

PRELIMINARY REPORT

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

on December 31st 2016

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Report and Issuer Identification Data

Preliminary report prepared in compliance with:	Law no. 297/2004 regarding the capital market and CNVM Regulation no. 1/2006 regarding the issuers and the securities operations
Report Date	25.01.2017
Issuer's Name	CONPET S.A.
Registered offices	No, 1-3, Anul 1848 Street, Ploiești, 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, Premium
Subscribed and fully paid-up share capital	28,569,842.40 Lei
Main features of the issued securities	8,657,528 shares with a nominal value of 3.3 Lei/share
Total market value	682,213,206 Lei (78.80 Lei/share at 30.12.2016)
Accounting standard applied	International Accounting Standard 34 – “Interim Financial Reporting”
Auditing	The Simplified Preliminary Financial Statements concluded on December 31, 2016 have not been audited

The Economic-Financial Statements

The preliminary evolution of the main indicators for the company, in 2016, as compared to the budget of the preceding year, is as follows:

Indicators	Preliminary 2016	Budgeted 2016	Preliminary / Budgeted 2016 [▲/▼%]	Achieved 2015	Preliminary 2016/ Achieved 2015 [▲/▼%]
PERFORMANCE INDICATORS BoA/ Director General					
EBITDA (million Lei)	117.50	118.02	▼0.4%	120.55	▼2.5%
Operating Expenses (% Turnover)	88.67%	90.56%	-1.89 p.p.	90.27%	-1.6 p.p.
Productivity (thousand Lei/employee)	247	240	▲2.9 %	243	▲1.7%
Number of technical breakage	30	54	▼44.4%	56	▼46.4%
Number of broker's reports	11	2		8	
BSE position - capitalization	15	25		15	
OPERATIONAL INDICATORS					
Total transported quantities (tons)	7,078,343	6,752,398	▲4.8%	6,990,392	▲1.3%
Operating costs/ton (Lei/ton)	47.66	50.03	▼4.7%	49.25	▼3.2%
FINANCIAL INDICATORS					
Total operating Revenues (million Lei)	412.46	409.08	▲0.8%	413.78	▼0.3%
Operating Expenses (million Lei)	337.36	337.81	▼0.1%	344.25	▼2.0%
Operating profit margin (% Operating Revenue)	18.21	17.42	+0.79 p.p.	16.8	+1.41 p.p.
INVESTMENT PLAN TRACKING INDICATORS					
Investments- total, o/w (million Lei)	44.99	56.98	▼21.0%	38.17	▲17.9%
Investments – public	36.68	42.58	▼13.9%	25.74	▲42.5%

domain (million Lei)					
Investments - operating area (million Lei)	8.32	14.4	▼ 42.2%	12.44	▼ 33.1%
Average number of employees	1,670	1,704	▼ 2.0%	1,704	▼ 2.0%

The preliminary financial statements on December 31, 2016 have not been audited and have been prepared in compliance with the International Accounting Standard 34 - „Interim Financial Reporting”.

Preliminary Statement of the Financial Position on December 31, 2016

(thousand RON)	December 31 2016 (not-audited)	December 31 2015 (audited)	[▲/▼ %]
ASSETS			
Non-current assets			
Tangible assets	402,077	398,698	▲ 0.8%
Intangible assets	1,911	2,852	▼ 33.0%
Financial investments	657	306	▲ 114.7%
Total non-current assets	404,645	401,856	▲ 0.7%
Current assets			
Inventories	8,828	8,189	▲ 7.8%
Trade receivables and other receivables	42,822	42,204	▲ 1.5%
Short-term investments	163,054	256,149	▼ 36.3%
Cash and cash equivalents	244,598	124,121	▲ 97.1%
Assets held for sale	-	3,031	-
Prepaid expenditure	255	231	▲ 10.4%
TOTAL Current assets	459,557	433,925	▲ 5.9%
TOTAL ASSETS	864,202	835,781	▲ 3.4%

Shareholders' Equity

Share capital	28,570	28,570	-
Revaluation Reserves	84,924	93,604	▼9.3%
Legal reserves and other reserves	533,050	506,833	▲5.2%
Retained earnings	81,031	72,316	▲12.1%
Year's Result	64,360	63,199	▲1.8%
Total Shareholders' Equity	791,935	764,522	▲3.6%

Long term liabilities

Long-term trade liabilities	-	714	-
Provision for employee benefits	3,543	3,720	▼4.8%
Net debt on the income tax	165	96	▲71.9%
Total long-term liabilities	3,708	4,530	▼18.1%

Short-term liabilities

Trade liabilities	19,407	20,043	▼3.2%
Other liabilities	30,889	26,048	▲18.6%
Short-term provisions	17,127	19,340	▼11.4%
Total short-term liabilities	67,424	65,431	▲3.0%
Total debts	71,132	69,961	▲1.7%

Deferred Revenues

Investment Subsidies	1,119	1,281	▼12.6%
Deferred Revenues	16	18	▼13.4%
Total Deferred Revenues	1,135	1,299	▼12.5%

SHAREHOLDERS' EQUITY AND DEBTS

864,202	835,781	▲3.4%
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Non - Current Assets

At 31.12.2016, the non-current assets recorded 2.789 thousand RON (0,7%) increase as compared to the same period last year, in structure being recorded an increase of the tangible assets and financial investments and a reduction of the intangible assets.

The net value of the tangible assets grew by 3,379 kRON, as compared to late 2015, out of which 3,002 kRON represent the net value of certain assets for which the Company ceased to classify them into current assets, being held for sale.

