordinary General Meeting of Shareholders (EGMS) was organised, having the same agenda as from the EGMS convened on 19.05.2016 and on 20.05.2016, the

increase of share capital respectively with the value of land for which Certificates of ownership right were obtained during 2001-2005. After the votes expressed by shareholders, the share capital increase was not approved as the required quorum was not met. Under the provisions of the Articles of Incorporation decisions concerning share capital increases by contribution in kind will be taken by the vote of shareholders representing at least (3/4) of the share capital, and the votes "For" were of approximately 66.7554 % of the share capital.

### Affiliated parties

During 01.01-30.09.2016, the company carried out the following affiliated parties transactions:

<b>Partner (thousand RON)</b>	<b>Amounts not settled as at 01.01.2016</b>	<b>Procurements during 01.01-30.09.2016</b>	<b>Settlements during 01.01-30.09.2016</b>	<b>Amounts not settled as at 30/09/2016</b>
SNTFM CFR Marfa SA	6,700	52,459	53,708	5,451
ELECTRICA Furnizare SA	715	0	715	0
<b>Total</b>	<b>7,415</b>	<b>52.4589</b>	<b>54,423</b>	<b>5,451</b>

### PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements corresponding to the period 01.01.2016 - 30.09.2016 were not audited and were concluded in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

#### Appendices:

The statement of contracts of works and products procurement worth more than 500,000 euro, concluded between 01.01.2016-30.09.2016;

The statement of contracts of services procurement worth more than 100,000 euro, concluded between 01.01.2016-30.09.2016;

#### Chairman of the Board of Administration

**Dan Weiler**

#### Director General

**Liviu Ilasi**

**Economic Director  
Sanda Toader**

**STATEMENT OF THE PROCUREMENT WORKS AND PRODUCTS CONTRACTS WITH VALUES HIGHER THAN 500,000 EURO,  
CONCLUDED DURING 01.01.2016- 30.09.2016**

Name of the contractor	Scope of the contract	Title of the contract	Used procurement procedure	Name of the beneficiary (if different from the contracting authority)	Number of the participation notice/invitation	Initial value of the contract (in RON)	Value of the contract further potential addenda (in RON)	Commencement date of the contract	Initially agreed term of the contract (in months).	Final term of the contract (in months).
<b>Quarter I – 1 contract</b> <b>Value Quarter I = 2,857,172.22 RON</b>										
<b>ENGIE ROMANIA S.A.</b> <b>(Former GDF SUEZ ENERGY ROMANIA S.A.)</b>	Natural gas delivery	P-CA 100/31.03.2016	tender - participation notice posted on CONPET website (art. 22 of the Internal Procurement Procedural Norms of SC CONPET SA)		3959 of 05.02.2016	2,860,287.17	2,857,172.22	01.04.2016	12	12
Quarter II – 0 contracts										
Quarter III – 0 contracts										
<b>AGGREGATE CONTRACTS – CONTRACT</b> <b>AGGREGATE VALUE = 2,857,172.22 RON</b>										

Director General  
Sr. Eng. Liviu Ilasi

Deputy Director General  
Ph.D.Eng. Gheorghe Ionescu

Manager of the Commercial Department  
Econ. Veronica Curteanu

Head of Contracts Follow-up Bureau  
Eng. Ciprian Sava

**STATEMENT OF THE PROCUREMENT SERVICES CONTRACTS WITH VALUES HIGHER THAN 100,000 EURO, CONCLUDED DURING  
01.01.2016- 30.09.2016**

Name of the contractor	Scope of the contract	Title of the contract	Used procurement procedure	Name of the beneficiary (if different from the contracting authority)	Number of the participation advertisement/invitation	Initial value of the contract (in RON)	Value of the contract further potential addenda (in RON)	Commencement date of the contract	Initially agreed term of the contract (in months).	Final term of the contract (in months).
<b>Quarter I – 1 contract</b> <b>Value Quarter I = 966,870.00 RON</b>										
ORANGE ROMANIA SA	Electronic communications services	S-CA 95/29.03.2016	tender - participation notice posted on CONPET website (art. 22 of the Internal Procurement Procedural Norms of SC CONPET SA)	-	4048 of 05.02.2016	966,870.00	-	05.05.2016	24	24
<b>Quarter II – 0 contracts</b> <b>Quarter III – 2 contracts</b> <b>Value Quarter III = 2,975,570.00 RON</b>										

TERMOKLIMA SRL	Safety valves verification, adjustment and repair	S-CA 305/19.08.2016	tender - participation notice posted on CONPET website (art. 22 of the Internal Procurement Procedural Norms of SC CONPET SA)	-	24038/19.07.2016	610,743.00	-	08.10.2016	36	36
ENVIROTECH SRL	Services supply related to the recovery of geologic environment and polluted water courses	S-CA 354/08.09.2016	Pursuant to the Framework Agreement S-CA 304/09.09.2015	-	28062/04.08.2015	2,364,827.00	-	11.09.2016	12	12
<b>AGGREGATE CONTRACTS – 3 CONTRACTS</b> <b>AGGREGATE VALUE = 3,942,440.00 RON</b>										

