

**ROMPETROL RAFINARE SA**

**CONSOLIDATED FINANCIAL STATEMENTS**

PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ENDORSED BY THE EUROPEAN UNION (EU)

**DECEMBER 31, 2016**



Building a better  
working world

Ernst & Young Assurance Services SRL  
Bucharest Tower Center Building 22<sup>nd</sup> Floor  
15-17 Dr. Mihalache Blvd. Sector 1  
011171 Bucharest, Romania

Tel: +40 21 402 4000  
Fax: +40 21 310 7193  
office@ro.ey.com  
ey.com

## **RAPORTUL AUDITORULUI INDEPENDENT INDEPENDENT AUDITOR'S REPORT**

**Catre actionarii Rompetrol Rafinare S.A.  
To the Shareholders of Rompetrol Rafinare S.A.**

**Report asupra auditului situatiilor financiare  
Report on the Audit of the Financial Statements**

### **Opinia Opinion**

Am auditat situatiile financiare consolidate ale Rompetrol Rafinare S.A. si ale filialelor sale (impreuna „Grupul”) care cuprind situatia consolidata a pozitiei financiare la data de 31 decembrie 2016, contul de profit si pierdere consolidat, contul de profit si pierdere global consolidat, situatia consolidata a modificarilor capitalurilor proprii si situatia fluxurilor de trezorerie consolidate pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative, toate sumele fiind exprimate in dolari americani („USD”). De asemenea, am verificat conversia in RON a sumelor prezentate in aceste situatii pe baza descrisa in Nota 2e.

*We have audited the consolidated financial statements of Rompetrol Rafinare S.A. and its subsidiaries (together “the Group”), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in United States Dollar (“USD”). We have also checked the translation into Romanian lei on the basis described in Note 2e.*

In opinia noastra situatiile financiare consolidate anexate ofera o imagine fidela si justa a pozitiei financiare a Grupului la data de 31 decembrie 2016, ca si a performantei financiare si a fluxurilor de numerar ale acestuia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standardele Internationale de Raportare Financiara adoptate de Uniunea Europeana.

*In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.*

In opinia noastra, situatiile financiare consolidate exprimate in RON au fost convertite adecvat, pe baza politicii contabile descrisa la Nota 2e.

*In our opinion, the consolidated financial statements expressed in RON have been properly translated on the basis of the accounting policy described in Note 2e.*

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretation of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

## Bazele opiniei *Basis for opinion*

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare” din raportul nostru. Suntem independenti fata de Grup conform Codului etic al profesionistilor contabili emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

*We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

## Aspecte cheie de audit *Key audit matters*

Aspectele cheie de audit sunt acele aspecte care, in baza rationamentului nostru profesional, au avut cea mai mare importanta pentru auditul situatiilor financiare consolidate din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare consolidate in ansamblu, si in formarea opiniei noastre asupra acestora, si nu emitem o opinie separata cu privire la aceste aspecte cheie.

*Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.*

Pentru fiecare aspect de mai jos, am prezentat in acel context o descriere a modului in care auditul nostru a abordat respectivul aspect.

*For each matter below, our description of how our audit addressed the matter is provided in that context.*

Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare” din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare consolidate. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare consolidate anexate.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Aspecte cheie de audit	Modul în care auditul a abordat aspectul cheie de audit
<p><b>Testarea pentru depreciere a fondului comercial și a imobilizărilor corporale</b></p>	
<p>Informatiile prezentate de grupul Rompetrol Rafinare cu privire la fondul comercial și imobilizările corporale, inclusiv cu privire la deprecierea aferentă, sunt incluse în nota 4, nota 5 și respectiv nota 6.</p>	
<p>Grupul Rompetrol Rafinare trebuie să testeze anual pentru depreciere valoarea fondului comercial. La 31 decembrie 2016, fondul comercial al Grupului are valoarea de 83 milioane USD și este semnificativ pentru auditul nostru. Testarea pentru depreciere a fondului comercial a fost efectuată la nivelul unei unități generatoare de numerar - Downstream Romania, careia acest fond comercial i-a fost alocat.</p> <p>Imobilizările corporale sunt de asemenea importante pentru auditul nostru, având în vedere importanța poziției bilanțiere de 1.138 milioane USD la 31 decembrie 2016. De asemenea, evaluarea conducerii cu privire la indicatorii de depreciere a unităților generatoare de numerar și respectiv a activelor individuale implică analiza unor surse de informații diverse, inclusiv a factorilor cu privire la mediul economic și a factorilor specifici industriei.</p> <p>Industria de petrol și gaze a trecut prin schimbări semnificative ca urmare a declinului prețurilor petrolului și gazelor începând cu ultima parte a anului 2014, ceea ce a condus la închiderea unor centre de producție și amânarea investițiilor de către unii jucători din industrie. La 31 decembrie 2016</p>	<p>Procedurile noastre de audit au inclus, printre altele, implicarea experților noștri evaluatori interni pentru a ne asista la evaluarea ipotezelor-cheie și a metodologiilor aplicate de Grupul Rompetrol Rafinare pentru testarea de depreciere a imobilizărilor corporale. Evaluarea noastră s-a axat pe estimarea ratei de actualizare folosite, pe analiza privind sensibilitatea valorilor recuperabile ale unităților generatoare de numerar la modificările ipotezelor semnificative, precum și pe ipotezele-cheie aplicate la estimarea fluxurilor de numerar viitoare pentru unitățile generatoare de numerar respective (cum ar fi prețurile de vânzare preconizate, volumele de producție / vânzare, marjele produselor, modificările capitalului de lucru, etc.), analizând conformitatea acestora cu mediul economic general și cel specific industriei, cu informațiile de piață relevante disponibile și cu planurile de afaceri ale Grupului.</p> <p>De asemenea, am evaluat analiza conducerii privind indicatorii de depreciere a imobilizărilor corporale, analizând dacă testarea pentru depreciere a acoperit toate unitățile generatoare de numerar/activele individuale semnificative pentru care au</p>

Traducerea în limba engleză are doar scop informativ. Traducerea raportului trebuie citită împreună cu situațiile financiare, luate în ansamblu. În situațiile în care informațiile, punctele de vedere și opiniile sunt susceptibile de interpretare, versiunea originală în limba română a raportului nostru prevalează acestei traduceri.

English translation only, for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information views or opinions, the original Romanian language version of our report takes precedence over this translation.

<p>conducerea a identificat indicatori de depreciere si a efectuat testari pentru depreciere separate cu privire la imobiliarile corporale ale celor trei unitati generatoare de numerar identificate: Downstream, cu o valoare neta contabila a imobiliarilor corporale de 192 milioane USD, Rafinare, cu o valoare contabila neta a imobiliarilor corporale de 815 milioane USD si Petrochimie cu o valoare contabila neta a imobiliarilor corporale de 110 milioane USD.</p> <p>Testarea pentru depreciere a fondului comercial si a imobiliarilor corporale este importanta pentru auditul nostru deoarece procesul de evaluare este complex, implica rationamente semnificative ale conducerii si se bazeaza pe ipoteze care sunt afectate de conditiile de piata viitoare din sud-estul Europei.</p>	<p>existat indicatori de depreciere la sfarsitul perioadei de raportare.</p> <p>De asemenea, am evaluat caracterul adecvat al informatiilor prezentate de Grupul Rompetrol Rafinare cu privire la testarea pentru depreciere a fondului comercial si a imobiliarilor corporale.</p>
<p><b>Recunoasterea creantei privind impozitul pe profit amanat</b></p> <p>Informatiile prezentate de Grupul Rompetrol Rafinare cu privire la creanta privind impozitul pe profitul amanat sunt incluse in Nota 13.</p>	
<p>Creanta privind impozitul amanat are o importanta semnificativa pentru auditul nostru avand in vedere importanta pozitiei bilantiere de 63 milioane USD la 31 decembrie 2016 si faptul ca, pentru evaluarea recuperabilitatii soldului, sunt necesare rationamente ale conducerii, in special raportat la veniturile impozabile previzionate, preconizandu-se ca unele dintre acestea vor fi generate peste mai multi ani.</p>	<p>Procedurile noastre de audit s-au axat pe evaluarea ipotezelor-cheie ale conducerii cu privire la recuperabilitatea creantei privind impozitul pe profit amanat, cum ar fi previziuni care stau la baza recunoasterii activului, inclusiv sumarul datelor de expirare a pierderilor fiscale. Am evaluat conformitatea acestor previziuni cu planurile de afaceri pe termen lung aplicate de conducere pentru gestionarea si monitorizarea performantei activitatii.</p> <p>Specialistii nostri interni in aspecte fiscale au fost implicati, daca a fost cazul, in procedurile noastre de audit in domeniul impozitarii curente si orice evaluari relevante au fost luate in considerare la stabilirea impactului in cadrul evaluarii noastre cu privire la proiectiile privind profitul impozabil.</p>

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri

English translation only for information purposes. The translation of the report should be read with the financial statements as a whole. In matters of interpretation of information, views or opinions, the original Romanian language version of our report takes precedence over this translation

