

**QUARTERLY REPORT**

**REGARDING THE ECONOMIC-FINANCIAL ACTIVITY OF**

**CONPET S.A.**

**For the exercise ended March 31, 2018**

## **CONTENTS**

Report and issuer identification data	3
Company Results	4
Base of the report	7
Analysis of the financial statements	7
Statement of the financial standing at March 31, 2018	7
Profit and loss account for the three months period ended March 31, 2018	8
Main economic-financial indicators	14
Cash-flow at March 31, 2018	15
Investments program at March 31, 2018	15
Other aspects	19
State of the lands not included in the share capital	19
Procurement	19
Litigation	19
Shareholding Structure	25
Management Presentation	25
Relevant corporate events in 2018 Q1 and subsequent to the date of March 31, 2018	26
Annexes	27

**REPORT AND ISSUER IDENTIFICATION DATA**

Quarterly Report prepared in compliance with :	The provisions of Art. 67 of Law no. 24/2018 regarding the issuers of financial instruments and market operations and Annex 30 of CNVM Regulation no. 1/2006 regarding issuers and securities operations;
Date of the report	14.05.2018
Company 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	<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, 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	966,180,124.80 RON (111.6 RON/share at 30.03.2018)
Accounting standard applied	International Accounting Standard 34 – “Interim Financial Reporting”
Auditing	The Interim Financial Statements prepared at 31.03.2018 have not been audited and have not been revised

## 1. COMPANY RESULTS

### • Financial

The company's main economic - financial indicators achieved during January-March 2018 as compared to the ones provided in the Revenues and Expenditure Budget (REB) and YoY are exposed below, as follows:

Indicators	2018 Q1			2017 Q1	Variation %
	Achieved	REB	Variation % Achieved/REB		2018 Q1/2017 Q1
Operating Revenues (thousand RON)	99,064	96,383	▲2.8%	99,309	▼0.2%
Operating Expenses (thousand RON)	86,243	87,017	▼0.9%	77,165	▲11.8%
Operating profit - EBIT - (thousand RON)	12,821	9,366	▲36.9%	22,144	▼42.1%
Operating profit margin (% in operating revenues)	12.94%	9.72%	▲3.22pp	22.30%	▼9.36pp
EBITDA (thousand RON)	24,044	20,512	▲17.2%	33,234	▼27.7%
Operating expenses (% turnover)	94,81%	98,22%	▼3.41pp	84,74%	▲10.07pp
Productivity (RON/employee)	59,391	57,371	▲3.5%	59,253	▲0.2%

Table 1 – The main economic financial indicators achieved in 2018 Q1 as compared to REB and the same period of 2017

### • Operating

The evolution of product quantities – crude oil, condensate and rich gas, transported via the National Transport System (NTS) during January - March 2018, as compared to REB and YoY, by transport sub-systems, is presented below:

Indicators	M.U.	Achieved 2018 Q1	REB 2018 Q1	Achieved 2017 Q1	Variation % 2018 Q1/2018 REB	Variation % 2018/2017
Quantities transported on the domestic subsystem	Thousand tons	864.29	850.51	887.10	▲1.6%	▼2.6%
Quantities transported on the import subsystem	Thousand tons	866.62	809.0	645.40	▲7.1%	▲34.3%
<b>Total transported quantities</b>	Thousand tons	<b>1.730.92</b>	<b>1.659.51</b>	<b>1.532.51</b>	<b>▲4.3%</b>	<b>▼12.9%</b>

Table 2 - Evolution of the transported quantities and of the transport achieved in 2018 Q1 vs. 2018 REB and the same period of 2017

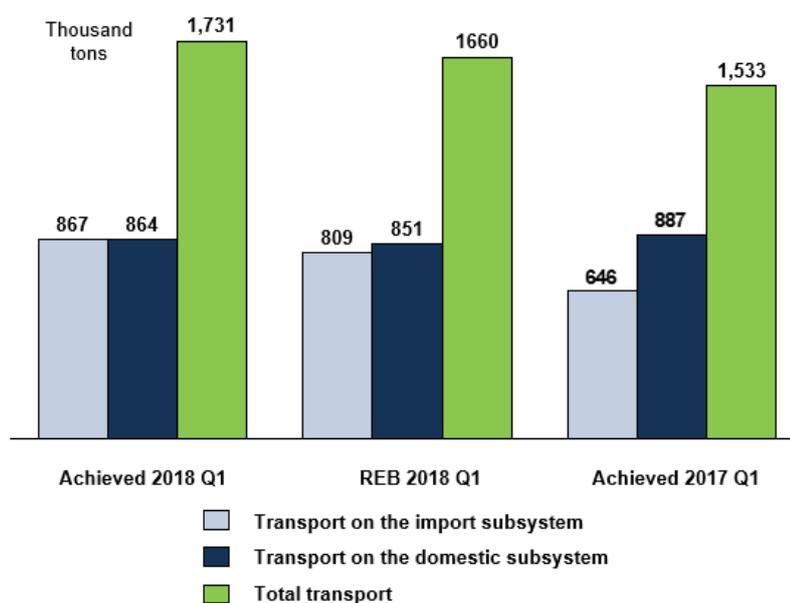


Chart 1 - Evolution of the quantities transported on the domestic and import subsystems (thousand tons)

- Investments**

The investments program related to 2018 considered the continuation of works for the rehabilitation of the major lines for crude oil and rich gas transport, as well as investment works on the installation, equipment and ancillary facilities related to the Crude oil National Transport System.

During the 3 months period ended March 31, 2018, CONPET made investments amounting to 12,995 thousand RON (3 months 2017: 6,552 thousand RON).

Investments (thousand RON)	REB YEAR 2018	2018 Q1			2017 Q1		
		Program	Achieved	Degree of completion %	Program	Achieved	Degree of completion %
<b>Total investments, o/w:</b>	<b>76,625</b>	<b>10,642</b>	<b>12,995</b>	<b>122%</b>	<b>4,587</b>	<b>6,552</b>	<b>143%</b>
Public area	64,521	9,337	12,558	134%	3,394	4,755	140%
Operating area	12,104	1,305	437	33%	1,193	1,797	151%

Table 3 – Evolution of the investments achieved in 2018 Q1 as compared to program and the same period of 2017

- **Company evolution on the capital market**

The market capitalization amounted to 966,180 thousand RON (111.6 RON/share) at 31.03.2018 and respectively 860,560 thousand RON (99.40 RON/share) at 31.12.2017, ranking 18 in “Top 25 issuers according to capitalization” (at 30.03.2018).

The company CONPET is included in 7 out of the total of 9 stock indices, respectively in **BET**, **BET-TR**, **BET-XT**, **BET-XT-TR**, **BET-BK**, **BET-NG** and **BET Plus** indices.

The evolution of COTE share as compared to stock indices (rebased), during January- March 2018, is as follows:

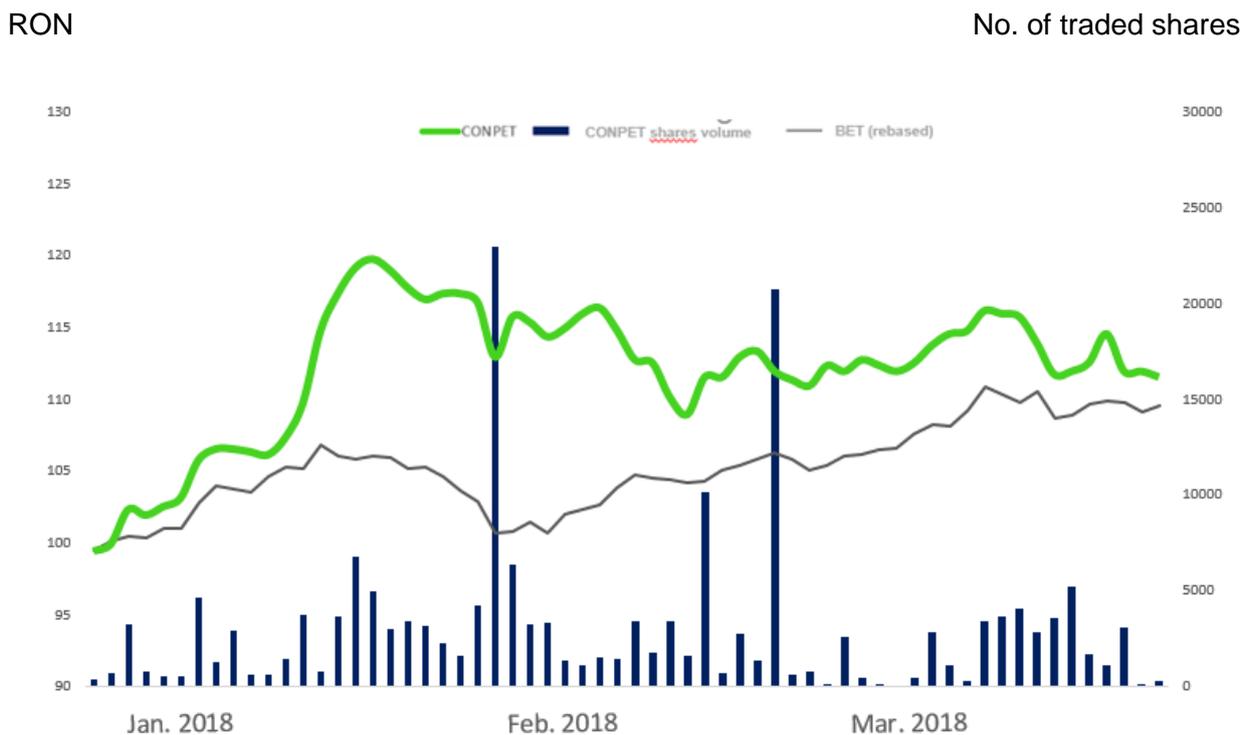


Chart 2 – Evolution of COTE share vs. Stock market indices (rebased) where it is included (January- March 2018)

- **Dividends**

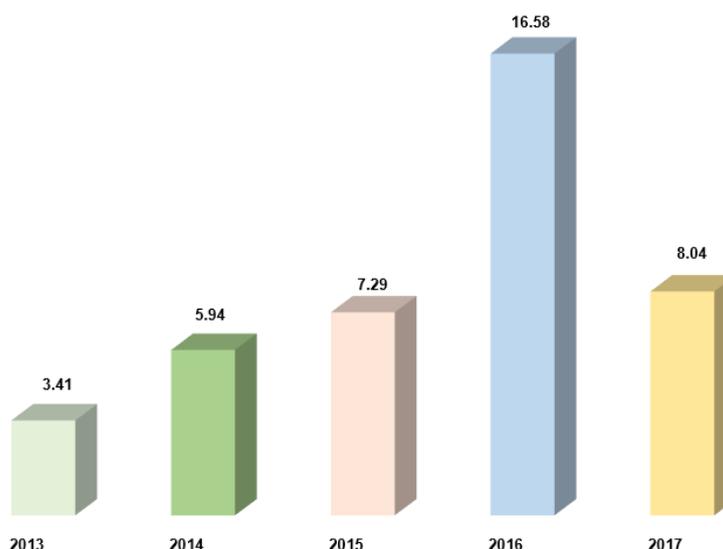
The Ordinary General Meeting of Shareholders approved the distribution as dividends of the amount of 69,621,097 RON out of the net profit related to 2017 financial year, the value of the gross dividend per share amounting to 8.04168315 RON.

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

At the moment of approval of the dividend, the company granted to its shareholders a dividend yield of 7.25%, thus ranking first in the Top of yields awarded by a company listed on the BSE.

As of the beginning of the year, until the date of approval of the financial statements, CONPET S.A. recorded a stock yield of 11.36%.

The evolution of the gross dividend per share, related to the previous 5 financial years, is the following:



## 2. REPORT GROUNDS

The quarterly report of the Board of Administration for the 3 months period related to 2018 is prepared in compliance with the provisions of Art. 67 od Law no. 24/2018 on the issuers of financial instruments and market operations and annex 30 of CNVM Regulation no. 1/2006 regarding the issuers and securities operations.

## 3. ANALYSIS OF THE FINANCIAL STATEMENTS

The financial data included in this report are provided based on the interim financial statements for the 3 months period ended March 31, 2018, prepared in compliance with the International Accounting Standard 34 – Interim Financial Reporting.

### 3.1 Statement of the financial standing at March 31, 2018

Summarized, the statement of the financial standing at March 31, 2018 is the following:  
 -thousand RON-

	March 31, 2018 (unaudited)	December 31, 2017 (audited)	[▲/▼%]
Fixed assets	412,487	410,682	▲0.4%
Current assets	343,503	338,091	▲1.6%
<b>Total assets</b>	<b>755,990</b>	<b>748,773</b>	<b>▲1.0%</b>
<b>Equities</b>	<b>675,421</b>	<b>658,400</b>	<b>▲2.6%</b>
<b>Deferred Revenues</b>	<b>1,293</b>	<b>1,326</b>	<b>▼2.5%</b>
<b>Total liabilities</b>	<b>79,276</b>	<b>89,047</b>	<b>▼11.0%</b>
<b>Total equities and liabilities</b>	<b>755,990</b>	<b>748,773</b>	<b>▲1.0%</b>

Table 4 – Synthesis of the company's financial standing at 31.03.2018 as compared to 31.12.2017

The detailed variant of the financial standing at March 31, 2018 is presented in Annex no. 1.

**Total assets** increased by 1% (7,217 thousand RON) as compared to the level recorded at December 31, 2017.

At 31.03.2018, **the fixed assets** recorded a slight increase of 0.4% as compared to December 31, 2017, mainly triggered by fixed assets input in a value higher than the amount of the amortization registered in 2018 Q1.

**The current assets** increased by 1.6% (5,412 thousand RON), from 338,091 thousand RON at December 31, 2017 to 343,503 thousand RON at March 31, 2018. The increase mainly resulted from the increase in cash availabilities and inventories related to used pipe materials resulted from the pipeline replacement works.

The 12.7% decrease in other receivables lowered the increases recorded with the other current assets elements.

At 31.03.2018 the cash related to the modernization quota amounted to 208,219 thousand RON, 3,631 thousand RON lower than the cash registered at 31.12.2017 (211,850 thousand RON).

The cash representing modernization quota has special treatment, provided by GD no. 168/1998, being destined exclusively to the financing of the modernization and development works related to the assets belonging to the public domain.

**The equities** increased by 2.6% (17,021 thousand RON) as compared to December 31, 2017, reaching the value of 675,421 thousand RON, the increase being determined by the changes in the following capital elements:

- Other reserves record 5,556 thousand RON increase out of the modernization quota, which increased from 445,943 thousand RON at December 31, 2017 to 451,498 thousand RON at March 31, 2018;
- The capital elements representing retained earnings and the result of the period record a total increase amounting to 12,824 thousand RON, mainly from the net profit achieved in 2018 Q1.
- The diminution of the revaluation reserves by the amount of 1,359 thousand RON.

