ROMPETROL RAFINARE SA

FINANCIAL STATEMENTS - UNAUDITED

Prepared in compliance with
Order of the Minister of Public Finance no. 1286/2012
for approval of the accounting regulations in compliance with
the International Financial Reporting Standards

30 JUNE 2016

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	Notes	30 June 2016	31 December 2015
Intangible assets	3	11,745,992	13,330,284
Goodwill	4	152,720	152,720
Tangible assets	5	3,025,453,772	3,139,544,566
Financial assets	6	1,629,020,055	1,629,020,055
Deferred tax receivables	20	228,038,083	228,038,083
Total fixed assets		**4,894,410,622**	**5,010,085,708**
Net inventories	7	611,347,869	520,212,512
Receivables and accrued expenses, net	8	1,177,958,582	1,073,860,703
Cash and bank accounts	9	26,584,028	6,773,869
Current assets - total		**1,815,890,479**	**1,600,847,084**
TOTAL ASSETS		**6,710,301,101**	**6,610,932,792**
Subscribed share capital	10	4,410,920,573	4,410,920,573
Share premiums	10	232,637,107	232,637,107
Other reserves	10	3,172,596,294	3,172,596,294
Loss carried forward		(6,552,828,638)	(6,637,120,634)
Result of the current financial year		142,866,645	84,291,996
Total shareholders' equity		**1,406,191,981**	**1,263,325,336**
Long-term bank loans	13	297,327,056	299,687,700
Provisions	14	246,183,634	246,183,634
Non current liabilities - total		**543,510,690**	**545,871,334**
Commercial liabilities and other liabilities	11	3,496,803,708	3,457,659,668
Short-term borrowings from related companies	12	1,180,407,362	1,187,404,941
Short-term bank loans	12	83,387,360	156,671,513
Current liabilities - total		**4,760,598,430**	**4,801,736,122**
TOTAL LIABILITIES AND EQUITY		**6,710,301,101**	**6,610,932,792**

AZAMAT ZHANGULOV
Chairman of the Board of Directors

YEDIL UTEKOV
Chief Executive Officer

ROMPETROL RAFINARE S.A.

MANOLE VASILE-GABRIEL
Chief Financial Officer

Prepared by (Chief Accountant)
Pasa Cherata

	Notes	Ist Semester 2016	Ist Semester 2015
Net turnover	15	4,133,145,499	5,489,422,411
Cost of sales	16	(3,909,427,704)	(5,227,230,218)
Gross profit		223,717,795	262,192,193
Sales costs and general-administrative costs	17	(106,713,648)	(95,721,170)
Other revenues / (operational) expenses	18	19,765,121	118,905,484
Operating profit/(loss)		136,769,268	285,376,507
Financial expenses	19	(60,482,772)	(63,140,839)
Financial income	19	9,274,823	589,630
(Loss) / gain deriving from difference in the exchange rate, net	19	57,305,326	(305,546,620)
Gross profit/ (loss)		142,866,645	(82,721,322)
Corporate tax		-	-
Profit/ (loss) of the financial year		142,866,645	(82,721,322)
Result per share (money / share) Basis	23	0.32	(0.19)

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ROMPETROL RAFINARE S.A.

	Ist Semester 2016	Ist Semester 2015
Profit/(net loss)	**142,866,645**	**(82,721,322)**
Other elements of the global earnings		
Actuarial gains / losses related to retirement benefits	-	2,022,924
Gains / losses from derivative financial instruments	-	(6,052,830)
Other elements of the financial year, no taxes included	**-**	**(4,029,906)**
Total global earnings per year, no taxes included	**142,866,645**	**(86,751,228)**

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ROMPETROL RAFINARE S.A.
STATEMENT OF TREASURY FLOWS
for financial year ending on 30 June 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	30 June 2016	30 June 2015
Net profit before tax	**142,866,645**	**(82,721,322)**
Adjustments for:		
Depreciation and amortization	138,304,455	101,420,737
Expenses from adjustments for depreciation of receivables and and inventories (including write-off)	(16,682,923)	(118,703,960)
Late payment expenses	98,257	4,348,077
Interest expenses, net	53,375,198	26,235,992
Revenues / expenses from derivatives	-	(190,183)
Unrealized foreign exchange (losses)/gains	(26,805,623)	(54,680,536)
Cash generated from operations before working capital changes	**291,156,009**	**(124,291,195)**
Net working capital changes:		
Receivables and prepayments	(110,528,308)	(572,555,205)
Inventories	(74,509,784)	(265,040,498)
Trade and other payables, excluding payables for investments	384,636,381	293,001,304
Net working working capital changes:	**199,598,289**	**(544,594,399)**
Corporate tax paid	-	-
Net cash payments for derivatives	-	(82,448,734)
Net cash provided by/(used in) operating activities	**490,754,298**	**(751,334,328)**
Net cash used in investing activities		
Purchase of tangible assets	(213,895,147)	(80,493,166)
Purchase of intangible assets	(49,547)	33,120
Net cash used in investing activities	**(213,944,694)**	**(80,460,046)**
Net cash flow used in financing activities		
Cash pooling	(148,378,377)	729,059,454
Short - term loans (repaid to) / received from banks, net	(73,281,788)	(109,605,922)
Long - term loans received from banks	144,806,117	257,361,620
Long - term loans repaid to banks	(143,373,660)	-
Short - term loans received from / (repaid to) shareholders, net	16,603,461	122,258,932
Interest and bank charges paid, net	(53,375,198)	(168,014,404)
Net cash from financing activities	**(256,999,445)**	**831,059,680**
Net (Increase) / Decrease in cash	**19,810,159**	**(734,694)**
Cash at the beginning of the period	**6,773,869**	**13,902,875**
Cash at the end of the period	**26,584,028**	**13,168,181**

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ROMPETROL RAFINARE S.A.

	Subscribed capital	Equity premium	Loss carried forward	Other reserves	Total capitals
1 January 2015	**4,410,920,573**	**232,637,107**	**(6,632,906,034)**	**3,166,150,587**	**1,176,802,233**
					-
Net loss Ist Semester 2015	-	-	(82,721,322)	-	**(82,721,322)**
Actuarial gains / losses related to retirement benefits				2,022,924	**2,022,924**
Gains / losses related to derivative financial instruments	-	-	-	(6,052,830)	**(6,052,830)**
30 June 2015	**4,410,920,573**	**232,637,107**	**(6,715,627,356)**	**3,162,120,681**	**1,090,051,005**

	Subscribed capital	Equity premium	Loss carried forward	Other reserves	Total capitals
1 January 2016	**4,410,920,573**	**232,637,107**	**(6,552,828,638)**	**3,172,596,294**	**1,263,325,336**
Net profit Ist Semester 2016	-	-	142,866,645	-	**142,866,645**
30 June 2016	**4,410,920,573**	**232,637,107**	**(6,409,961,993)**	**3,172,596,294**	**1,406,191,981**

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1. GENERAL

Rompetrol Rafinare S.A. (hereinafter referred to as "the Company" is a company incorporated under Romanian laws. The Company operates two refineries Petromidia and Vega. The Petromidia Refinery is the one with the highest capacity (of 4.8 million tons/annum, nameplate capacity) and the only Romanian refinery at the Black Sea, which processes exclusively imported crude oil and produces E.U. standard compliant motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975 and 1977 and was further upgraded in the early '90s and between 2005 - 2012. Vega refinery was built in 1905 and upgraded in the following decades.

Rompetrol Rafinare S.A. carries on refining activities and all its production facilities are located in Romania. The number of employees of the Company as at 30 June 2016 is 1,143, respectively 1,183 as at 31 December 2015.

The registered address of Rompetrol Rafinare S.A. is 215 Navodari Blvd, Constanta, Romania.

Rompetrol Rafinare S.A. is a joint stock company listed in the Bucharest Stock Exchange since 2004.

The Company is part of the KMG International N.V. Group. The Company is a part of the KMG International N.V The consolidated financial statements are prepared at the level of the parent company KMG International N.V., with the head office located at World Trade Center, Strawinskylaan 807, Tower A, 8th Floor, 1077 XX, Amsterdam, The Netherlands. These annual financial statements are public.

The ultimate parent of the KMG International N.V. is the company "State holding enterprise on assets management (Samruk)" JSC, an entity with its headquarters in Kazakhstan.

The company also prepares consolidated financial statements that have a public character and are available on the website of the company, www.rompetrol.com, at the section Relation with Investors, subsection Rompetrol Refining.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

Effective as of 31 December 2012, the standalone financial statements of the Company are prepared in accordance with the Order of the Minister of Public Finance no. 1286/2012 for approval of the Accounting regulations in compliance with the International Financial Reporting Standards applicable to the companies whose real estate values are accepted for tranzaction on a regulated market, as amended and completed. These provisions are compliant with the requirements of the International Financial Reporting Standards as approved by the European Union, save the provisons of IAS 21, *the Effects of the exchange rate variation* with regards to the functional currency.

For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON).

The financial statements were prepared based on the historical cost, least the financial instruments which are presented at the fair value in the account and loss, and in the statement of other comprehensive income, respectively.

The standalone financial statements are prepared in RON and all the values are rounded up to the closest amount in lei, if not otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) The going concern

The financial statements of the Company are prepared on a going concern basis. As at 30 December 2016 and 31 December 2015, the Company reported net assets amounted to RON 1,406 million and RON 1.263 million respectively. For the year ended as at 30 December 2016, The Company reported a profit of RON 143 million, RON 84 million for the year ended as at 31 December 2015, respectively. The accumulated losses incurred so far are due to the fact that the Company has been affected by the specific of the refining activity, characterized by a significant volatility but, considering the massive investment trend of late, it is envisaged the obtaining of positive financial results which will decrease the cumulated loss registered until now.

The strategy for the years 2016-2020 is a mix of projects optimization of production costs and expansion of the retail network. The main objective for the years 2016-2020 is the extension of the distribution operations in the Black Sea countries, to benefit from a vertical integration with the refinery operations in order to improve the financial performance, the following measures have taken:

- Reducing the refinery costs for the purpose of rendering the processes efficient and increasing profitability.
- Improvement of the product mix in order to increase the share of higher margin products

The management claims that these developments will lead to an improvement of the Group capacity to support its ongoing operations.