	<p>De asemenea, am evaluat caracterul adecvat al informatiilor prezentate de grup cu privire la creanta privind impozitul pe profit amanat.</p>
<p><b>Litigii</b></p>	
<p>Informatiile prezentate de grupul Rompetrol Rafinare cu privire la litigii sunt incluse in Note 27.</p>	
<p>Grupul este implicat in litigii diferite si semnificative, inclusiv in legatura cu proceduri de reglementare si /sau guvernamentale, precum si investigatii ale autoritatilor fiscale care sunt prezentate la nota 27 din situatiile financiare. Aceste aspecte sunt importante pentru auditul nostru datorita incertitudinilor inerente cu privire la rezultatul final al acestor litigii, complexitatea cazurilor si rationamentul semnificativ aplicat de conducere in estimarea rezultatului final al acestor evaluari si al expunerilor (ex. daca o datorie ar trebui recunoscuta sau o datorie contingenta ar trebui prezentata si daca o potentiala iesire de numerar poate fi estimata in mod credibil). Datorita importantei si complexitatii acestor litigii, rezultate nefavorabile ar putea avea un potential impact asupra performantei financiare si pozitiei bilantiere a Grupului.</p>	<p>Procedurile noastre de audit au inclus, printre altele, obtinerea de confirmari de la avocatii externi ai Grupului care ofera asistenta cu privire la aceste cazuri precum si documentatie suport de la departamentul juridic intern al Grupului, cu privire la stadiul acestor litigii. Am examinat procesele verbale ale Consiliilor de Administratie ale societatilor din grup si am efectuat intalniri periodice cu conducerea pentru a discuta si intelege evolutia acestor actiuni legale, ipotezele si rationamentul conducerii cu privire la aceste aspecte. Am evaluat daca opiniile avocailor externi si a departamentului juridic intern sunt in concordanta cu ipotezele si estimarile aplicate de conducere in ceea ce priveste recunoasterea si evaluarea provizioanelor sau evaluarea si prezentarea datoriilor contingente cu privire la aceste aspecte, pe baza evenimentelor si circumstantelor existente. Expertii nostri interni au fost implicati, daca a fost cazul, pentru a ne asista in analiza cazurile legale si ipotezele efectuate de conducere. De asemenea, am evaluat caracterul adecvat al informatiilor prezentate cu privire la provizioane si datorii contingente rezultate din aceste actiuni legale.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment testing of goodwill and property, plant and equipment</b></p>	
<p>Rompetro Rafinare Group's disclosures about goodwill and property, plant and equipment, including the related impairment, are included in Note 4, Note 5 and Note 6 respectively.</p>	
<p>Rompetro Rafinare Group is required to test annually the amount of goodwill for impairment. As at 31 December 2016, the Group goodwill amounts to USD 83 million and is material to our audit. The goodwill impairment testing was performed at the level of one cash-generating unit - Downstream Romania, to which the respective goodwill was allocated.</p> <p>Property, plant and equipment is also significant to our audit because of the magnitude of the balance sheet position of USD 1,138 million as at 31 December 2016. Furthermore, the management assessment of impairment indicators for cash generating units and individual assets respectively involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.</p> <p>The oil and gas industry went through significant changes following a decline in oil and gas prices since late 2014, which resulted in capacity shutdowns and deferred investments by some players in the industry. As of 31 December 2016 the management has identified impairment indicators and has performed separate impairment testing in respect of the three cash generating units' identified: Downstream, with a property, plant and equipment carrying value of USD 192 million, Refining with a property, plant and equipment carrying value of USD 815 million and Petrochemicals with a property, plant and equipment carrying value of USD 110 million.</p>	<p>Our audit procedures included, among others, using our internal valuation experts to assist us in evaluating the key assumptions and methodologies used by Rompetro Rafinare Group for the impairment testing of goodwill and property, plant and equipment. Our evaluation was focused on the discount rate estimate for Romania, on the sensitivity analysis of the cash generating units recoverable amounts to changes in the significant assumptions as well as on the key assumptions applied in the estimates of future cash flows for the respective cash generating units (such as expected sales prices, production/sales volumes, product margins, working capital changes, etc.) by analysing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group.</p> <p>We also evaluated the management assessment of impairment indicators for property, plant and equipment, considering also whether the impairment testing covered all significant cash generating units/ individual assets for which impairment indicators existed at the end of the reporting period.</p> <p>We further assessed the adequacy of Rompetro Rafinare Group's disclosures about impairment testing of goodwill and property, plant and equipment.</p>

Traducerea în limba engleză are doar scop informativ. Traducerea raportului trebuie citită împreună cu situațiile financiare, luate în ansamblu. În situațiile în care informațiile, punctele de vedere și opiniile sunt susceptibile de interpretare, versiunea originală în limba română a raportului nostru prevalează asupra acestei traduceri.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretation of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

<p>The impairment testing of goodwill and property, plant and equipment is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions in South East Europe.</p>	
<p><b>Recognition of deferred tax assets</b></p>	
<p>Rompetrol Rafinare Group's disclosures about deferred tax assets are included in Note 13.</p>	
<p>Deferred tax assets are significant to our audit because of the magnitude of the balance sheet position of USD 63 million as at 31 December 2016 and the fact that management judgement is required to assess the recoverability of the balance, in particular by reference to forecast taxable income, some of which is expected to arise a number of years in the future.</p>	<p>Our audit procedures focused on assessing the key management assumptions for the deferred tax asset recoverability such as forecasts which underpin the asset recognition, including summaries of tax losses expiry dates. We evaluated the consistency of these forecasts with the long term business plans used by management to manage and monitor the performance of the business.</p> <p>Our internal tax specialists were involved, as appropriate, in our audit procedures in the current taxation area and any relevant evaluations were considered for impact in our assessment of the taxable profit projections.</p> <p>Furthermore, we assessed the adequacy of the Group's disclosures regarding deferred tax assets.</p>
<p><b>Litigations</b></p>	
<p>Rompetrol Rafinare Group's disclosures about litigations are included in Note 27.</p>	
<p>The Group is involved in various and significant litigations, including in relation to regulatory and / or governmental proceedings as well as investigations by tax authorities which are presented in Note 27 to the financial statements. This area is significant to our audit due to the inherent uncertainties over the final outcome of these litigations, complexity of the cases and the significant judgement applied by the management in estimating the final</p>	<p>Our audit procedures included, among others, obtaining legal confirmations from the Group's external lawyers advising on these matters and supporting documentation from the Group's internal legal counsel regarding the status of these litigations. We have inspected the minutes of the meetings of the Boards of the group companies and held periodic meetings with management to discuss and understand the developments in</p>

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.



<p>outcome of such assessments and exposures (i.e. whether a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated). Due to the significance and complexity of these litigations, adverse outcomes could potentially impact the Group's reported financial performance and balance sheet position.</p>	<p>legal proceedings and the management assumptions and judgement in respect of these matters. We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. Our internal experts were involved, where appropriate, to assist us to analyse the legal cases and the assumptions made by management. We further evaluated the adequacy of disclosures regarding provisions recognised and contingencies resulting from legal proceedings.</p>
---	---

#### Alte informatii *Other information*

Alte informatii includ Raportul administratorilor, dar nu includ situatiile financiare consolidate si raportul nostru de audit cu privire la acestea. Conducerea este responsabila pentru alte informatii.

*The other information comprises the Directors' Report, but does not include the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information.*

Opinia noastra de audit asupra situatiilor financiare consolidate nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.

*Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.*

In legatura cu auditul efectuat de noi asupra situatiilor financiare consolidate, responsabilitatea noastra este de a cita aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare consolidate sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.



Building a better  
working world

*In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.*

### **Responsabilitatea conducerii si a persoanelor responsabile cu guvernanta pentru situatiile financiare**

#### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Conducerea Grupului are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare consolidate in conformitate cu Standardele Internationale de Raportare Financiara adoptate de Uniunea Europeana, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare consolidate care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.

*Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.*

La intocmirea situatiilor financiare consolidate, conducerea este responsabila sa evalueze abilitatea Grupului de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze Grupul sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.

*In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.*

**Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a Grupului.**

*Those charged with governance are responsible for overseeing the Group's financial reporting process.*

## Responsabilitatile auditorului pentru auditul situatiilor financiare *Auditor's Responsibilities for the Audit of the Financial Statements*

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare consolidate, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare consolidate.

*Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.*

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:  
*As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:*

- ▶ Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare consolidate, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- ▶ *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- ▶ Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Grupului.
- ▶ *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.*

- ▶ Evaluăm gradul de adecvare a politicilor contabile utilizate și rezonabilitatea estimărilor contabile și a prezentărilor aferente de informații realizate de către conducere.
- ▶ *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- ▶ Concluzionăm asupra caracterului adecvat al utilizării de către conducere a principiului continuității activității, și determinăm, pe baza probelor de audit obținute, dacă există o incertitudine semnificativă cu privire la evenimente sau condiții care ar putea genera îndoiele semnificative privind capacitatea Grupului de a-și continua activitatea. În cazul în care concluzionăm că există o incertitudine semnificativă, trebuie să atragem atenția, în raportul de audit, asupra prezentărilor aferente din situațiile financiare consolidate sau, în cazul în care aceste prezentări sunt neadecvate, să ne modificăm opinia. Concluziile noastre se bazează pe probele de audit obținute până la data raportului nostru de audit. Cu toate acestea, evenimente sau condiții viitoare pot determina ca Grupul să nu își mai desfășoare activitatea în baza principiului continuității activității.
- ▶ *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.*
- ▶ Evaluăm prezentarea, structura și conținutul general al situațiilor financiare consolidate, inclusiv al prezentărilor de informații, și măsura în care situațiile financiare consolidate reflectă tranzacțiile și evenimentele de bază într-o manieră care realizează prezentarea fidelă.
- ▶ *Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*
- ▶ Obținem suficiente probe de audit adecvate cu privire la informațiile financiare ale entităților sau activităților din cadrul Grupului pentru a exprima o opinie asupra situațiilor financiare consolidate. Suntem responsabili pentru îndrumarea, supravegherea și efectuarea auditului la nivelul grupului. Suntem singurii responsabili pentru opinia noastră de audit.
- ▶ *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.*

Comunicăm persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate și programarea în timp a auditului, precum și constatările semnificative ale auditului, inclusiv orice deficiențe semnificative ale controlului intern, pe care le identificăm pe parcursul auditului nostru.

*We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit*

Traducerea în limba engleză are doar scop informativ. Traducerea raportului trebuie citită împreună cu situațiile financiare, luate în ansamblu. În situațiile în care informațiile, punctele de vedere și opiniile sunt susceptibile de interpretare, versiunea originală în limba română a raportului nostru prevalează acestei traduceri.

English translation only for information purposes. The translation of the report should be read with the financial statements as a whole. In all matters of interpretations of information or opinions, the original Romanian language version of our report takes precedence over this translation.

De asemenea, prezentăm persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, masurile de siguranta aferente.

*We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.*

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare consolidate din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit. Descriem aceste aspecte in raportul nostru de audit, cu exceptia cazului in care legislatia sau reglementarile impiedica prezentarea publica a aspectului respectiv sau a cazului in care, in circumstante extrem de rare, determinam ca un aspect nu ar trebui comunicat in raportul nostru deoarece se preconizeaza in mod rezonabil ca efectele negative ale acestei comunicari depasesc beneficiile interesului public al comunicarii respectivului aspect.

*From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.*

#### **Raport asupra altor cerinte legale si de reglementare** *Report on Other Legal and Regulatory Requirements*

#### **Raportare asupra unor informatii, altele decat situatiile financiare si raportul nostru de audit asupra acestora** *Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon*

Pe langa responsabilitatile noastre de raportare conform standardelor ISA si descrise in sectiunea „Alte informatii”, referitor la raportul administratorilor, noi am citit raportul administratorilor si raportam urmatoarele:

- a) in raportul administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare consolidate la data de 31 decembrie 2016, atasate;
- b) raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare, Anexa 1, punctele 15-19, 26-28

- c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare consolidate intocmite la data de 31 decembrie 2016 cu privire la Grup si la mediul acestuia, nu am identificat informatii eronate semnificative prezentate in raportul administratorilor.