**The long-term liabilities** record a slight increase of 1% (129,884) thousand RON as compared to December 31, 2017.

**The current liabilities** in amount of 66,329 thousand RON decreased by 9,900 thousand RON as compared to December 31, 2017, mainly determined by the diminution of the trade liabilities.

### 3.2 The profit and loss account for the three months period ended at March 31, 2018

During the three months period ended March 31, 2018, CONPET obtained a net profit amounting to 11,465 thousand RON, lower by 8,085 thousand RON as compared to 2017 Q1 (19,550 RON). The financial results achieved in 2018 Q1, as compared to REB and the achievements of the similar period in 2017, is as follows:

Indicators (thousand RON)	Achieved	REB	Achieved	Variation	
	January- March 2018	January- March 2018	January- March 2017	2018 vs REB 2018	2018 vs 2017
<b>Turnover</b>	<b>90,964</b>	<b>88,598</b>	<b>91,061</b>	<b>▲ 2.7%</b>	<b>▼ 0.1%</b>
Total operating revenues	99,064	96,383	99,309	▲ 2.8%	▼ 0.2%
Total operating expenses	86,243	87,017	77,165	▼ 0.9%	▲ 11.8%
<b>Operating profit</b>	<b>12,821</b>	<b>9,366</b>	<b>22,144</b>	<b>▲ 36.9%</b>	<b>▼ 42.1%</b>
<b>EBITDA</b>	<b>24,044</b>	<b>20,512</b>	<b>33,234</b>	<b>▲ 17.2%</b>	<b>▼ 27.7%</b>
Financial revenues	1,051	403	957	▲ 160.4%	▲ 9.8%
Financial expenses	1	25	9	▼ 95.8%	▼ 88.9%
<b>Financial profit</b>	<b>1,050</b>	<b>378</b>	<b>948</b>	<b>▲ 177.4%</b>	<b>▲ 10.8%</b>
Total revenues	<b>100,114</b>	<b>96,786</b>	<b>100,266</b>	<b>▲ 3.4%</b>	<b>▼ 0.2%</b>
Total expenses	<b>86,244</b>	<b>87,042</b>	<b>77,175</b>	<b>▼ 0.9%</b>	<b>▲ 11.8%</b>
<b>Gross profit</b>	<b>13,870</b>	<b>9,744</b>	<b>23,091</b>	<b>▲ 42.3%</b>	<b>▼ 39.9%</b>
<b>Net profit</b>	<b>11,465</b>	<b>8,179</b>	<b>19,550</b>	<b>▲ 40.2%</b>	<b>▼ 41.4%</b>

Table 5 – Main economic indicators achieved in 2018 Q1 vs. REB 2018 and the same period in 2017

The company's financial results during January - March 2018, as compared to the budget for the same period is as follows:

- The recorded turnover is 90,964 thousand RON, increased by 2.7% as compared to budget;
- EBITDA recorded 17.2% increase, from 20,512 thousand RON, calculated based on the budget data, from 24,044 thousand RON achieved within the first 3 months of 2018;
- The operating profit (EBIT) increased by 36.9%, from 9,366 thousand RON budgeted to 12,821 thousand RON achieved during 3 months 2018;

The statement of the profit and loss account for the three months period ended March 31, 2018 is detailed in annex no. 2.

The evolution of the financial statements in 2018 Q1, as compared to the same period in 2017, is presented in the chart below:

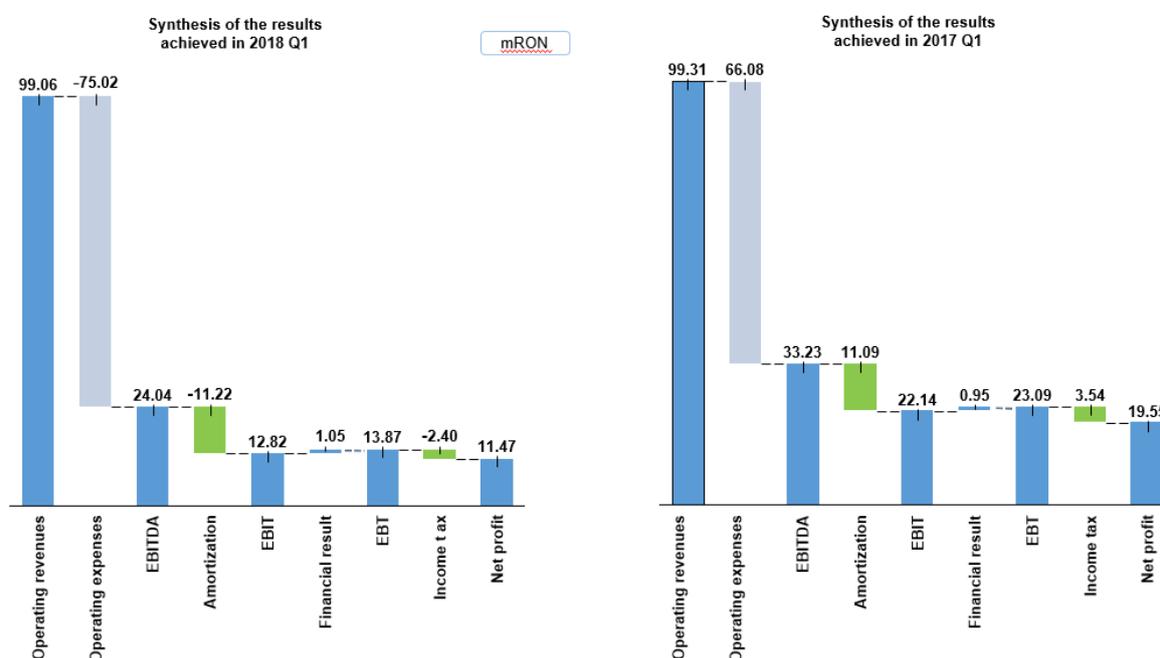


Chart 4 - Synthesis of the financial results in Quarter 1 of 2017-2018

## Operating Revenues

As compared to the approved budget and the preceding period, the total revenues from the operating activity during 2018 Q1 are the followings:

Achieved January - March 2018	REB January - March 2018	Variation % 2018/REB Jan-March 2018	Indicators	Achieved January - March 2018	Achieved January - March 2017	Variation % 2018/2017
			[thousand RON]			
90,005	87,929	▲2.4%	Total revenues from transport services	90,005	89,773	▲0.3%
359	351	▲2.5%	Revenues from rents	359	317	▲13.5%
600	318	▲88.4%	Other revenues related to turnover	600	972	▼38.3%
90,964	88,598	▲2.7%	Turnover	90,964	91,061	▼0.1%
7,149	7,346	▼2.7%	<i>Write-back of reserve constituted based on the expenses with the modernization quota</i>	7,149	7,341	▼2.6%
951	439	▲116.6%	Other operating revenues	951	907	▲4.9%
<b>99,064</b>	<b>96,383</b>	<b>▲2.8%</b>	<b>Total operating revenues</b>	<b>99,064</b>	<b>99,309</b>	<b>▼0.2%</b>

Table 6 - Statement of operating revenues

## THE TRANSPORT ACTIVITY

### Transport tariffs

During January - March 2018, the tariffs charged for the transport of crude oil, rich gas, condensate and ethane are those approved by the NAMR pursuant to the Order no. 32/2016, as follows:

- For the supply of the transport services related to crude oil, rich gas and condensate on the domestic subsystem (79.75 RON/ton);
- For the supply of the transport service on the import subsystem, the tariffs are applied per refineries, by transported quantities batches, as follows:

Period	Arpechim		Ploiesti Basin		Petromidia	
	thousand tons/month	RON/ton	thousand tons/month	RON/ton	thousand tons/month	RON/ton
Feb. 9, 2017 – to date	< 100	38.85	< 100	38.00	< 100	8.00
	> 100	16.60	> 100	16.00	> 100	7.33

Table 7- Tariffs charged for the transport on the import subsystem

## Transported Quantities

### QUANTITIES TRANSPORTED ON THE DOMESTIC AND IMPORT SUBSYSTEMS ACHIEVED Q1 2018 VS. 2017

TRANSPORTED QUANTITIES  
1.731 kTons 3 months 2018 o/w:

▲ 12.9%

- DOMESTIC SUBSYSTEM  
864 kTons 3 months 2018

▼ 2.6%

- IMPORT SUBSYSTEM  
867 kTons 3 months 2018

▲ 34.3%

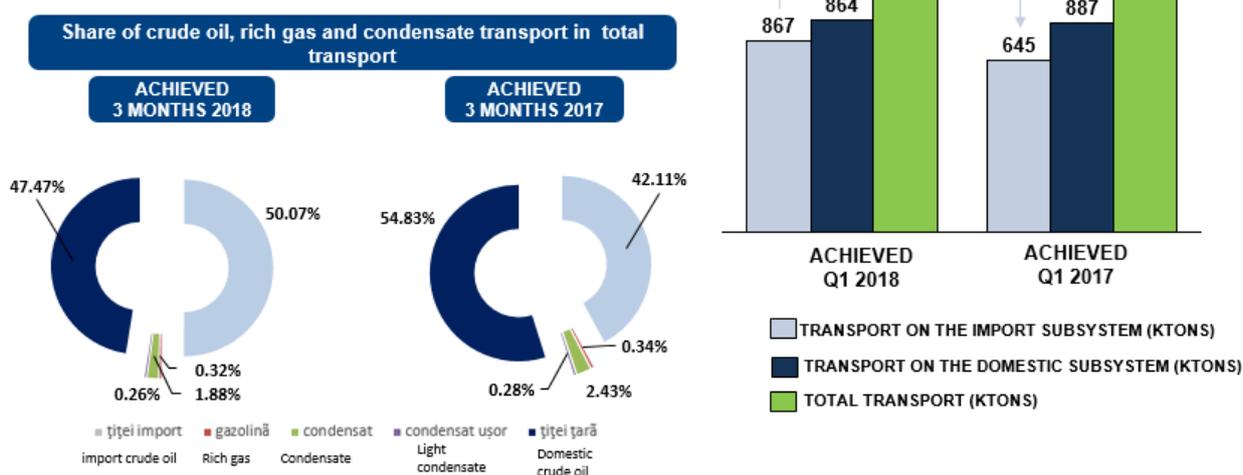


Chart 5 – Quantities transported per transport subsystems

The total transported quantity during January-March 2018 was higher by 199 thousand tons as compared to the same period of 2017. In 2018 Q1, the quantity transported on the domestic transport subsystem decreased by 23 thousand tons (2.6%), and on the import subsystem grew by 222 thousand tons.

Within the first 3 months of 2018, the quantity transported on the import subsystem increased by 221 thousand Tons due to the fact that, in 2017 Q1, the activity of Petrotel Lukoil refinery was interrupted during 25.02-31.03.2017 for scheduled technological overhaul.

### Transport revenues from the services provided via the NTS

Indicators	M.U.	Achieved Q1 2018	REB Q1 2018	Achieved Q1 2017	Variation % Q1 2018/REB 2018	Variation % Q1 2018/Q1 2017
Revenues on the domestic subsystem	Thousand RON	69,332	68,201	71,417	▲ 1.7%	▼ 2.9%
Revenues on the import subsystem	Thousand RON	20,673	19,728	18,356	▲ 4.8%	▲ 12.8%
<b>Total transport revenues</b>	Thousand RON	<b>90,005</b>	<b>87,929</b>	<b>89,773</b>	<b>▲ 2.4%</b>	<b>▲ 0.3%</b>

Table 8 - Statement of the transport revenues

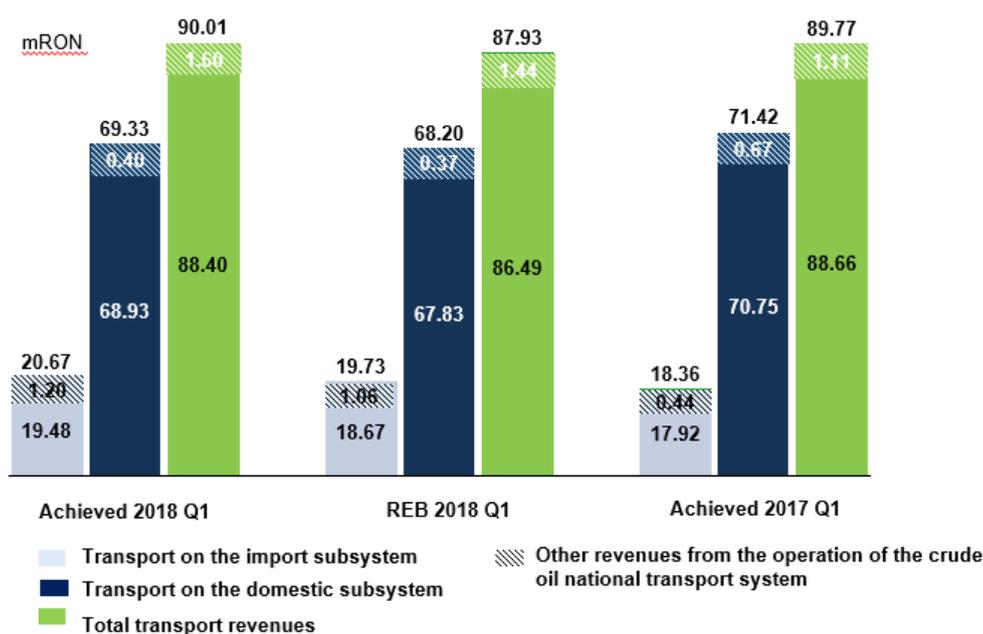


Chart 6 - Evolution of the transport revenues per subsystems

Transport revenues hold 90.9% share in total operating revenues, the 1.1% difference in turnover (1,910 thousand RON) represents revenues from: lands leases and telecommunication equipment, rail tanks shunting, sale of pipe etc.

The company recognizes in the operating revenues, on a monthly basis, modernization quota reserves at the level of the amortization of the tangible assets financed out of it. Within the first 3 months, the overall revenues amount to 7,149 thousand RON.