On December 31, 2016, the value of the quantity of crude oil, rich gas and condensate held by CONPET amounted to 42,493 thousand RON, in decrease by 372 thousand RON YOY, as a consequence of the sale of rich gas resulted from the discharge of the rich gas pipeline Bărbătești-Petrobrazî.

The intangible assets decreased all this period by 941 kRON, reaching the net value of 1,911 thousand RON on December 31, 2016, this decrease being put on the amortization.

Current assets

The increase of the current assets by 25,632 thousand RON (5.9%) at 31.12.2016 was mainly due to the increase in cash and cash equivalents, determined by higher cash flows from investment activities, as well as the increase in inventories and receivables.

The inventories record 7.8% increase YoY, being triggered mainly by the recognition in the inventory of the pipe resulted following the pipeline dismantling and replacement works.

The receivables grew by 1.5%, respectively by 618 thousand RON, at the end of 2016 as compared to 2015, due to the increase in the trade liabilities triggered by the augmentation of the transported quantities during the month of December 2016, by 174 thousand tons as compared to the quantities carried in December 2015 (from 474 kTons in December 2015 to 648 kTons in December 2016).

The comparative statement of the receivables for the reporting period, according to age and type, is the following:

-thousand RON-	December 31 2016	December 31 2015
Clients	38,669	37,287
Impairment of receivables	(700)	(660)
Other trade receivables	216	161
Subtotal trade receivables (net value)	38,185	36,788
Other receivables	7,664	8,450
Impairment of other receivables	(3,027)	(3,033)
Subtotal other receivables (net value)	4,637	5,417
Total short-term receivables	42,822	42,205

The clients' structure per activities, is as follows:

-thousand RON-	December 31, 2016	December 31, 2015
Clients - the transport activity	37,790	36,220
Other clients - ancillary activities	878	1,067
Total clients per activities	38,668	37,287

The short - term **financial investments** recorded a significant decrease during the analyzed period, respectively 36%, from 256,149 kRON at the end of 2015, to 163,053 kRON at the end of 2016, following the cash-in of the government securities procured in 2015. The company's financial investments include government securities as treasury bills and government bonds, as well as the interest to be collected in relation to the government securities held.

The cash and cash equivalents are as follows:

-thousand RON-	December 31, 2016	December 31, 2015
Current bank accounts	4,165	1,136
Bank deposits with maturity \leq 3 months	240,427	122,968
Cash in hand	6	16
Total	244,598	124,120

The significant increase in cash at 31.12.2016 YOY was due mainly to the placements in bank deposits, at the expense of the placements in short-term financial investments. The negotiated interest for the deposits set was superior to the yields of the government securities.

The company manages an expense quota related to the modernization and development which is used to financially support the rehabilitation and modernization of the Crude Oil National Transport System via pipelines, which it collects in distinct cash accounts and uses for the payment of the modernization works performed for the assets belonging to the public domain, in order to create new assets that are to be transferred to the public domain following the in full amortization thereof.

Trade Liabilities and Other Liabilities

The long-term liabilities decreased by 821 thousand RON, mainly due to the reduction of the trade liabilities > 1 year, partially offset by the decrease of the net debt related to the deferred income tax.

In 2016, the current debts grew by 1,993 thousand RON (3.0%), reaching 67,424 thousand RON at the end of the year.

On December 31, 2016 and December 31, 2015, **the trade liabilities and other liabilities** are exposed as follows:

-Thousand RON-	December 31, 2015	December 31, 2016	Due date for the balance at December 31, 2016		
			< 1 year	1-5 years	> 5 years
Trade liabilities	20,757	19,408	19,408	-	-
Other liabilities, here- included the fiscal and social insurance debts	26,144	31,055	30,889	-	165
Total trade liabilities and other liabilities	46,901	50,463	50,297	-	165

The state of the personnel debts, fiscal debts and other debts according to their due dates is the following:

-thousand RON-	December 31 2015	December 31 2016	Due date for the balance at December 31, 2016		
			< 1 year	1-5 years	> 5 years
Wages and assimilated debts	3,607	3,655	3,655	-	-
Contributions	3,219	3,170	3,170	-	-
Income tax	3,472	4,409	4,243	-	165
Royalty due to the State Budget	7,302	7,541	7,541	-	-
VAT payable	3,552	4,489	4,489	-	-
Other taxes and liabilities – State Budget	1,144	1,183	1,183	-	-
Dividends payable	3,644	6,205	6,205	-	-
Other debts	204	403	403	-	-
Total personnel debts, fiscal debts and other debts by due dates	26,144	31,055	30,889	-	165

As compared to 2015, at the „other debts” chapter, in 2016 was recorded an increase of the „dividends to be paid”, due to the increase in the dividend per share as compared to the preceding year and the increase of the value of the unclaimed dividends by the shareholders and given back to the company by Depozitarul Central.

Shareholders' Equity

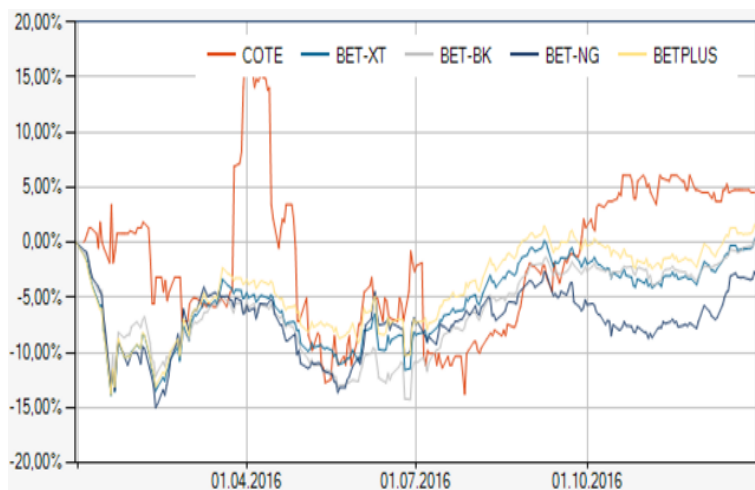
During the reporting period, the **share capital of the company** did not amend, standing flat to the value of 28,570 thousand RON, being divided into 8,657,528 ordinary shares, by a nominal value of 3.3RON/share and corresponds to the one declared at the Trade Register Office.