The company's net assets decreased to less than half the value of the subscribed share capital, the Company's management intends to regulate this situation of the ratio between the net assets of the Company and its share capital, within the term provided by law, according to article 153.24 of Law no. 31/1990 regarding the trade companies, as amended. Shareholders intending to monitor this situation and appeal General Meeting of Shareholders (AGA), after current financial statements approval, to confirm the continuation of the company's activities and taking measures required by law to do so, if in the period that the law stipulates the net assets will not be restored until the level required by law.

Also, considering the Company's plans for 2016, and other aspects above mentioned, it is considered that the preparation of the financial statements is based on the ongoing activity principle.

c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

d) Standards issued but not yet effective

The Company has not early adopted the following standards/interpretations:

- **IFRS 9 Financial Instruments: Classification and Measurement**
  The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

- **IFRS 16: Leases**

  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

- **IAS 12 Income taxes (Amendments): Recognition of Deferred Tax Assets for Unrealized Losses**

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The objective of these amendments is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. For example, the amendments clarify the accounting for deferred tax assets when an entity is not allowed to deduct unrealised losses for tax purposes or when it has the ability and intention to hold the debt instruments until the unrealised loss reverses. These amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

- **IAS 7 Statement of Cash Flows (Amendments): Disclosure Initiative**

The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The objective of these amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

e) Significant professional judgements, estimates and assumptions

The preparation of the financial statements requires that the management should issue professional judgments, estimates and assumptions that affect the reported amounts of revenues and expenses, of assets and liabilities and the disclosure of contingent liabilities at the reporting date. The estimates and associated assumptions are based on the previous experience and on other factors considered relevant. However, uncertainty about these forecasts and estimates could result in adjusting the accounting value of the assets and liabilities in the future periods.

The estimates and assumptions that are the basis of the accounting judgements are constantly reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period or in the period of the revision and the future periods if the revision affects both the current period and the next.

The issues listed below are considered to be the most important in understanding the professional judgments that affect the preparation of these financial statements and the uncertainties that could affect the result of the operations, the financial position and the treasury flows.

The main hypotheses on the future and other sources for estimating uncertainties as at the reporting date that carries a significant risk to cause material adjustments to assets and liabilities during the following financial year are herein below described. The Company relied in its hypotheses and estimates on the parameters available as at the preparation of the financial statements. However, the existing circumstances and the hypotheses about future developments may change due to the changes on the market or in the circumstances occurring beyond the Company's control. Such changes are reflected in the hypotheses as they occur.

- ***Impairment of assets***

The Company assesses at each reporting date whether there is an indication that an asset may be provisioned. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are reviewed for possible impairment annually, while all assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recovered. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

Estimates of future cash flows are based on management estimates of future commodity prices, market supply and demand and product margins. Other factors that can lead to changes in estimates include restructuring plans and legislations changes. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Provision for environmental liability***

The Company is involved in refining and petrochemicals. Environmental damage caused by such activities may require the Company to incur restoration costs to comply with the regulations in the various jurisdictions in which the Company operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Company together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which cash outflow may be probable, are recognized as a provision in the Company's financial statements. When the final determination of such obligations differs from the recognized provisions, difference is registered in the Company's profit and loss account.

Additional details on the provisions related to the environment-related obligations are set out in Note 14.

- ***Deferred tax assets***

Deferred tax assets resulting from the unused tax losses are recognized only to the extent that it is probable that taxable profit will be available, against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.
Additional details on the deferred tax applicable to the corporate tax Note 20.

- ***Retirement benefits costs***

Payments made to state-managed retirement benefit schemes are dealt with as defined contribution plans, meaning that the Company pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions are charged as an expense in the same period when the employee service was contracted and executed.

Under collective labour agreements in place, the employees are entitled to certain retirement benefits, payable on retirement, if they are employed by the Company at the date of their retirement. These amounts are estimated as of the reporting date based on benefits provided in the agreements, the number of employees of the Company and the actuarial assumptions on future liabilities. The actuarial valuation method involves various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to complexity of computation and the long term nature of these benefits, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The defined benefit liability as of reporting date comprises the present value of the defined benefit obligation and the related service cost recorded in the profit and loss account.All actuarial gains and losses are fully recognised in other comprehensive income items in the period in which they occur for all defined benefit plans.Actuarial gains and losses recognized in other comprehensive income are presented in the statement of comprehensive income.

The Company has no other liabilities with respect to future pensions, health plans and other costs for its employees.

Further details on retirement benefits costs are provided in Note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Carrying value of trade and other receivables***

The Company assesses at each reporting date the requirement for an adjustment for impairment in trade and other receivables. The Company uses its judgment, based on the nature and extent of overdue debtors and historical experience, in order to estimate the amount of such an adjustment. The adjustment is recognized where there is an objective evidence that a particular trade receivable or a group of trade receivables are impaired.

- ***Carrying value of inventories***

The Company considers on a regular basis the carrying value of inventories in comparison to expected use of the inventories, the impact of damaged or obsolete inventories, technical losses and the net realizable value
in comparison to the cost, based on latest available information and market conditions. As applicable, it is recorded an adjustment for impairment of inventories.

f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. *Financial assets*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables at amortized cost;
- Held-to-maturity investments, at amortized cost;
- Available-for-sale financial assets, at fair value with the changes recognized directly in equity;

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Financial assets available for sale

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Loans and borrowings

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

g) Property, plant and equipment

Applying the International Financial Accounting Standards for the first time allows certain exceptions from the retroactive application of certain IFRS. The Company has prepared consolidated financial statements according to the International Financial Accounting Standards starting with 2005. Thus, according to IFRS 1, the accounting policies used in the separate financial statements must be consistent with the accounting policies applied in the consolidated financial situations and also according to IFRS 1, if the parent company adopts, for the first time, the International Financial Reporting Standards for preparation of the separate financial situations, after preparing the consolidated financial statements, it will have to evaluate the assets and liabilities to the values in both sets of financial instruments, excepting the consolidation exceptions.

The Company has applied the following exemptions:

- ***Fixed assets*** - have been presented in the financial position statements prepared in accordance with the Romanian accounting standards at the assessments made on 31 December 2003. For these separate financial statements, prepared in accordance with International Financial Reporting Standards, the Company has chosen to see these values as cost assumed at that date, as the reassessed amount was generally comparable to the fair value. This exemption from retrospective apllication of the International Financial Reporting Standards has also been applied in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

When assets are sold or disposed of, their cost and related accumulated depreciation are removed and any income or loss resulting from their output is included in the profit or loss account.

The initial cost of property, plant and equipment comprises its purchase price, including custom duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and the condition necessary for operation. Expenses incurred after commissioning of the asset, such as repairs and maintenance costs are recorded in the income profit and loss account in the period in which the costs occurred. In situations where it can be demonstrated that expenses have increased the future economic benefits obtained from the use of intangible assets besides the standard evaluation of its performance, the expenditure is capitalized as additional costs of the tangible assets.

Assets in progress represent installations and buildings in construction and are presented at cost, less any impairment losses. This includes the cost of construction and other direct costs. Depreciation of these assets and the others is registered starting with the date when they are ready to be used for the activity they are intended.

Depreciation of the intangible assets, less the lands and assets in progress is calculated using the straight-line method over their estimated useful lives:

Buildings and other constructions	10 - 60 years
Tanks	20 - 30 years
Tools and other equipment	3 - 20 years
Vehicles	5 years
Furniture and office equipment	3 - 10 years
Computers	3 years

Assets purchased under finance leases are recorded in the statement of financial position and depreciated over their expected useful lives on the same basis as owned assets, or where shorter the term of the relevant lease.

h) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits should be attributable to the asset and flow to the enterprise and if the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives:

Intangible assets consist of software and licenses and are amortized on a straight-line basis over 3 - 5 years, respectively 24-25 years for the licenses for transmission of technological data from the plant to the Refinery command centre.

Development costs for specific projects which are reasonably anticipated to be recovered through commercial activity as well as expenditure on acquired computer software licenses are capitalized and amortized using the straight-line method over their useful lives, generally 3 years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. External and internal costs specifically associated with the maintenance of already existing computer software programmes are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

i) Financial assets

Financial assets represent long-term strategic investments and are stated at historical cost, less any adjustments impairment caused by a diminished value. The main indicators considered for the identification of impairment are current and anticipated results of the company in question, in the context of the industry in which it operates.

Further details on financial assets are provided in Note 6.

j) Impairment of non-financial assets

At each reporting date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the respective asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is stated at revalued amount in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense related to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are not recognized for future operating losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Environmental liabilities

Environmental expenditure that relates to current or future revenues is expensed or capitalized as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is recorded in the profit and loss account.

The Company has an environmental policy which complies with existing legislation and any obligations resulting from its environmental and operational licenses. In order to comply with all rules and regulations the Company has set up a monitoring mechanism in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements. The above mentioned expenses are estimated based on the relevant environmental studies.

Liabilities for environmental remediation costs are recognized when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

l) Inventories

Inventories, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

m) Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators the receivable must be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the effective interest rate.

n) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

o) Recognition of revenues

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties and other sales taxes, rebates and sales discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its concluded arrangements.

The following specific recognition criteria must be met before revenue is recognized, if the entity:

- has primary responsibility for providing the goods or services;
- has inventory risk;
- has discretion in establishing prices;
- bears the credit risk.

In addition:

- Sales of goods are recognized when delivery has taken place and transfer of significant risks and rewards has been completed.
- Revenue from rendering transportation services and other services is recognized when services are rendered.
- Interest income is recognized on a time-portion basis using the effective interest method.
- Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

p) Interest bearing loans

All loans are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortized cost, using the effective interest method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well through the amortization process.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All the other costs are expensed in the period they occur. Borrowing costs consists of interest and other cost that an entity incurs in connection with the borrowing of funds.

q) Retirement benefit costs

Payments made to state - managed retirement benefit schemes are dealt with as defined contribution plans where the Company pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under collective labour agreements, the employees are entitled to specified retirement benefits, payable on retirement, if they are employed with the Company at the date of their retirement. These amounts are estimated as of the reporting date, based on: applicable benefits provided in the agreement; the number of employees in the Company and the actuarial estimates of the future loans. The defined benefit liability as of reporting date comprises the present value of the defined benefit obligation with the related service cost charged to the profit and loss account.All actuarial gains and losses are fully recognised in other comprehensive income items in the period in which they occur for all defined benefit plans. Actuarial gains and losses recognized in other comprehensive income are presented in the statement of comprehensive income.

The Company has no other liabilities with respect to future pensions, health plans and other costs for its employees.

r) Taxes

- ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

- ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted until the end of the reporting period.