**The operating expenses** achieved during January-March 2018, as compared to the same period last year and the budgeted estimates, are as follows:

January - March 2018		Variation %	Indicators (thousand RON)	January - March 2018	January-March 2017	Variation
Achieved	REB	achieved/REB				% 2018/2017
1,625	1,755	▼7.4%	<b>Material expenses, o/w:</b>	1,625	1,521	▲6.8%
970	802	▲21.0%	-expenses with consumables	970	728	▲33.3%
428	585	▼26.9%	-fuel expenses	428	417	▲2.6%
3,683	3,548	▲3.8%	<b>Other outside expenses (with energy and water)</b>	3,683	3,062	▲20.3%
31,689	32,324	▼2.0%	<b>Personnel expenses</b>	31,689	24,763	▲28.0%
11,224	11,146	▲0.7%	<b>Expenses with the amortization of tangible and intangible assets</b>	11,224	11,090	▲1.2%
23,994	24,790	▼3.2%	<b>Expenses with external services, o/w:</b>	23,994	24,278	▼1.2%
259	759	▼65.9%	-maintenance (maintenance, current and capital repairs)	259	373	▼30.5%
13,872	13,133	▲5.6%	- expenses with the crude oil transport by rail	13,872	13,980	▼0.8%

January - March 2018		Variation %	Indicators (thousand RON)	January - March 2018	January-March 2017	Variation
Achieved	REB	achieved/REB				% 2018/2017
27	206	▼87.1%	-expenses with decontamination works	27	49	▼45.2%
6,888	6,785	▲1.5%	-oil royalty	6,888	6,879	▲0.1%
2,948	3,906	▼24.5%	-other services performed by third parties	2,948	2,997	▼1.6%
(17)	(113)	▼84.9%	<b>Value adjustments regarding the current assets</b>	(17)	(27)	▼37.3%
634	249	▲155.1%	<b>Provisions-related adjustments</b>	634	(863)	
13,411	13,319	▲0.7%	<b>Other operating expenses, out of which</b>	13,411	13,340	▲0.5%
12,705	12,322	▲3.1%	-modernization quota expenses	12,705	12,861	▼1.2%
<b>86,243</b>	<b>87,017</b>	<b>▼0.9%</b>	<b>Total operating expenses</b>	<b>86,243</b>	<b>77,165</b>	<b>▲11.8%</b>

Table 9- Statement of the operating expenses

Within the first 3 months of 2018, the operating expenses are in amount of 86,243 thousand RON, registering a slight decrease (0.9%) as compared to REB.

Have been recorded savings in expenses as compared to the budget provisions, as follows:

- 7.4% material expenses;
- 2% personnel expenses;
- 3.2% expenses with external services;

Have been recorded increases in the structure of the external services expenses, mainly with the rail transport services 5.6%.

The over budget expenses with the rail transport services relate to the transported quantities, which were higher than the scheduled quantities.

In 2018 Q1, the operating costs triggered by the operation of the two transport subsystems (domestic and import) increased by 10.9% as compared to 2017 and were generated by the influence of certain objective factors such as: price rise in electricity and gas, increase of the personnel expenses following the negotiation of a new collective labor agreement and the increase of the gross minimum wage.

The profitability of the transport subsystems is the following:

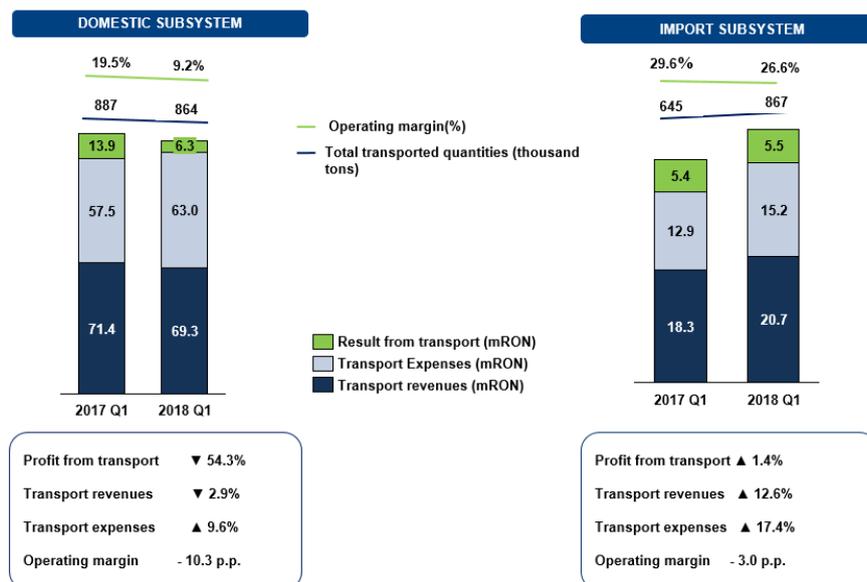


Chart 7- Profitability of the transport subsystems

As compared to the budget provisions, the EBITDA level is 17.2% higher (3,532 thousand RON), being influenced by the 2.4% increase in transport revenues, but also from the cost savings made, namely 0.9%, as compared to their budgeted value.

The operating profit (EBIT) increased by 3,455 thousand RON during January-March as compared to the budget provisions and the net profit grew by 3,286 thousand RON.

As compared to 2017 Q1, the operating profit (EBIT) lowered by 42.1% (2018 Q1:12,821 thousand RON ; 2017 Q1: 22,144 thousand RON).

The net profit recorded 41.1% decrease as compared to 3 months 2017 (2018 Q1:11,465 thousand RON; 2017 Q1:19,550 thousand RON).

### 3.3 Main economic-financial indicators

Name of the indicator	Calculation formula	Achieved March 31, 2018	Achieved March 31, 2017
1. Current liquidity indicator	Current assets/Current Debts	6.08	10.74
2. Customer debit rotation speed (days)	Customers average balance/ Turnover x 90 days	35	36
3. Fixed assets' rotation speed (times)	Turnover/fixed assets	0.22	0.23
4. Return on Equity (ROE)	Net profit/Equity x100	1.7%	2.5%

Table 10 - Main economic - financial indicators

**Current liquidity indicator** measures the company's ability to perform its short-term obligations. The value of the indicator in 2018 Q1 decreased by 4.66 following the significant diminution of the cash related to the additional dividends payment in 2017.

The 6.08 value stands above the acceptable value of 2. The indicator reflects a good company's ability to cover the current liabilities on the expense of current assets.

**Customer debit rotation speed** expresses the effectiveness of the company in collecting trade receivables. The indicator registers a slight downward level, resulted in the collection of receivables at 35 days.

**Fixed assets rotation speed** evaluates the efficiency of the fixed assets activity by examining the turnover value generated by a certain amount of assets. The level of this indicator is 0.22 rotations related to the year 2018 Quarter 1.

**Return on equity** reflects the effectiveness of the shareholders' return on investments. The level of this indicator is 1.7 % related to 2018 Q1.

### 3.4 Cash-Flow

The cash - flow statement for the 3 months period ended March 31, 2018 is as follows:

(DIRECT METHOD)		Thousand RON	
	Name of the element	January – March 2018	January – March 2017
<b>A</b>	Net cash from operating activities	15,510	20,716
<b>B</b>	Net cash from investment activities	(10,567)	5,947
<b>C</b>	Net cash from financing activities	5,545	2,648
	Net increase in cash and cash equivalents=A+B+C=D2-D1	10,488	29,311
<b>D1</b>	Cash and cash equivalents at the beginning of the period	209,847	244,598
<b>D2</b>	Cash and cash equivalents at the end of the period	220,335	273,909
	<i>To which is being added:</i>		
	<i>Government securities as government bonds and treasury bills</i>	70,310	161,889
	<b>Total availabilities at the end of the period</b>	<b>290,645</b>	<b>435,798</b>

Table 11 - Summary of the interim cash-flow statement for the three months period ended March 31, 2018

The net cash from investment activity was influenced both by the achievement of a higher volume of investments in 2018 Q1 as compared to 2017 Q1 and the payments to the investment suppliers, higher than in 2017 Q1.

The detailed cash-flow statement for the three months period ended March 31, 2018 is detailed in annex no. 3.

## 4. INVESTMENTS PROGRAM

The investment projects within CONPET are targeting both the increase of the efficiency of the transport activity and the operation, under safety conditions, of the National Transport System (NTS).

The investments are being financed out of own sources made up of: the modernization quota (for the modernization of the assets in the public domain and new investment) and other sources.

For 2018 Q1, CONPET scheduled investments in amount of 10,642 thousand RON and achieved 12,995 thousand RON.

The summary of the investment objectives achieved in the first 3 months of 2018, according to assets belonging, as compared to the program for Quarter 1 and year 2018, respectively 2017, is being presented as follows:

Name	thousand RON							
	Program	Cumulated 3 months 2018			Program	Cumulated 3 months 2017		
	Year 2018	Program	Achieved	%	Year 2017	Program	Achieved	%
<b>Total, out of which:</b>	<b>76,625</b>	<b>10,642</b>	<b>12,995</b>	<b>122%</b>	<b>64,269</b>	<b>4,587</b>	<b>6,552</b>	<b>143%</b>
Public Domain	64,521	9,337	12,558	134%	51,317	3,394	4,755	140%
Operating Domain	12,104	1,305	437	33%	12,952	1,193	1,797	151%

Table 12 - Investments achieved in 2018 Quarter 1 as compared to REB and the same period of 2017

The investments achieved in 2018 Q1 as compared to program and the same period last year, by financing sources, are presented in the chart below:

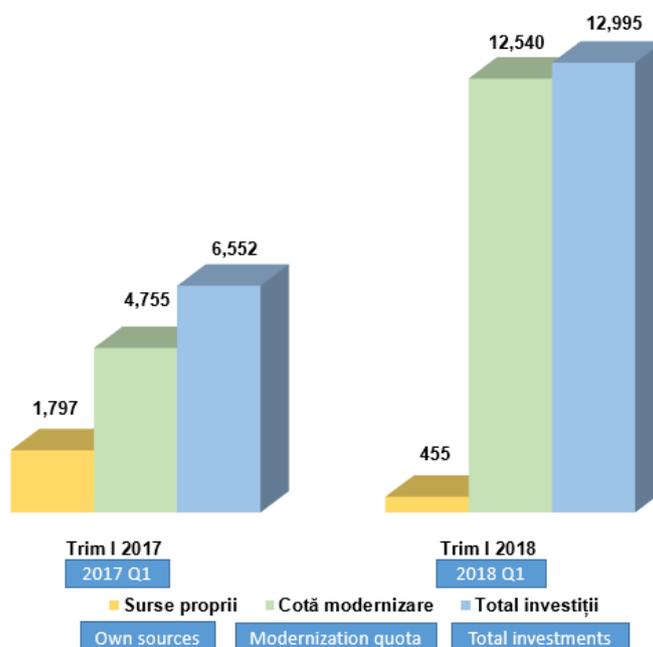


Chart 8 - Investments achieved by financing sources

Status of the investments achievement in 2018 Q1 is the following:

#### A. Ongoing investment objectives

In 2018 Q1 have been achieved ongoing investment objectives in amount of 12,518 thousand RON, as compared to a quarterly programmed of 10,052 thousand RON and an annual programmed of 65,101 thousand RON.

The main ongoing investment objectives:

- Replacement of the Ø 24" crude oil pipeline Constanta - Midia, in the area of Ovidiu city, Constanta County, on a length of approximately 1140m
- Replacement of the Ø 14" crude oil pipeline Constanta - Baraganu, in Castelu - Cuza Voda - Mircea Voda area, Constanta County, on a length of approximately 12,580 m
- Replacement of the 14 inch crude oil pipeline Baraganu-Calareti resulted following the smart pigging on a length of 7,5 km (on sections)
- Safe disposal works related to Arges river crossing, Cateasca area, Arges County, stage 2
- Safe disposal works related to Prahova river aerial crossing with the 12 3/4" and 14 3/4" pipelines Cartojani-Ploiești, Stejaru village, Brazi commune, Prahova county
- Modernization and monitoring of the cathodic protection system related to domestic and import NTS
- Pilot sistem for detection and location of product leaks from Poiana Lacului - Siliste - Ploiesti crude oil major pipeline transport system
- Modernization of the pumping systems in Moreni, Opișenești, Mădulari locations

During 2018 Q1, the Development Maintenance Direction performed a number of 30 design works, out of which, have been endorsed in the Steering Committee of CONPET, 4 works with a total investment amount of 2,474,460.83 RON, as follows:

„Replacement of Ø10 3/4" F1 Bărbătești-Orlești crude oil pipeline section in Becșani area - Cerna river right bank, Fârtățești commune, Vâlcea county, 500 m away from Suvăr garden – Section valve Cerna river right bank”, with a value estimated by the designer in amount of 422,360.82 RON;

„Safe disposals related to the Ø4" pipeline Izvoru- Ø10<sup>3</sup>/<sub>4</sub>" connection Icoana Cartojani, in Teleorman river area, with a value estimated by the designer in amount of 200.054,1 RON;

„Replacement of the crude oil pipeline Ø24" Constanța-Midia, in the area of Năvodari bridge–start of the aerial crossing, 405 m in length”, with a value estimated by the designer in amount of 1.238.299,61 RON;

„Safe disposal works related to undercrossing no. 2 of the pipeline Ø10<sup>3</sup>/<sub>4</sub>" Potlogi - P.F. Argeș, Sabar river, Găiseni locality, Giurgiu county, on a length of 350 m”, with a value estimated by the designer in amount of 613,746.3 RON.

In 2018 Q1 have been obtained 9 building permits for investment objectives, out of which 7 for pipeline rehabilitation works.

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

- Obtaining the permits for the works which are to be executed in the vicinity of the national roads, with reference to the conditional conclusion of the Contract of Use of the road area all along the existence of the crude oil NTS pipeline;
- Conditioning the Forest Guard in what concerns the issue of permits of temporary occupation of the land plots belonging to the forestry private property real estate in the areas affected by CONPET investments, to the presentation, together with the technical documentation, of the landowner (s) agreement in authentic form;
- Conditioning the issue of permits by the Rail authority to the conclusion of the Prop Lease Agreement consisting in earth works for the undercrossing of the rail line.  
Example: Replacement of the crude oil transport pipeline Ø 14" Constanța - Bărăganu, around Castelu Cuza Vodă - Mircea Vodă area, Constanța county, on a length of about 12,580 m";
- Unreasonable financial claims of the landowners or even refusals thereof to enable the access to the land and works execution at the crude oil NTS components.  
Example: Replacement of the crude oil transport pipeline 14" Bărăganu Călăreți, resulted from the smart pigging in length of 7.5 km, *T6-Volanski Adrian*;  
Safety disposal for no. 2 undercrossing of Ø10¾" pipeline Potlogi – P.F. Arges, Sabar river, Gaiseni locality, Giurgiu county, on a length of 350 m – all the 8 landowners from the formality plan;  
  
Replacement of crude oil pipeline 10¾" line 1 Orlești-Poiana Lacului , L=295 m pasture area Negrea Poiana Lacului, Argeș county -10 euro/sq.m. ;  
Replacement of crude oil transport pipeline Ø 24" Constanța-Midia, in the vicinity of Ovidiu city, Constanța county, on a length of about 1140 m"- *Pandichi Dumitru*.

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

## **B. New investment objectives**

In 2018 Q1 have been achieved the investment objectives in amount of 477 thousand RON, as compared to a quarterly programmed of 590 thousand RON and an annual programmed of 11.524 thousand RON.

The new investment objectives are mainly in the phase of preparation/endorsement of the Scope of Work or in the procurement phase.

In 2018 Q1, 16 scope of work for the new investment objectives (here-included independent facility and equipment) were endorsed in the Steering Committee of CONPET.

During the same period, has been finalized the procurement procedure for 19 investment objectives (here-included independent facility and equipment).