The preliminary **Year's Profit** amounts to 64,360 kRON at December 31, 2016, by 1,161 thousand RON higher than last year (63,199 thousand RON at December 31, 2015).

COTE Share Evolution



The evolution of COTE share vs. the market indicators in which it is included (%)



Issue info

Total number of shares	8,657,528
Nominal value	3.30
Share capital	28,569,842.40

Total 52 weeks

No. of trades	8,229
Volume	740,100
Value	53,417,806.40
52 weeks high	90.00
52 weeks low	64.80

Stock market indicators

Market Capitalization	682,213,206
PER	10.79
P/BV	0.89
EPS	7.30
DIVY	9.26
Dividend (2015)	7.29

Price statistics

% 1 month	0.00%
% 3 months	2.34%
% 6 months	6.78%
% vs BET 1 month	-1.97%
% vs BET 3 months	0.49%
% vs BET 6 months	-2.44%
% YDT	0.00%
% YOY	2.34%

During 01.01.2016 - 31.12.2016 were issued 11 coverage reports by the following brokerage firms: Swiss Capital S.A. - 9 reports on 20.01.2016; 05.02.2016; 10.05.2016; 13.05.2016, 08.08.2016; 17.08.2016, 31.08.2016, 08.11.2016, 16.11.2016; 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 Book on Communication of the listed companies, which is the result of an internal study performed in order to assess the information supplied by the companies listed on the regulated market Bucharest Stock Exchange, via their own websites. As per the analysis, CONPET S.A. ranked the first 9 companies out of a total of 83.

During the meeting held on 05.10.2016, Bucharest Stock Exchange approved the amendment of the manuals of the BSE indices, being introduced new rules for the indices BET and BET-TR and a *Watchlist* (list of the eligible companies). As per the new rules, the two indices reflect the evolution of the highest traded companies listed on the BSE and comply with the highest standards in terms of investor relations and corporate governance.

On 06.10.2016, the BSE announced that on the list of the eligible companies is also included CONPET S.A..

Dividends

The ordinary General meeting of Shareholders decided, during the meeting held on April 28, 2016, the distribution of a gross dividend per share related to 2015, amounting to 7.2998881436 lei/share.

The value of the dividend was calculated in compliance with the provisions of the legislation applicable at the time of distribution of the profit to the State-owned companies, being approved a distribution rate of 93.3%.

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

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

Until 31.12.2016, the payment agent paid dividends in amount of 59,102 thousand RON, out of a total dividends to be paid in amount of 63,199 thousand RON. The tax on dividends/the revenues of the non-residents held and paid to the State Budget amounted to 1,254 thousand RON.

The Profit and Loss Account

Thousand RON	Preliminary 2016 (not- audited)	Achieved 2015 (audited)	Preliminary 2016/ Achieved 2015 [▲/▼ %]
Transported quantities (thousand tons)	7,078	6,990	▲ 1.3%
Sales revenues	380,489	381,353	▼ 0.2%
Other revenues	31,966	32,422	▼ 1.4%
Total operating revenues	412,455	413,775	▼ 0.3%
Expenses on inventories and other external expenses	15,919	17,319	▼ 8.1%
Personnel Expenses	111,503	105,564	▲ 5.6%
Impairment of non-current assets	42,405	51,027	▼ 16.9%
Impairment of current-asset	(31)	(548)	▼ 94.3%
Third-party expenses	103,724	107,581	▼ 3.6%
Other expenses	66,234	64,870	▲ 2.1%
Provisions adjustments	(2,389)	(1,566)	▲ 52.6%
Total operating expenses	337,363	344,247	▼ 2.0%
Operating profit	75,092	69,528	▲ 8.0%
Financial Revenues	3,837	5,793	▼ 33.8%
Financial expenses	109	36	▲ 201.9%
Financial profit	3,727	5,757	▼ 35.3%
Earnings before tax	78,819	75,285	▲ 4.7%
Corporate tax expense	14,355	13,882	▲ 3.4%
Deferred tax expense	1,244	-	-
Deferred tax revenues	(1,140)	(1,796)	▼ 36.5%
Income tax	14,459	12,086	▲ 19.6%
Profit of the year	64,360	63,199	▲ 1.8%

The main preliminary economic-financial indicators for 2016, as compared to the Revenues and Expenditure Budget related to the same period, are exposed in the table below:

Indicators (thousand RON)	Preliminary 2016	Budgeted 2016	Preliminary 2016/Budgeted 2016 [▲/▼ %]
Net turnover	380,489	373,024	▲ 2.0%
Operating revenues	412,455	409,079	▲ 0.8%
Operating expenses	337,363	337,813	▼ 0.1%
EBITDA	117,496	118,021	▼ 0.4%
Depreciation	42,404	46,755	▼ 9.3%
Operating profit	75,092	71,266	▲ 5.4%
Financial profit	3,727	3,234	▲ 15.3%
Total revenues	416,292	412,393	▲ 0.9%