Director General  
Eng. Liviu Ilasi

Deputy Director General  
Ph.D. Eng. Gheorghe Ionescu

Manager of the Commercial Department  
Econ. Veronica Curteanu

Head of Contracts Follow-up Bureau  
Eng. Ciprian Sava



## **CONPET S.A.**

str. Anul 1848 nr. 1-3, Ploiești, 100559, Prahova, România  
Tel: +40-244-401360; fax: + 40 – 244 – 516451  
e-mail: conpet@conpet.ro; web: www.conpet.ro  
CUI: 1350020; Cod CAEN 4950; Înregistrată la Registrul  
Comerțului Prahova sub numărul J29/6/22.01.1991  
Capital social subscris și vărsat 28 569 842,40 lei



# **Simplified Interim Financial Statements on the date and for the nine-month period ended on September 30, 2016**

**Drafted according to the  
International Accounting Standard 34 “Interim Financial  
Reporting” adopted by the European Union**

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**SIMPLIFIED STATEMENT ON THE FINANCIAL STANDING ON SEPTEMBER 30, 2016** Error! Bookmark not defined.

**SIMPLIFIED STATEMENT ON THE GLOBAL RESULT ON SEPTEMBER 30, 2016** Error! Bookmark not defined.

**STATEMENT ON THE CHANGES IN EQUITY ON SEPTEMBER 30, 2016**Error! Bookmark not defined.

**CASH FLOW STATEMENT ON SEPTEMBER 30, 2016**Error! Bookmark not defined.

## SIMPLIFIED STATEMENT OF THE FINANCIAL STANDING ON SEPTEMBER 30, 2016

	September 30, 2016 (unaudited)	December 31, 2015 (audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	401,088,995	398,698,454
Intangible assets	2,028,854	2,851,500
Financial assets	340,251	305,860
<b>Total non-current assets</b>	<b>403,458,100</b>	<b>401,855,814</b>
<b>Circulating assets</b>		
Inventories	8,424,432	8,189,161
Trade receivables and other receivables	39,789,515	42,204,216
Short-term investments	162,576,128	256,149,012
Cash and cash equivalents	222,904,786	124,120,816
Non-current assets held for sale	3,031,187	3,031,187
Deferred expenses	805,231	231,234
<b>Total current assets</b>	<b>437,531,279</b>	<b>433,925,626</b>
<b>TOTAL ASSETS</b>	<b>840,989,379</b>	<b>835,781,440</b>
<b>Equity capital and debts</b>		
<b>Equity capital</b>		
<b>Share capital, o/w:</b>	28,569,842	28,569,842
<i>Subscribed share capital</i>	28,569,842	28,569,842
Revaluation reserves	86,899,979	93,603,955
Legal reserves	5,713,968	5,713,968
Other reserves	521,438,882	501,118,931
Retained earnings	79,055,132	72,316,398
Result of the year	56,734,961	63,198,986
<b>Total equity capital</b>	<b>778,412,764</b>	<b>764,522,080</b>
<b>Long-term debts</b>		
Long-term commercial debts	702,294	713,683
Provision for employees' benefits	3,593,253	3,719,592
Net debt regarding the deferred income tax	1,123,111	95,919
<b>Total long-term debts</b>	<b>5,418,658</b>	<b>4,529,194</b>
Commercial debts	18,232,838	20,043,292
Other debts	28,424,598	26,047,983
Short-term provisions	9,336,335	19,339,603
<b>Total current debts</b>	<b>55,993,771</b>	<b>65,430,878</b>
<b>TOTAL DEBTS</b>	<b>61,412,429</b>	<b>69,960,072</b>
<b>Deferred revenues</b>		
Investment subsidies	1,147,845	1,281,054

Deferred revenues	16,341	18,234
<b>Total deferred revenues</b>	<b>1,164,186</b>	<b>1,299,288</b>
<hr/>		
<b>TOTAL EQUITY CAPITAL AND DEBTS</b>	<b>840,989,379</b>	<b>835,781,440</b>
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Director General,  
Eng. Iasi Liviu  
S.s. illegible

Economic Director,  
Econ. Toader Sanda  
S.s. Illegible

## SIMPLIFIED STATEMENT OF THE GLOBAL RESULT ON SEPTEMBER 30, 2016

	September 30, 2016 (unaudited)	September 30, 2015 (unaudited)
Turnover Revenues	282,841,561	285,663,818
Other revenues	22,583,859	22,791,546
<b>Total operating revenues</b>	<b>305,425,420</b>	<b>308,455,364</b>
Inventory expenses and other external expenses	11,511,254	12,976,990
Personnel Expenses	83,251,091	79,038,134
Value adjustments related to non-current assets	31,034,982	36,297,191
Adjustments of circulating assets	(90,763)	(563,327)
Third-party Expenses	77,917,116	81,197,207
Other expenses	46,723,629	49,326,557
Provision adjustments	(10,129,607)	(7,795,876)
<b>Total operating expenses</b>	<b>240,217,702</b>	<b>250,476,876</b>
<b>Operating profit</b>	<b>65,207,718</b>	<b>57,978,488</b>
Financial revenues	2,774,852	4,543,019
Financial Expenses	73,740	5,437
<b>Financial profit</b>	<b>2,701,112</b>	<b>4,537,582</b>
<b>Profit before taxation</b>	<b>67,908,830</b>	<b>62,516,070</b>
Current corporate tax expense	10,111,919	10,505,769
Deferred tax expense on the reversal of the temporary differences	1,061,950	
Corporate tax	11,173,869	10,505,769
<b>Profit for the year</b>	<b>56,734,961</b>	<b>52,010,301</b>
<b>Oter global result elements</b>		
Elements that shall not be reclassified in the profit and loss account:		
Net achieved surplus from relaluation reserves	6,703,013	11,143,611
<b>TOTAL GLOBAL RESULT FOR THE PERIOD</b>	<b>63,437,974</b>	<b>63,153,912</b>