The commissioning achieved during the first quarter of 2018 amounted to 4,064 thousand RON, out of which, by financing sources:

- 3,582 thousand RON from the modernization quota;
- 482 thousand RON from other own sources;

From the outstanding works commissioned, we hereby mention:

- Modernization of the thermo power plant and heating network in Marghita worksite
- Extension of the microwave radio relay transport capacity along Baraganu- Constanta section and relocation of Constanta Nord location + microwave radio relay system software upgrade
- Upgrade of the exterior lighting installations, by using LED technology sources, West and Import Divisions – Pecica, Orlești and Biled locations

In addition, all along this period, the Development Maintenance Direction, following the regular analysis of the completion, in physical and value terms, of the investment program, undertook a series of measures:

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

## 5. OTHER ASPECTS

### 5.1. State of the lands not included in the share capital

At 31.03.2018, CONPET has recorded in the company patrimony lands in surface of 733,648.93 sq.m. with a fair value amounting to 22,584,099 RON. The area of 554,537.62 sqm represent lands held under 47 Certificates of ownership obtained during 2001-2005, appraised on the date of acquiring the certificates, in accordance with GD 834/1991 *on the establishment and appraisal of some lands owned by the state-owned companies*, at the value of 26,255,918 RON. These lands have been recognized in the company's Patrimony based on other equity reserves, without augmentation of the share capital by the value inscribed in the land ownership certificates. At 31.03.2018, the fair value of these lands amounts to 12,348,115 RON.

### 5.2 Procurement

The procurements were performed in compliance with the Procurement Internal Procedural Norms based on the approved annual procurement program.

The statement of the services procurement contracts with values higher than 100,000 Euro and of the works procurement contracts with values higher than 500,000 Euro, are presented in the annexes 4 and 5 to this report.

### 5.3 Litigation

The most important litigations the company is involved with are followings:

#### a). Litigations concerning the ownership of tangible assets of the company

CONPET S.A. is involved in only one trial regarding the claim of the ownership right over certain buildings, namely:

File no. 2378/105/2009 - Prahova Tribunal - pending resolution.

Stage: Appeal after communication of the judgment

By the Sentence no. 5872 / 18.12.2017, the Prahova Tribunal dismissed the action of the applicant Cojocaru Irinel regarding the claim of the 2,500 sq.m. of land owned by CONPET S.A. as ungrounded. The judgment may be appealed after the communication of the decision.

**b). Litigations in relation to shareholders**

File no. 3715/105/2007 - Ploiești Court of Appeal - pending resolution.

Stage: Appeal by CONPET S.A. at the Ploiesti Court of Appeal

By Civil Sentence no. 151 / 17.01.2018, pronounced in file no. 3715/105/2007, the Prahova Tribunal upheld the application for annulment of the GMS decision, filed by the applicant SC Fondul Proprietatea SA in contradiction with the defendant CONPET SA. and cancelled art. 4 of the OGMS Decision no. 2 dated 25.04.2007 regarding the payment of dividends to shareholders CONPET S.A. (A.V.A.S., Fondul Proprietatea S.A., other shareholders) related to the fiscal year 2006. CONPET S.A. challenged the Court decision no. 151 / 17.01.2018.

Pursuant to Decision no. 210/27.04.2018, Ploiesti Court of Appeal admits the appeal. Partly changes the appealed sentence, namely admits the exception from the lack of interest in annulling OGMS Resolution no. 2/25.04.2007 regarding Art. 4, letter c. of the same and rejects the claim as lacking interest on this issue. Rules the reduction of the court charges due to the appellant in the first instance to the amount of 5000 RON.

The rest of the sentence is maintained. Obliges the intimate to the payment to the appellant of the amount of 20.15 RON- Court charges under appeal. Final decision.

**c). Litigations concerning the claims of the owners of the land plots transited by the Crude Oil National Transport System.**

On 31.03.2018 CONPET S.A. a number of 16 cases were filed before the courts of law at different procedural stages, having as object the landowners' claims related to the non-use of land transited by the main pipelines of the Crude Oil National Transport System. Among them we mention a number of 8 cases, which we appreciate as important in what concerns the amount of the applicant's claims and representative from the point of view of the legal content of the sue petition. (the remaining cases repeating, in broad terms, some of the types of legal actions presented here-under):

*1. File. 3451/108/2016 \* - pending resolution*

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

By Decision no. 761 / 23.11.2017, Timișoara Court of Appeal admits the applicant's appeal to U.A.T. Pecica, Arad County, cancels the appealed sentence and sends the case back to Arad Tribunal. CONPET S.A challenged the Decision no. 761 / 23.11.2017 at the High Court of Cassation and Justice.

Clarifications: The Administrative Territorial Unit of the city of Pecica has filed a petition for legal action ordering the defendant CONPET S.A. to divert the oil pipeline crossing a number of 22 plots of buildable land, destined to residential buildings, to pay the sum of 65,000 euros representing the value of the house located in the plot No. A141.7760 / 5/174, registered in the land Register no. 306869, as it can no longer be used, the payment of an annual rent, during the

existence of the pipeline, as a result of the striking of the areas shown above the legal servitude of CONPET S.A. and the obligation of the defendant CONPET S.A. to grant compensation for the period 31.10.2014-31.05.2016 due to the limitation of the ownership rights of the 22 buildable land plots and the decrease of the value of the land movement on the real estate market due to the restrictions imposed by the Order 196/2006 of NAMR with regard to construction. It also requested the defendant CONPET S.A. that, every 3 years, to adjust the amount of damages to the circulation value at that time of similar lands and the provisions of the future orders of NAMR.

Term: 13.06.2018

*2. File no. 1372/212/2017 - Constanța District Court - pending resolution*

Stage: merits

Cruceanu Alin Florinel sued CONPET S.A. requesting the court to order CONPET SA to pay damages equal to the market value of the building land of 460 sqm located in Lazu commune, str. Luceafărului nr. 29, Constanta County and the 460 sqm land in Lazu, Luceafărului street no. 31, Constanta county, the value appreciated at the amount of EUR 30,000, the equivalent in RON 134,700; to order CONPET SA to pay the equivalent of land use in the form of an annual rent for the last three years; order CONPET SA to pay the costs of the present application. Subsequently, the applicant stated his action on the second head of claim requesting the court to order CONPET SA to pay the sum representing the non-use of the two land plots for the period from 10.12.2015 to the date of final judgment based on which was allowed the first head of claim.

CONPET formulated a counterclaim requesting the applicant's obligation to allow CONPET S.A. the exercise of the right of legal servitude instituted by the provisions of art. 7 and following of Law no. 238/2004 on the two lands owned by the applicant Cruceanu Alin Florinel, situated in Agigea commune, Lazu village, str. Luceafărului nr. 29 respectively 31, Constanta County. Exercise of legal servitude is to be done on a 2.4 meter wide lane located along the Ø 20 "Constanța-Bărăganu crude oil transport pipeline for the purpose of permanent access to the pipeline for the daily check of pipeline status and execution of any repair work and determining the amount of the annual rent stipulated by the law owed by us to the claimant in return for the exercise of the right to legal servitude.

Deadline: 11.06.2018

*3. File no. 18344/212/2017 - Constanța Court - pending resolution*

Stage: Merits

Mitu Dumitru and Mitu Rodica sued CONPET S.A. demanding the payment of damages for the two plots of land located in Lazu village, Agigea commune, Constanta county affected by the pipeline route transporting petroleum products, as well as the defendant to pay an annual rent for non-use on the land affected by the right to legal servitude as of 20.06.2014 and compensation in the form of an annual payment for the use of the part of the land on which the pipeline is not located, with the obligation to pay the costs.

CONPET filed a counterclaim requesting the court to oblige the applicants to allow CONPET S.A. the exercise of the right of legal servitude instituted by the provisions of art. 7 et seq. of Law no. 238/2004 on the two lots of land owned by the applicants. Exercise of the right of legal servitude is to be made on a 2.4 meter wide lane located along the F2 Ø 20 "Constanța-Bărăganu crude oil pipeline for the purpose of permanent access to the pipeline for the daily check of the pipeline condition and to perform any repair work and to determine the amount of the annual rent provided

by CONPET to claimants in return for the exercise of the right to legal servitude. CONPET also filed a warranty claim for the MINISTRY OF PUBLIC FINANCES and the NATIONAL MINERAL RESOURCES AGENCY (ANRM) in order that if CONPET S.A. Ploiesti is unsuccessful in relation to the complainants' claims in the petition for damages, to compensate us for the amounts we will be obliged to pay to the applicants.

Deadline: 16.05.2018

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

Stage: Merits

Cîrstea Stelian and Cîrstea Gherghina filed a petition by asking the court to order CONPET defendant to pay the lack of use of the land from the date when the land was acquired - more precisely from October 6, 2014, **the lack of use** it temporarily assesses at the amount of 1,000 RON - to increase the number of the petition to sue after the administration of the evidence and the obligation of CONPET SA to lift its pipelines and related facilities on the land of the applicant's property and to the extent that it is not possible, for the defendant to pay a monthly sum equivalent to the exchangevalue of a rent for the land occupied and affected by the pipelines and installations on it – at the level of the rents on the open market.

Term: 11.09.2018

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

Stage: Merits

Chivu Ion requested the lawsuit asking the court to order CONPET SA to divert oil pipeline that crosses his property, covering 1,753 square meters located in the commune of Ocnîța T14, P114, to establish the location of the access with the obligation for CONPET SA to pay the related annual rents for both the gateway and the pipeline that causes damage to land and compensation for the land affected by the pipeline.

Deadline: 15.05.2018

*6. File no. 21382/281/2015 - Ploiești District Court - pending resolution*

Stage: Merits

By the Conclusion of 02.05.2017 Ploiești Court, suspended the case under art. 422 para. 1 Code of Civil Procedure (non-fulfilment by the plaintiff of the obligations imposed by the court). In December 2017 the case was reinstated. Iordache Margareta requested the lawsuit seeking an order for CONPET to pay the equivalent for the lack of use of the property owned by the applicant, land located in Blejoi commune, Ploiestiori village, Prahova County for the past three years prior to bringing the action.

Deadline: 15.05.2018

*7. File no. 8425/281/2015 - Ploiești Court - pending resolution*

Stage: Merits

Panaitescu Mircea filed the lawsuit requesting CONPET to pay the sum of 5,000 RON for lack of use and annual rent of 12,000 RON. CONPET filed a counterclaim that required the establishment of servitude and setting annual rent.

Deadline: 31.05.2018

8. *File no. 5413/204/2017 - Prahova Tribunal - pending resolution*

Stage: Merits

Dobrogeanu Dumitru and Dobrogeanu Păun Ioan filed a petition to sue, by asking the court that by the judgment it will decide to order the obligation of CONPET S.A. to pay an annual rent for the land plots occupied by the two oil pipelines (crude oil) from 01.07.2014 and in the future, all along the existence of the pipelines, to pay the losses incurred by not achieving economic objectives on the area remaining between the two pipelines after their restriction and the area along DN1 (E60) and payment of the court charges. The first head claim was estimated by the claimants at 48,000 Euros / year (220,000 RON) and the second head at the amount of 25,000 RON / year.

Deadline: 25.05.2018

**d). *Litigation in administrative contentious***

CONPET S.A. has 2 litigations pending before the courts:

1. File no. 6575/105/2017 - Prahova Tribunal - pending resolution

Stage: The appeal of CONPET S.A. at the Ploiești Court of Appeal against the Interim Decision no. 442 / 23.02.2018 pronounced by the Prahova Tribunal

By Interim Decision no. 442 / 23.02.2018, the Prahova Tribunal rejected the request of CONPET S.A. to suspend the measures of the Court of Accounts established by Decision no. 14 / 21.06.2017 for the transfer of the amount of 927,154.06 RON representing income to the state budget from the capitalization of the tubular material resulted from the decommissioning of some parts of the tangible assets belonging to the public domain of the state, together with the interest and penalties, updated at the date of payment and transfer to the budget, at the present value, the amounts identified as a result of the extension of the verifications regarding the net amounts resulted from the capitalization of the materials related to the dismantled and decommissioned tangible assets belonging to the public domain of the state. CONPET S.A. appealed against Intermediate Decision no. 442 / 23.02.2018 at Ploiești Court of Appeal.

By the request to sue, CONPET S.A. appealed against Conclusion no. 78 / 09.08.2017 issued by the Court of Accounts of Romania, that, by this decision the court to pronounce:

- **Partial annulment of the Conclusion no. 78 / 09.08.2017 issued by the Court of Accounts of Romania, respectively: referral 2** regarding Point II of Complaint no. 27718 / 10.07.2017 (regarding the measures No I.2 and I.3 of the Decision no 24 / 21.06.2017, in order to eliminate the deviance presented in points 2 and 3 of the same decision), the findings of letters no. A and B.
- **Partially annulment of Decision no. 14 / 21.06.2017, issued by the Chamber of Accounts Prahova, respectively:**
  - **the findings presented in point no. 2** on the decommissioning and recovery of pipeline sections belonging to the National Transport System - part of the public domain of national interest, in the absence of a prior government decision to pass from the public domain of

the state to the private domain, for the preparation of the documentation regarding decommissioning and scrapping;

- **the findings presented in point no. 3** regarding the fact that in 2016 a recovered burial pipe was auctioned according to the recovery procedure approved by the Regulation on the conditions for participation in the auction and the means to perform the auction for the capitalization of buried and / or over ground metal tubular material. The valuation took place prior to the adoption of a government decision approving the transition from the public domain of the state to the private domain for the purpose of capitalizing, according to the law;
- **Measure no. 2 regarding the pursuit of inventory**, in order to identify portions of the National Transport System which have been abandoned or decommissioned as a result of investments made in the National Transport System along the pursuit of the programs for rehabilitation, modernization and development, and the submission, to NAMR, of the results for the initiation of the Government Decision for the approval of the transition from state public domain to the private domain of the state in view of their decommissioning. The regulation, based on internal procedure, of the means of decommissioning, scrapping and capitalization of the parts of the National Transport System which have been dismantled following the rehabilitation, modernization and development works carried out by the concessionaire;
- **Measure no. 3 regarding the transfer of the amount of 927,154.06 RON** representing income to the state budget from the capitalization of the tubular material resulted from the decommissioning of some of the tangible assets belonging to the public domain of the state, together with the interest and related penalties, updated at the date of payment. Expanding checks to identify all net amounts resulting from the capitalization of materials belonging to the public domain, dismantled, decommissioned and their transfer to the budget, at the present value.
  - **Suspension of the measures established by the Decision no. 14 / 21.06.2017**, issued by the Chamber of Accounts Prahova, points no. I.2 and I.3, respectively, measures 2 and 3 thereof until the final settlement of the case.

Pursuant to the Conclusion dated 23.02.2018, Prahova Court rejects the claim for suspension of execution of the administrative act as ungrounded. The Decision was appealed by CONPET S.A..

Deadline for judging the merits: 19.06.2018

Deadline for judging the appeal against the Conclusion dated 23.02.2018, based on which Prahova Tribunal rejected the claim for suspension of execution of the administrative act, is to be set by Ploiesti Court of Appeal.