Total expenses	337,473	337,893	▼0.1%
EBT (Gross profit)	78,819	74,500	▲5.8%
Corporate tax	14,459	11,867	▲21.8%
Net profit	64,360	62,633	▲2.8%

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

Indicators (thousand RON)	Preliminary 2016	Achieved 2015	Preliminary 2016/Achieved 2015 [▲/▼%]
Net turnover	380,489	381,353	▼0.2%
Operating revenues	412,455	413,775	▼0.3%
Operating expenses	337,363	344,247	▼2.0%
EBITDA	117,496	120,555	▼2.5%
Depreciation	42,404	51,027	▼16.9%
Operating profit	75,092	69,528	▲8.0%
Financial profit	3,727	5,757	▼35.3%
Total revenues	416,292	419,569	▼0.8%
Total expenses	337,473	344,284	▼2.0%
EBT (Gross profit)	78,819	75,285	▲4.7%
Corporate tax	14,459	12,086	▲19.6%
Net profit	64,360	63,199	▲1.8%

The turnover records 2% increase as compared to the budget provisions, but a slightly 0.2% decrease as compared to 2015, triggered by the diminution of the quantities contracted for the transport on the Domestic Subsystem. .

Operating Results

Operating Revenues

As compared to the budget forecasts, the transported quantities and achieved revenues, reveal the followings:

Indicators	Preliminary 2016	Budgeted 2016	Preliminary 2016/Budgeted 2016 [▲/▼%]
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Transport services			
Transported quantities (thousand tons), o/w:	7,078	6,752	▲ 4.8%
<i>Domestic subsystem</i>	3,685	3,682	▲ 0.1%
<i>Import subsystem</i>	3,393	3,070	▲ 10.5%
Transport revenues - (thousand RON), o/w:	378,575	370,704	▲ 2.1%
<i>Domestic subsystem</i>	296,077	294,765	▲ 0.4%
<i>Import subsystem</i>	82,498	75,938	▲ 8.6%
Rents	1,231	1,525	▼ 19.2%
Other revenues related to the turnover	683	796	▼ 14.2%
Other operating revenues, o/w:	31,966	36,056	▼ 11.3%
Reversal of the depreciation of fixed assets financed from the modernization quota	27,662	29,320	▼ 5.7%
Revenues from sale of assets	3,135	5,821	▼ 46.1%
Other revenues	1,169	915	▲ 27.8%
Total operating revenues	412,455	409,079	▲ 0.8%

The evolution of the quantities and revenues achieved, versus the same period last year, is the following:

Indicators	Preliminary 2016	Achieved 2015	Preliminary 2016/Achieved 2015 [▲/▼ %]
Transport services			
Transported quantities (thousand tons), o/w:	7,078	6,990	▲ 1.3%
<i>Domestic subsystem</i>	3,685	3,905	▼ 5.6%
<i>Import subsystem</i>	3,393	3,085	▲ 10.0%
Transport revenues - (thousand RON), o/w:	378,575	378,959	▼ 0.1%
<i>Domestic subsystem</i>	296,077	309,279	▼ 4.3%
<i>Import subsystem</i>	82,498	69,679	▲ 18.4%
Rents	1,231	1,521	▼ 19.1%
Other revenues related to the turnover	683	873	▼ 21.8%
Other operating revenues, o/w:	31,966	32,421	▼ 1.4%
Reversal of the depreciation of fixed assets financed from the modernization quota	27,662	30,637	▼ 9.7%

Revenues from sale of assets	3,135	578	▲ 442.0%
Other revenues	1,169	1,206	▼ 3.1%
Total operating revenues	412,455	413,775	▼ 0.3%

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 the period 11.12.2013-08.02.2016

78.64

Order no. 32/2016 for the period 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 in 2016

The quantity contracted with OMV Petrom for the transport on the Domestic sub-system in 2016 decreased by 8.6% (approximately 347 ktons), as compared to the quantity contracted in 2015. The evolution of the transported quantities on the domestic sub-system within the last years shows a constant fall 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 Petrotel Lukoil for 2016 increased by 17.9% YOY (approximately 395k tons), representing the utmost processing capacity the refinery may reach, where in 2016 has not been recorded any outage for overhaul.

In 2016, the overall product transported quantity increased by 1.3% as compared to the transported quantity in the similar period of 2015, rising from 6,990 kTons to 7,078 kTons.

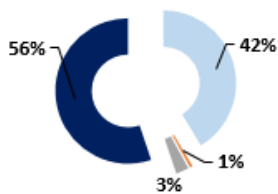
The 2016 evolution YoY is different on the two transport subsystems, namely: the quantity transported on the Import subsystem increased by 308 kTons, as compared to the same period of the previous year, and the quantity transported on the Domestic subsystem decreased by 220 kTons.