*In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Administrators' Report, we have read the Administrators' Report and report that:*

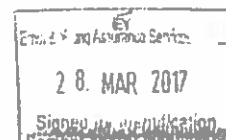
- a) *in the Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2016;*
- b) *the Directors' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 - 19, 26 - 28 ;*
- c) *based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated financial statements as at 31 December 2016, we have not identified information included in the Directors' Report that contains a material misstatement of fact.*

In numele  
On behalf of

**Ernst & Young Assurance Services SRL**

Inregistrat la Camera Auditorilor Financiari din Romania  
Cu nr. 77/15 august 2001  
Registered with the Chamber of Financial Auditors in Romania  
No. 77/15 August 2001

Numele semnatarului: Alexandru Lupea  
Name of signing person: Alexandru Lupea



Inregistrat la Camera Auditorilor Financiari din Romania  
Cu nr. 273/ 1 martie 2001  
Registered with the Chamber of Financial Auditors in  
Romania  
No. 273 / 1 March 2001

Bucuresti, Romania  
28 martie 2017  
Bucharest, Romania  
28 March 2017

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretation of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

<b>CONTENTS</b>	<b>PAGE</b>
Consolidated Statement of Financial Position	3
Consolidated Income Statement	4
Consolidated Statement of Other Comprehensive Income	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Equity	7 - 8
Notes to consolidated Financial Statements	9 - 73

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at December 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

	Notes	December 31, 2016 USD	December 31, 2015 USD	December 31, 2016 RON	December 31, 2015 RON
Intangible assets	3	7,265,762	6,679,192	31,266,754	28,742,568
Goodwill	4	82,871,706	82,871,706	356,621,813	356,621,813
Property, plant and equipment	5	1,138,146,913	1,175,280,529	4,897,787,611	5,057,584,701
Available for sale investments	7	18,583	18,583	79,968	79,968
Long-term receivable		1,480,888	1,095,124	6,372,705	4,712,647
Deferred tax asset	13	63,468,579	59,986,028	273,124,337	258,146,482
<b>Total non current assets</b>		<b>1,293,252,431</b>	<b>1,325,933,162</b>	<b>5,565,253,188</b>	<b>5,705,888,179</b>
Inventories, net	8	230,091,565	175,731,732	990,153,032	756,226,362
Trade and other receivables	9	287,577,488	318,124,428	1,237,532,204	1,368,984,851
Derivative financial instruments	29.5	5,340	-	22,980	-
Cash and cash equivalents	10	15,810,298	6,727,079	68,036,455	28,948,638
<b>Total current assets</b>		<b>533,484,691</b>	<b>500,583,239</b>	<b>2,295,744,671</b>	<b>2,154,159,851</b>
<b>TOTAL ASSETS</b>		<b>1,826,737,122</b>	<b>1,826,516,401</b>	<b>7,860,997,859</b>	<b>7,860,048,030</b>
Share capital	11	1,463,323,897	1,463,323,897	6,297,121,726	6,297,121,726
Share premium	11	74,050,518	74,050,518	318,661,594	318,661,594
Other reserves	11	(3,452,149)	(1,305,470)	(14,855,633)	(5,617,829)
Other reserves - Hybrid instrument	11	1,000,000,000	1,000,000,000	4,303,300,000	4,303,300,000
Effect of transfers with equity holders	11	(596,832,659)	(596,832,659)	(2,568,349,981)	(2,568,349,981)
Accumulated losses		(1,529,316,646)	(1,592,741,565)	(6,581,108,323)	(6,854,044,774)
Current year result		56,070,210	63,424,919	241,286,936	272,936,451
<b>Equity attributable to equity holders of the parent</b>		<b>463,843,171</b>	<b>409,919,640</b>	<b>1,996,056,319</b>	<b>1,764,007,187</b>
Non-Controlling interest		14,781,091	13,705,934	63,607,469	58,980,746
<b>Total equity</b>		<b>478,624,262</b>	<b>423,625,574</b>	<b>2,059,663,788</b>	<b>1,822,987,933</b>
Long-term borrowings from banks	12	193,162,805	215,312,502	831,237,500	926,554,290
Deferred tax liabilities	13	306,570	306,570	1,319,263	1,319,263
Provisions	16	76,429,343	79,036,717	328,898,391	340,118,704
Other non-current liabilities		177,110	156,520	762,157	673,553
<b>Total non-current liabilities</b>		<b>270,075,828</b>	<b>294,812,309</b>	<b>1,162,217,311</b>	<b>1,268,665,810</b>
Trade and other payables	14	788,571,675	762,732,994	3,393,460,492	3,282,268,893
Derivative financial instruments	29.5	323,130	626,926	1,390,525	2,697,851
Short-term borrowings from shareholders and related parties	15	268,253,969	306,682,066	1,154,377,303	1,319,744,935
Short-term borrowings from banks	15	20,888,258	38,036,532	89,888,440	163,682,608
<b>Total current liabilities</b>		<b>1,078,037,032</b>	<b>1,108,078,518</b>	<b>4,639,116,760</b>	<b>4,768,394,287</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,826,737,122</b>	<b>1,826,516,401</b>	<b>7,860,997,859</b>	<b>7,860,048,030</b>

The consolidated financial statements have been approved on March 23<sup>rd</sup>, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

CATALIN DUMITRU  
 PRESIDENT of the BOARD of DIRECTORS

YEDIL UTEKOV  
 CHIEF EXECUTIVE OFFICER

VASILE-GABRIEL MANOLE  
 CHIEF FINANCIAL OFFICER



**ROMPETROL RAFINARE SA**  
**CONSOLIDATED INCOME STATEMENT**  
**for the year ended at December 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

	Notes	2016 USD	2015 USD	2016 RON	2015 RON
Revenues	17	2,440,510,028	2,724,720,694	10,502,246,803	11,725,290,561
Cost of sales	18	(2,191,393,341)	(2,517,972,377)	(9,430,222,964)	(10,835,590,531)
<b>Gross profit</b>		<b>249,116,687</b>	<b>206,748,317</b>	<b>1,072,023,839</b>	<b>889,700,030</b>
Selling, general and administrative expenses, including logistic costs	19	(163,675,757)	(171,313,585)	(704,345,884)	(737,213,751)
Other operating income/(expenses), net	20	7,016,968	23,520,422	30,196,119	101,215,433
<b>Operating profit</b>		<b>92,457,898</b>	<b>58,955,154</b>	<b>397,874,074</b>	<b>253,701,712</b>
Finance cost	21	(44,595,927)	(61,785,032)	(191,909,652)	(265,879,529)
Finance income	21	11,867,659	4,062,848	51,070,097	17,483,654
Foreign exchange gain / (loss), net	21	(5,146,019)	4,668,764	(22,144,864)	20,091,092
<b>Profit/(Loss) before income tax</b>		<b>54,583,611</b>	<b>5,901,734</b>	<b>234,889,655</b>	<b>25,396,929</b>
Income tax	23	2,561,756	58,753,802	11,024,004	252,835,236
<b>Profit/(Loss) for the year</b>		<b>57,145,367</b>	<b>64,655,536</b>	<b>245,913,659</b>	<b>278,232,165</b>
<i>Attributable to:</i>					
Equity holders of the parent		56,070,210	63,424,919	241,286,936	272,936,451
Non-Controlling interests		1,075,157	1,230,617	4,626,723	5,295,714
<b>Earnings per share (US cents/share)</b>					
Basic	25	0.127	0.144	0.547	0.620

The consolidated financial statements been approved on March 23<sup>rd</sup>, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

  
**CATALIN DUMITRU**  
**PRESIDENT of the BOARD of DIRECTORS**

  
**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**

  
**VASILE-GABRIEL MANOLE**  
**CHIEF FINANCIAL OFFICER**

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements.  
 English translation is for information purposes only. Romanian language text is the official text for submission.

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the year ended at December 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	USD	USD	RON	RON
<b>Net Gain/(Loss) for the year</b>	<b>57,145,367</b>	<b>64,655,536</b>	<b>245,913,659</b>	<b>278,232,165</b>
<b>Other comprehensive income</b>				
Actuarial gains/(losses) on retirement benefits	(1,029,432)	891,761	(4,429,955)	3,837,515
Hedge reserve	(1,117,247)	1,228,279	(4,807,849)	5,285,653
<b>Other comprehensive income (loss) for the year, net of tax</b>	<b>(2,146,679)</b>	<b>2,120,040</b>	<b>(9,237,804)</b>	<b>9,123,168</b>
<b>Total comprehensive loss for the year, net of tax</b>	<b>54,998,688</b>	<b>66,775,576</b>	<b>236,675,855</b>	<b>287,355,333</b>
<i>Attributable to:</i>				
Equity holders of the parent	53,923,531	65,544,959	232,049,132	282,059,619
Non-Controlling interests	1,075,157	1,230,617	4,626,723	5,295,714
<b>Total comprehensive loss for the year</b>	<b>54,998,688</b>	<b>66,775,576</b>	<b>236,675,855</b>	<b>287,355,333</b>

The consolidated financial statements have been approved on March 23<sup>rd</sup>, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