## *2. File no. 689/42/2017 - Ploiești Court of Appeal - pending resolution*

Stage: Fund

CONPET SA filed a complaint against the fiscal administrative acts issued by the National Agency for Fiscal Administration - General Directorate for Solving Complaints - General Directorate of Public Finance Galați - County Administration of Public Finances Buzău through which additional tax liabilities were established in the total amount of 5,505,101 RON, which consist of: 3.088.868 RON profit tax; 1,528,155 RON interest / late payments; 432,274 RON delay penalties; 283,613 RON value added tax; 130,782 RON interest / late payments and 41,405 RON delay penalties (interest / delay increases and penalties were calculated up to 31.12.2015) respectively:

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

Deadline: 12.06.2018

## 5.4. Shareholding Structure

At the reference date 31.03.2018, the shareholding's synthetic consolidated structure was the following:

Shareholders	March 31, 2018			December 31, 2017		
	No. of shares	Amount (RON)	(%)	No. of Shares	Amount (RON)	(%)
The Romanian State by the Ministry of Energy	5,083,372	16,775,128	58.7162	5,083,372	16,775,128	58.7162
Legal persons	2,540,943	8,385,112	29.3495	2,572,156	8,488,114	29.7101
Natural persons	1,033,213	3,409,602	11.9343	1,002,000	3,306,600	11.5737
<b>Total</b>	<b>8,657,528</b>	<b>28,569,842</b>	<b>100%</b>	<b>8,657,528</b>	<b>28,569,842</b>	<b>100%</b>

Table 13- Shareholding structure at March 31, 2018 as compared to December 31, 2017

On 21.02.2018, the shareholder SIF Banat – Crișana S.A. reported holdings of a number of 562,740 shares representing 6.5% of the Company's share capital.

## 5.5 COMPANY MANAGEMENT

### 5.5.1 Board of Administration

During January 1, 2018 – March 31, 2018, the constituency of the Board of Administration was the following:

- Stan-Olteanu Manuela-Petronela – independent non-executive provisional administrator, Chairman of the BoA starting 29.01.2018;
- Văduva Constantin – independent non-executive provisional administrator, Chairman of the BoA until 29.01.2018;
- Iacob Constantin-Ciprian - independent non-executive provisional administrator;

- Popa Claudiu-Aurelian - independent non-executive provisional administrator;
- Bugică Radu - independent non-executive provisional administrator;
- Lefter Răzvan Ștefan - independent non-executive provisional administrator.
- Spînu Antonio-Adrian - independent non-executive provisional administrator until 22.01.2018;
- Matei Ion-Cristian - independent non-executive provisional administrator starting 29.01.2018 (on the seat left vacant following the resignation of Mr. Spînu Antonio-Adrian);

## 5.5.2 Executive Management

DUring 01.01.2018 - 31.01.2018 the executive management was provided by :

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

During 01.02.2018 - 31.03.2018, the executive management was provided by:

BACIU Dan - Silviu	Director General
DUMITRACHE Mihaela - Anamaria	Deputy Director General 1
TOADER Sanda	Director, Economic Direction
STOICA Narcis - Florin	Director, Operations Transport Direction
BUZATU Dan	Director, Development maintenance Direction

## 6. RELEVANT CORPORATE EVENTS IN 2018 Q1 AND SUBSEQUENT TO THE DATE OF MARCH 31, 2018

### January 16, 2018

The company CONPET SA submitted to NAMR, the documentation regarding the proposal to update the transport tariffs pursuant to letter no. 1440/12.01.2018, registered at NAMR with no. 414/16.01.2018.

Until the date of this report, NAMR communicated to the company the analysis report regarding the update of the tariffs related to the transport of crude oil via the national transport system, in which respect CONPET formulated opinion as per Art. 5 of the Instructions regarding the criteria, methodology and procedure to set the regulated tariffs for the transport via the NTS approved pursuant to the NAMR Order no. 58/2008.

### March 05, 2018

The General Meeting of Shareholders approved:

- The Revenues and Expenditure Budget and the Investments Program related to 2018;

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

**April 17, 2018**

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

**April 26, 2018**

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

**May 17, 2018**

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

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

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

**Annexes:**

**Annex no. 1** Interim statement of the financial standing at March 31, 2018;

**Annex no. 2** Interim statement of profit and loss and other global result elements for the three months period ended March 31, 2018;

**Annex no. 3** Cash-flow statement for the 3 months period ended March 31, 2018

**Annex no. 4** Statement of the works and products procurement contracts with values higher than 500.000 Euro, concluded during 01.01.2018-31.03.2018 ;

**Annex no. 5** Statement of the services procurement contracts with values higher than 100.000 Euro, concluded during 01.01.2018-31.03.2018.

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

**Manuela-Petronela STAN-OLTEANU  
S.s. Illegible**

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

**S.s.Illegible**

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

## Annex no. 1

**Interim statement of the financial standing at March 31, 2018**

-RON-

	<b>March 31, 2018 (unaudited)</b>	<b>December 31, 2017 (audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	409,275,279	407,275,686
Intangible assets	1,231,708	1,462,672
Financial investments	860,801	973,782
Receivables regarding the deferred profit tax	1,119,374	970,394
<b>Total non-current assets</b>	<b>412,487,162</b>	<b>410,682,534</b>
<b>Current assets</b>		
Inventories	9,344,476	9,024,205
Trade receivables and other receivables	40,830,586	46,753,071
Short-term investments	70,787,661	70,623,518
Cash and cash equivalents	220,334,944	209,847,265
Prepaid expenses	2,205,498	1,842,877
<b>Total current assets</b>	<b>343,503,165</b>	<b>338,090,936</b>
<b>TOTAL ASSETS</b>	<b>755,990,327</b>	<b>748,773,470</b>
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES</b>		
Subscribed and paid-up share capital	28,569,842	28,569,842
Legal reserves	5,713,968	5,713,968
Revaluation reserves	29,657,877	31,016,763
Other reserves	484,056,184	478,500,458
Retained earnings	115,957,729	40,211,069
Result of the period	11,465,278	74,387,774
<b>Total Equities</b>	<b>675,420,878</b>	<b>658,399,874</b>
<b>Deferred income</b>		
Subsidies for investment	1,281,439	1,314,536
Deferred income	11,460	12,010
<b>Total deferred income</b>	<b>1,292,899</b>	<b>1,326,546</b>
<b>Long-term liabilities</b>		
Long-term provisions	12,947,545	12,817,661
<b>Total Long-term liabilities</b>	<b>12,947,545</b>	<b>12,817,661</b>

	<b>March 31, 2018 (unaudited)</b>	<b>December 31, 2017 (audited)</b>
<b>Current debts</b>		
Commercial Debts	19,898,202	30,653,848
Current corporate tax	2,553,966	3,761,986
Other debts	33,840,817	32,281,986
Short-term provisions	10,036,020	9,531,569
<b>Total current debts</b>	<b>66,329,005</b>	<b>76,229,389</b>
<b>TOTAL DEBTS</b>	<b>79,276,550</b>	<b>89,047,050</b>
<b>TOTAL EQUITIES AND DEBTS</b>	<b>755,990,327</b>	<b>748,773,470</b>

**Annex no.2**
**Interim statement of profit and loss and other global result elements for the three months period ended March 31, 2018**

-RON-

	3 months ended March 31, 2018 (unaudited)	3 months ended March 31, 2017 (unaudited)
<b>Operating revenues</b>		
Turnover revenues	90,964,126	91,061,430
Other revenues	8,095,697	7,317,750
Gain from disposal of assets	3,794	930,161
<b>Total operating revenues</b>	<b>99,063,617</b>	<b>99,309,341</b>
<b>Operating expenses</b>		
Inventory related expenses	1,625,276	1,521,337
Expenses with energy and water	3,683,030	3,061,856
Personnel expenses	31,688,787	24,763,359
Value adjustments regarding the tangible/intangible assets	11,223,782	11,090,011
Value adjustments related to current assets	(16,932)	(26,689)
Expenses related to external services	24,015,904	24,278,178
Other expenses	13,388,718	13,340,126
Provisions adjustments	634,335	(862,722)
<b>Total operating expenses</b>	<b>86,242,900</b>	<b>77,165,456</b>
<b>Operating profit</b>	<b>12,820,717</b>	<b>22,143,885</b>
Financial revenues	1,050,587	956,947
Financial expenses	1,040	9,343
<b>Financial profit</b>	<b>1,049,547</b>	<b>947,604</b>
<b>Profit before income tax</b>	<b>13,870,264</b>	<b>23,091,489</b>
Expenses with the current income tax	2,553,966	3,541,804
Expenses with (revenues from) deferred income tax	(148,980)	-
<b>Profit of the period</b>	<b>11,465,278</b>	<b>19,549,685</b>
<b>TOTAL GLOBAL RESULT</b>	<b>11,465,278</b>	<b>19,549,685</b>
<b>Result per share</b>	<b>1.32</b>	<b>2.26</b>

## Annex no. 3

**Cash-flow statement for the 3 months period ended March 31, 2018**
**(DIRECT METHOD) - (unaudited)**

		-RON-	
	Name of the element	January – March 2018	January – March 2017
	<b>Cash flows from operating activities:</b>		
+	Proceeds from services supply	95,924,277	99,266,240
+	Proceeds from interests related to banking investments	800,917	549,947
+	Other proceeds	1,071,842	1,631,891
-	Payments to the suppliers of goods and services	(29,217,212)	(28,917,701)
-	Payments to and on behalf of the employees	(30,454,406)	(25,688,781)
-	VAT payments	(9,723,587)	(12,975,516)
-	Corporate tax payments	(3,761,986)	(3,901,860)
-	Other payments regarding operating activities	(9,129,701)	(9,248,583)
<b>A</b>	<b>Net cash from operating activities</b>	<b>15,510,144</b>	<b>20,715,637</b>
	<b>Cash flows from investment activities:</b>		
+	Proceeds from sale of tangible assets	6,570	1,419,516
+	Proceeds from modernization quota	12,705,041	12,860,960
+	Proceeds from short-term financial investments	-	-
+	Proceeds from interests related to government securities	-	-
-	Payments for purchase of tangible assets	(23,278,666)	(8,333,572)
-	Payments for short-term financial investments	-	-
<b>B</b>	<b>Net cash from investment activities</b>	<b>(10,567,055)</b>	<b>5,946,904</b>
	<b>Cash Flows from financing activities</b>		
+	Proceeds dividends transferred to Depozitarul Central	5,891,170	2,739,396
-	Paid dividends	(346,580)	(91,142)
<b>C</b>	<b>Net cash from financing activities</b>	<b>5,544,590</b>	<b>2,648,254</b>
	<b>Net increase of the cash and cash equivalents=A+B+C=D2-D1</b>	<b>10,487,679</b>	<b>29,310,795</b>
<b>D1</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>209,847,265</b>	<b>244,598,286</b>
<b>D2</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>220,334,944</b>	<b>273,909,081</b>

to which is being added:

<i>Government securities as government bonds and treasury bills</i>	70,309,618	161,888,767
<b>Total availabilities at the end of the period</b>	<b>290,644,562</b>	<b>435,797,848</b>

Annex no. 4

STATEMENT OF THE WORKS AND PRODUCTS PROCUREMENT CONTRACTS WITH VALUES HIGHER THAN 500.000 EURO, CONCLUDED DURING 01.01.2018-31.03.2018

-RON-

Crt. No.	Contractor	Scope of Contract	Title of Contract	Applied procurement procedure	Name of Beneficiary (if different from the contracting authority)	Tender Notice/invitation number	Initial contract value (RON)	Contract value after potential addenda (RON)	Start of the contract	Initially set contract duration (in months)	Final contract duration (in months)
1	CONSTRUCTII FERROVIARE DRUMURI SI PODURI	Execution of hydro technical works in order to safely dispose the aerial crossing of Prahova river by the crude oil transport pipelines belonging to CONPET SA – extremely urgent works for the safe disposal of the metal piles supporting the aerial crossing of Prahova river, in Stejaru area, Brazi commune.	L-CA 171 / 27.03.2018	NEGOTIATION WITHOUT PRIOR PUBLIC NOTICE	-	14660 / 19.04.2018	2,447,421.06	2,447,421.06	30.03.2018	6	6
2	OMV PETROM MARKETING	Fuel supply by Card system	P-CA 176 / 30.03.2018	TENDER	-	5066 / 08.02.2018	3,925,600.00	3,925,600.00	30.03.2018	36	36
<b>QUARTER I - 2 CONTRACTS</b> <b>VALUE QUARTER I = 6,373,021.06 RON</b>											

## Annex no.5

**STATEMENT OF THE SERVICES PROCUREMENT CONTRACTS WITH VALUES HIGHER THAN 100.000 EURO, CONCLUDED DURING 01.01.2018-31.03.2018**

-RON-

Crt. No.	Contractor	Scope of Contract	Title of Contract	Applied procurement procedure	Name of Beneficiary (if different from the contracting authority)	Tender Notice/invitation number	Initial contract value (RON)	Contract value after potential addenda (RON)	Start of the contract	Initially set contract duration (in months)	Final contract duration (in months)
1	REVA SA SIMERIA THE TRADE COMPANY FOR ROLLING STOCK REPAIR	Repairs and scheduled revisions RP-CIR (with intervention to container + CIR revision) of 38 60 cubic meters rail tanks for crude oil transport, RP-FIR (with intervention to container) of 3 rich gas tank cars, ISCIR revision to 2 tank cars for crude oil transport and 1 tank car for rich gas transport and replacement of 88 used axles at the 41 tank-cars	S-CA 29 / 31.01.2018	TENDER	-	46623 / 16.11.2017	1,432,500.00	1,432,500.00	31.01.2018	12	12
2	SERVICE IMPLEMENTARE PRODUCTIE SA	Certification/re-certification services for the preparation of the documentation for recurrent reexamination from Ex point of view	S-CA 91 / 07.03.2018	TENDER	-	1870 / 15.01.2018	479,380.00	479,380.00	07.03.2018	12	12
<b>QUARTER I - 2 CONTRACTS</b> <b>Value QUARTER I = 1,911,880.00 RON</b>											



CONPET S.A., Romania  
1-3 Anul 1848 Street, Ploiești 100559, Prahova  
Tel: +40-244-401360; fax: +40-244-516451  
TIN: RO 1350020; NACE Code 4950; CRN J29/6/22.01.1991  
Subscribed and paid-up share capital 28 569 842.40 RON



## **Interim Financial Statements on the date and for the period of three months ended March 31, 2018**

**prepared as per the  
International Accounting Standard 34 “Interim Financial Reporting”**



e-mail: [conpet@conpet.ro](mailto:conpet@conpet.ro)  
[www.conpet.ro](http://www.conpet.ro)

**CONTENTS:****Pagina****Financial Statements**

Interim statement of the financial standing	2-3
Interim Statement of the Profit or Loss and other elements of the Global Result	4
Interim Statement of Changes in Equity	5-6
Interim Cash Flow Statement	7-8
Notes to the interim financial statements	9-25