QUANTITIES TRANSPORTED ON THE DOMESTIC AND IMPORT SUBSYSTEMS

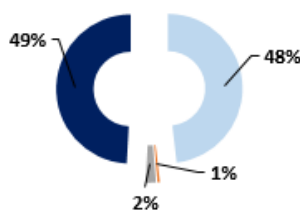
2016 / 2015

- **TRANSPORTED QUANTITIES** ▲ 1.3%
7,078 thousand tons 2016
- **DOMESTIC QUANTITIES TRANSPORTED** ▼ 5.6%
3,685 thousand tons 2016
- **IMPORT QUANTITIES TRANSPORTED** ▲ 10.0%
3,393 thousand tons 2016

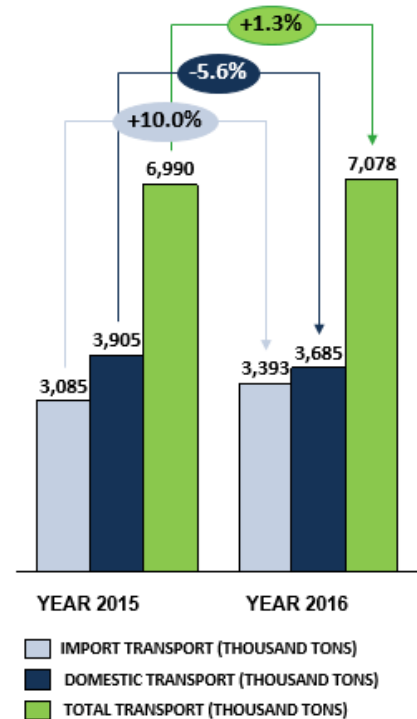
Share of crude oil, rich gas and condensate in total transport
YEAR 2015



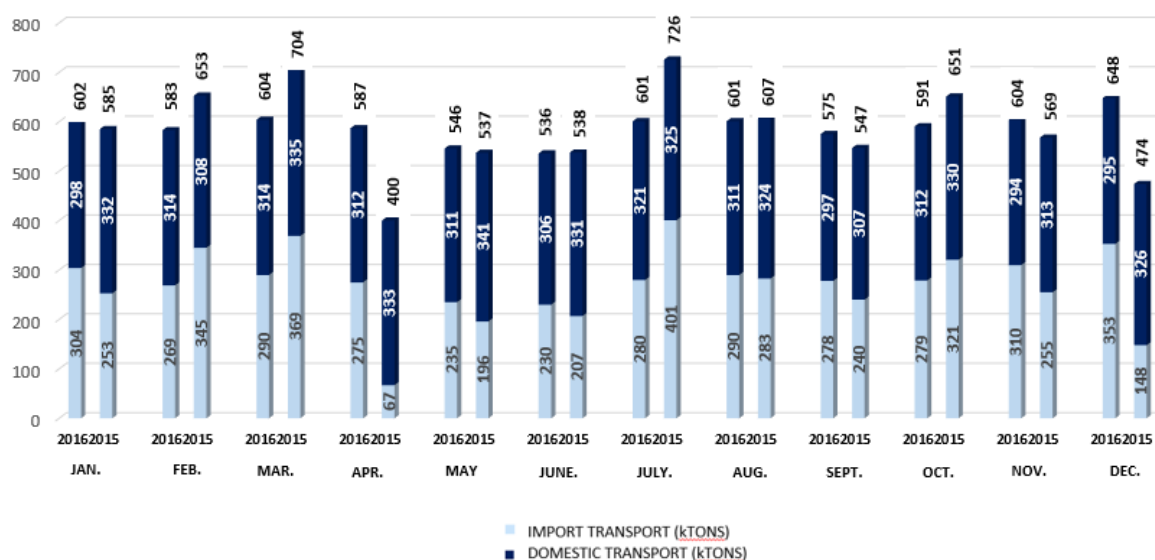
Share of crude oil, rich gas and condensate in total transport
YEAR 2016



import crude rich gas condensate domestic crude



MONTHLY EVOLUTION OF THE TRANSPORTED QUANTITIES YEAR 2016 / YEAR 2015



REVENUES ACHIEVED FROM THE TRANSPORT ON THE DOMESTIC AND IMPORT SUBSYSTEMS YEAR 2016 / YEAR 2015

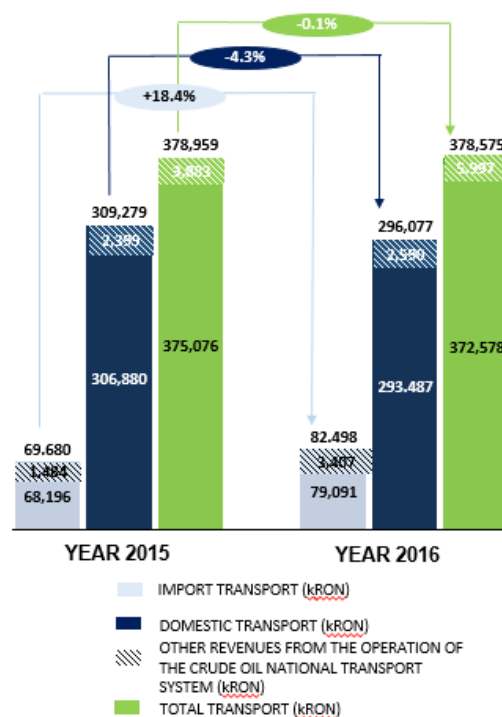
- **TRANSPORT REVENUES** ▼ 0.1%
378,575 thousand RON 2016
- **DOMESTIC TRANSPORT REVENUES** ▼ 4.3%
296,077 thousand RON 2016
- **IMPORT TRANSPORT REVENUES** ▲ 18.4%
82,498 thousand RON 2016

SHARE OF DOMESTIC TRANSPORT REVENUES IN
TOTAL TRANSPORT REVENUES

YEAR 2015 81.6% → YEAR 2016 78.2%
-3.4 p.p.

SHARE OF IMPORT TRANSPORT REVENUES IN
TOTAL TRANSPORT REVENUES

YEAR 2015 18.4% → YEAR 2016 21.8%
+3.4 p.p.



The revenues from the transport services provided in 2016 decreased by 0.1% YoY (from 378,959 kRON in 2015 to 378,575 kRON in 2016), being recorded 4.3% decreases on the Domestic subsystem (296,077 kRON in 2016, compared to 309,279 kRON in 2015).