Deferred tax relating to items recognized outside profit or loss account is recognized outside profit or loss account. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

- ***Sales (revenues) related tax***

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

s) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

t) Emission rights

The Company refining and petrochemicals operations are allocated CO2 emission rights quota.

The Company accounts for the liability for these emissions using net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Foreign Currency Transactions

For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON).

The exchange rates RON/USD and RON/EUR are the following:

Currency	**30 June 2016**	**31 December 2015**
RON/USD	4.0624	4.1477
RON/EUR	4.5210	4.4821

The Company translates its transactions and balances in foreign currency, in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of transaction.

Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the consolidated income statement in the period they arise.

v) Derivative financial instruments

The Company enters into contracts to purchase and sell crude oil and oil products and sales refined products and other products at future delivery dates. These contracts expose the Company primarily to commodity risks of changes in fair value of crude oil and related oil products. The Company also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with the fluctuation of foreign exchange.

For foreign exchange related derivatives, the Company treats the unrealized part as Derivative Financial Asset/Liability in the statement of financial position with corresponding impact on financial charges. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.
The Company determines gain/loss on a net basis based on the daily open positions.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in the profit or loss account of the period.

The Company's policy with respect to hedging forecasted transactions is to designate it as a cash flow hedge. If the cash flow hedge of a forecasted transaction results in the recognition of an asset or a liability, then at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts previously recognized as equity are recognized in the profit or loss account of the period for which the hedged items have been recognized as profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in period profit or loss in the period related to these transactions.

For the future contracts (both purchase and sales contracts) used to hedge price risk of raw material, the realised and unrealised gains/losses are included in the cost of sales for the respective period (see Note 16).

w) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. INTANGIBLE ASSETS

	Software / Licenses	Others	Total
Cost			
Initial balance as at 1 January 2015	**45,891,328**	**1,106,220**	**46,997,548**
Increases	(84,464)	-	(84,464)
Decreases	-	(1,106,220)	(1,106,220)
Transfers*	(12,056)	150,123	138,067
Final balance as at 31 December 2015	**45,794,808**	**150,123**	**45,944,931**
Transfers*	49,547		49,547
Final balance as at 30 June 2016	**45,844,355**	**150,123**	**45,994,478**
Accumulated amortization			
Initial balance as at 1 January 2015	**(29,408,066)**	**(1,106,220)**	**(30,514,286)**
Amortization recorded during the year	(3,194,071)	(12,510)	(3,206,581)
Amortization of fixed assets removed from the accounting records	-	1,106,220	1,106,220
Final balance as at 31 December 2015	**(32,602,137)**	**(12,510)**	**(32,614,647)**
Amortization recorded during the year	(1,608,819)	(25,020)	(1,633,839)
Final balance as at 30 June 2016	**(34,210,956)**	**(37,530)**	**(34,248,486)**
Net carrying amount			
As at 31 December 2015	**13,192,671**	**137,613**	**13,330,284**
As at 30 June 2016	**11,633,399**	**112,593**	**11,745,992**

**) Includes transfers from tangible assets in progress, transfers in intangible assets, reclassifications to other categories and other adjustments.*

4. GOODWILL

The goodwill amounting to RON 152,720 represents fractions of the trade funds of the companies Rompetrol S.A., Rompetrol Downstream S.R.L. and Rompetrol Well Services S.A., following purchase of shares from these companies in Rom Oil S.A.

5. PROPERTY, PLANT AND EQUIPMENT

	Lands and buildings	Tools and equipment	Furniture and others	Other tangible assets ongoing	Total
Cost or valuation					-
At 1 January 2015	**2,006,990,096**	**2,916,085,163**	**12,093,480**	**110,982,177**	**5,046,150,916**
Acquisitions	-	879,213	64,015	419,275,603	420,218,831
Transfers from tangible assets in progress	41,816,472	423,169,481	-	(464,985,953)	-
Outflow	-	(3,088,856)	(3,155)	-	(3,092,011)
Transfers and reclassifications*	(2,720,892)	2,721,161	-	(138,067)	(137,798)
At 31 December 2015	**2,046,085,676**	**3,339,766,162**	**12,154,340**	**65,133,760**	**5,463,139,938**
Acquisitions	-	1,387,966	82,937	21,162,832	22,633,735
Transfers from tangible assets in progress	9,634,650	28,569,030	4,565	(38,212,611)	(4,366)
Outflow	-	1,991	-	-	1,991
Transfers and reclassifications*	-	-	-	(49,547)	(49,547)
At 30 June 2016	**2,055,720,326**	**3,369,725,149**	**12,241,842**	**48,034,434**	**5,485,721,751**
Cumulated depreciation & Depreciation adjustments					
At 1 January 2015	**(851,295,009)**	**(1,270,112,669)**	**(4,713,001)**	**(3,171,485)**	**(2,129,292,164)**
Amortization recorded during the year	(49,656,627)	(146,963,543)	(774,048)	-	(197,394,218)
Depreciation related to the leased assets	-	3,088,124	3,155	-	3,091,279
Transfers and reclassifications*	1,344,578	(1,344,847)	-	-	(269)
At 31 December 2015	**(899,607,058)**	**(1,415,332,935)**	**(5,483,894)**	**(3,171,485)**	**(2,323,595,372)**
Amortization recorded during the year	(25,875,496)	(110,461,737)	(333,383)	-	(136,670,616)
Depreciation related to the leased assets	-	(1,991)	-	-	(1,991)
At 30 June 2016	**(925,482,554)**	**(1,525,796,663)**	**(5,817,277)**	**(3,171,485)**	**(2,460,267,979)**
The net accounting value as at 31 December 2015	**1,146,478,618**	**1,924,433,227**	**6,670,446**	**61,962,275**	**3,139,544,566**
The net accounting value as at 30 June 2016	**1,130,237,772**	**1,843,928,486**	**6,424,565**	**44,862,949**	**3,025,453,772**

**) Includes transfers from tangible assets in progress, transfers in intangible assets, reclassifications to other categories and other adjustments.*

5. TANGIBLE ASSETS (continued)

- Impairment of assets

No significant depreciation was recorded in 2016.

- Assets in progress

- Capitalization of borrowing costs

The Company finances its activities mainly through loans and the cost of debt for the acquisition of assets is capitalized in the cost of the asset.

- Fixed assets pledged

The company pledged assets net amounting to RON 1,045,423,973 (2015: RON 825,857,662), as follows:

- guarantees in favour of banks: RON 760,391,520 (2015: RON 658,241,146);
- guarantees in favour of ANAF: RON 285,032,453 (2015: RON 167,616,516).

It was established a distrait on all fixed assets and investments and on the equity as well as on the shares in favour of the Romanian state. On these titles there was set up a rank 2 guarantee in favour of KMG International N.V.

On the guarantees in favour of ANAF, on September 10th, 2010, ANAF has established a distraint on the investments held by the Company in its subsidiaries and on the movable and immovable assets of the Company, except inventories The distrait is based on article 129 of the Fiscal Procedure Code and the main result is that the Company cannot sell / transfer the assets under distrait.

The distrait was set up as at 30 June 2016, and has been challenged by the Company before court afterwards. ANAF had not opened any execution debt enforcement procedure before 30 June 2016.

On 9 May 2016, Rompetrol Rafinare SA was notified that it was summoned as civilly liable party in a file under investigation by DIICOT.
Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the participations in companies across the country, were distrained.

6. FINANCIAL ASSETS

	30 June 2016	31 December 2015
Investments in subsidiaries	1,629,020,055	1,629,020,055
Total	**1,629,020,055**	**1,629,020,055**

Investments in subsidiaries

Details regarding subsidiaries at 30 December 2016 and 31 December 2015 are as follows:

	Object of activity	Participation 2016	Participation 2015	over 30 June 2016	over 31 December 2012 2016
Rompetrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067	1,090,406,067
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100.00%	100.00%	311,698,294	311,698,294
Rom Oil S.A.	Rental services	99,99%	99.99%	191,216,661	191,216,661
Rompetrol Logistics S.R.L.	Fuel Transportation	66,19%	66.19%	24,349,123	24,349,123
Rompetrol Quality Control S.R.L.	Quality Control Services for oil products	70.91%	70.91%	11,349,910	11,349,910
Total of equity investments				**1,629,020,055**	**1,629,020,055**

7. NET INVENTORIES

	30 June 2016	31 December 2015
Crude oil and other feedstock materials	293,472,873	264,343,902
Finished products	191,551,254	174,090,340
Production in progress	100,284,285	68,672,234
Spare parts	51,714,668	52,922,641
Other consumables	17,775,827	19,064,001
Goods	869,809	869,809
Other inventories	2,971,439	4,163,078
Provisions for depreciation of inventories	(47,292,286)	(63,913,493)
Total	**611,347,869**	**520,212,512**

The inventories of finished goods comprise mainly oil finished products.

7. NET INVENTORIES (continued)

The movement of the provision for inventories of the Ist Semester of 2016 and 2015 is presented below:

	30 June 2016	31 December 2015
Provision at the beginning of the year	**(63,913,493)**	**(200,817,629)**
Provision to be recorded	(15,830,936)	(18,431,002)
Reconsidering the provision on the depreciation of inventories	32,452,143	155,335,138
Provisions at the end of the period	**(47,292,286)**	**(63,913,493)**

The provisions for inventories represent mainly provisions for the net realizable value.

8. TRADE AND OTHER RECEIVABLES, NET

	30 June 2016	31 December 2015
Trade receivables	995,664,654	845,836,731
Advances paid to the suppliers	18,001,806	20,862,639
Various debtors	128,591,504	128,586,927
VAT recoverable	648,591	75,188
Other receivables	96,707,098	140,521,180
Provisions for depreciation of receivables - customers	(61,655,071)	(62,021,962)
Total	**1,177,958,582**	**1,073,860,703**

The balances with affiliated parties are provided in Note 22. The movement of the above provision is presented in Note 18.

The movement of adjustments for depreciation of trade receivables is as follows:

	30 June 2016	31 December 2015
Balance at the beginning of the period	**(62,021,962)**	**(145,296,189)**
Value adjustment for depreciation of trade receivables	(123,983)	(1,110,694)
Reversed provisions	185,699	86,033,813
Exchange rate differences	305,175	(1,648,892)
Provisions for guarantees the end of the period	**(61,655,071)**	**(62,021,962)**

8. TRADE AND OTHER RECEIVABLES, NET (continued)

At 30 June 2016 the analysis of receivables maturity dates is as follows:

			Mature but not provisioned				
	Total	**Current and non-provisioned**	**1-30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
30 June 2016	939,545,299	613,190,333	5,143,209	595,282	3,340,235	334,820	316,941,420
31 December 2015	789,350,486	455,418,631	9,205,235	720,997	332,408	79,252	323,593,963

Trade receivables are not bearing interest and become mature at 30-90 days.