**INTERIM STATEMENT OF THE FINANCIAL STANDING AT MARCH 31, 2018**

	Nota	March 31, 2018 (non-audited)	December 31 2017 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	4	409,275,279	407,275,686
Intangible assets	5	1,231,708	1,462,672
Financial investments	6	860,801	973,782
Receivables regarding the deferred profit tax		1,119,374	970,394
<b>Total non-current assets</b>		<b>412,487,162</b>	<b>410,682,534</b>
<b>Current assets</b>			
Stocks	7	9,344,476	9,024,205
Trade receivables and other receivables	8	40,830,586	46,753,071
Short-term investments	10	70,787,661	70,623,518
Cash and cash equivalents	9	220,334,944	209,847,265
Prepaid Expenses		2,205,498	1,842,877
<b>Total current assets</b>		<b>343,503,165</b>	<b>338,090,936</b>
<b>TOTAL ASSETS</b>		<b>755,990,327</b>	<b>748,773,470</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Subscribed and paid-up share capital	11	28,569,842	28,569,842
Legal reserves	11	5,713,968	5,713,968
Revaluation reserves	11	29,657,877	31,016,763
Other reserves	11	484,056,184	478,500,458
Retained earnings	11	115,957,729	40,211,069
Year's result	11	11,465,278	74,387,774
<b>Total Equity</b>		<b>675,420,878</b>	<b>658,399,874</b>
<b>Deferred revenues</b>			
Investments Subsidies		1,281,439	1,314,536
Deferred revenues		11,460	12,010
<b>Total deferred revenues</b>		<b>1,292,899</b>	<b>1,326,546</b>
<b>Long-term debts</b>			
Long-term provisions	13	12,947,545	12,817,661
<b>Total long-term debts</b>		<b>12,947,545</b>	<b>12,817,661</b>

<b>Current debts</b>			
Commercial debts	12	19,898,202	30,653,848
Current profit tax	12	2,553,966	3,761,986
Other debts	12	10,036,020	9,531,569
Short-term provisions	13		
<b>Total current debts</b>		<b>66,329,005</b>	<b>76,229,389</b>
<b>Total debts</b>		<b>79,276,550</b>	<b>89,047,050</b>
<b>TOTAL EQUITY AND DEBTS</b>		<b>755,990,327</b>	<b>748,773,470</b>

These interim financial statements and the related notes, from page 3 to page 23 have been authorized for issue and signed by the company management on May 14, 2018.

**Director General,**  
**Eng. Dan-Silviu Baci, M.B.A.**  
**S.s. Illegible**  
**Stamp**

**Director,**  
**Toader**

**Economic**  
**Econ. Sanda**  
**S.s. Illegible**

**INTERIM STATEMENT OF THE PROFIT OR LOSS AND OTHER ELEMENTS OF THE GLOBAL RESULT FOR THE PERIOD OF THREE MONTHS ENDED MARCH 31,2018**

	Note	3 months ended March 31, 2018 (unaudited)	3 months ended March 31, 2017 (unaudited)
<b>Operating revenues</b>	16		
Turnover revenues		90,964,126	91,061,430
Other revenues		8,095,697	7,317,750
Gain from disposal of assets		3,794	930,161
<b>Total operating revenues</b>		<b>99,063,617</b>	<b>99,309,341</b>
<b>Operating expenses</b>	17		
Inventory related expenses		1,625,276	1,521,337
Expenses with energy and water		3,683,030	3,061,856
Personnel expenses		31,688,787	24,763,359
Value adjustments regarding the tangible/intangible assets		11,223,782	11,090,011
Value adjustments related to current assets		(16,932)	(26,689)
Expenses related to external services		24,015,904	24,278,178
Other expenses		13,388,718	13,340,126
Provisions adjustments		634,335	(862,722)
<b>Total operating expenses</b>		<b>86,242,900</b>	<b>77,165,456</b>
<b>Operating profit</b>		<b>12,820,717</b>	<b>22,143,885</b>
Financial revenues		1,050,587	956,947
Financial expenses		1,040	9,343
<b>Financial profit</b>	18	<b>1,049,547</b>	<b>947,604</b>
<b>Profit before corporate tax</b>		<b>13,870,264</b>	<b>23,091,489</b>
Expenses with the current corporate tax	14	2,553,966	3,541,804
Expenses with (revenues from) deferred corporate tax		(148,980)	-
<b>Year's profit</b>		<b>11,465,278</b>	<b>19,549,685</b>
<b>TOTAL GLOBAL RESULT</b>		<b>11,465,278</b>	<b>19,549,685</b>
<b>Result per share</b>		<b>1.32</b>	<b>2.26</b>

These interim financial statements and the related notes, from page 3 to page 23 were authorized for issuance and signed by the company's management at May 14, 2018.

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

**Sanda**

**Economic Director,  
Econ. Toader**

S.s. Illegible  
Stamp

S.s. Illegible

**INTERIM STATEMENT OF CHANGES IN EQUITY AT MARCH 31, 2018 (unaudited)**

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Year's Result	Total equity
<b>Balance at January 1<sup>st</sup> 2018</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>31,016,763</b>	<b>478,500,458</b>	<b>40,211,069</b>	<b>74,387,774</b>	<b>658,399,874</b>
Profit of the year						11,465,278	11,465,278
Augmentation of reserve representing modernization quota fund				5,555,726			5,555,726
Write-back of revaluation surplus			(1,358,886)		1,358,886		-
Distribution out of profit provided by law – exemption from the reinvested corporate tax					1,352,092	(1,352,092)	-
Transfer of profit related to the previous year at retained earnings					73,035,682	(73,035,682)	-
<b>Balance at March 31, 2018</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>29,657,877</b>	<b>484,056,184</b>	<b>115,957,729</b>	<b>11,465,278</b>	<b>675,420,878</b>

**INTERIM STATEMENT OF CHANGES IN EQUITY AT MARCH 31, 2017 (unaudited)**

	Capital social	Rezerve legale	Rezerve din reevaluare	Alte rezerve	Rezultatul reportat	Profitul sau pierderea exercițiului	Total capitaluri proprii
<b>Balance at January 1, 2017</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>32,957,666</b>	<b>536,238,701</b>	<b>120,685,850</b>	<b>71,546,604</b>	<b>795,712,631</b>
Net result of the period						19,549,685	19,549,685
Augmentation of reserve representing modernization quota fund				5,519,728			5,519,728
Write-back of revaluation surplus			(1,617,484)		1,358,970		(258,514)
Distribution provided by the law out of the profit –tax exemption on reinvested profit					1,710,000	(1,710,000)	-
The transfer of the profit related to the previous year to retained earnings					69,836,604	(69,836,604)	-
<b>Balance at March 31, 2017</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>31,340,182</b>	<b>541,758,429</b>	<b>193,591,424</b>	<b>19,549,685</b>	<b>820,523,530</b>

Note: The position „Other reserves” includes also the reserve representing the modernization quota in amount of 451,498,897 RON at 31.03.2018. This reserve has special treatment provided by GD no.168/1998, being destined exclusively for the financing of the works related to the modernization and development of the assets in the public domain.

These interim financial statements and the related notes, from page 3 to page 23 were authorized for issuance and signed by the company’s management at May 14, 2018.

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

S.s. Illegible

Stamp

**Director Economic,  
Econ. Sanda Toader**

S.s. Illegible

**INTERIM STATEMENT OF THE CASH FLOWS FOR THE PERIOD OF THREE MONTHS ENDED MARCH 31, 2018 (unaudited)**  
**(METODA DIRECTĂ)**

	Item's Name	January – March 2018	January – March 2017
	<b>Cash flows from operating expenses:</b>		
+	Proceeds from services supply	95,924,277	99,266,240
+	Proceeds from interests related to banking investments	800,917	549,947
+	Other proceeds	1,071,842	1,631,891
-	Payments to the suppliers of goods and services	(29,217,212)	(28,917,701)
-	Payments to and on behalf of the employees	(30,454,406)	(25,688,781)
-	VAT payments	(9,723,587)	(12,975,516)
-	Corporate tax payments	(3,761,986)	(3,901,860)
-	Other payments regarding operating activities	(9,129,701)	(9,248,583)
<b>A</b>	<b>Net cash from operating activities</b>	<b>15,510,144</b>	<b>20,715,637</b>
	<b>Cash flows from investment activities:</b>		
+	Proceeds from sale of tangible assets	6,570	1,419,516
+	Proceeds from modernization quota	12,705,041	12,860,960
+	Proceeds from short-term financial investments	-	-
+	Proceeds from interests related to government securities	-	-
-	Payments for purchase of tangible assets	(23,278,666)	(8,333,572)
-	Payments for short-term financial investments	-	-
<b>B</b>	<b>Net cash from investment activities</b>	<b>(10,567,055)</b>	<b>5,946,904</b>
	<b>Cash flows from financing activities:</b>		
+	Proceeds dividends transferred to Depozitarul Central	5,891,170	2,739,396
-	Paid dividends	(346,580)	(91,142)
<b>C</b>	<b>Net cash from financing activities</b>	<b>5,544,590</b>	<b>2,648,254</b>
	<b>Net increase of the cash and cash equivalents=A+B+C=D2-D1</b>	<b>10,487,679</b>	<b>29,310,795</b>
<b>D1</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>209,847,265</b>	<b>244,598,286</b>
<b>D2</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>220,334,944</b>	<b>273,909,081</b>
	<i>to which is being added:</i>		
	<i>Government securities as government bonds and treasury bills</i>	<i>70,309,618</i>	<i>161,888,767</i>
	<b>Total availabilities at the end of the year</b>	<b>290,644,562</b>	<b>435,797,848</b>

The net cash out of investment activities was influenced both by the investment performance in Quarter I, 2018 as compared to the first three months of the year 2017, and by the payments to the assets suppliers in the balance sheet at the end of 2017.

These interim financial statements and the related notes, from page 3 to page 25 were

authorized for issuance and signed by the company's management at May 14,2018.

**Director General,**  
**Eng. Dan-Silviu Baci**, M.B.A.  
**Toader**  
S.s. Illegible, Stamp

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

## 1. Business Description and General Information

The company CONPET S.A. ("the Company") is a joint-stock company, administered in a unitary (one-tier) system, as per the Company's Act no. 31/1990, republished, subsequent amendments, is registered at Prahova Trade Registry under no. J29/6/1991 and the Financial Supervisory Authority by the registration certificate no.7227/1997.

The registered offices' address is Ploiești City, no. 1-3, Anul 1848 Street, Prahova County.

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

Starting September 5<sup>th</sup> 2013, the company's shares have been traded on the regulated market administered by Bucharest Stock Exchange (Rom. BVB), under the symbol "COTE".

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

At 30.03.2018, CONPET S.A. had a market capitalization amounting to 966.18 mRON (207.44 mEURO), ranking 18 in "Top 25 issuers according to capitalization".

### *Company's Set-Up*

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

At 30.03.2018, the company's shareholders are:

- The Romanian State by the Ministry of Energy, holding 5,083,372 shares representing 58.72% of the share capital,
- Legal persons, with 2,540,943 shares representing 29.35% and
- Natural persons, with 1,033,213 shares representing 11.93%.

### *Company's Mission*

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

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

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

CONPET supplies transport services for its clients both via the crude oil National Transport

System concessioned based on the oil concession agreement on the operation of the crude oil, rich gas condensate and ethane National Transport System, as well as by railway tanks, from the loading ramps to the refineries, for the oil areas not connected to the transport major pipelines.

The crude oil National Transport System represents the ensemble of the interconnected major pipelines ensuring the collection of the oil extracted from the exploitation area or the imported oil and the transport thereof from the hand-over sites to the processing units.

The concessionaire of the crude oil National Transport System entitles as common carrier and the obligation to provide, as per the legal provisions, free access to the system's available throughput to all the solicitors, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis.

The Crude Oil National Transport System belongs to the Romanian State public domain, is being managed by NAMR (as per the provisions of the Oil Law), has approximately 3.800 km of pipelines, with a transport throughput of 18.5 million tons/year.

#### *The Legal Framework*

The activity in the oil sector is being regulated by the Oil Law no.238/2004. The National Agency for Mineral Resources („ANRM”) is a specialized body of the central government, with legal personality, under the Government control, being the competent authority entitled to apply the dispositions of this normative act.

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

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

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

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

The transport tariffs include:

- The Operating cost, including: the materials expenses, personnel expenses, pipelines maintenance expenses, energy, gas and water expenses, fixed asses depreciation related costs, royalty and other fees applicable to the carrier, the expenses for the pipelines guard services, decontamination expenses, other expenses;

- the modernization and development quota;
- 
- a reasonable profit margin.

## **2. Preparation Grounds**

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

These interim financial statements were prepared pursuant to the Order of the Ministry of Public Finances no. 2844/2016 for the approval of the accounting Regulations pursuant to the International Financial Reporting Standards (Rom."IFRS") ("OMFP 2844/2016").

These interim financial statements were prepared pursuant to IAS 34 – interim financial Reporting. They do not include all the necessary information for a complete set of financial statements pursuant to IFRS and should be read together with the annual financial statements of the Company, drafted on December 31,2017. Nevertheless, certain selected explanatory notes are being included in order to explain the events and transactions that are significant for the understanding of the amendments occurred in the financial statements and the company's performance as of the last annual financial statements drafted at and for the financial year ended December 31, 2017.

The interim financial statements have not been audited and have not been revised by an independent auditor.

These interim financial statements have been authorized for issuance and signed by the company's management at May 14,2018.

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

The preparation of these interim financial statements implies the use, by the Company, of estimates, professional reasoning and hypotheses affecting the reported value related to assets, liabilities, revenues and expenses. The estimates and hypotheses associated to these estimates are based on the hystorical experience, as well as on other factors considered reasonable given these estimates. The results of these estimates set the grounds for the professional reasonings regarding the accounting value of the assets and liabilites that cannot be obtained from other information sources. The actual results may be different from the estimates' values.

These estimates made by the company are being revised when changes regarding the circumstances on which the estimation was grounded occur or following new information subsequently available.

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

## **3. Accounting Policies**

The accounting policies in these interim financial statements are the same with the ones applied to the Company's financial statements at the date and for the financial year ended December 31,2017.