Director General,  
Eng. Ilasi Liviu

Economic Director,  
Econ. Toader Sanda

## STATEMENT OF THE CHANGES IN EQUITY ON SEPTEMBER 30, 2016

(non-audited)

	Share capital	Legal reserves	Other reserves	Revaluation reserves	Retained Earnings	Profit or loss of the financial year	Total equity capitals
<b>Balance on January 1, 2016</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>501,118,930</b>	<b>93,603,956</b>	<b>72,316,398</b>	<b>63,198,986</b>	<b>764,522,080</b>
Net result of the year						56,734,961	56,734,961
Increase of the modernization quota fund			40,535,282				40,535,282
Decrease of the modernization quota fund			(20,215,330)				(20,215,330)
Reversal of the revaluation surplus				(6,703,977)	6,703,977		-
Deferred income tax related to the retained earnings					34,757		34,757
Profit distribution as dividends, related to the preceding year						(63,198,986)	(63,198,986)
<b>Balance at September 30, 2016</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>521,438,882</b>	<b>86,899,979</b>	<b>79,055,132</b>	<b>56,734,961</b>	<b>778,412,764</b>

Director General,  
Eng. Ilasi Liviu

Economic Director,  
Econ. Toader Sanda

**CASH FLOW STATEMENT ON SEPTEMBER 30, 2016  
(DIRECT METHOD) (UNAUDITED)**

	<b>Name of the element</b>	<b>January 1 - September 30, 2016</b>	<b>January 1 - September 30, 2015</b>
	<b>Cash flows from operating activities:</b>		
+	Collections from supplied services	300.736.579	304.719.390
+	Collections from bank deposit related interests	1.345.374	3.293.027
+	Other collections	7.732.466	5.587.923
-	Payments to suppliers of goods and services	88.195.796	101.004.110
-	Payments to and on behalf of employees	83.789.407	79.894.302
-	VAT payments	37.150.223	45.285.062
-	Corporate tax payments	10.880.564	9.379.731
-	Other payments related to the operating activity	29.070.849	29.630.823
<b>A</b>	<b>Net cash flows from operating activities</b>	<b>60.727.580</b>	<b>48.406.312</b>
	<b>Cash flows from investment activities</b>		
+	Collections from the sale of tangible non-current assets	1.404.731	401.209
+	Collections from the modernization quota	40.535.282	44.690.312
+	Collections from short-term financial investments	263.545.116	50.440.800
+	Collections from Government bonds related interests	3.460.844	361.246
-	Payments for the procurement of tangible non-current assets	40.358.543	28.466.555
-	Payments for short-term financial investments	172.095.327	296.179.357
<b>B</b>	<b>Net cash flows from investment activities</b>	<b>96.492.103</b>	<b>(228.752.345)</b>
	<b>Cash flows from financing activities:</b>		
+	Collection of dividends transferred to Depozitarul Central	2.044.338	-
-	Paid dividends	60.480.050	49.330.584
<b>C</b>	<b>Net cash flows from financing activities</b>	<b>(58.435.712)</b>	<b>(49.330.584)</b>
	<b>Net increase of cash and cash equivalents=A+B+C=D2-D1</b>	<b>98.783.971</b>	<b>(229.676.617)</b>
<b>D1</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>124.120.815</b>	<b>335.367.828</b>
<b>D2</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>222.904.786</b>	<b>105.691.211</b>

To which is being added:

Government securities as government bonds and treasury bills

161.889.331

253.338.556

Total cash at the end of the period

384.794.117

359.029.766

CONPET activities generate stable and visible cash flows.

**The net cash from operating activities** increased in January - September, 2016 YoY, due to the reduction of the VAT rate from 24% to 20% starting 01.01.2016, as well as due to the decrease in procurement.

**The investment activity** records an increase in the analyzed period of 2016 due mainly to the collection of part of the Government bonds acquired in 2015 and the related interests.

**The net cash from financing activities** includes the payment of dividends, but also the collection in 2016 of the undistributed balance of dividends related to 2014 from Depozitarul Central.

Director General,  
Eng. Ilași Liviu

Economic Director,  
Econ.Toader Sanda

**Company CONPET S.A.**  
**STATEMENT OF THE CHANGES IN EQUITY ON SEPTEMBER 30, 2016**  
*(All amounts are expressed in RON, unless otherwise specified)*

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