At 30 December 2016, the trade receivables at the initial value of RON 56.1 million (2015 RON 56.5 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	Provisioned collectively
At 1 January 2015	**(53,839,135)**
Value adjustment for depreciation of trade receivables	(1,110,694)
Reversed provisions	112,475
Exchange rate differences	(1,648,892)
At 31 December 2015	**(56,486,246)**
Value adjustment for depreciation of trade receivables	(123,982)
Reversed provisions	185,699
Exchange rate differences	305,174
At 30 June 2016	**(56,119,355)**

9. PETTY CASH AND BANK ACCOUNTS

	30 June 2016	**31 December 2015**
Bank accounts	26,003,119	6,133,312
Cash	4,196	3,720
Transitory amounts	2,180	-
Other treasury values	574,533	636,837
Total	26,584,028	6,773,869

Othertreasury values represent in the greatest part checks to be cashed.

10.OWN CAPITALS

10.1 SHARE CAPITAL

At 30 June 2016 and 31 December 2015, the chare capital consists in 44,109,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 each.

The shareholder structure at 30 June 2016 and December 2015.

Shareholders	Percent held (%)	Statutory amounts in [RON]
KMG International N.V ("KMGI")	48.11%	2,122,250,643
The Romanian State represented by The Ministry of Energy	44,70%	1,971,500,905
Rompetrol Financial Group S.R.L.	6,47%	285,408,308
Rompetrol Well Services S.A.	0,05%	2,198,030
Rompetrol Rafinare S.A.	0,01%	613,470
Others (not State or KMGI Group)	0,66%	28,949,217
Total	**100%**	**4,410,920,573**

Following the Extraordinary General Meeting of Shareholders of 30 June 2010, which approved the capital increase with up to RON 450 million, Rompetrol subscribed and paid a total of 3,294,914,165 shares, and minority shareholders have subscribed and paid a total number of 6,506 shares. These shares have been registered with the Trade Register. The proceeds of the capital increase were used to partially redeem the bonds held by the Romanian state.

After the Extraordinary General Meeting of Shareholders on 30 September 2010, the Company converted the unredeemed bonds into shares in favour of the Romanian state, resulting a total of 19,715,009,053 shares amounting to RON 1,971,500,905 (USD 627,546,964).

Consequently, the Romanian state, through the Ministry of Finance owns 44.7% in the Company.

10.2 THE SHARE PREMIUM

The share premium is the result of conversion of bonds into ordinary shares on 30 September 2010, in favour of the Romanian State, represented by the Ministry of Finance, by the Emergency Ordinance ("GEO") 118/2003 ratified by Law 89/2005.

10.3 OTHER RESERVES

In the line "Other reserves" was recorded the value of the hybrid loan in amount of RON 3,163 million (USD 950 million). From the loan granted by TRG N.V. (actual KMG International N.V.) the amount of USD 950 million was converted into a hybrid loan, repayable in 51 years. The interest rate is 15% of the total value of the EBIT indicator (operating profit) and is recorded and becomes payable if the cumulative conditions below are met.

- The company records during the year, a net profit after tax
- The Company distributes dividends in accordance with the Romanian legislation

11.COMMERCIAL LIABILITIES AND OTHER LIABILITIES

	30 June 2016	31 December 2015
Trade payables	2,844,577,495	2,670,639,235
Advances received from customers	75,123,007	89,008,901
VAT payable	129,951,520	119,088,929
Special fund for oil products (FSPP)	27,560,632	27,560,632
Taxes due	6,032	26,807
Debts with the personnel and social insurance	7,128,299	10,946,619
Other payables	412,456,723	540,388,545
Total	**3,496,803,708**	**3,457,659,668**

The Company has a cash pooling agreement in place in order to implement a cash balance optimisation system, where KMG Rompetrol S.R.L. is "Coordinating Company", and the group companies are participating companies.

The cash pooling debt amounts to RON 389.4 million (2015 RON 538.6 million) and is recognised in "other debts".

12.SHORT-TERM LOANS

Short term loan from related parties:

	30 June 2016	31 December 2015
KMG International N.V. Rompetrol Rafinare S.A.: Short-term loan facility for ensuring working capital needs in amount of up to USD 250 million, USD 50 million matures on 31 December 2016 and USD 200 million is repaid upon request; assignment of receivables, real movable security interest over movable assets, real movable security interest over the participations over Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. At 30 June 2016 the undrawn amount is RON 219,097,814.	796,502,186	813,226,693
Rompetrol Well Services Rompetrol Rafinare S.A.: Short-term loan facility for working capital needs in amount of up to RON 13 million, maturity date - 10 July 2016. The loan is secured with a promissory note covering the debt.The credit facility has been fully used.	13,000,000	13,000,000
Rompetrol Well Services Rompetrol Rafinare S.A.: Short-term loan facility for working capital needs in amount of up to RON 7 million, maturity date - 14 July 2016. The loan is secured with a promissory note covering the debt. The credit facility has been fully used.	7,000,000	7,000,000
Rompetrol Well Services Rompetrol Rafinare S.A.: Short-term loan facility for working capital needs in amount of up to RON 3.1 million, maturity date - 3 July 2016. The loan is secured with a promissory note covering the debt. The credit facility has been fully used.	3,100,000	3,100,000
Rompetrol Well Services Rompetrol Rafinare S.A.: Short-term loan facility for working capital needs in amount of up to RON 11.2 million, maturity date - 28 July 2016. The loan is secured with a promissory note covering the debt. The credit facility has been fully used.	11,200,000	11,200,000
Midia Marine Terminal Rompetrol Rafinare S.A.: Short-term loan facility for working capital needs in amount of up to USD 7 million granted to Rompetrol Rafinare; maturity date - 31 December 2016. The credit facility has been fully used.	28,436,800	29,033,900
Rompetrol Financial Group SRL Rompetrol Rafinare S.A.: Short-term loan facility for working capital needs in amount of up to USD 29.215 million granted to Rompetrol Rafinare; maturity date - 31 December 2016. The credit facility has been fully used.	118,683,016	121,175,056
Interest due	202,485,360	189,669,292
	1,180,407,362	**1,187,404,941**

12. SHORT-TERM LOANS (continued)

Short-term bank loans

	30 June 2016	31 December 2015
Bancpost Revolving credit ceiling on short term of up to EUR 30 million for the current activity, issue of letters of credit and letters of guarantee; maturity: 29 July 2016; a guarantee on all credit amounts of all the current accounts; unconditional and irrevocable corporate guarantee issued by KMG International (ex. TRG); the mortgage on the delayed coking unit; real pledge on machinery and equipment, real estate mortgage on the land area of 30,380,96 sqm; assignment of rights from insurance compensation.	**82,548,145**	**132,868,645**
Bancpost Cash and non-cash credit ceiling on short term of up to EUR 27,961,890 for the current activity, issue of letters of credit and letters of guarantee; maturity: 29 July 2016; a guarantee on all credit amounts of all the current accounts; unconditional and irrevocable corporate guarantee issued by KMG International; assignment of rights from insurance compensation. 1st rank mortgage on equipment: HDV = EUR 9,300,000; DAV = EUR 14,300,000; DGRS = EUR 7,300,000; AFPE = EUR 16,080,000; GA (G1+G3) = EUR 5,200,000; ON202 = EUR 5,700,000; pledge on land and buildings - EUR 181,000; pledge on equipment; security on production movable properties EUR 10.9 million.	488,204	23,341,939
Interest due	351,011	460,929
	83,387,360	**156,671,513**

All the financial covenants applicable were complied with as of June 30, 2016.

13.LONG-TERM LOANS

	30 June 2016	31 December 2015
Syndicated loan - through Unicredit Tiriac Bank as payer agent		
Up to USD 360 million loan facility to repay the curent loans, current activity, issuance of letters of credit and letters of guarantee concluded by the group companies (Rompetrol Rafinare SA, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL – as borrowers and guarantors and KMG International NV – as guarantor) with the following banks (Unicredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV – Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consist in an up to USD 240 million Principal granted for a 3-year period, and auxiliary item consisting in overdraft loans up to USD 120 million for a one-year period. For the main component - maturity on 23 April 2018. The following mortgages are set up to secure the loan: a) credit balance of all the present and future current accounts; b) insurance indemnity rights; c) on stocks ((Propylene, Ethylene, PP, LDPE, HDPE, Bitumen, Fuel Oil, Jet FOB Med, Naphtha, n-Hexane, ULSD FOB Med, White Spirit); d) receivables from eligible commercial agreements - for at least 80% of the debts assigned to notify the clients.	297,327,056	299,687,700

14.PROVISIONS

	30 June 2016	31 December 2015
Non - current provision	246,183,634	246,183,634
Total	**246,183,634**	**246,183,634**

The environmental provision for the Vega Refinery in amount of RON 220 million represents obligations related to cleaning of the oil sludge pools and restoration of contaminated land. During 2012, an evaluation report was issued by an independent expert, estimating the costs associated to the technical methods to realize the remediation action. Based on these preliminary cost estimates and the estimated completion over a 5 year period, a discounted cash flow cost estimate of RON 220 million has been provided by the Company.

Retirement benefit provision - Under the collective labour agreements that certain Group's entities have in force provided that, employees are entitled to certain retirement benefits that are payable on retirement, if the employees are employed with the entities at the date of their retirement. These amounts are estimated as of the reporting date based on: the specific benefits provided in the agreement, the number of employees working within the company at date and actuarial assumptions on future liabilities. These liabilities are recorded at their fair values as of the reporting date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

The charge for the year is included in the salaries expenses, respectively in the interest related to the profit and loss account.

It is considered that there are no significant liabilities relating to the provisions that will arise in the next 12 months.