#### 4. Tangible Assets

Durin January-March 2018 the tangible assets have evolved as follows:

Description	Land and land improvements	Buildings and special installations	Operating oil products	Machinery and equipment	Measurement and control devices	Vehicles	Other tangible assets	Ongoing tangible assets	Total tangible assets
<b>Gross book value – balance as at Jan 01, 2018</b>	<b>22,584,099</b>	<b>226,786,502</b>	<b>42,072,846</b>	<b>80,104,803</b>	<b>65,418,061</b>	<b>28,398,221</b>	<b>6,411,128</b>	<b>33,961,299</b>	<b>505,736,959</b>
Cumulated depreciation as at Jan 01, 2018	-	-	-	(34,312,830)	(43,729,974)	(17,374,213)	(3,044,256)	-	<b>(98,461,273)</b>
<b>Net book value – balance as at Jan 01, 2018</b>	<b>22,584,099</b>	<b>226,786,502</b>	<b>42,072,846</b>	<b>45,791,973</b>	<b>21,688,087</b>	<b>11,024,008</b>	<b>3,366,872</b>	<b>33,961,299</b>	<b>407,275,686</b>
Tangible assets inputs	-	1,897,838	-	1,617,260	271,421	236,381	13,181	8,930,952	<b>12,967,033</b>
Tangible assets outputs	-	-	-	(2,776)	-	-	-	-	<b>(2,776)</b>
Depreciation registered along the year	-	(5,072,911)	-	(2,198,288)	(2,718,990)	(760,560)	(213,915)	-	<b>(10,964,664)</b>
<b>Net book value – balance as at March 31, 2018</b>	<b>22,584,099</b>	<b>223,611,429</b>	<b>42,072,846</b>	<b>45,208,169</b>	<b>19,240,518</b>	<b>10,499,829</b>	<b>3,166,138</b>	<b>42,892,251</b>	<b>409,275,279</b>
<b>Net book value – balance as at Jan 01, 2018</b>	<b>22,584,099</b>	<b>226,786,502</b>	<b>42,072,846</b>	<b>45,791,973</b>	<b>21,688,087</b>	<b>11,024,008</b>	<b>3,366,872</b>	<b>33,961,299</b>	<b>407,275,686</b>
<b>Net book value – balance as at March 31, 2018</b>	<b>22,584,099</b>	<b>223,611,429</b>	<b>42,072,846</b>	<b>45,208,169</b>	<b>19,240,518</b>	<b>10,499,829</b>	<b>3,166,138</b>	<b>42,892,251</b>	<b>409,275,279</b>
<b>Difference</b>	<b>-</b>	<b>(3,175,073)</b>	<b>-</b>	<b>(583,804)</b>	<b>(2,447,569)</b>	<b>(524,179)</b>	<b>(200,734)</b>	<b>8,930,952</b>	<b>1,999,593</b>

During 01.01.2018 – 31.03.2018 the net value of the tangible assets has increased by the amount of 1,999,593 RON, the difference resulting from:

- the increase by 12,967,033 RON representing tangible assets inputs;
- the decrease by 10,964,664 RON representing amortization of the tangible assets related to the period;
- decrease by 2,776 RON representing the remaining value of the assigned tangible assets.

The tangible assets put into operation during January-March 2018 amounted to 4,036,081 RON.

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

At 31.03.2018, CONPET has recorded in the company's patrimony lands in surface of 733,648.93 sqm with a fair value amounting to 22,584,099 RON. The area of 554,537.62 sqm represent lands held under 47 Certificates of ownership obtained during 2001-2005, appraised on the date of acquiring the certificates, in accordance with GD 834/1991 *on the establishment and appraisal of some lands owned by the state-owned companies*, at the value of 26,255,918 RON. These lands have been recognized in the company's Patrimony based on other equity reserves, without augmentation of the share capital by the value inscribed in the land ownership certificates. At 31.03.2018 the fair value of these lands amounts to 12,348,115 RON;

The tangible assets also include the operating oil product. The operating oil product is being evaluated in the Balance Sheet at the cost determined out of the revaluation performed as per GD no.26/January 22,1992, restated by application of IAS 29 "The financial reporting in Hyperinflationary Economies". At 31.03.2018, the value of the oil operating product rested the same with the one registered at the beginning of the year, namely of 42,072,846 RON.

#### *Tangible Assets in Progress*

During 01.01.2018-31.03.2018, the Company has executed tangible assets investment works, in view of replacing certain sections of pipelines on various distances, crude oil pipelines commissioning works at the rivers undercrossings and crossings, tanks modernizations, loading ramps modernization, modernization pumping system in various stations, external lightening installations, modernization and monitorization cathodic protection stations, locomotives and rail tanks recurrent inspections, as well as modernizations related to the telecommunications system pursuant to the approved "2018 Investment Program".

## **5. Intangible Assets**

During January-March 2018 the intangible assets have evolved as follows

Description	Software (licenses included)	Other intangible assets	Total intangible assets
<b>Inventory value at January 1,2017</b>	<b>4,009,627</b>	<b>1,100,018</b>	<b>5,109,645</b>
Cumulated depreciation at January 1, 2017	(2,640,858)	(1,006,115)	(3,646,973)
<b>Net accounting value at January 1,2017</b>	<b>1,368,769</b>	<b>93,903</b>	<b>1,462,672</b>
Intangible Assets Inputs	28,154	-	28,154
Depreciation registered during the year	(247,171)	(11,947)	(259,118)
<b>Net book value – balance as at March 31, 2018</b>	<b>1,149,752</b>	<b>81,956</b>	<b>1,231,708</b>
<b><i>Ney book value – balance as at Jan 01, 2018</i></b>	<b><i>1,368,769</i></b>	<b><i>93,903</i></b>	<b><i>1,462,672</i></b>
<b><i>Net book value – balance as at March 31, 2018</i></b>	<b><i>1,149,752</i></b>	<b><i>81,956</i></b>	<b><i>1,231,708</i></b>

<b>Difference</b>	<b>(219,017)</b>	<b>(11,947)</b>	<b>(230,964)</b>
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During 01.01.2018-31.03.2018 the net value of the intangible assets has decreased by the amount of 230,964 RON, as a result of:

- 28,154 RON increase representing inputs out of intangible assets
- decrease by 259,118 RON representing the amortization of the intangible assets related to the period.

The amortization method is the linear one. The intangible assets include: IT programs, software licenses, power supply coupling and water recognized in the intangible assets as rights of use.

## 6. Financial Assets

In the first three years of the year 2018, the financial assets have evolved as follows:

Description	Other long term investments	Long term receivables	Total financial assets
<b>Net accounting value at January 1, 2018</b>	<b>5,000</b>	<b>968,782</b>	<b>973,782</b>
Disposals	-	112,981	112,981
<b>Net accounting value at March 31, 2018</b>	<b>5,000</b>	<b>855,801</b>	<b>860,801</b>
<b>Difference</b>	<b>-</b>	<b>(112,981)</b>	<b>(112,981)</b>

At 31.12.2017, the Company holds shares to the share capital of the Independent Monitor Register. In the financial assets are also included long term receivables made up of redeemable guarantees paid by the Company for temporary withdrawal from the agricultural use of several land surfaces used in view of performing certain investment works.

## 7. Stocks

Description	Consumables	Waste Products	Ongoing Services	Total Stocks
<b>Gross book value at January 1, 2018</b>	<b>6,431,393</b>	<b>3,025,984</b>	<b>525,025</b>	<b>9,982,402</b>
Impairment of stocks	(872,933)	(85,264)	-	(958,197)
<b>Carrying value at Jan 01, 2018</b>	<b>5,558,460</b>	<b>2,940,720</b>	<b>525,025</b>	<b>9,024,205</b>
Stocks additions along the period	1,705,944	935,326	279,708	2,920,978
Stocks consumption along the period	(2,083,923)	(521,216)	-	(2,605,139)
Expense with (resulting from) impairment of stocks	4,421	11	-	4,432
<b>Carrying value at March 31, 2018</b>	<b>5,184,902</b>	<b>3,354,841</b>	<b>804,733</b>	<b>9,344,476</b>
<b>Carrying value at balance January 1, 2018</b>	<b>5,558,460</b>	<b>2,940,720</b>	<b>525,025</b>	<b>9,024,205</b>
<b>Carrying value at December 31, 2018</b>	<b>5,184,902</b>	<b>3,354,841</b>	<b>804,733</b>	<b>9,344,476</b>
<b>Difference</b>	<b>(373,558)</b>	<b>414,121</b>	<b>279,708</b>	<b>320,271</b>

The stocks are made up of materials, spare parts and other materials that are to be used when performing company's core business, as well as of security and intervention stocks meant for the potential provoked technical accidents or following natural disasters.

The waste products represent, mainly, tubular material resulting from pipelines replacements.

## 8. Trade Receivables and Other Receivables

At March 31, 2018 as compared to December 31, 2017 the trade receivables and other receivables reveal the followings:

	31 March 2018	31 December 2017
Customers	35,306,999	35,713,475
Impairment of receivables	(698,234)	(698,234)
Other trade receivables	346,779	311,122
<b>Subtotal – Trade receivables (net)</b>	<b>34,955,544</b>	<b>35,326,363</b>
Other receivables	8,615,010	14,179,176
Impairment for other receivables	(2,739,968)	(2,752,468)
<b>Subtotal other receivables (net value)</b>	<b>5,875,042</b>	<b>11,426,708</b>
<b>Total receivables</b>	<b>40,830,586</b>	<b>46,753,071</b>

The customers structure on activities is the following:

	31 March 2018	31 December 2017
Clients- transport activity	34,005,845	34,719,399
Other clients – auxiliary activities	1,301,154	994,076
<b>Total</b>	<b>35,306,999</b>	<b>35,713,475</b>

*The trade receivable* are not interest bearer and have a proceeds duration of 28 days.

The main trade receivables in the balance sheet at March 31, 2018 are amounts receivable from : OMV PETROM S.A. – 29,842,449 RON (December 31, 2017: 30,330,382 RON), Petrotel Lukoil S.A. – 4,143,760 RON (December 31, 2016: 4,143,833 RON), Rompetrol Rafinare S.A. -4,201,412 RON (December 31, 2017: 4,143,760 RON).

The supply of transport services performed for these clients hold a significant share (over 99%) of the Company's turnover.

The main client of the Company, OMV PETROM S.A. holds over 73% of the total short-term receivables at March 31,2017.

*Other receivables*, amounting to 8,615,010 RON are mainly made up of:

- 3,716,712RON dividends under payment at Depozitarul Central;
- 2,197,971 RON amounts receivable from different natural and legal persons, the majority thereof being in litigation pending before the law courts
- 1,264,217 RON non-exigible VAT related to unarrived invoices;
- 505,577 RON the interest receivable for the cash in deposits.

*Impairments for the depreciation of other receivables* are registered for debts related to the files pending before the law courts, fiscal obligations and fines paid and under the challenge procedure.

At March 31, 2018 the value of these adjustments amounts to 2,739,968 RON, decreasing by 12,500 RON as compared to December 31,2017, following a disputed environmental fine won by CONPET against the court.

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

### **Seniority-related statement of receivables**

#### **Trade Receivables**

	March 31, 2018	December,31 2017
<b>Clients, of which:</b>	<b>35,306,999</b>	<b>35,713,475</b>
<i>Current and undepreciated receivables</i>	34,503,919	34,981,599
<i>Current and depreciated receivables</i>	698,083	698,234
<i>Outstanding and undepreciated of which:</i>	104,997	33,642
-outstanding less than 30 days	44,116	19,616
- outstanding between 30 and 60 days	52,382	10,329
- outstanding between 60 and 90 days	-	3,421
- outstanding between 90 and 1 year	8,499	276
<b>Other trade receivables, of which:</b>	<b>346,779</b>	<b>311,122</b>
<i>Current and undepreciated receivables</i>	346,779	311,122

#### **Other receivables**

	March 31, 2018	December,31 2017
<i>Current and undepreciated receivables</i>	5,875,042	11,426,708
<i>Current and depreciated receivables</i>	2,739,968	2,752,468
<b>Total</b>	<b>8,615,010</b>	<b>14,179,176</b>

## **9. Cash and Cash Equivalens**

At March 31, 2018 and December 31, 2017 the cash and cash equivalents reveal the followings:

	March 31, 2018	December,31 2017
Current bank accounts	4,172,439	4,368,575
Bank deposits (maturity $\leq$ 3 months)	216,123,976	205,452,128
Cash on hand	29,484	25,019
Other cash equivalents	9,045	1,543
<b>Total</b>	<b>220,334,944</b>	<b>209,847,265</b>

At March 31, 2018 the value of the cash and cash equivalents increased by approximately 5% as compared to December 31,2017.

The company benefits from a modernization quota with special treatment, provided at GD no.168/1998, and is exclusively destined to the financing of the modernization works and development of the goods belonging to the public domain. It is being materialized at the end of Quarter I, 2018 in cash in the accounts in amount of 137,909,417 RON and government bonds investments in amount of 70,309,618 RON, totalizing 208,219,035 RON presented in the „Short-term investments” note.

## 10. Short-term investments

The short term financial investments are investments performed by the Company in State securities (Government bonds), with superior yields as compared to the term deposits, in view of obtaining financial revenues.

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
State securities (Government bonds)	70,309,618	70,309,618
Interest related to State securities	478,043	313,900
<b>Total</b>	<b>70,787,661</b>	<b>70,623,518</b>

At the end of Quarter I, 2018 the State securities held by the Company are being detailed in the following box:

Issuer	Depository	Product type	Series	No. of securities	Instrument nominal value	Coupon Value	Interest (%)	Value at 31.03.2018 (RON)
The Ministry of Public Finances	RAIFFEISEN	Coupon government bonds	RO1318DBN034	1,735	10,000	560	0.82%	18,122,108
The Ministry of Public Finances	BRD	Coupon government bonds	RO1318DBN034	5,010	10,000	560	0.97%	52,187,510
<b>Total</b>								<b>70,309,618</b>

## 11. Equities

### *The Share Capital*

Along the reporting period the company's share capital was not amended, resting at the value of 28,569,842 RON, being divided in 8,657,528 ordinary shares with a nominal value of 3.3 RON/share and corresponds to the one registered at the Trade Register Office.

The structure of the share capital and the shareholding structure of CONPET S.A. at March 31, 2018:

Shareholders	March 31, 2018			December 31, 2017		
	No. of shares	Amount (RON)	(%)	No. of shares	Amounts (RON)	(%)
The Romanian State represented by the Ministry of Energy	5,083,372	16,775,128	58,7162	5,083,372	16,775,128	58,7162
Legal persons	2,540,943	8,385,112	29,3495	2,572,156	8,488,114	29,7101
Natural persons	1,033,213	3,409,602	11,9343	1,002,000	3,306,600	11,5737
<b>Total</b>	<b>8,657,528</b>	<b>28,569,842</b>	<b>100%</b>	<b>8,657,528</b>	<b>28,569,842</b>	<b>100%</b>

### *Legal Reserves*

The legal reserve in amount of: 5,713,968 RON at March 31, 2018 (December 31, 2017: 5,713,968). The company has transferred out of the profit for the legal reserve 20% of the share capital according to EGO 64/2001, Law no. 571/2003, Law 31/1990 and the Articles of Incorporation.

### *Other Reserves*

At March 31, 2018 Other Reserves are in amount of 484,056,184 RON, increasing by 5,555,726 RON as compared to the beginning of the year, following the increase of the reserve representing modernization quota.

At March 31, 2018 the major share in Other reserves is held by the reserve related to the modernization quota, in amount of 451,498,897 RON.