The decrease of revenues from the domestic subsystem, by 13,202 kRON was partially compensated by the increased revenues on the import subsystem, by 12,818 kRON.

Compared to the Revenues and Expenditure Budget, the revenues from transport services recorded 2.1% increase (7,871 kRON) as a result of having exceeded the transport schedule on the Domestic subsystem by 3 thousand tons (0.1%), and on the Import subsystem by 323 thousand tons (10.5%).

The transport revenues account for 99.5% in turnover, respectively 91.8% in the company's overall operating revenues.

The operating revenues also include other revenues (33,880 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 preliminary operating expenses related to 2016, versus the Revenues and Expenditure Budget, look as follows:

Indicators (thousand RON)	Preliminary YEAR 2016	Budgeted YEAR 2016	Preliminary 2016/ Budgeted 2016 [▲/▼ %]
Material expenses	6,568	7,816	▼ 16.0%
Other outside expenses (with energy and water)	9,351	9,974	▼ 6.3%
Personnel expenses	111,503	111,955	▼ 0.4%
Expenses related to the depreciation of the tangible and intangible assets	42,404	46,755	▼ 9.3%
Third-party expenses	103,724	104,532	▼ 0.8%
Provision and current assets adjustments	(2,420)	(6,816)	▼ 64.5%
Other operating expenses, here-included the modernization quota	66,234	63,598	▲ 4.1%
Total operating expenses	337,363	337,813	▼ 0.1%

The evolution of the preliminary operating costs related to 2016 YOY, is as follows:

Indicators (thousand RON)	Preliminary YEAR 2016	Achieved YEAR 2015	Preliminary 2016 /Achieved 2015 [▲/▼%]
Material expenses	6,568	7,266	▼9.6%
Other outside expenses (with energy and water)	9,351	10,053	▼7.0%
Personnel expenses	111,503	105,564	▲5.6%
Expenses related to the depreciation of the tangible and intangible assets	42,404	51,027	▼16.9%
Third-party expenses	103,724	107,581	▼3.6%
Provision and current assets adjustments	(2,420)	(2,114)	▲14.5%
Other operating expenses, here-included the modernization quota	66,234	64,870	▲2.1%
Total operating expenses	337,363	344,247	▼2.0%

The operating expenses pre-established for 2016 record a decrease as compared to the similar period in 2015 (2.0%, from 344,247 thousand RON to 337,363 thousand RON), as well as compared to the Revenues and Expenditure Budget (0.1%, from 337,813 thousand RON to 337,363 thousand RON).

The Operating Profit

The preliminary EBIT (operating profit) described an upward trend, increasing by **8.0%** (5,564 thousand RON) as compared to 2015 (from 69,528 thousand RON to 75,092 thousand RON), increase mainly due to the Import transport subsystem segment.

The transport services to OMV Petrom and Petrotel LUKOIL clients bring 99% of EBITDA to the company, out of which OMV Petrom accounts for 80% and Petrotel-Lukoil for 19%.

In 2016, the volume transported to Petrotel Lukoil reached the maximum level of the refining capacity. The amount of oil transported for OMV Petrom in 2016 was only 8% lower, as compared to the processing capacity of Petrobrazi.

Gross Profit

Profit before tax registered 4.7% increase as compared to 2015 (from 75,285 thousand RON to 78,819 thousand RON).

The Financial Result

2016 preliminary financial result was positive (3,727 thousand RON), but 35.3% lower than the preceding year, due to the decrease, by 33.8%, of the interests-related revenues.

Net Profit

The preliminary profit after tax grew by 1.8% YOY (from 63,199 thousand RON to 64,360 thousand RON)

Cash-flow Statement at December 31, 2016 (direct method) - unaudited

-Thousand RON-

	Name of the element	January- December 2016	January – December 2015
	Cash flows from operating activities:		
+	Proceeds from services	402,605	408,062
+	Proceeds from interest payable on bank investments	1,817	3,941
+	Other revenues	8,652	7,057
-	Payments to suppliers of goods and services	114,569	132,709
-	Payments to and on behalf of employees	110,484	105,763
-	VAT payments	50,609	61,560
-	Pay of income tax	16,577	13,280
-	Other payments on operating activities	39,137	38,450
A	Net cash from operating activities	81,698	67,300
	Cash flows from investment activities:		
+	Proceeds from sale of tangible assets	3,161	578
+	Proceeds from the modernization quota	53,878	59,970
+	Proceeds from short-term financial investments	263,545	14,241
+	Proceeds from interest on government securities	3,461	-
-	Payments for acquisition of tangible assets	54,576	43,918
-	Payments for short-term financial investments	172,095	259,979
B	Net cash from investment activities	97,374	(229,109)
	Cash flows from financing activities:		
+	Proceeds from dividends transferred to Depozitarul Central	2,044	-
-	Paid dividends	60,639	49,438
C	Net cash from financing activities	(58,595)	(49,438)
	Net increase in cash and cash equivalents=A+B+C=D2-D1	120,477	(211,247)
D1	Cash and cash equivalents at the beginning of the period	124,121	335,368

D2	Cash and cash equivalents at the end of the period	244,598	124,121
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To which the followings 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 406,487 377,459

Capital Expenditure (Investments)

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

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

The investments achieved in 2016, as compared to the program related to the same period of time:

Name (thousand RON)	Rectified program 2016	YEAR 2016		
		Program	achieved	%
TOTAL, out of which:	56,976	56,976	44,992	79.0%
Public Domain (modernization quota)	42,796	42,578	36,675	86.1%
Operating Area (profit)	14,180	14,398	8,317	57.8%

The investments program 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 Țicleni-Ploiesti, F1 and F2;
 - Modernization of pumping systems;
 - Implementation and wireless infrastructure equipment in CONPET premises in Ploiesti;
 - Implementation of a Document Management solution.