  
**CATALIN DUMITRU**  
**PRESIDENT of the BOARD of DIRECTORS**

  
**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**

  
**VASILE-GABRIEL MANOLE**  
**CHIEF FINANCIAL OFFICER**

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended at December 31, 2016

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	2016 USD	2015 USD	2016 RON	2015 RON
<b>Profit/(Loss) before income tax</b>	<b>54,583,611</b>	<b>5,901,734</b>	<b>234,889,655</b>	<b>25,396,929</b>
<i>Adjustments for:</i>				
Depreciation and amortisation	95,778,024	79,407,824	412,161,571	341,715,689
Provisions for receivables and inventories (incl write-off)	(3,379,483)	(30,752,362)	(14,542,930)	(132,336,640)
Impairment for property, plant and equipment (incl write-off)	1,999,849	238,644	8,605,950	1,026,957
Provision for environmental and other liabilities	-	6,876,964	-	29,593,639
Restructuring and retirement benefit provisions	(621,564)	560,663	(2,674,776)	2,412,701
Late payment interest	6,753	54,882	29,060	236,174
Other financial income	(386,785)	(251,320)	(1,664,452)	(1,081,505)
Interest income	(11,480,874)	(3,811,528)	(49,405,645)	(16,402,149)
Interest expense and bank charges, net	42,936,374	38,875,051	184,768,098	167,291,007
Unrealised gains from derivatives	-	26	-	112
(Gain)/Loss on sale or disposal of property, plant and equipment	(196,801)	(220,908)	(846,893)	(950,634)
Unrealised foreign exchange (gain)/loss	(488,670)	(10,825,272)	(2,102,894)	(46,584,393)
<b>Cash generated from operations before working capital changes</b>	<b>178,750,434</b>	<b>86,054,398</b>	<b>769,216,744</b>	<b>370,317,887</b>
<i>Net working capital changes:</i>				
Receivables and prepayments	(153,208,372)	(194,518,124)	(659,301,586)	(837,069,851)
Inventories	(51,535,765)	150,926,377	(221,773,858)	649,481,478
Trade and other payables, excluding payables for capital expenditures	199,928,165	71,519,863	860,350,874	307,771,427
<b>Change in working capital</b>	<b>(4,815,972)</b>	<b>27,928,116</b>	<b>(20,724,570)</b>	<b>120,183,054</b>
<b>Cash payments for derivatives, net</b>	<b>(1,426,383)</b>	<b>1,429,083</b>	<b>(6,138,154)</b>	<b>6,149,773</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>172,508,079</b>	<b>115,411,597</b>	<b>742,354,020</b>	<b>496,650,714</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(59,586,224)	(126,011,858)	(256,417,400)	(542,266,821)
Purchase of intangible assets	(1,856,450)	(475,303)	(7,988,861)	(2,045,371)
Proceeds from sale of property, plant and equipment	262,411	250,306	1,129,233	1,077,142
<b>Net cash used in investing activities</b>	<b>(61,180,263)</b>	<b>(126,236,855)</b>	<b>(263,277,028)</b>	<b>(543,235,050)</b>
<b>Cash flows from financing activities</b>				
Cash pooling movement	6,916,381	(34,446,660)	29,763,262	(148,234,312)
Long - term loans received from banks	44,126,912	346,928,560	189,891,341	1,492,937,672
Long - term loans repaid to banks	(66,276,609)	(106,742,193)	(285,208,132)	(459,343,679)
Short - term loans (repaid to)/ received from shareholders	(2,790,339)	8,759,085	(12,007,666)	37,692,970
Short - term loans/ (repaid to) received from banks, net	(17,127,684)	(174,820,532)	(73,705,563)	(752,305,195)
Interest and bank charges paid, net	(67,093,258)	(35,063,523)	(288,722,417)	(150,888,859)
<b>Net cash used in financing activities</b>	<b>(102,244,597)</b>	<b>4,614,737</b>	<b>(439,989,175)</b>	<b>19,858,597</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>9,083,219</b>	<b>(6,210,521)</b>	<b>39,087,817</b>	<b>(26,725,739)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>6,727,079</b>	<b>12,937,600</b>	<b>28,948,638</b>	<b>55,674,377</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15,810,298</b>	<b>6,727,079</b>	<b>68,036,455</b>	<b>28,948,638</b>

The consolidated financial statements have been approved on March 23<sup>rd</sup>, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

**CATALIN DUMITRU**  
**PRESIDENT of the BOARD of DIRECTORS**

**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**

**VASILE-GABRIEL MANOLE**  
**CHIEF FINANCIAL OFFICER**

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements.  
 English translation is for information purposes only. Romanian language text is the official text for submission.

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended at December 31, 2016

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**Amount in USD**

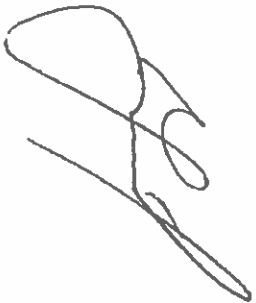
	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
December 31, 2014	1,463,323,897	74,050,518	(1,592,741,565)	(598,832,659)	996,574,490	344,374,681	12,475,317	356,849,998
Net loss for 2015	-	-	63,424,919	-	-	63,424,919	1,230,617	64,655,536
Other comprehensive income	-	-	-	-	2,120,040	2,120,040	-	2,120,040
Total comprehensive income	-	-	63,424,919	-	2,120,040	65,544,959	1,230,617	66,775,576
December 31, 2015	1,463,323,897	74,050,518	(1,529,316,646)	(598,832,659)	998,694,530	409,919,640	13,705,934	423,625,574
Net profit for 2016	-	-	56,070,210	-	-	56,070,210	1,075,157	57,145,367
Other comprehensive income	-	-	-	-	(2,146,679)	(2,146,679)	-	(2,146,679)
Total comprehensive income	-	-	56,070,210	-	(2,146,679)	53,923,531	1,075,157	54,998,688
December 31, 2016	1,463,323,897	74,050,518	(1,473,246,436)	(598,832,659)	996,547,851	463,843,171	14,781,091	478,624,262

The consolidated financial statements have been approved on March 23<sup>rd</sup>, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

CATALIN DUMITRU  
PRESIDENT of the BOARD of DIRECTORS



YEDIL UTEKOV  
CHIEF EXECUTIVE OFFICER



VASILE-GABRIEL MANOLE  
CHIEF FINANCIAL OFFICER



The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements.  
English translation is for information purposes only. Romanian language text is the official text for submission.

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended at December 31, 2016

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2a))

**Amount in RON**

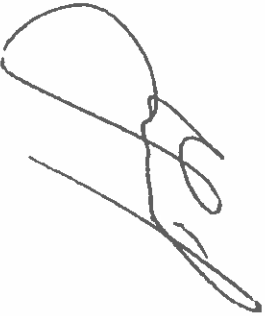
	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-controlling Interest	Total equity
December 31, 2014	6,297,121,726	318,661,594	(6,854,044,777)	(2,568,349,981)	4,288,559,003	1,481,947,565	53,685,032	1,535,632,600
Net less for 2015	-	-	272,936,454	-	-	272,936,454	5,295,714	278,232,168
Other comprehensive income	-	-	-	-	9,123,168	9,123,168	-	9,123,168
Total comprehensive income	-	-	272,936,454	-	9,123,168	282,059,622	5,295,714	287,355,333
December 31, 2015	6,297,121,726	318,661,594	(6,581,108,323)	(2,568,349,981)	4,297,682,171	1,764,007,187	58,980,746	1,822,987,933
Net profit for 2016	-	-	241,286,936	-	(9,237,804)	241,286,936	4,626,723	245,913,658
Other comprehensive income	-	-	-	-	(9,237,804)	(9,237,804)	-	(9,237,804)
Total comprehensive income	-	-	241,286,936	-	(9,237,804)	232,049,132	4,626,723	236,675,855
December 31, 2016	6,297,121,726	318,661,594	(6,339,821,387)	(2,568,349,981)	4,288,444,367	1,996,056,319	63,607,469	2,059,683,788

The consolidated financial statements have been approved on March 23<sup>rd</sup>, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

CATALIN DUMITRU  
 PRESIDENT of the BOARD of DIRECTORS



YEDIL UTEKOV  
 CHIEF EXECUTIVE OFFICER



VASILE-GABRIEL MANOLE  
 CHIEF FINANCIAL OFFICER



The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements.  
 English translation is for information purposes only. Romanian language text is the official text for submission.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

## **1. GENERAL**

Rompetrol Rafinare S.A. (hereinafter referred to as "the Parent Company" or "the Company" or "the Parent" or "RRC") is a company incorporated under Romanian law. The Parent Company operates Petromidia and Vega refineries. Petromidia refinery, located on the Black Sea coast, processes exclusively, imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975-1977 and was further modernized in the early 1990's and from 2005 to 2012.

Rompetrol Rafinare S.A and its subsidiaries (hereinafter referred to as "the Group") are involved in refining, petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 7.a). The number of employees of the Group at the end of 2016 and 2015 was 2,114 and 2,718 respectively.

The registered address of Rompetrol Rafinare S.A. is Bd. Navodari no. 215, Navodari, Constanta, Romania. Rompetrol Rafinare S.A. and its subsidiaries are part of KMG International N.V. with its registered address located at World Trade Centre, Strawinskylaan 807, Tower A, 8th floor, 1077 XX Amsterdam, the Netherlands.

The Group's ultimate parent company is "National Welfare Fund Samruk Kazyna" JSC, an entity with its headquarters in Kazakhstan and owned by the Kazakh State.

The Company is a joint stock company listed on the Bucharest Stock Exchange.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a) Basis of preparation and statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of December 31, 2016, as endorsed by the European Union ("EU").

The consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments and available-for-sale (AFS) financial assets that have been measured at fair value.

The consolidated financial statements provide comparative information in respect of the previous period.

### **b) Going concern**

The financial statements of the Group are prepared on a going concern basis. As at December 31, 2016 and 2015 the Group reported net assets including non-controlling interest, of USD 478.6 million and USD 423.6 million respectively. The Group reported for the year ended December 31, 2016 a profit of USD 56 million and for the year ended December 31, 2015 reported a profit of USD 63 million respectively.

The Group has developed a Long-Term Development Strategy for each area of the business up to the year 2022. This strategy is reaffirming the Group's commitment to the chosen direction of growth, by maximizing the economic value through access to end consumers of products manufactured by the Group.

**ROMPEIROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The strategy for the following years is a mixture of cost optimization projects for production and improvement of production yields. The main objective for the next year is the extension distribution operations in countries around the Black Sea, to benefit from increased vertical integration of refining operations for improved financial performance through the following:

- Strengthen The Group's retail network presence;
- Cost reduction initiatives in refining with the purpose to streamline processes and increase profitability;
- Increasing the competitiveness and the utilization parameters of the refineries, as well as reducing the processing unit costs and increase the energy consumption efficiency for a better Refining performance.

The management believes that the developments mentioned above will result in an enhancement of the Group's ability to support its continuing operations

Based on the Group's plans for 2017 and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

**c) Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective as of 1 January 2016:

• **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. Management has made use of this amendment.

• **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The Group has no assets which might come under the requirements of this amendment.

• **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group does not have any plans that fall within the scope of this amendment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to *IAS 28 Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The Group had no transactions in scope of this amendment.

- **The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these had a significant effect on the Group's financial statements:

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- **The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had a significant effect on the Group's financial statements:

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal; rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.



**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

**d) Standards issued but not yet effective**

The Group has not adopted ahead of schedule the following standards/interpretations:

- **IFRS 9 Financial Instruments – Classification and measurement**  
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments 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. The Group is in the process of assessing the impact of this amendment to the financial position or performance of the Group.
- **IFRS 15 Revenue from Contracts with Customers**  
The standard is effective for annual periods beginning on or after 1 January 2018. 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 Group has concluded on the preliminary assessment performed on this new standard, that no significant impact will have on the Group's financial position or performance.
- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**  
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this new standard on the Group's financial position or performance.
- **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. The standard has not been yet endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment to the financial position or performance of the Group.
  
- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**  
The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.
  
- **IAS 7: Disclosure Initiative (Amendments)**  
The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.
  
- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**  
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.
  