15. NET TURNOVER

	Ist Semester 2016	Ist Semester 2015
Gross revenues related to the sale of finished oil products	5,947,713,847	7,261,826,995
Revenues from goods sold	3,311,207	12,235,150
Revenues from goods sold	4,141,170	4,690,710
Revenues from other products	271,635	-
Revenues from rents and other services	7,101,488	5,935,298
Gross turnover	**5,962,539,347**	**7,284,688,153**
Less sale related tax	(1,829,393,848)	(1,795,265,742)
Total	**4,133,145,499**	**5,489,422,411**

16. COST OF PRODUCTION SOLD

	Ist Semester 2016	Ist Semester 2015
Crude oil and other feedstock materials	3,516,844,136	4,771,687,939
Consumables and other materials	30,301,013	27,240,464
Utilities	169,473,810	171,280,094
Staff costs	41,591,374	38,056,789
Transport	46,540	229,797
Maintenance	46,628,883	43,494,833
Insurance	3,444,816	4,404,002
Environment	2,172,350	1,985,873
Other	27,880,162	28,046,096
Cost of production - cash	**3,838,383,084**	**5,086,425,887**
Depreciation	126,147,610	90,036,145
Cost of production	**3,964,530,694**	**5,176,462,032**
Less: the variation of inventories	(55,280,317)	(32,259,646)
Less: Own poduction from assets	(545,401)	(847,575)
Cost of other products sold	3,333,505	12,296,240
Cost of utilities resold	2,991,514	4,090,627
(Revenues) / losses from derivatives	(5,602,291)	67,488,540
Total	**3,909,427,704**	**5,227,230,218**

17.SALES COSTS AND GENERAL-ADMINISTRATIVE COSTS, INCLUDING LOGISTICS COST

	Ist Semester 2016	Ist Semester 2015
Staff costs	9,848,176	12,652,406
Utilities	3,839,601	4,237,777
Transport	19,152,339	17,532,719
Consultancy	26,958,677	16,563,021
Consumables	788,674	687,190
Marketing	121,428	47,784
Taxes	2,780,213	2,660,552
Telecommunications and mail services	31,993	44,474
Insurance	1,003,746	1,111,364
Expenses with computers	3,610,424	6,039,103
Expenses with environment	4,348,306	4,726,915
Repairs	5,610,900	5,145,930
Fees and penalties	8,039,647	6,097,031
Other expenses	8,422,679	6,790,312
Expenses before amortization	**94,556,803**	**84,336,578**
Amortization expenses	12,156,845	11,384,592
Total	**106,713,648**	**95,721,170**

18.OTHER OPERATIONAL REVENUES / EXPENSES, NET

	Ist Semester 2016	Ist Semester 2015
Provisions for depreciation of receivables, net	(61,717)	(14,283)
Provisions for depreciation of inventories, net	(16,621,206)	(118,689,677)
Other expenses	(3,082,198)	(201,524)
Total	**(19,765,121)**	**(118,905,484)**

19. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE DIFFERENCES

	Ist Semester 2016	Ist Semester 2015
Financial expenses		
Interest expense	6,268,287	7,105,496
Expense on the shareholders' interest	29,077,706	19,136,309
Bank fees	25,136,779	36,899,034
	60,482,772	**63,140,839**
Financial revenues		
Interest income	(7,107,574)	(5,813)
Other financial income	(2,167,249)	(583,817)
	(9,274,823)	**(589,630)**
Financial result, net	**51,207,949**	**62,551,209**
Unrealized foreign exchange (losses)/gains	(26,805,623)	(54,870,721)
Realized net foreign exchange (losses)/gains	(30,499,703)	360,417,341
Foreign exchange gain/(loss), net	**(57,305,326)**	**305,546,620**
Total	**(6,097,377)**	**368,097,829**

20. INCOME TAX

The income tax rate was 16% in 2016 and 2015.

DEFERRED TAX

	Balance at 1 January 2016	Income tax	Balance as at 30 June 2016
Temporary differences			
Asset/Liability			
Tools and equipment	50,176,000	-	50,176,000
Provisions	(35,200,000)	-	(35,200,000)
Fiscal loss	(243,014,083)	-	(243,014,083)
Deferred tax (asset)/liability recognised	**(228,038,083**	**-**	**(228,038,083)**

Contingencies related to taxation

The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appear to be subject to significantly less regulation and the company under review appears to have less practically safeguards than is customary in many countries.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements.

21. OPERATING SEGMENT INFORMATION

a) Business segments

For management purposes, the company is organised in two segments - refining and petrochemistry.

30 June 2016 Profit and loss statement

	Refinery	Petrochemicals	Total
Net turnover	3,766,560,338	366,585,161	4,133,145,499
Cost of production sold	(3,579,845,362)	(329,582,342)	(3,909,427,704)
Gross profit	**186,714,976**	**37,002,819**	**223,717,795**
Sales costs and general-administrative costs	(92,397,783)	(14,315,865)	(106,713,648)
Other revenues / (operational) expenses	19,765,121	-	19,765,121
Operating profit/(loss)	**114,082,314**	**22,686,954**	**136,769,268**
Financial expenses	(60,482,772)	-	(60,482,772)
Financial income	9,274,823	-	9,274,823
(Loss) / gain deriving from difference in the exchange rate, net	57,305,326	-	57,305,326
Gross profit/ (loss)	**120,179,691**	**22,686,954**	**142,866,645**
Corporate tax	-	-	-
Profit/ (loss) of the financial year	**120,179,691**	**22,686,954**	**142,866,645**
Depreciation and amortisation	**111,114,863**	**27,189,592**	**138,304,455**

30 June 2015 Profit and loss statement

	Refinery	Petrochemicals	Total
Net turnover	5,103,414,426	386,007,985	5,489,422,411
Cost of production sold	(4,872,802,469)	(354,427,749)	(5,227,230,218)
Gross profit	**230,611,957**	**31,580,236**	**262,192,193**
Sales costs and general-administrative costs	(82,194,302)	(13,526,868)	(95,721,170)
Other revenues / (operational) expenses	118,905,484	-	118,905,484
Operating profit/(loss)	**267,323,139**	**18,053,368**	**285,376,507**
Financial expenses	(63,140,839)	-	(63,140,839)
Financial income	589,630	-	589,630
(Loss) / gain deriving from difference in the exchange rate, net	(305,546,620)	-	(305,546,620)
Gross profit/ (loss)	**(100,774,690)**	**18,053,368**	**(82,721,322)**
Corporate tax	-	-	-
Profit/ (loss) of the financial year	**(100,774,690)**	**18,053,368**	**(82,721,322)**
Depreciation and amortisation	**76,136,480**	**25,284,257**	**101,420,737**

For the income statement, management analysis are made separately for the 2 segments: Refining and Petrochemicals.

Since many of the Petromidia refinery facilities are used jointly by refining and the petrochemicals segment the balance sheet is analyzed by management at cumulated level for Refining and Petrochemicals segments. As a result, the balance sheet information for segments Refining and Petrochemicals are presented together.

b) Geographical segments

All the production facilities of the Company are located in Romania. The following chart provides an analysis of the net turnover of the Company depending on the geographical market:

	Ist Semester 2016	Ist Semester 2015
Romania	1,922,460,156	2,377,894,612
Export	2,210,685,343	3,111,527,799
Total	**4,133,145,499**	**5,489,422,411**

22. RELATED PARTIES

The ultimate parent of the Company is the company "State holding enterprise on assets management (Samruk)" JSC, an entity with its headquarters in Kazakhstan. The related parties and the nature of relationship is presented below:

Name of the affiliated entity	Nature of the relation
KMG International N.V.	Majority shareholder
Oilfield Exploration Business Solutions S.A.	Company held by KMG International N.V.
Rominserv S.R.L	Company held by KMG International N.V.
KazMunayGas Trading AG	Company held by KMG International N.V.
Rompetrol Well Services S.A.	Company held by KMG International N.V.
Palplast S.A.	Company held by KMG International N.V.
Rompetrol Bulgaria JSC	Company held by KMG International N.V.
Intreprinderea Mixta Rompetrol Moldova SA	Company held by KMG International N.V.
Rompetrol Georgia LTD	Company held by KMG International N.V.
Midia Marine Terminal S.R.L.	Company held by KMG International N.V.
Rompetrol Financial Group S.R.L.	Company held by KMG International N.V.
Dyneff SAS	Associate of by KMG International N.V
KMG Rompetrol SRL	Company held by KMG International N.V.
Byron Shipping Ltd	Company held by KMG International N.V.
Byron Shipping S.R.L.	Company held by KMG International N.V.
Rompetrol Albania Wholesale Sh.A.	Company held by KMG International N.V.
Rompetrol Ukraine LTD	Associate of by KMG International N.V
Rominserv Valves Iaifo SRL	Company held by KMG International N.V.
Rominserv Kazakhstan LLC	Company held by KMG International N.V.
Uzina Termoelectrica Midia S.A.	Associate of by KMG International N.V
Global Security System S.A.	Company held by KMG International N.V.
Rompetrol Downstream S.R.L.	Company affiliated to the Company
Rompetrol Petrochemicals S.R.L.	Company affiliated to the Company
Rom Oil S.A.	Company affiliated to the Company
Rompetrol Logistics S.R.L.	Company affiliated to the Company
Rompetrol Quality Control S.R.L.	Company affiliated to the Company
Rompetrol Gas S.R.L.	Company owned by Rompetrol Logistics SRL
Dyneff Espagna SLU	Associate of by KMG International N.V
DPPLN SAS	Associate of by KMG International N.V
TMP SAS	Associate of by KMG International N.V
Dyneff Gas Stations Network SL	Associate of by KMG International N.V
Rompetrol France SAS	Associate of by KMG International N.V
Bioneff SL	Associate of by KMG International N.V
Agat Ltd	Associate of by KMG International N.V
Rompetrol Albania Downstream Sh.A.	Company held by KMG International N.V.
Rompetrol Albania Sh.A.	Company held by KMG International N.V.
Rompetrol Distribution Albania Sh.A	Company held by KMG International N.V.
TRG Petrol Ticaret AS	Company held by KMG International N.V.
Rompetrol Energy S.A	Company held by KMG International N.V.
KazMunayGas Engineering B.V.	Company held by KMG International N.V.
KMG Investements BV	Company held by Cooperatieve KazMunaiGaz U.K.
EPPLN SAS	Associate of by KMG International N.V
KazMunayGas Trading Singapore	Company held by KMG International N.V.
Rompetrol Exploration & Production SRL	Company held by KMG International N.V.
Rompetrol Drilling	Company held by KMG International N.V.
Benon Rompetrol LLC	Company held by KMG International N.V.
The Romanian State and the Romanian Authorities	Significant shareholder

22. RELATED PARTIES (continued)

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured, interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended at 30 June 2016, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties. This assessment is performed every year, by analysing the financial position of the related party and the market in which it is carrying on its activity.