The investment objectives commissioned in 2016 are 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 brook and Dealul Oltului, Valcea county, on a length of approximately 0.4 km;
- Implementation and wireless infrastructure equipment in CONPET premises in Ploiesti;

- Implementation of a Document Management solution;
- Water feeding of the fire tank R28 Moreni;
- Modernization of Constanta Sud II Dispatch;
- Modernization of Poiana Lacului buildings;
- Replacement of pipeline 14" Constanta-Baraganu, Valea Nemtilor area, on a length of 1.000 m;
- Systematization of Moreni launching-receiving pig system;
- Replacement of the rich gas transport pipeline ø 4" degasination oil Abramut – Marghita Ramp, in the areas under-crossing 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;
- Modernization of Ciresu pumping system.
- Independent facilities and equipment;

Procurement

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

During 01.01-31.12.2016, the company concluded 4 services procurement contracts with values higher than 100,000 Euro and 4 works procurement contract with values higher than 500,000 Euro, this statement being reflected in the annexes to this report

Annexes:

- Statement of the services procurement contracts with values higher than 100,000 Euro, concluded between 01.01.2016 - 31.12.2016;
-
- Statement of the works procurement contracts with values higher than 100.000 euro, concluded between 01.01.2016-31.12.2016.

Chairman of the Board of Administration
Dan Weiler

Director General
Liviu Ilași

Economic Director
Sanda Toader

**STATEMENT OF THE PROCUREMENT WORKS AND PRODUCTS CONTRACTS WITH VALUES HIGHER THAN 500,000 EURO,
CONCLUDED DURING 01.01.2016- 31.12.2016**

Name of the contractor	Scope of the contract	Title of the contract	Procurement procedure applied	Name of the beneficiary (if different from the contracting authority)	Number of the participation notice	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).
Quarter I – 1 contract										
Value Quarter I = 2,857,172.22 RON										
ENGIE ROMANIA S.A. (Former GDF SUEZ ENERGY ROMANIA S.A.)	Natural gas delivery	P-CA 100/31.03.2016	Tender	-	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										
Quarter IV– 3 contracts										
Value Quarter IV=8,961,101.02 RON										
PRDREP MG SRL	Rehabilitation of Independenta crude oil loading ramp, Galati County	L-CA 380/05.10.2016	Tender	-	16536/31.05.2016	3,533,800.96	-	16.11.2016	18	18
TALPAC SRL	Design and execution	L-CA		-	26747/08.08.2016		-	25.10.2016	6	6

	works related to the replacement of the crude oil pipeline 10 ¾" Barbatesti – Ploiesti, Galcesti area, on a length of 1.1 km and in Budele area, on a length of 1.4 km					2,689,159.28				
RCS&RDS S.A	Power supply LOT1	P-CA 540/15.12.2016	Tender	-	37782/25.10.2016	2,738,140.78	-	01.01.2017	12	12
AGGREGATE CONTRACTS – 4 CONTRACTS AGGREGATE VALUE = 11,818,273.24 RON										

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

**STATEMENT OF THE PROCUREMENT SERVICES CONTRACTS WITH VALUES HIGHER THAN 100,000 EURO, CONCLUDED DURING
01.01.2016- 31.12.2016**

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	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).
<p align="center">Quarter I – 1 contract</p> <p align="center">Value Quarter I = 966,870.00 RON</p>										
ORANGE ROMANIA SA	Electronic communications services	S-CA 95/29.03.2016	tender	-	4048 /05.02.2016	966,870.00	—	05.05.2016	24	24
<p align="center">Quarter II – 0 contracts</p> <p align="center">Quarter III – 2 contracts</p>										

Value Quarter III = 2,975,570.00 RON										
TERMOKLIMA SRL	Safety valves verification, adjustment and repair	S-CA 305/19.08.2016	Tender	-	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	Subsequent contract concluded within the Framework Agreement S-CA 304/09.09.2015 awarded based by tender	-	28062/04.08.2015	2,364,827.00	-	11.09.2016	12	12
Quarter IV – 1 contract										
Value Quarter IV = 1,527,174.00 RON										
ALLIANZ TIRIAC ASIGURARI S.A.	Services supply related to the optional health insurance	S-CA 568/28.12.2016	Tender	-	44323/ 06.12.2016	1,527,174.00	-	28.12.2016	12	12
AGGREGATE CONTRACTS - 4 CONTRACTS										
AGGREGATE VALUE = 5,469,614.00 RON										

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PRELIMINARY FINANCIAL STATEMENTS
as at the date and for the financial year ended
December 31, 2016

**Prepared according to the accounting regulations compliant with the
International Standards of Financial Reporting**
approved by the Order of the Ministry of Public Finances no. 2844/2016

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STATEMENT OF THE FINANCIAL POSITION AS AT DECEMBER 31, 2016
- PRELIMINARY DATA-