- **IAS 40: Transfers to Investment Property (Amendments).** The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration** The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.
- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

**e) Foreign currency translation**

The group's presentation currency is the US Dollar (or "USD") that is the functional currency of the Parent and is the currency of the primary economic environment and industry in which the Group operates.

Transactions and balances not already measured in USD, and that are measured in RON or other currencies, have been re-measured in USD as follows:

Monetary assets and liabilities

Cash and cash equivalents, receivables, payables and short-term loans have been translated into USD at the year-end exchange rate. Gain or loss on translation of these assets and liabilities is recorded in the income statement.

Non-monetary assets and liabilities

Non-monetary assets and liabilities are translated from their historical cost or valuation by applying the exchange rate USD/RON from the date of acquisition, valuation or contribution to the statement of financial position.

**ROMPEIROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Consolidated statement of income

Consolidated statement of income items have been translated applying the exchange rate from the month when the items were initially recorded to the consolidated income statement.

Exchange gains and losses arising on the re-measurement that are not denominated in USD are credited/charged to the consolidated Income Statement for the year.

Other matters

In Romania, the official exchange rates are published by the National Bank of Romania ("Central Bank" or "National Bank"), and are considered to be a reasonable approximation of market exchange rates.

The translation of RON denominated assets and liabilities into USD for the purpose of these consolidated financial statements does not indicate that the Group could realize or settle in US dollars the reported values of these assets and liabilities. Likewise it does not indicate that the Group could retain or distribute the reported USD values of equity to its shareholders.

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 31 December 2016 closing exchange rate of RON 4.3033= USD 1, for both 2016 and 2015 amounts.

**f) Significant accounting judgments, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the assets or liabilities affected in the future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The matters presented below are considered to be the most important in understanding the judgments that are involved in preparing these consolidated financial statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cash flows.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that can lead to material adjustments to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**ROMPEIROL RAFINARIE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Impairment of Goodwill on acquisitions

The Group's impairment test for goodwill is based on fair value less costs to sell calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to undertake. The recoverable amount is most 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 (Note 4).

- Impairment of non- financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are tested for impairment. 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 variation in regulatory environments. 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.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 4 and Note 5.

- Provision for environmental liability

The Group is involved in refining and petrochemicals, wholesale and retail and other related services. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the relevant regulations, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Group 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 disbursements are determined to be probable, are recognized as a provision in the Group's financial statements. When the final determination of such obligation amounts differs from the recognized provisions, the Group's income statement is impacted.

Further details on provision for environmental liability are provided in Note 16.

- Provision for decommissioning

The Group considers any provisions for decommissioning on acquisition of assets. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected costs to dismantle and remove the depot from the site and the expected timing of those costs. Changes to these assumptions could have a significant impact on the amount of the provision.

Further details on the provision for decommissioning are provided in Note 16.

- Deferred tax assets

Deferred tax assets are recognized for all unused tax losses 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.

Further details on deferred tax assets are provided in Notes 13 and 22.

**ROMPETROL RAFINARIE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Carrying value of trade and other receivables

The Group assesses at each reporting date the requirement for an allowance 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 allowance. The allowance is recognized where there is objective evidence that a particular trade receivable or a group of trade receivables have impaired.

- Carrying value of inventories

The Group considers on a regular basis the carrying value of inventories in comparison to expected use of items, impact of damaged or obsolete items, technical losses and a comparison to estimated net realizable value compared to cost, based on latest available information and market conditions. As applicable a reserve against the carrying value of inventories is made.

- Provision for litigations

The Group analyses its legal exposure regularly in order to determine whether provisions are required. In determining the amount of the provision, assumptions and estimates are made in relation to the probability of losing the case, the expected claim to be paid and the expected timing of the payments. Changes to these assumptions could have a significant impact on the amount of the provision.

Further details on the provisions relating to litigations are provided in Notes 16, 20 and 27.

**g) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

**ROMPEIROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If a Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

**h) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquired a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group analyses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

**ROMPEIROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**i) 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.

*i. Financial assets*

**Initial recognition and measurement**

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. The Group has not designated any financial assets at fair value through profit or loss. 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.

***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 effective interest rate. The effective interest rate 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.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***Available for sale financial assets***

Available for sale financial assets include equity investments. These are classified as available for sale assets are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available for sale assets 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 available for sale assets reserve to the statement of profit or loss in finance costs.

Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group 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 available for sale assets 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 effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. 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 consolidated 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.

### **Impairment of financial assets**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### *ii. 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 Group'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 at amortized cost;

#### **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.

### *iii. 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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**ROMPETROL RAFINARIE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Property, plant and equipment**

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been commissioned, such as repairs and maintenance are charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes cost of construction and other direct costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation for property, plant and equipment except land and construction in progress is computed using the straight-line method over the following estimated useful lives.

Buildings and other constructions	10 to 60 years
Storage tanks	20 to 30 years
Tank cars	25 years
Machinery and other equipment	3 to 20 years
Gas pumps	8 to 12 years
Vehicles	5 years
Furniture and office equipment	3 to 10 years
Computers	3 years

Assets held 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.

**k) Intangible assets**

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and 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 to 5 years.

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 programs are expensed as incurred.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **l) 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 Group estimates the recoverable amount of the cash-generating unit to which the 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 property, plant and equipment 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.

#### *Goodwill*

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicated that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

### **m) Provisions**

Provisions are recognized when the Group 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 of the amount of the obligation can be made. Where the Group 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.

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.

**ROMPETHOL HAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additional comments on the following specific liabilities are:

- *Decommissioning liability*

Decommissioning costs are provided at the present value of the expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at the current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the income statement as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs are added to or deducted from the cost of the assets.

- *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 expensed.

The Group 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 Group has set up a monitoring system 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.

**n) Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases. The Group has assets held under finance leases and that have been measured at their fair values at the date of acquisition.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, that represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the consolidated income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term, net of any operating lease incentives received.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**o) Inventories**

Inventories raw material, petroleum products, 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, minus 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.

**p) Trade 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 Group 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 that the receivable should 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.

**q) 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.

**r) Revenue recognition**

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 incentive discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized, that the Group:

- ▶ Has primary responsibility for providing the goods or service
- ▶ 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.

**RUMPEI HUL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**s) Interest bearing loans and borrowings**

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings 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.

**t) Borrowings costs**

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 consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

**u) Retirement benefit costs**

Payments made to state - managed retirement benefit schemes are dealt with as defined contribution plans where the Group 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.

Under collective labour agreements in certain of the Group's entities, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the reporting date based on the following informations: applicable benefits provided in the agreement; the number of employees with the relevant Group entities; and actuarial assumptions on future liabilities. 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 income statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans.

The Group has no other liabilities with respect to future pension, health and other costs for its employees.

**v) 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, by the reporting date, in the countries where the Group 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### *- 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 or loss
- ▶ 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.

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 at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. 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 Group 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 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.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

### **w) Dividends**

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

### **x) Foreign Currency Transactions**

The Group translates its foreign currency transactions and balances into functional currency by applying to the foreign currency amount 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.

### **y) Derivative Financial Instruments**

The Group enters into contracts to purchase and sell crude oil and oil products at future delivery dates. These contracts expose the Group primarily to risks of changes in fair value of crude oil and related oil products (commodity risk). The Group 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 Group 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 Group's policies approved by board of directors, which provide written principles on the use of financial derivatives. The Group 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 period profit or loss. The Group'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 deferred in equity are recognized in profit or loss in the same period in which the hedged items affects period 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 as they arise.

For the future contracts (purchase and sales contracts) that are entered into by the Group to hedge its commodity risk the realized and unrealized gains/losses are included in Cost of sales for the period (see Note 18).

**ROMPETROL RAFINARIE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**z) Emission Rights**

CO2 emission rights quota are allocated to the Group's refining and petrochemicals operations. For the period 2013-2020 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. Rompetrol Refinery received its quota allocation for 2016 and the one for 2017 was received on February 24, 2017. The Group accounts for the liability resulting from generating of these emissions using the net liability method. The actual emissions are not expected to exceed the certificates which the group has in its accounts in CO2 EU Register at the time of annual compliance (April 2017). The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective group companies. Income is recognised only when excess certificates are sold on the market.

**aa) Contingencies**

Contingent liabilities are not recognized in the consolidated 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**

**Amounts in USD**

	<u>Software</u>	<u>Other</u>	<u>Intangibles in progress</u>	<u>Total</u>
<b>Cost</b>				
<b>Opening balance as of January 1, 2015</b>	<b>33,011,787</b>	<b>38,803,764</b>	<b>2,569,470</b>	<b>74,385,021</b>
Additions	62,430	7,967	404,906	475,303
Transfers from CIP	342,075	333,233	(675,308)	-
Disposals	-	(471,408)	-	(471,408)
Transfers and reclassifications*	111,970	(136,828)	58,340	33,482
<b>Closing balance as of December 31, 2015</b>	<b>33,528,262</b>	<b>38,536,728</b>	<b>2,357,408</b>	<b>74,422,398</b>
Additions	2,418	63,716	1,790,316	1,856,450
Transfers from CIP	(72,269)	170,836	(98,567)	-
Transfers and reclassifications*	-	-	(26,805)	(26,805)
<b>Closing balance as of December 31, 2016</b>	<b>33,458,411</b>	<b>38,771,280</b>	<b>4,022,352</b>	<b>76,252,043</b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2015</b>	<b>(32,047,185)</b>	<b>(34,342,614)</b>	<b>(523,380)</b>	<b>(66,913,179)</b>
Charge for the year	(468,697)	(832,738)	-	(1,301,435)
Accumulated amortization of disposals	-	471,408	-	471,408
<b>Closing balance as of December 31, 2015</b>	<b>(32,515,882)</b>	<b>(34,703,944)</b>	<b>(523,380)</b>	<b>(67,743,206)</b>
Charge for the year	(552,315)	(690,760)	-	(1,243,075)
Accumulated amortization of disposals	158,713	(158,713)	-	-
<b>Closing balance as of December 31, 2016</b>	<b>(32,909,484)</b>	<b>(35,553,417)</b>	<b>(523,380)</b>	<b>(68,986,281)</b>
<b>Net book value</b>				
<b>As of December 31, 2015</b>	<b>1,012,380</b>	<b>3,832,784</b>	<b>1,834,028</b>	<b>6,679,192</b>
<b>As of December 31, 2016</b>	<b>548,927</b>	<b>3,217,863</b>	<b>3,498,972</b>	<b>7,265,762</b>

*\*) Includes, transfer to property, plant and equipment, reclassifications between categories and other adjustments;*

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**3. INTANGIBLE ASSETS (continued)**

Major part of "Other" (Intangible Assets) relates to licenses.