A. At 30 June 2016 and 31 December 2015, the Company had the following balances with the related parties:

Receivables

	30 June 2016	31 December 2015
KazMunayGas Trading AG	452,095,629	370,416,545
Rompetrol Downstream S.R.L	271,964,074	278,278,050
Rompetrol Petrochemicals S.R.L.	7,076,440	7,260,110
KMG International N.V.	91,559,750	93,327,374
Rompetrol Gas SRL	3,442,441	5,699,115
Rompetrol Moldova ICS	20,819,468	-
Rompetrol Bulgaria JSC	2,910,037	2,843,869
Rominserv S.R.L.	40,058,870	50,117,362
Rompetrol Quality Control S.R.L.	2,246,171	288,633
Rompetrol Logistics S.R.L	27,925	20,988
Midia Marine Terminal S.R.L.	1,136,495	1,015,401
Uzina Termoelectrica Midia S.A.	4,593,253	5,996,975
KMG Rompetrol SRL	6,236,682	2,027,724
Global Security Systems S.A.	607,547	606,684
Rominserv Kazakhstan Ltd	683,162	697,506
Palplast S.A.	5,340,002	6,000,002
Byron Shipping Navodari	3,340	4,317
Rompetrol Ukraine	15,383	15,706
Oilfield Exploration Business Solutions S.A.	5,887,860	5,465,885
Rompetrol Financial Group SRL	10,163	10,208
Total	**916,714,692**	**830,092,454**

22. RELATED PARTIES (continued)

Payables

	30 June 2016	31 December 2015
KazMunayGas Trading AG	2,154,687,013	1,824,454,641
Rompetrol Downstream S.R.L	33,886,480	52,348,525
Rompetrol Petrochemicals S.R.L.	301,510,609	301,754,482
KMG International N.V.	995,078,718	1,004,275,532
Rompetrol Gas SRL	2,312,859	2,165,704
Rompetrol Moldova ICS	43,803,510	29,553,539
Rominserv S.R.L.	100,708,596	273,933,370
Rompetrol Quality Control S.R.L.	16,490,484	14,890,423
Rompetrol Logistics S.R.L	649,471	584,107
Midia Marine Terminal S.R.L.	139,758,925	123,514,036
Rompetrol Well Services S.A.	34,392,896	34,404,558
Uzina Termoelectrica Midia S.A.	8,921,189	8,606,244
KMG Rompetrol SRL	406,080,779	545,494,471
Global Security Systems S.A.	981,394	931,139
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL	124,230,723	124,613,676
Total	**4,363,493,712**	**4,341,524,513**

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "coordinating company" and RRC SA is a participating company; maturity on 4 August 2016;

22. RELATED PARTIES (continued)

B. As at the Ist semester of 2016 and 2015, Rompetrol Rafinare had the following transactions with the related parties:

		Sales		Purchases	
Name of related party	**Nature of transaction**	**Ist Semester 2016**	**Ist Semester 2015**	**Ist Semester 2016**	**Ist Semester 2015**
KazMunayGas Trading AG	Raw materials / Petroleum products	1,563,314,462	2,146,554,218	3,254,748,803	4,827,684,002
Rompetrol Downstream S.R.L	Fuel tickets / Petroleum products, rent, utilities and other	1,328,998,593	1,845,517,987	1,589,464	1,246,326
Rompetrol Petrochemicals S.R.L.	Units and others	8,090	8,014	-	-
KMG International N.V.	Loan interest	-	-	17,020,169	14,015,033
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	101,525,754	148,645,543	49,482	109,341
Rompetrol Moldova ICS	Petroleum products	185,820,212	290,909,788	-	-
Rompetrol Bulgaria JSC	Biodisel / Petroleum products	49,638,526	80,205,267	-	-
Rominserv S.R.L.	Maintenance, property acquisitions/Rent, utilities, reinvoices	1,268,900	1,317,248	69,649,146	71,384,397
Rompetrol Quality Control S.R.L.	Lab analyses / Rent, utilities, other services, dividends	2,826,333	1,303,455	12,169,993	11,752,710
Rompetrol Logistics S.R.L	Transport, rents / Rent, utilities	5,807	6,461	54,775	54,775
Midia Marine Terminal S.R.L.	Port provisions / Rent, utilities, bunkering, re-invoicing, interest, other	653,474	626,702	41,117,103	37,474,609
Rompetrol Well Services S.A.	Loan interest	-	1,956	575,240	683,971
Uzina Termoelectrica Midia S.A.	Utilities / Petroleum products	27,954,024	33,002,741	45,103,987	46,951,724
KMG Rompetrol S.R.L.	Management services, interest cash pooling	7,285,799	14,640	42,950,029	26,245,950
Global Security Systems S.A.	Security, courier services, cleaning, fire prevention	723	720	5,265,476	4,733,977
Palplast S.A.	Petrochemicals		4,187,497	-	-
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	19,179	19,217	2,828	13,920
Rompetrol Financial Group SRL	loan interest, financial investments sales	-	-	2,165,349	1,337,808
Romoil S.A.		-	-	-	585,968
		3,269,319,876	**4,552,321,454**	**3,492,461,844**	**5,044,274,511**

The Ministry of Public Finance of Romania ("MFPR") was the holder of 44.6959% of the share in Rompetrol Rafinare SA since September 2010 until July 2012. Starting July 2012, based on a Government Ordinance, the Ministry of Economy Trade and Business Environment ("MECMA") became shareholder until May 2013 when, following the reorganisation of MECMA, the Ministry of Economy ("ME") became the new shareholder. The ministry was later renamed as Ministry of Energy, Small- and Medium-sized Enterprises and Business Environment. Its current name is Ministry of Energy.

As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. The entities in the Group made no transactions or had no balance sheets at the year-end in relation with MFPR, MECMA, ME and other Romanian authorities during the time of their affiliation, other than those arising from Romanian fiscal and legislation requirements.

23. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Ist Semester 2016	Ist Semester 2015
Net profit (+), loss (-)	142,866,645	(82,721,322)
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (money/share)	0.32	(0.19)

24. CONTINGENT LIABILITIES

Related to the Parent's oil products technological lending practice to other refineries by the Company, D.G.F.P. Constanta claimed that the Company had unrecorded income, excise, VAT and related penalties totalling RON 47.7 million (USD 12.1 million). These claims (the legal effects) were suspended by the local court for admission. Subsequently, a second suspension has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.) until the final sentence regarding the criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see Note 25). The management is confident that the Company is able to defend itself and the likelihood of a negative outcome is remote.

In 2001, the Company processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Company were challenged by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Company cancelled such invoices. The Company is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Company liable for paying such excises; the Company appealed the tax audit, which is now being suspended as described in the paragraph above. The amount noted in the minutes issued by D.G.F.P. Constanta is RON 9.5 Million (USD 2,4 million). The management is confident that the likelihood of reversal of the earlier court decision is very little.

25. LEGAL MATTERS

<u>Litigation with the State involving criminal charges</u>

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former directors, managers and external censors of S.C. Rompetrol Rafinare S.A. («RRC»); these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized judicial expertise), currently undergoing the criminal prosecution phase.
At the present date, none of the current directors of the Company is contemplated by the investigation imitated by the General Prosecutor's Office appended to the High Court of Cassation and Justice (PICCJ – DIICOT)

The charges brought against the defendants upon the initiation of the criminal investigations were:

a) The non-observance of the investment commitments set by the privatization agreement with regards to Rompetrol Rafinare, undertaken by the Parent Company, KMG International N.V.;
b) unlawful statement of excises and other debts to the state budget;
c) incorrect keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
d) adoption of GEO no. 118/2003.

25. LEGAL MATTERS (continued)

On May 6th, considering the above mentioned charges, a seizure was instituted by DIICOT upon the movable and immovable goods of the company including upon the contributions held by the latter in its subsidiaries in Romania for a cumulated value of approximately USD 760 million. The same measure was instituted upon the parent company KMG International NV and its affiliate Oilfield Exploration Business Solutions as well.
The company filed an appeal against this DIICOT measure within the statutory period, and on June 17th 2016, the High Court of Cassation and Justice rejected the application of the company. Another complaint against the protective measure was filed before the hierarchically superior prosecutor, complaint currently pending before DIICOT.
The said charges have been disjoined by the prosecutors' office from the initial file created in 2004 (which has been sent to trial following such disjoining and which is currently finally and irrevocably settled) and are subject to a separate file currently pending before PGO - DIICOT. Rompetrol Rafinare S.A has no official standing within the procedures up to present.
The company's operational activity was not affected by the seizure instituted by DIICOT.

Litigations related to Hybrid Bonds Conversion

A) The Romanian Ministry of Public Finance (MFP) has initiated various litigations against Rompetrol Rafinare S.A. ("RRC") regarding the legality of combined redemption and conversion of bonds issued in 2003 into Rompetrol Rafinare shares.

Emergency Ordinance ("EGO") 118/2003, approved by Law 89/2005, and the Issuing Convention of December 5, 2003 ("Issuing Convention"), regulated the conversion of RON 2,177.7 million of state budget liabilities, including penalties, into 22,812,098 Euro-denominated long-term reverse-convertible bonds with face value EUR 25 each (i.e. a total of EUR 570.3 million at the RON/EUR exchange rate as of September 30, 2003 of 3.8185 RON/EUR or USD 719.4 million at the same date), hereinafter referred to as "Hybrid Instruments" or "Bonds". The Bonds carried interest and were redeemable on or before maturity, whereas EGO specifically provided that bonds not redeemed by September 30, 2010 should be convertible, at a fixed conversion rate, into ordinary shares of Rompetrol Rafinare S.A., at the option of the Company.

In accordance with the requirements of EGO 118/2003 and the Issuing Convention, Rompetrol Rafinare S.A. undertook the following transactions in relations to bonds settlement during the period ended 30 September 2010:

1) The Extraordinary General Meeting of the Shareholders as of June 30, 2010 approved, among others, the increase of the Company's share capital by USD 100.2 million, for the purpose of raising financing to redeem part of the Bonds and to pay trade and other liabilities;
2) On August 9, 2010, RRC redeemed 2,160,000 Bonds in aggregate amount of EUR 54 million;
3) The Extraordinary General Meeting of the Shareholders on September 14, 2010 issued, among others, the preliminary approval of the conversion of the unredeemed Bonds into shares. Subsequently, on September 30, 2010, the Extraordinary General Meeting of the Shareholders of Rompetrol Rafinare S.A. approved the conversion of the unredeemed Bonds into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian Ministry of Public Finance for the Bonds it held. The number of shares was calculated based on the conversion rate of bonds into shares indicated by the EGO 118/2003 and the Issuing Convention (see Note 10).