	December 31, 2016 (unaudited)	December 31, 2015 (audited)
ASSETS		
Non-current assets		
Tangible assets	402,076,882	398,698,454
Intangible assets	1,911,394	2,851,500
Financial assets	656,965	305,860
Total non-current assets	404,645,241	401,855,814
Current assets		
Inventories	8,827,731	8,189,161
Trade receivables and other receivables	42,821,719	42,204,216
Short-term investments	163,053,678	256,149,012
Cash and cash equivalents	244,598,286	124,120,816
Non-current assets held for sale	-	3,031,187
Deferred expenses	255,475	231,234
Total current assets	459,556,889	433,925,626
TOTAL ASSETS	864,202,130	835,781,440
Shareholders' Equity and debts		
Shareholders' Equity		
Share capital, o/w:	28,569,842	28,569,842
<i>Subscribed share capital</i>	28,569,842	28,569,842
Revaluation reserves	84,924,289	93,603,955
Legal reserves	5,713,968	5,713,968
Other reserves	527,335,719	501,118,931

Retained earnings	81,030,610	72,316,398
Result of the year	64,360,107	63,198,986
Total Shareholders' Equity	791,934,535	764,522,080

Long-term debts

Net debt regarding the deferred income tax	165,462	95,919
Provision for employees' benefits	3,542,697	3,719,592
Long-term commercial debts	-	713,683
Total long-term debts	3,708,159	4,529,194

Current debts

Commercial debts	19,407,806	20,043,292
Other debts	30,889,221	26,047,983
Short-term provisions	17,127,100	19,339,603
Total current debts	67,424,127	65,430,878

Deferred revenues

Investment subsidies	1,119,519	1,281,054
Deferred Revenues	15,790	18,234
Total deferred revenues	1,135,309	1,299,288

TOTAL DEBTS

TOTAL SHAREHOLDERS' EQUITY AND DEBTS

72,267,595	71,259,360
864,202,130	835,781,440

The preliminary financial statements at 31.12.2016 have not been audited.

Chairman of the Board of Administration,
Dan Weiler

Director General,
Eng. Liviu Ilași

Economic Director,
Econ. Sanda Toader

**STATEMENT OF THE PROFIT OR LOSS AND OTHER GLOBAL RESULT ELEMENTS FOR
THE FINANCIAL YEAR ENDED DECEMBER 31, 2016
- PRELIMINARY DATA -**

	December 31, 2016 (unaudited)	December 31, 2015 (audited)
Operating revenues		
Turnover revenues	380,489,183	381,353,176
Other revenues	31,965,909	32,422,266
Total operating revenues	412,455,092	413,775,442
Operating expenses		
Inventory expenses	(15,918,816)	(17,319,138)
Personnel expenses	(111,502,928)	(105,564,433)
Value adjustments related to non-current assets	(42,404,649)	(51,026,628)
Value adjustments on current assets	31,478	547,590
Third-party expenses	(103,723,902)	(107,580,664)
Other expenses	(66,233,935)	(64,870,033)
Provision adjustments	2,389,398	1,565,883
Total operating expenses	(337,363,354)	(344,247,423)
Operating profit	75,091,738	69,528,019
Financial revenues	3,836,849	5,793,178
Financial expenses	(109,356)	(36,222)
Financial profit	3,727,493	5,756,956
Profitul before income tax	78,819,231	75,284,975
Current income tax expense	(14,355,035)	(13,882,044)
Deferred income tax expense	(1,243,600)	-
Revenues on the deferred income tax	1,139,511	1,796,055

Profitul of the year

64,360,107

63,198,986

The preliminary financial statements at 31.12.2016 have not been audited

Chairman of the Board of Administration,
Dan Weiler

Director General,
Eng. Liviu Ilași

Economic Director,
Econ. Sanda Toader

(All the amounts are expressed in RON, if not otherwise specified)

CASH-FLOW STATEMENT ON DECEMBER 31, 2016

- PRELIMINARY DATA -

(DIRECT METHOD)

RON

	Name of the element	January- December 2016	January – December 2015
	Cash flows from operating activities:		
+	Proceeds from services supply	402,605,374	408,062,352
+	Proceeds from interest payable on bank investments	1,817,335	3,940,911
+	Other revenues	8,652,331	7,057,253
-	Payments to suppliers of goods and services	(114,569,031)	(132,708,569)
-	Payments to and on behalf of employees	(110,484,233)	(105,763,074)
-	VAT payments	(50,609,321)	(61,559,672)
-	Payment of income tax	(16,577,062)	(13,279,739)
-	Other payments on operating activities	(39,136,974)	(38,449,897)
A	Net cash from operating activities	81,698,419	67,299,566
	Cash flows from investment activities:		
+	Proceeds from sale of tangible assets	3,161,083	578,403
+	Proceeds from the modernization quota	53,878,327	59,969,621
+	Proceeds from short-term financial investments	263,545,116	14,240,800
+	Proceeds from interest on government securities	3,460,844	-
-	Payments for acquisition of tangible assets	(54,576,261)	(43,918,363)
-	Payments for short-term financial investments	(172,095,327)	(259,979,356)
B	Net cash from investment activities	97,373,782	(229,108,895)
	Cash flows from financing activities:		
+	Proceeds from dividends transferred to Depozitarul Central	2,044,338	-
-	Paid dividends	(60,639,068)	(49,437,684)
C	Net cash from investment activities	(58,594,730)	(49,437,684)
	Net increase in cash and cash equivalents=A+B+C=D2-D1	120,477,471	(211,247,013)

(All the amounts are expressed in RON, if not otherwise specified)

D1	Cash and cash equivalents at the beginning of the period	124,120,815	335,367,828
D2	Cash and cash equivalents at the end of the period	244,598,286	124,120,815

To which the followings are added:

Government securities in the form of government bonds and treasury bills	161,888,767	253,338,556
Total availability at the end of the period	406,487,053	377,459,371

The preliminary financial statements at 31.12.2016 have not been audited.

Chairman of the Board of Administration,
Dan Weiler

Director General,
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Economic Director,
Econ. Sanda Toader