In 2016, out of the total additions of USD 1.85 million, USD 1.54 million (RON: 6.63 million) refers to licenses and software in relation to equipment for Rompetrol Rafinare.

**Amounts in RON**

	<u>Software</u>	<u>Other</u>	<u>Intangibles in progress</u>	<u>Total</u>
<b>Cost</b>				
<b>Opening balance as of January 1, 2015</b>	<b>142,059,623</b>	<b>166,984,238</b>	<b>11,057,200</b>	<b>320,101,061</b>
Additions	268,655	34,284	1,742,432	2,045,371
Transfers from CIP	1,472,051	1,434,002	(2,906,053)	-
Disposals	-	(2,028,610)	-	(2,028,610)
Transfers and reclassifications*	481,841	(588,812)	251,055	144,084
<b>Closing balance as of December 31, 2015</b>	<b>144,282,170</b>	<b>165,835,102</b>	<b>10,144,634</b>	<b>320,261,906</b>
Additions	10,405	274,189	7,704,267	7,988,861
Transfers from CIP	(310,995)	735,159	(424,164)	-
Transfers and reclassifications*	-	-	(115,350)	(115,350)
<b>Closing balance as of December 31, 2016</b>	<b>143,981,580</b>	<b>166,844,450</b>	<b>17,309,387</b>	<b>328,135,417</b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2015</b>	<b>(137,908,651)</b>	<b>(147,786,571)</b>	<b>(2,252,261)</b>	<b>(287,947,483)</b>
Charge for the year	(2,016,944)	(3,583,521)	-	(5,600,465)
Accumulated amortization of disposals	-	2,028,610	-	2,028,610
<b>Closing balance as of December 31, 2015</b>	<b>(139,925,595)</b>	<b>(149,341,482)</b>	<b>(2,252,261)</b>	<b>(291,519,338)</b>
Charge for the year	(2,376,777)	(2,972,548)	-	(5,349,325)
Accumulated amortization of disposals	682,990	(682,990)	-	-
<b>Closing balance as of December 31, 2016</b>	<b>(141,619,382)</b>	<b>(152,997,020)</b>	<b>(2,252,261)</b>	<b>(296,868,663)</b>
<b>Net book value</b>				
<b>As of December 31, 2015</b>	<b>4,356,575</b>	<b>16,493,620</b>	<b>7,892,373</b>	<b>28,742,568</b>
<b>As of December 31, 2016</b>	<b>2,362,198</b>	<b>13,847,430</b>	<b>15,057,126</b>	<b>31,266,754</b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**4. GOODWILL**

The carrying value of goodwill as of 31 December 2016 and 2015 was USD 82,871,706 (RON: 356,621,813).

The whole carrying amount of goodwill has been allocated to Downstream Romania Cash Generating Unit ("Downstream Romania CGU"). Two other cash generating units in the Group are: Refineries and Petrochemicals.

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil S.A.

**Impairment test**

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2016 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.

**5. PROPERTY, PLANT AND EQUIPMENT**

**Amounts in USD**

	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Vehicles and others</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost</b>					
<b>As of January 1, 2015</b>	<b>954,091,926</b>	<b>1,081,202,604</b>	<b>116,250,704</b>	<b>80,485,327</b>	<b>2,232,030,561</b>
Acquisitions	17,630	326,331	435,119	125,232,778	126,011,858
Transfers from CIP	14,866,205	108,154,495	8,808,609	(131,829,309)	-
Disposals	(24,589)	(1,083,768)	(2,733,853)	-	(3,842,210)
Transfers and reclassifications*	(816,911)	833,153	(632)	(73,096)	(57,486)
<b>As of December 31, 2015</b>	<b>968,134,261</b>	<b>1,189,432,815</b>	<b>122,759,947</b>	<b>73,815,700</b>	<b>2,354,142,723</b>
Additions	-	105,966	988,499	58,491,759	59,586,224
Transfers from CIP	11,851,455	12,568,200	4,443,607	(28,863,262)	-
Disposals	(1,532,984)	(9,996,145)	(3,086,799)	(19,962)	(14,635,890)
Transfers and reclassifications*	(8,347)	(26,084)	34,431	(118,839)	(118,839)
<b>As of December 31, 2016</b>	<b>978,444,385</b>	<b>1,192,084,752</b>	<b>125,139,685</b>	<b>103,305,396</b>	<b>2,398,974,218</b>
<b>Accumulated depreciation &amp; impairment</b>					
<b>As of January 1, 2015</b>	<b>(434,272,715)</b>	<b>(547,842,863)</b>	<b>(93,309,322)</b>	<b>(28,923,732)</b>	<b>(1,104,348,632)</b>
Charge for the year	(25,677,748)	(47,601,140)	(4,827,501)	-	(78,106,389)
Accumulated depreciation of disposals	6,960	1,073,175	2,494,033	-	3,574,168
Transfers and reclassifications*	430,745	(412,717)	631	-	18,659
<b>As of December 31, 2015</b>	<b>(459,512,758)</b>	<b>(594,783,545)</b>	<b>(95,642,159)</b>	<b>(28,923,732)</b>	<b>(1,178,862,194)</b>
Charge for the year	(26,044,186)	(63,416,506)	(5,074,257)	-	(94,534,949)
Accumulated depreciation of disposals	576,718	9,953,103	2,392,487	-	12,922,308
Impairment	-	-	-	(351,877)	(351,877)
Transfers & Reclassifications*	(141,778)	124,973	16,212	-	(593)
<b>As of December 31, 2016</b>	<b>(485,122,004)</b>	<b>(648,121,975)</b>	<b>(98,307,717)</b>	<b>(29,275,609)</b>	<b>(1,260,827,305)</b>
<b>Net book value as of December 31, 2015</b>	<b>508,621,503</b>	<b>594,649,270</b>	<b>27,117,788</b>	<b>44,891,968</b>	<b>1,175,280,529</b>
<b>Net book value as of December 31, 2016</b>	<b>493,322,381</b>	<b>543,962,777</b>	<b>26,831,968</b>	<b>74,029,787</b>	<b>1,138,146,913</b>

**ROMPETROL RAFINARA SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Amounts in RON**

	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost</b>					
<b>As of January 1, 2015</b>	<b>4,105,743,785</b>	<b>4,652,739,166</b>	<b>500,261,655</b>	<b>346,352,508</b>	<b>9,605,097,114</b>
Acquisitions	75,867	1,404,300	1,872,448	538,914,214	542,266,829
Transfers from CIP	63,973,740	465,421,238	37,906,087	(567,301,065)	-
Disposals	(105,814)	(4,663,779)	(11,764,590)	-	(16,534,183)
Transfers and reclassifications*	(3,515,413)	3,585,307	(2,720)	(314,554)	(247,380)
<b>As of December 31, 2015</b>	<b>4,166,172,165</b>	<b>5,118,486,232</b>	<b>528,272,880</b>	<b>317,651,103</b>	<b>10,130,582,380</b>
Additions	-	456,003	4,253,808	251,707,587	256,417,398
Transfers from CIP	51,000,366	54,084,735	19,122,174	(124,207,275)	-
Disposals	(6,596,890)	(43,016,411)	(13,283,422)	(85,902)	(62,982,625)
Transfers and reclassifications*	(35,920)	(112,247)	148,167	(511,401)	(511,401)
<b>As of December 31, 2016</b>	<b>4,210,539,721</b>	<b>5,129,898,312</b>	<b>538,513,607</b>	<b>444,554,112</b>	<b>10,323,505,752</b>
<b>Accumulated depreciation &amp; impairment</b>					
<b>As of January 1, 2015</b>	<b>(1,868,805,774)</b>	<b>(2,357,532,192)</b>	<b>(401,538,005)</b>	<b>(124,467,496)</b>	<b>(4,752,343,467)</b>
Charge for the year	(110,499,053)	(204,841,986)	(20,774,185)	-	(336,115,224)
Accumulated depreciation of disposals	29,951	4,618,194	10,732,572	-	15,380,717
Transfers and reclassifications*	1,853,625	(1,776,045)	2,715	-	80,295
<b>As of December 31, 2015</b>	<b>(1,977,421,251)</b>	<b>(2,559,532,029)</b>	<b>(411,576,903)</b>	<b>(124,467,496)</b>	<b>(5,072,997,679)</b>
Charge for the year	(112,075,946)	(272,900,250)	(21,836,051)	-	(406,812,247)
Accumulated depreciation of disposals	2,481,791	42,831,188	10,295,589	-	55,608,568
Impairment	-	-	-	(1,514,232)	(1,514,232)
Transfers & Reclassifications*	(610,113)	537,797	69,765	-	(2,551)
<b>As of December 31, 2016</b>	<b>(2,087,625,519)</b>	<b>(2,789,063,294)</b>	<b>(423,047,600)</b>	<b>(125,981,728)</b>	<b>(5,425,718,141)</b>
<b>Net book value as of December 31, 2015</b>	<b>2,188,750,914</b>	<b>2,558,954,203</b>	<b>116,695,977</b>	<b>193,183,607</b>	<b>5,057,584,701</b>
<b>Net book value as of December 31, 2016</b>	<b>2,122,914,202</b>	<b>2,340,835,018</b>	<b>115,466,007</b>	<b>318,572,384</b>	<b>4,897,787,611</b>

In 2016, Transfers and Reclassifications of USD 0.132 million (RON 0.567 million) represent transfer to intangibles, reclassifications between categories and other adjustments.

- *Construction in progress*

During 2016, equipment and other assets in value of USD 6.1 million (2015: USD 6.2 million) were commissioned in relation to of Rebranding project for the modernization of retail stations of Downstream.

In 2016 out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: Refinery specific optimisation programs amounting to USD 7.65 million, ISCIR authorisations amounting to USD 4.93 million, Tank rehabilitation amounting to USD 4.3 million and Refinery 2017 turnaround amounting to USD 3 million. Part of these projects have been transferred to the other property, plant and equipment categories.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

In 2016 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 7.9 million, ISCIR authorisations amounting to USD 5 million, Refinery specific optimisation programs amounting to USD 5.8 million and Refinery 2017 turnaround amounting to USD 2.8 million in respect of Rompetrol Rafinare SA.

During 2015, Construction in progress additions refers mainly to Refinery general turnaround (USD 72 million) and workings for extension of authorization for static equipment, ISCIR (USD 16 million).

Also, in 2015 were transferred into function USD 88 million for Refinery general turnaround and workings for extension of authorization for static equipment, ISCIR, USD 11.2 million in respect of a new Electrostatic Precipitator for reducing the residual gases particles in Catalytic Cracking Unit, USD 2.8 million for extending equipment functionality time for Refinery static equipment, USD 1.7 million for execution of an efficient dredging in order to restore the design water depth in Midia Port.