The Ministry of Public Finance (MFP) publicly took an adverse position against such course of action and challenged it in various court procedures.

B) B) On September 10, 2010 the National Agency of Fiscal Administration ("ANAF") issued a decision for establishment of a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. in its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except inventories. This measure is still in force and it was challenged by the Group. As of the date of these financial statements this seizure has not produced direct effects on the Company's day to day operations.

25. LEGAL MATTERS (continued)

The Group has challenged this decision and requested the court to annul the seizure.

On February 15, 2013, the Group and the Office of State Ownership and Privatisation in Industry ("OPSPI"), representing the Romanian State, concluded a memorandum of understanding aiming at the amiable settlement of the Litigations. As a result of the memorandum, the parties agreed the suspension of the court proceedings, in order to allow the time to implement the memorandum, which was acknowledged by the court on February 18, 2013.

On 22 January 2014, the Memorandum of Understanding was approved by Government Decision no.35/2014 pursuant to which the Ministry of Public Finances has been authorized and mandated to pursue all procedural actions required for the withdrawal of the claims and the termination of all Litigations, including the Main Claim, without hearing of the merits thereof. The Memorandum of Understanding includes the following key aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of RRC's share capital for a cash consideration of USD 200 million;
- The Group will invest in energy project related to its core activities an amount estimated at USD 1 billion over 7 years;
- MFP will drop all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

Following the hearing on March 24, 2014 it is confirmed that the court case was closed, The Ministry of Finance renouncing all the court actions that were in progress mentioned above.

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of Petromidia and therefore there is no amount payable by the Refinery to the state, there is no object for the seizure. Nevertheless, the seizure on Rompetrol Rafinare's assets was not lifted to date.

Litigation regarding the import of Biodiesel

On June 20, 2012 the National Authority of Customs, the Excise Supervision and Customs Operations Department issued a Minute in which they assessed that Rompetrol Rafinare should pay an amount of RON 108 million for antidumping and countervailing duties, VAT and interests for late payment plus penalties related to imports of biodiesel made during 2009 and 2010.

During 2009 and 2010, Rompetrol Rafinare concluded a series of import operations of biodiesel origin from Canada according to the Certificate of origin issued by the relevant Canadian authorities in this respect.

The investigation and related Minutes were issued by the Romanian Customs Authorities following contacts with OLAF (European Antifraud Office) which led an investigation in Canada in cooperation with Canadian Customs (CBSA) regarding the export of Canadian biodiesel into the European Union. OLAF issued its preliminary findings indicating a belief that biodiesel exported into the EU had an origin from the USA rather than Canada and was being imported by various means from the USA to Canada before being exported to the EU.

Rompetrol Rafinare considers that it has acted in good faith and that documents received by it indicate that the biodiesel has a Canadian origin.

In the additional taxes imposed by the Romanian Customs Authorities it included both types of duties (antidumping and countervailing), which under European and Romanian legislation can be done only in specific cases which must be very well substantiated by the customs authorities. In the assessment minutes, there are no arguments and explanations as to why both duties were imposed.

25. LEGAL MATTERS (continued)

On July 20, 2012 Rompetrol Rafinare submitted a contestation against the findings of the tax inspection for the entire amount of RON 108 million (equivalent to USD 33.2 million). On February 22, 2013 Rompetrol Rafinare SA received a response from ANAF indicating that it would re-audit for an amount of approximately RON 14 million (USD 4.3 million) in relation to the VAT part of the total amount (including penalties and late payment interest related to the VAT), considering that the company had a VAT deferred tax certificate.

Group Management proceeded with further legal action in this matter. On July 18, 2013 Rompetrol Rafinare SA main court claim against the assessment was rejected by the first instance. The appeal against this first court decision was initially examined by the Supreme Court of Justice in February and November 2014. The Supreme Court rejected the appeal submitted by Rompetrol Rafinare.

To avoid triggering additional tax risks (i.e. cancellation of VAT deferment certificate, cancellation of reduction of the guarantee for tax warehouse, etc.). Rompetrol Rafinare has paid an amount of RON 58 million (USD 17.8 million) representing antidumping and countervailing taxes.

For an amount of RON 32.2 million Rompetrol Rafinare obtained from local customs authorities an approval for reschedule of payment, which was fulfilled through complete payment in 2013. An amount of RON 9.9 million was cancelled by the local custom authorities following the fulfilment of the rescheduling agreement, as per Romanian legislation. The remaining amount of RON 7.8 million in relation to VAT was not paid following the decision of re-audit.

The re-audit was carried out by the fiscal authorities, who despite all evidence submitted by the Company through the minute dated May 28, 2015 considered that the company should pay VAT (plus interests and penalties) in an amount of RON 13,4 million. The Company already started the legal proceedings against the above mentioned minute.On 17 June 2016, the General Challenge Settlement Directorate accepted the administrative challenge lodged by VATRompetrol Rafinare SA and confirmed that the amount of RON 7,862,412 was correctly registered both as collected TVA and deductible VAT, and instructed that the amount of RON 8,656,694 be repaid, accounting for increases, interests, late penalties related to VAT.

Rompetrol Rafinare, through KazMunayGas Trading AG, started the recourse against the Canadian supplier of the biodiesel (Bioversel) in front of the LCIA; on July 28, 2014 the Court fully upheld KazMunayGas Trading AG claim sentencing Bioversel to pay the sum of RON 215.77 million, plus GBP 1.35 million plus EUR 0.8million plus USD 1.1 million.

KazMunayGas Trading AG started the enforcement of the LCIA award in Canada against Bioversel, this company has declared insolvency. Following an agreement signed, they agreed that Rompetrol Rafinare SA collect the amount from KazMunayGas International N.V.

Litigation on Tax Assessments received by Rompetrol Rafinare S.A.

In March 2012, the National Agency for Tax Administration issued to Rompetrol Rafinare SA a General Tax Audit Report covering the period 2007-2010 and an Assessment Decision for Payment of RON 48 million (equivalent USD 15 million), out of which half represents additional principal tax liabilities and the other half represents late payment interest and penalties.

The following has subsequently occurred relating to this matter:

- Both the Report and the Decision were challenged subject to a prior administrative appeal.
- The main arguments put forward by Rompetrol Rafinare for its administrative appeal were: it had used and benefitted from the management and advertising service referred to; it has related justifying documents that were not taken into consideration by the tax authorities; and the Tax authorities did not consider the definition provided by the Fiscal Code and its Application Norms, as well as, applicable, Double Tax Treaties and Commentaries to the OECD model conventions as regards definition of royalties versus services.

Although Rompetrol Rafinare considers that all technical requirements have been met by it and it is challenging all the items included in the report issued by the National Agency for Tax Administration, there is a chance that Rompetrol Rafinare may not recover the amount in whole or part, based on the high ambiguity in respect of the legislation and the court practice in a similar cases in Romania.

The main court case started by Rompetrol Rafinare SA against the assessment has been settled on 27th of October 2014 by Constanta Court of Appeal which partially annulled both Decision no. 33 and the Assessment Decision for payment of RON 48 million (equivalent USD 14.1 million).

Constanta Court of Appeal held liable the National Agency for Tax Administration for paying back Rompetrol Rafinare approximately RON 21 million (equivalent USD 6.2 million) and to pursue to audit again for approximately RON 9.7 million (equivalent of USD 2.8 million).

This Decision is not final, both Rompetrol Rafinare and National Agency for Tax Administration appealed against it in front of the Supreme Court of Justice. These final appeals are still to be solved by the Supreme Court of Justice during the next period of time.

Litigation regarding CO2 emission allowances

On February 28, 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2.577.938 CO2 emission certificates for the entire period 2008-2012. This first decision issued by the Constanta Court of Appeal was challenged by the Ministry of Environment and The Romanian Government but the appeals were rejected by the Supreme Court of Justice on October 30, 2012 and the first court decision became final.

According to the current Romanian and European legislation, the certificates obtained for 2008 – 2012 period may be owned and used also for the next period of 2013 – 2020.

Considering that the Ministry of Environment and the Romanian Government did not fulfil with the Court decision according to the deadline, Rompetrol Rafinare SA started a court claim against them, having as object damages in amount of Euro 36 million.

On April 24, 2014 the court rejected the Rompetrol's claim on a reason that "is lack of object". Rompetrol appealed the Decision in front of the Supreme Court. The first hearing is set by the Supreme Court for June 3rd 2016.the next hearing term is set for 21 October 2016.

Additionally Rompetrol Rafinare launched a new legal enforcement procedure in front of the Constanta Court of Appeal, based on some new and much clearer provisions of law.

On July 6, 2015 Constanta Court of Appeal admitted partially the claim and fined the representative of the Government and Ministry of Environment for non-performance of the enforcement of the decision by which the Company received a number of 2.577.940 CO2 emission certificates. The decision is subject to appeal.

As a consequence, on July 28th 2015 the Government Decision no. 611/2015 was issued, providing the modification of the National Plan initially approved by Government Decision no. 60/2008 and increasing the allocation of the Company with the amount of 2.577.940 CO2 emission certificates; this decision is due to be fully and effectively implemented in the following 120 days, subject to an approval from European Commission, from the perspective of complying with state aid regulations. The implementation process is still ongoing.

25. LEGAL MATTERS (continued)

On October 27 2015, in order to secure all its rights and the full enforcement of the above mentioned court and government decisions, Rompetrol Rafinare filed a last court enforcement procedure, having as object to oblige the defendants to pay the counter value of the 2.577.940 CO2 emission certificates (i.e. 40 million Euro in total) in case they will fail to implement in due time the initial and final court decision and the Government Decision no. 611/2015. On February 3rd 2016, the Constanta Court of Appeal decided to postpone the procedure until the Supreme Court will pronounce a decision regarding the appeal of Rompetrol Rafinare against court decision to reject our claims as lack of object, with first hearing term for June 3th 2016 and the next hearing term set for 21 october 2016.

Litigation between Rompetrol Rafinare and Navodari City Hall

On November 19th, 2015, it was finalized the local taxes fiscal audit of the local taxes, done by Navodari City Hall, for the period of 2012-2014. The only non-compliant finding refers to revaluation of buildings made by the company on 31 December 2009 and 31 December 2011, namely that as the revaluation was not made to all fixed assets accounted for in the account 212 "Construction", in their view that was made without respect of accounting regulation stipulated by OMFP 3055/2009. As a result, the inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and penalties related in total amount of 20.4 mil RON, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report).