### *Revaluation Reserves*

At March 31, 2018 in the statement of the financial position the reserves out of revaluation are being presented at net value of 29,657,877 RON, resulting after the reduction of the gross value with the deferred related income directly recognized in the equities, as per IAS 12.

### *Retained Earnings*

At March 31, 2018 the retained earnings amount to 115,957,729 RON, and also includes the difference of value, of 41,818,297 RON, related to the tangible assets – oil operating product resulting from the first time application of IAS 29.

### *Year's Profit*

The year's profit achieved in the first three months of 2018 amounts to 11,465,278 RON.

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

At March 31, 2018 and December 31, 2017 the trade liabilities and other liabilities are the followings:

Liabilities	December 31, 2017	March 31, 2018	Maturity date for the balance at March 31, 2018		
			Under 1 year	1-5 years	Over 5 years
<b>Trade liabilities</b>	30,653,848	19,898,202	19,898,202	-	-
Other liabilities, here included the tax liabilities and the social insurance liabilities	36,043,972	36,394,784	36,394,784	-	-
<b>Total</b>	<b>66,697,820</b>	<b>56,292,986</b>	<b>56,292,986</b>	-	-

The goods and services suppliers for the operating activity are mainly represented by: SNTFM CFR Marfa, OMV Petrom, Tinmar Energy, Edenred Romania S.R.L, Premier Energy, RCS&RDS, OMV Petrom Marketing, Omniasig Vienna Insurance, Cameleon Security Systems, Afer, Dinamic Consult, Orange Romania.

The value of intangible assets procurement in the first three months of 2018 has a share of 33.76% in total procurement.

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

Description	December 31 2017	March 31 2017	Maturity for the balance sheet at March 31,2018		
			< 1 year	Between 1-5 years	Over 5 years
Salaries and assimilated debts	4,020,702	4,725,993	4,725,993	-	-
Salaries contributions	2,942,010	3,501,176	3,501,176	-	-
Current corporate tax	3,761,986	2,553,966	2,553,966	-	-
Royalty to to the State Budget	7,133,441	6,888,308	6,888,308	-	-
Vat payable	2,645,752	3,839,974	3,839,974	-	-
Other interests and liabilities – State Budget	1,102,192	1,030,631	1,030,631	-	-
Dividends payable	13,971,193	13,624,614	13,624,614	-	-
Other debts	466,695	230,121	230,121	-	-
<b>Total</b>	<b>36,043,972</b>	<b>36,394,783</b>	<b>36,394,783</b>	-	-

### 13. Provisions

	March 31 2018	December 31 2017
Provisions for litigations	4,135,815	4,135,815
Provisions for employee's benefits	18,797,750	18,163,415
Other provisions for risks and expenses	50,000	50,000
<b>Total</b>	<b>22,983,565</b>	<b>22,349,230</b>
<i>Long-term provisions</i>	<i>12,947,545</i>	<i>12,817,661</i>
<i>Short-term provisions</i>	<i>10,036,020</i>	<i>9,531,569</i>

In the first three months of 2018, the provisions for litigations did not bear changes. The company is involved into various litigations for compensations claimed by various owners, natural and legal persons. Besides the compensations, they request either the payment of an annuity following the exercise, by the Company, of the the easement right on the lands owned by the claimants, or by the retirement of the pipelines and installations to be found on lands thereof. Following the restitution of their property rights, they are bringing proceedings in Court against the Company, invoking the lack of land use due to the fact that the latters are being crossed by the crude oil transport pipelines belonging to the public domain.

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

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

The biggest share in the provisions for the employees benefits is being held by the *provision for the benefits granted upon retirement*, in amount of 13,113,733 RON, of which 12,947,545 RON stand for long-term liabilities, and 166,188 RON stand for short-term liabilities.

In the first three years of 2018 the provisions for benefits upon retirement granted to the employees has decreased by the amount of 183,238 RON, which was recognized as income

during the period.

The provision for the untaken annual leaves also registered a decrease by the amount of 488,275 RON during January-March, 2018.

The provision related to the employees share of profit is being established based on the provisions of the Company's income and expenditure budget approved for each financial year, under the Ordinance no.64/2001 and MPFO no. 144/2005. The Ordinance no.64 from August 30, 2001 set out the the accounting profit remaining after the deduction of the corporate tax to the majority or entirely state-owned companies to be distributed within the limit of 10% of the net profit, but no more than the level of a monthly basic salary at the level of the economic agent, in the reference financial year. At 31.03.2018, the provision for the employees share of profit totally amounts to 4,341,651 RON, of which the amount of 3,035,803 RON represent provision constituted for the year 2017, and the amount of 1,305,848 RON represents provision constituted for Quarter I of the year 2018.

### **Other Provisions**

The balance of the position "Other Provisions", in amount 50,000 RON is being represented by the provisions related to environment expenses.

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

The expense related to current and deferred corporate tax of the company at March 31, 2017 and March 31,2018 is being determined by a statutory sate of 16%.

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Expense with corporate tax	2,553,966	3,541,804
Expense with/(income from) deferred corporate tax	(148,980)	-
<b>Total</b>	<b>2,404,986</b>	<b>3,541,804</b>

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

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Profit before taxation	13,870,264	23,091,489
-Income tax at a statutory rate of 16%	2,219,242	3,694,638
<b>Effect on the income tax, of:</b>		
- Non-deductible expenses	224,544	26,159
- Non-taxable revenues	(116,344)	(158,030)
-Elements similar to revenues	258,753	237
- Elements similar to expenses	(216)	(200)
- Exempted income tax	(9,013)	-
- Amount representing sponsorship falling under the limits provided by law	(23,000)	(21,000)
<b>Current corporate tax expense</b>	<b>2,553,966</b>	<b>3,541,804</b>

## 15. Result per share

The result per share at 31.03.2018, as compared to the same period of the previous year is the following:

	<b>March 31 2018</b>	<b>March 31 2017</b>
Profit for the year	11,465,278	19,549,685
Number of ordinary shares at the beginning and end of the period	8,657,528	8,657,528
Basic and diluted earnings per share (RON/share)	1.32	2.26

## 16. Operating Revenues

### a) Turnover-related revenues

	<b>March 31 2018</b>	<b>March 31 2017</b>
<b>Transport service revenues, o/w:</b>	90,005,172	<b>89,772,947</b>
<i>Domestic transport system related revenues</i>	69,331,729	71,417,366
<i>Import transport system related revenues</i>	20,673,443	18,355,581
Lease revenues	359,337	316,736
Other revenues included in turnover	599,617	971,747
<b>Total turnover revenues</b>	<b>90,964,126</b>	<b>91,061,430</b>

Transport revenues are achieved from the services supplied to clients for the transport of the crude oil, rich gas and condensate volumes at the tariffs approved by Order of the President of The National Agency for mineral Resources.

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

	<b>March 31 2018</b>	<b>March 31 2017</b>
Domestic Subsystem	864,294	887,103
Import Subsystem	866,621	645,403
<b>Total quantities (tons)</b>	<b>1,730,915</b>	<b>1,532,506</b>

The total volume of transported products increased by 12.95% in the first three months of 2018 YoY, given the decrease by 2.57% of the quantity transported on the domestic transport subsystem and the increase by 34.28% of the quantity transported on the import subsystem.

The tariffs for the supply of the transport services in 2018, as approved by the National Agency for Mineral Resources by Order no.32/02.02.2016, are the followings:

- For the domestic transport subsystem, the average tariff is 79.75 RON/ton;
- For the import transport subsystem, the tariffs are applied per refineries, per batches of transported quantities, being implemented the bracket tariff model:

Period	Arpechim		Ploiești Basin		Petromidia	
	Thousand tons/month	RON/ton	Thousand tons/month	RON/ton	Thousand tons/month	RON/ton
February 09, 2016 – to date	< 100	38.85	< 100	38.00	< 100	8.00
	> 100	16.60	> 100	16.00	> 100	7.33

## b) Other Operating Revenues

	March 31 2018	March 31 2017
Revenues from modernization quota	7,149,314	7,341,232
Earnings from disposal of assets	3,794	930,161
Other revenues	946,383	(23,482)
<b>Total operating revenues</b>	<b>8,099,491</b>	<b>8,247,911</b>

The revenues related to the expenses borne out of the modernization quota represent 88.27 % of other operating expenses achieved in the first three months of 2018, registering a decrease by 2.61% YoY.

## 17. Operating Expenses

### a) Stocks and utilities expenses

	March 31 2018	March 31 2017
Materials and consumables expenses	1,394,486	1,143,188
Other material expenses	209,414	360,772
Other expenses with energy and water	3,683,030	3,061,856
Merchandise expenses	21,376	17,377
<b>Total expenses on inventories and utilities</b>	<b>5,308,306</b>	<b>4,583,193</b>

### b) Personnel Expenses

	March 31 2018	March 31 2017
Salary expenses and related contributions	28,462,170	22,464,391
<b>Total salaries and contributions</b>	<b>28,462,170</b>	<b>22,464,391</b>

Personnel expenses include the allowance of the Board of Administration members, the employees' benefits and bonuses. These are the followings:

#### **Liabilities regarding the employees' benefits and bonuses. The waging system**

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

The benefits awarded to the employees in the first three months of the year 2018 are the followings:

### **Liabilities regarding the employees' benefits**

	<b>March 31 2018</b>	<b>March 31 2017</b>
Financial support - retirement	155,062	77,637
Financial support - marriage	-	3,697
Company contribution - optional pension schemes	-	757,120
Company contribution - optional health insurance	383,748	-
Other benefits	50,480	20,336
<b>TOTAL</b>	<b>589.290</b>	<b>858.790</b>

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

	<b>March 31 2018</b>	<b>March 31 2017</b>
Holiday/medical treatment vouchers	53.263	27.415
Gifts offered to the employees	43.500	42.600
Financial support – birth, death, illness, humanitarian	189.353	108.916
Meal vouchers	1.429.395	921.333
Other bonuses	554.674	37.802
<b>TOTAL</b>	<b>2.270.185</b>	<b>1.138.066</b>

The holiday and medical treatment related expenses are higher than in Quarter I, 2017, as there have been registered more payment requests of the employees along this period.

Also, there were registered augmentations of the birth, funeral-related expenses as well, serious diseases, humanitarian, as both the number of such events has increased and the quantum provided in the new Labour Agreement enforceable as of September 1, 2017 awarded therefor. The increase recorded for other bonuses stands for the exchange value of gift vouchers awarded to the employees on the occasion of the "Company's Day" (300 RON/employee).

### **Wage System –the Director General and the members of the Board of Administration**

	<b>March 31 2018</b>	<b>March 31 2017</b>
Allowance of the Director General	110,652	151,632
Allowances of the BoA members	256,490	150,480
<b>Total</b>	<b>367,142</b>	<b>302,112</b>

The expenses with the allowances related to mandate contracts of the members of the Board of Administration and the Director General register and increase as compared to Quarter I, 2017 due to the changes occurred following the mandate expiry of the BoA members and the mandate of the Director General at November 27, 2017, namely December 5, 2017 and the conclusion of new contracts with the members of the Board of Administration and the Director General appointed in the new capacity after this date.

In the new mandate contracts is not being provided the award of variable allowance and the fix allowance for the administrators has been established at 2 gross average salary earnings.

### **c) The Outside Services Expenses include:**

	<b>March 31 2018</b>	<b>March 31 2017</b>
Rail transport expenses	13,871,618	13,980,357
	7,278,012	7,248,005

Royalties, commercial leasings and rental expenses		
Third-party pumping related expenses	1,137,873	1,224,173
Expenses with maintenance and repairs	259,008	372,924
Expenses related to decontamination, monitoring of the environment factors	26,650	48,594
Travel, assignments and transfer expenses	112,683	132,545
Personnel and goods transport related expenses	250,399	130,244
Postal expenses and telecommunication charges	147,078	125,494
Other third-party services related expenses	932,583	1,015,842
<b>Total outside services expenses</b>	<b>24,015,904</b>	<b>24,278,178</b>

The royalties, commercial leasings and rental expenses comprise the oil royalty, calculated according to the Oil Law no. 238/2004, by application of a quota of 10% of the value of gross income achieved out of oil transport and transit operations through the Oil National Transport System.

#### d) Other Expenses

	March 31 2018	March 31 2017
Other taxes, duties and similar levies	573.264	360.680
Compensations, fines and penalties expenses	10.880	10.536
Donations granted (Sponsorship)	23.000	21.000
Environmental Protection expenses	32.924	15.415
Expenses related to the settlement modernization quota	12.705.041	12.860.960
Other operating expenses	43.609	71.535
<b>Other expenses</b>	<b>13.388.718</b>	<b>13.340.126</b>

In the first three months of the year 2018, the expenses with other taxes, duties and similar levies comprise mainly the expenses with local taxes and the contribution to the special fund due under the Law 448/2016 on the promotion of rights of the disabled persons.

The company establishes reserves regarding the modernization quota based on other operated expenses in compliance with the provisions of GD no. 168/1998, subsequently amended and the provisions of the Fiscal Code approved pursuant to Law no. 227/2015, subsequently amended and updated.

## 18. Net Financial Result

	March 31 2018	March 31 2017
Interest revenues	885,054	605,119
Revenues from title operations and other financial instruments	164,143	343,906
Other financial revenues	1,390	7,922
<b>Total financial revenues</b>	<b>1,050,587</b>	<b>956,947</b>
Other financial expenses	1,040	9,343
<b>Total financial expenses</b>	<b>1,040</b>	<b>9,343</b>
<b>Net financial result</b>	<b>1,049,547</b>	<b>947,604</b>

The financial revenues have increased by 9.79%, and the financial expenses decreased by 88.87% in the first three months of the year 2018 as compared to the same period of 2017. Based on this evolution the net financial result has increased by 10.76% in the first three months of the year 2018 YoY.

## 19. Related parties

In Quarter I 2018, the Company performed the following significant transactions with related parties:

### Procurement from related parties

Partner	Unsettled amounts at December 31 2017	Prpcurement during January – March 2018	Settlement during January – March 2018	Unsettled amounts at March 31, 2018
SNTFM CFR Marfă SA	6,080,039	16,744,810	19,099,529	3,725,320

## 20. Subsequent Events

The Ordinary General Meeting of Shareholders (OGMS) approved, on April 26, 2018 repartizarea the distribution of the net profit related to the financial year 2017 and of several amounts out of the retained earnings, the settlement of the gross dividend per share proposed to be awarded to the shareholders in amount of 8,04168315 RON/share. The date of 28.06.2018 is being approve by the General Meeting of Shareholders as payment date of the dividends to CONPET shareholders registered at Shareholders Registry at registration date 12.06.2018. The date “Ex-date”settled by the General Meeting of Shareholders is 11.06.2018.

These financial statements from page 3 to page 25 have been authorized for issue and signed by the company management on May 14, 2018.

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

S.s. Illegible  
Stamp

**Sanda**

**Economic Director,  
Econ. Toader**

S.s. Illegible