- *Disposals*

In 2016, out of the total USD 14.6 million disposed assets, USD 9.5 million refers to change of catalysts for Rompetrol Rafinare S.A. and USD 4.9 million refers to write-offs for Rompetrol Downstream.

In 2015, of the total USD 3.8 million disposed assets, USD 1 million refers to write-offs for Rompetrol Rafinare S.A. and USD 1.98 million refers to write-offs for Rompetrol Downstream.

- *Borrowing costs capitalized*

The Group is financing part of its operations from borrowings and hence the cost of these borrowings related to acquisition of qualifying assets is capitalized as part of the cost of those qualifying assets. For the years ended at 31 December 2016 and 31 December 2015 no loans were taken specifically for investments and - no borrowing costs were capitalized.

- *Disposals through sales of subsidiaries and liquidations*

During 2016 and 2015 there was no disposal of companies.

- *Impairment*

The Group completes an annual assessment for any indication of impairment for all entities based on specific asset considerations, as applicable, and taking into consideration expectations on future estimated cash flows. Impairment tests have been performed by the Group for the carrying value of goodwill and property plant and equipment as of 31 December 2016 on the cash generating units ("CGUs") listed below in Note 6.

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment of approximately USD 420.29 million (2015: USD 393.89 million) net, for securing banking facilities granted to Group entities.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**6. IMPAIRMENT TEST**

Impairment tests have been performed by the Group for the carrying value of goodwill and property plant and equipment as of 31 December 2016 on the cash generating units ("CGUs") listed below. Based on the impairment tests performed, no impairment has been identified.

As of December 31, 2016 the net book value of property plant and equipment for the cash generating units is the following: Refining USD 815 million, Petrochemicals USD 110 million, Downstream USD 192 million.

*Refining*

Refining CGU includes the operations of Petromidia Refinery and Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 9.6% (2015: 9.8%) and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.1% (2015: 8.3%).

*Petrochemicals*

Petrochemicals CGU includes the petrochemical business of the group, which is included within Rompetrol Rafinare legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 9.6% (2015:9.8%) and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.1% (2015: 8.3%).

*Downstream Romania*

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil S.A.

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 9.6% (2015 9.8%) and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.1 % (2015: 8.3%).

*Key assumptions used in fair value less costs to sell calculations*

The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs are:

- Operating profit;
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period.

Following Operating profit margin on the basis of Net revenues were applied for the relevant Cash Generating Units:

	2017	2018	2019	2020	2021
Rompetrol Refinery	2.1%	2.6%	5.5%	4.9%	5.6%
Petrochemicals	-0.9%	-0.8%	2.7%	0.3%	3.4%
Downstream Romania	2.7%	2.6%	4.4%	4.0%	3.9%

**ROMPETROL RAFINARIE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**6. IMPAIRMENT TEST (continued)**

Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

Growth rate estimates - Rates are based on published industry research.

**Sensitivity to changes in assumptions**

With regard to the assessment of the fair value less costs to sell for cash generating units, management believes that it is very unlikely that changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, other than as disclosed below:

*Rompetrol Refinery*

The break-even point for the current model is achieved under a decrease of 48.1% of Operating profit, reaching the following Operating profit margins:

	2017	2018	2019	2020	2021
Operating profit margin	1.1%	1.3%	2.8%	2.6%	2.9%

*Petrochemicals*

The break-even point for the current model is achieved under a decrease of 62.5% of Operating profit, reaching the following Operating profit margins:

	2017	2018	2019	2020	2021
Operating profit margin	-0.3%	-0.3%	1.0%	0.1%	1.3%

*Downstream Romania*

The break-even point for the current model is achieved under a decrease of Operating profit of 67.2% reaching the following Operating profit margins:

	2017	2018	2019	2020	2021
Operating profit margin	0.9%	0.8%	1.5%	1.3%	1.3%

\*Operating profit margins were computed based on net revenue.



**ROMPETROL RAFINAHE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**7. INVESTMENTS**

**a) Investments in Consolidated Subsidiaries**

Details of the Group consolidated subsidiaries at December 31, 2016 and 2015 are as follows:

<u>Company name</u>	<u>Range of activity</u>	<u>Effective ownership December 31, 2016</u>	<u>Control December 31, 2016</u>	<u>Effective ownership December 31, 2015</u>	<u>Control December 31, 2015</u>
Romp petrol Downstream S.R.L.	Retail Trade of Fuels and Lubricants	100.00%	100.00%	100.00%	100.00%
Rom Oil S.A.	Wholesale of Fuels; fuel storage	100.00%	100.00%	100.00%	100.00%
Romp petrol Logistics S.R.L.	Logistics operations	66.19%	100.00%	66.19%	100.00%
Romp petrol Petrochemicals S.R.L.	Petrochemicals	100.00%	100.00%	100.00%	100.00%
Romp petrol Quality Control S.R.L.	Quality Control Services	100.00%	100.00%	100.00%	100.00%
Romp petrol Gas S.R.L.	LPG Sales	66.19%	100.00%	66.19%	100.00%

Effective ownership interests for the Group takes into consideration indirect shareholding weighted with corresponding Group ownership in the intermediate shareholder and this percentage is used for consolidation, while the control percent takes into consideration the total interest controlled directly and indirectly.

**b) Available for sale Investments**

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Other	18,583	18,583	79,968	79,968
<b>Total</b>	<b>18,583</b>	<b>18,583</b>	<b>79,968</b>	<b>79,968</b>

Other investments are investments in companies in Romania, which are held primarily for long-term growth potential.

**8. INVENTORIES, NET**

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Crude oil and other feedstock materials	110,510,568	66,761,850	475,560,127	287,296,269
Petroleum and petrochemical products	69,858,959	74,425,417	300,624,058	320,274,897
Work in progress	28,704,734	16,533,052	123,525,082	71,146,683
Spare parts	16,612,033	17,037,964	71,486,562	73,319,470
Consumables and other raw materials	5,583,758	5,032,259	24,028,586	21,655,320
Merchandises	6,787,215	6,553,792	29,207,422	28,202,933
Other inventories	8,725,268	8,867,371	37,547,446	38,158,958
Inventories provision	(16,690,970)	(19,479,973)	(71,826,251)	(83,828,168)
	<b>230,091,565</b>	<b>175,731,732</b>	<b>990,153,032</b>	<b>756,226,362</b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**8. INVENTORIES, NET (continued)**

The inventories provision movement in 2016 and 2015 is provided below:

**Movements in inventories reserve:**

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
<b>Reserve as of January 1</b>	<b>(19,479,973)</b>	<b>(55,905,241)</b>	<b>(83,828,168)</b>	<b>(240,577,024)</b>
Accrued provision	(6,103,255)	(7,139,391)	(26,264,137)	(30,722,941)
Write off	111,172	195,573	478,406	841,609
Reversal of provision	8,781,086	43,369,086	37,787,648	186,630,188
<b>Reserve as of December 31</b>	<b>(16,690,970)</b>	<b>(19,479,973)</b>	<b>(71,826,251)</b>	<b>(83,828,168)</b>

The inventories provisions mainly represent the provision for net realizable value in relation to refineries and petrochemical plant.

The Group has pledged inventories in gross amount of USD 170.16 million (2015: USD 182.93 million) to secure banking facilities.

**9. TRADE AND OTHER RECEIVABLES**

As mentioned in Note 1 the Parent company and its subsidiaries are part of KMG International Group. The balances with related parties are disclosed in Note 24.

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Trade receivables	252,476,726	238,384,665	1,086,483,095	1,025,840,729
Advances to suppliers	9,141,906	8,086,603	39,340,364	34,799,079
Sundry debtors	31,018,813	31,935,506	133,483,258	137,428,063
VAT to be recovered	71,450	11,457	307,471	49,303
Other receivables	87,603,703	133,631,629	376,985,015	575,056,989
Provision for bad and doubtful debts	(92,735,110)	(93,925,432)	(399,066,999)	(404,189,312)
	<b>287,577,488</b>	<b>318,124,428</b>	<b>1,237,532,204</b>	<b>1,368,984,851</b>

Movement in the above provision is disclosed below and in Note 20.

Included in Sundry debtors in 2016 is an amount of USD 20.99 million (2015: USD 22.79 million) for payment made by Rompetrol Rafinare for antidumping and countervailing taxes for Biodiesel import (in respect with KMGI); and USD 2.75 million (2015: USD 2.85 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2007-2010 period, and an additional USD 3.2 million (2015: USD 3.3 million) for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) (see Note 27).

Out of the total balance for other receivables of USD 87.61 million, an amount of USD 24.74 million (2015: USD 22.77 million) relates to Competition Council fine from Downstream and USD 24.4 million relates to cash pooling receivables for: Rompetrol Downstream (USD 15.4 million), Rompetrol Gas (USD 8.34 million), and Rompetrol Quality Control (USD 0.61 million). Also, in other receivables an amount of USD 13.08 million (2015: USD 15.07 million) refers to excise receivables in Rompetrol Rafinare.

**ROMPETROL RAFINARIE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**9. TRADE AND OTHER RECEIVABLES (continued)**

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
Sundry debtors	31,018,813	31,935,506	133,483,258	137,428,063
Other receivables	87,603,703	133,631,629	376,985,015	575,056,989
Provision for sundry debtors and other receivables	(26,520,402)	(25,723,791)	(114,125,244)	(110,697,188)

Out of the total amount of other receivables and sundry debtors of USD 118.6 million (2015: USD 165.5 million) an amount of USD 26.52 million (2015: USD 25.72 million) is provisioned.