Against the Imposing Decision issued by Navodari City Hall, it has been filed the administrative complaint which will be solved by the local fiscal authorities. The administrative complaint filed by RRC was dismissed as being lack of object, without any judgment pronounced on the merits of the case. The solution was issued based on the Decision no. 435/21 December 2015 of the local Navodari Council whereby Rompetrol Rafinare obtained the annullment of 73% of the penalties whereas the said administrative document reuired the companies claiming for the reduction of 73% of penalties to admit and not challenge the principal.

Rompetrol Rafinare submitted in court the challenge against this decision, and also action for partial annulment of Navodari Local Decision no.435/2015. Both cases are currently pending court investigation proceedings with Constanta Court of Appeal and Constanta Tribunal. as regards the condition set for the debtors to admit and not challenge the debt. The challenge submitted against the notice of assessment is pending settlement with the Constanta Court of Appeal. On 9 June 2016, the Constanta Court accepted the petition of Rompetrol Rafinare SA and eliminated the condition to accept and not challenge the debt from the Decision no. 435/2015 of the Local Council so that the debtor can benefit from the penalties reduction.

Rompetrol Rafinare also filed the request for suspension the enforceable effects of the imposing decision, pursuant to the Law 554/22004 and Government Ordinance 92/2003. The statement of defence was submitted by Navodari City Hall and the first hearing term was established for February 22nd 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19th 2015.

25. LEGAL MATTERS (continued)

Litigations between Rompetrol Rafinare and National Company – Constanta Maritime Port Administration S.A.

In consideration of the violation by Compania Nationala Administratia Porturilor Maritime Constanta (National Company of Constanta Maritime Ports Administration) of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the assurance of safe access and operation, the company initiated several legal remedies against it, as follows:

a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of 1.876.673 USD - dredging expenditures; 3.311.775 USD - commercial loss; the complaint is in course of analysis at the Competition Council. By means of the lodged complaint, the Competition Council was asked to acknowledge the violation by Administrația Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, inclusively in terms of cost incurrence, the obligations resting upon it as administrator of port areas and of supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. This complaint was declared as being formally complete by the Competition Council and an investigation and a decision will follow.

b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (848.356 USD) and for restitution of dredging expenses (1.741.873 USD). The total amount in Lei is today 10.360.916 Lei (2.590.229 USD). The case is pending on Constanta Tribunal

26. OTHER LITIGATIONS

Environmental commitments

The principal activity of Rompetrol Rafinare SA (including Vega Refinery) of refinery petroleum products and Rompetrol Petrochemicals has inherent effects on the environment in term of emission into land, water and air. The environmental effects of the Company's activities are monitored by local authorities and the management of the Company.

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

A) CAPITAL RISK

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.. The capital structure of the Company consists of bank debt and shareholder loans (see Notes 11 and 12), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the "Consolidated Statement of Changes in the Shareholders' Equity".

B) Gearing ratio

The debt-to-equity ratio at 30 June 2016 is as follows:

	30 June 2016	31 December 2015
Borrowings maturing in over one year	297,327,056	299,687,700
Own capitals	1,406,191,981	1,263,325,336
Gearing ratio	21.14%	23.72%

27.FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

C) FINANCIAL INSTRUMENTS

The estimated fair values of these instruments approximate their carrying amounts.

	30 June 2016	31 December 2015
Financial assets		
Commercial liabilities and other liabilities	1,159,308,185	1,052,922,876
Cash and bank accounts	26,584,028	6,773,869
TOTAL FINANCIAL ASSETS	**1,185,892,213**	**1,059,696,745**

Financial liabilities	30 June 2016	31 December 2015
Short-term borrowings from shareholders	1,180,407,362	1,187,404,941
Commercial liabilities and other liabilities	3,264,162,517	3,221,974,399
Short-term loans	83,387,360	156,671,513
Long-term borrowings from banks	297,327,056	299,687,700
TOTAL FINANCIAL PAYABLES	**4,825,284,295**	**4,865,738,553**

Trade and other receivables are at net recoverable value and the following categories are not considered as financial assets:

- Advances paid to the suppliers;
- VAT to be recovered
- Profit tax to be recovered
- Other taxes to be recovered

Similarly, for trade and other payables the following are not considered as financial liabilities:

- Advances paid from customers;
- Excises taxes
- Special fund for oil products (FSPP);
- VAT payable
- Profit tax payable
- Salary taxes payable
- Other taxes
- Deferred revenues

The estimated fair values of these instruments approximate their carrying amounts.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Company enters into derivative financial instruments with various counterparties.

27.FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	30 June 2016	Level 1	Level 2	Level 3
Financial assets				
Commercial liabilities and other liabilities	1,159,308,185	-	-	1,159,308,185
Cash and bank accounts	26,584,028	26,584,028	-	
TOTAL FINANCIAL ASSETS	**1,185,892,213**	**26,584,028**	**-**	**1,159,308,185**
Financial liabilities				
Short-term borrowings from shareholders	1,180,407,362		-	1,180,407,362
Commercial liabilities and other liabilities	3,264,162,517	-	-	3,264,162,517
Short-term loans	83,387,360	-	-	83,387,360
Long-term borrowings from banks	297,327,056	297,327,056		
TOTAL FINANCIAL PAYABLES	**4,825,284,295**	**297,327,056**		**4,527,957,239**

	31 December 2015	Level 1	Level 2	Level 3
Financial assets				
Commercial liabilities and other liabilities	1,052,922,876	-	-	1,052,922,876
Derivative financial instruments	-	-	-	-
Cash and bank accounts	6,773,869	6,773,869	-	-
TOTAL FINANCIAL ASSETS	**1,059,696,745**	**6,773,869**	**-**	**1,052,922,876**
Financial liabilities				
Short-term borrowings from shareholders	1,187,404,941	-	-	1,187,404,941
Derivative financial instruments	-		-	-
Commercial liabilities and other liabilities	3,221,974,399	-	-	3,221,974,399
Short-term loans	156,671,513	-	-	156,671,513
Long-term borrowings from banks	299,687,700	299,687,700	-	-
TOTAL FINANCIAL PAYABLES	**4,865,738,553**	**299,687,700**	**-**	**4,566,050,853**

At 30 June 2016 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

27.FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

D) DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses different commodity derivatives as a part of price risk management in trading of crude oil and products. Generally the instruments are allocated to individual instruments.

It also performs hedging transactions regarding the risk of increasing USD interest rates.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

E) MARKET RISK

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Company's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Company .

F) FOREIGN CURRENCY RISK MANAGEMENT

For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON).

Crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars. Therefore, limited foreign currency exposure arises in this context. Moreover, certain assets and liabilities are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Company Treasury is responsible for handling the Company foreign currency transactions.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Payables		Assets	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
USD currency	3,752,892,058	3,586,650,688	481,175,930	402,474,301
EUR currency	61,986,379	77,518,116	96,672,771	39,077,828

27.FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

G) FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Company is mainly exposed to the USD and EUR fluctuation risk.

The following table details the Company's sensitivity to a 5% increase and decrease in the RON exchange rate against the relevant foreign currencies. The sensitivity analysis includes only the foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in the exchange rates. A positive number below indicates an increase in profit and other equity here generated by a positive exchange rate course of 5%. For a 5% weakening of the RON against the main currencies, there would be a negative impact in the profit, with the same value.

		USD		EUR	
		30 June 2016	31 December 2015	30 June 2016	31 December 2015
RON					
	5%	(163,585,806)	(159,208,819)	1,734,320	(1,922,014)
	-5%	163,585,806	159,208,819	(1,734,320)	1,922,014

H) INTEREST RATE RISK MANAGEMENT

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk.
The sensitivity analyses below have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 30 June 2016 would increase / decrease by RON 16.2 million (2015: increase / decrease by RON 16.1 million).

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

I) LIQUIDITY RISK

The tables below summarize the maturity profile of the Company's financial liabilities at 30 June 2016 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Balance as at 30 June 2016	**Less than 1 month or current**	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**	**Total**
Commercial liabilities and other liabilities	3,238,035,715	14,085,329	12,041,473	-	-	**3,264,162,517**
Short-term borrowings from shareholders	814,067,546	24,223,189	358,333,624	-	-	**1,196,624,359**
Short-term bank loans	83,387,360	289,371	-	-	-	**83,676,731**
Long-term bank loans	-	2,285,171	6,855,513	304,944,293	-	**314,084,977**
	4,135,490,621	40,883,060	377,230,610	304,944,293	-	**4,858,548,584**

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

J RAW MATERIAL PRICE RISK

The Company is affected by the volatility of crude oil, oil product and refinery margin prices.

Its operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as supplies to its customers. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Company started on January 2011 to hedge commodities held by Rompetrol Rafinare.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock) is hedged using future contracts traded on ICE Exchange and some OTC instruments for the secondary risks. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Company, hence price fluctuations will not affect the cash-flow. In 2012, the Company started a few transactions of refinery margin hedge.

Trading activities are separated into physical (purchase from third parties other than KazmunayGas Group, and sales to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Company sells or buys the equivalent number of future contracts. This financial trade is done only to hedge the risk of the price risk and not to gain from the trading of these instruments.

K) CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or purchase contracts, which leads to a financial loss. The Company is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

Trade receivables

Outstanding customer receivables are regularly monitored. The requirement for impairment is analysed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of aging.

Financial instruments and bank deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury in accordance with the Company's policy.

28. EVENIMENTE ULTERIOARE DATEI BILANTULUI

Rompetrol Rafinare S.A credit facility in amount of RON 13 million granted by Rompetrol Well Services S.A was prolonged until September 10, 2016.

Rompetrol Rafinare S.A credit facility in amount of RON 7 million granted by Rompetrol Well Services S.A was prolonged until August 14, 2016.

Rompetrol Rafinare S.A credit facility in amount of RON 3.1 million granted by Rompetrol Well Services S.A was prolonged until Spetember 3, 2016.

Rompetrol Rafinare S.A credit facility in amount of RON 11.2 million granted by Rompetrol Well Services S.A was prolonged until October 28, 2016.

Facility granted to Rompetrol Rafinare S.A. by Bancpost in amount of EUR 30 million has been extended until July 31, 2017.