The movement in provision for doubtful debts for trade and other receivables is as follows:

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
<b>Balance at the beginning of the year</b>	<b>(93,925,432)</b>	<b>(100,649,376)</b>	<b>(404,189,312)</b>	<b>(433,124,460)</b>
Impairment losses recognized on receivables	(1,347,495)	(25,950,819)	(5,798,675)	(111,674,159)
Impairment losses reversed	2,049,147	21,844,146	8,818,094	94,001,913
Transfer from provisions	-	-	-	-
Translation differences	488,670	10,830,617	2,102,894	46,607,394
<b>Balance at the end of the year</b>	<b>(92,735,110)</b>	<b>(93,925,432)</b>	<b>(399,066,999)</b>	<b>(404,189,312)</b>

As at 31 December, the ageing analysis of trade receivables is as follows:

	<u>USD</u>		<u>Past due but not impaired</u>				
	<u>Total</u>	<u>Neither past due not impaired</u>	<u>1-30 days</u>	<u>30-60 days</u>	<u>60-90 days</u>	<u>90-120 days</u>	<u>&gt;120 days</u>
<b>2016</b>	<b>186,262,018</b>	<b>101,005,281</b>	<b>23,216,368</b>	<b>9,435,088</b>	<b>6,666,049</b>	<b>5,063,161</b>	<b>40,876,071</b>
<b>2015</b>	<b>170,183,024</b>	<b>98,832,805</b>	<b>21,489,207</b>	<b>9,616,079</b>	<b>5,976,372</b>	<b>4,133,587</b>	<b>30,134,974</b>

	<u>RON</u>		<u>Past due but not impaired</u>				
	<u>Total</u>	<u>Neither past due not impaired</u>	<u>1-30 days</u>	<u>30-60 days</u>	<u>60-90 days</u>	<u>90-120 days</u>	<u>&gt;120 days</u>
<b>2016</b>	<b>801,541,340</b>	<b>434,656,024</b>	<b>99,906,996</b>	<b>40,602,014</b>	<b>28,686,009</b>	<b>21,788,301</b>	<b>175,901,996</b>
<b>2015</b>	<b>732,348,605</b>	<b>425,307,207</b>	<b>92,474,504</b>	<b>41,380,873</b>	<b>25,718,122</b>	<b>17,788,065</b>	<b>129,679,834</b>

As at 31 December 2016, trade receivables at initial value of USD 66.21 million (2015: USD 68.2 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**9. TRADE AND OTHER RECEIVABLES (continued)**

	<b>Individually impaired USD</b>	<b>Collectively impaired USD</b>	<b>Total USD</b>
<b>At 1 January 2015</b>	<b>55,919,403</b>	<b>18,083,069</b>	<b>74,002,472</b>
Charge for the year	1,597,230	1,516,834	3,114,064
Unused amounts reversed	(741,809)	(313,769)	(1,055,578)
Exchange rate differences	(5,663,895)	(2,195,422)	(7,859,317)
<b>At 31 December 2015</b>	<b>51,110,929</b>	<b>17,090,712</b>	<b>68,201,641</b>
Charge for the year	949,986	395,857	1,345,843
Unused amounts reversed	(262,489)	(721,003)	(983,492)
Exchange rate differences	(1,400,328)	(948,956)	(2,349,284)
<b>At 31 December 2016</b>	<b>50,398,098</b>	<b>15,816,610</b>	<b>66,214,708</b>

	<b>Individually impaired RON</b>	<b>Collectively impaired RON</b>	<b>Total RON</b>
<b>At 1 January 2015</b>	<b>240,637,967</b>	<b>77,816,872</b>	<b>318,454,839</b>
Charge for the year	6,873,360	6,527,392	13,400,752
Unused amounts reversed	(3,192,227)	(1,350,242)	(4,542,469)
Exchange rate differences	(24,373,439)	(9,447,559)	(33,820,998)
<b>At 31 December 2015</b>	<b>219,945,661</b>	<b>73,546,463</b>	<b>293,492,124</b>
Charge for the year	4,088,073	1,703,491	5,791,564
Unused amounts reversed	(1,129,569)	(3,102,692)	(4,232,261)
Exchange rate differences	(6,026,031)	(4,083,641)	(10,109,672)
<b>At 31 December 2016</b>	<b>216,878,134</b>	<b>68,063,621</b>	<b>284,941,755</b>

Trade receivables totaling USD 132.18 million (RON 568.8 million) as at December 31, 2016 and USD 145.01 million (RON 601.46 million) as at December 31, 2015 are pledged to obtain credit facilities (see Notes 12 and 15).

**10. CASH AND CASH EQUIVALENTS**

	<b>2016 USD</b>	<b>2015 USD</b>	<b>2016 RON</b>	<b>2015 RON</b>
Cash at bank	14,472,800	5,115,560	62,280,800	22,013,789
Cash on hand	1,196,646	979,233	5,149,527	4,213,933
Cash equivalents	140,852	632,286	606,128	2,720,916
	<b>15,810,298</b>	<b>6,727,079</b>	<b>68,036,455</b>	<b>28,948,638</b>

Included in cash at bank is USD 1.54 million (RON 6.63 million) as at December 31, 2016 and USD 0.74 million (RON 3.09 million) as at December 31, 2015 representing cash collateral for certain bank facilities (see Note 12 and 15). Cash equivalents represent mainly cheques in the course of being cashed.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**11.SHARE CAPITAL**

As of December 31, 2016 and 2015 the share capital consisted of 44,109,205,726, authorized, issued and fully paid ordinary shares with a face value of RON 0.1 each.

Shareholders' structure as at December 31, 2016 is as follows:

<b>December 31, 2016</b>				
<b>Shareholders</b>	<b>Ownership</b>	<b>Amount per statutory documents [RON]</b>	<b>Amount under IFRS [USD]</b>	<b>Amount under IFRS [RON]</b>
KMG International NV	48.11%	2,122,250,642	704,057,130	3,029,769,048
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,814,555,597
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	407,454,823
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	3,137,953
Others (not State or KMGI Group)	0.67%	29,562,686	9,807,428	42,204,305
<b>Total</b>	<b>100%</b>	<b>4,410,920,571</b>	<b>1,463,323,897</b>	<b>6,297,121,726</b>

Shareholders' structure as at December 31, 2015 was as follows:

<b>December 31, 2015</b>				
<b>Shareholders</b>	<b>Ownership</b>	<b>Amount per statutory documents [RON]</b>	<b>Amount under IFRS [USD]</b>	<b>Amount under IFRS [RON]</b>
KMG International NV	48.11%	2,122,250,642	704,057,130	3,029,769,048
Romanian State represented by Ministry of Energy, Small and Medium Enterprises and Business Environment	44.70%	1,971,500,905	654,045,871	2,814,555,597
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	407,454,823
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	3,137,953
Others (not State or KMGI Group)	0.67%	29,562,686	9,807,428	42,204,305
<b>Total</b>	<b>100%</b>	<b>4,410,920,571</b>	<b>1,463,323,897</b>	<b>6,297,121,726</b>

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2016 and 2015.

*Share premium and effect of transfers with equity holders*

Share premium and effect of transfers with equity holders are the result of conversion of bonds into ordinary shares as at September 30, 2010 in favor of the Romanian State represented by the Ministry of Finance, following the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

The transactions resulted in an impact on the Effect of transfer with equity holders reserve amounting USD 596.83 million and share premium of USD 74 million.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**11. SHARE CAPITAL (continued)**

*Hybrid Loan*

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into an unsecured hybrid loan, repayable after 51 years. During 2013, an additional USD 200,000,000 were converted (USD 150 million related to Rompetrol Rafinare and USD 50,000,000 to Rompetrol Downstream), the hybrid loan amounting to USD 1,000 million. The loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- ✓ the company records net profit after tax in the year
- ✓ the company will be able to distribute dividends as per the Romanian law requirements

**12. LONG-TERM BORROWINGS FROM BANKS**

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream:</b> The entire exposure is composed by 2 different loans in USD. The loans are payable by April 23, 2018.	<u>127,850,463</u>	<u>143,321,980</u>	<u>550,178,897</u>	<u>616,757,477</u>
	-	-	-	-
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare:</b> The exposure is composed by 4 loans in USD. The loans are payable by April 23, 2018.	<u>65,556,435</u>	<u>72,365,077</u>	<u>282,109,007</u>	<u>311,408,636</u>
	-	-	-	-
Amount payable within one year principal	<u>(244,093)</u>	<u>(374,555)</u>	<u>(1,050,404)</u>	<u>(1,611,823)</u>
<b>Total</b>	<u>193,162,805</u>	<u>215,312,502</u>	<u>831,237,500</u>	<u>926,554,290</u>

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
One year or less - principal	244,093	374,555	1,050,404	1,611,823
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	<u>193,162,805</u>	<u>215,312,502</u>	<u>831,237,500</u>	<u>926,554,290</u>
<b>Total</b>	<u>193,406,898</u>	<u>215,687,057</u>	<u>832,287,904</u>	<u>928,166,113</u>

The loans are secured with pledges on property plant and equipment of USD 420.29 million (2015: USD 393.89), inventories of USD 170.16 million (2015: USD 182.93) and trade receivables of USD: 132.18 million (2015: USD 145.01 million).

The club loan with Raiffeisen/BCR/ING/Unicredit is secured with a USD 200 million Corporate Guarantee by NC KazMunayGas JSC with a maturity of 5 years. The undrawn amount from the total facility as at December 31, 2016 is in amount of USD 46.85 million.

All the financial covenants applicable were complied with as of December 31, 2016.

**ROMPEIROL HAFINAHE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**13. DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax, net balances are presented in the statement of financial position as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Deferred tax assets	(63,468,579)	(59,988,028)	(273,124,337)	(258,146,482)
Deferred tax liabilities	306,570	306,570	1,319,263	1,319,263
<b>Deferred tax (asset) / liability, net</b>	<b>(63,162,009)</b>	<b>(59,681,458)</b>	<b>(271,805,074)</b>	<b>(256,827,219)</b>

The deferred tax (assets) /liabilities are comprised of the tax effect of the temporary differences related to:

**USD**

2016	<u>Opening balance</u>	<u>Charged/(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
<b>Temporary differences</b>				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	102,946,669	22,059,594	-	125,006,263
Inventories	82,619	-	-	82,619
Provisions	(65,525,531)	-	-	(65,525,531)
Tax losses	(410,561,444)	(43,813,038)	-	(454,374,482)
Other	(663)	-	-	(663)
<b>Total temporary differences (asset)/liability</b>	<b>(373,009,112)</b>	<b>(21,753,444)</b>	<b>-</b>	<b>(394,762,556)</b>
<b>Deferred tax effect</b>				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	16,471,467	3,529,535	-	20,001,002
Inventories	13,219	-	-	13,219
Provisions	(10,484,085)	-	-	(10,484,085)
Tax losses	(65,689,831)	(7,010,086)	-	(72,699,917)
Other	(106)	-	-	(106)
<b>Deferred tax (asset)/liability recognized</b>	<b>(59,681,458)</b>	<b>(3,480,551)</b>	<b>-</b>	<b>(63,162,009)</b>

**RON**

2016	<u>Opening balance</u>	<u>Charged/(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
<b>Temporary differences</b>				
Intangible assets	211,886	-	-	211,886
Property, plant and equipment	443,010,401	94,929,051	-	537,939,452
Inventories	355,534	-	-	355,534
Provisions	(281,976,018)	-	-	(281,976,018)
Tax losses	(1,766,769,062)	(188,540,646)	-	(1,955,309,708)
Other	(2,853)	-	-	(2,853)
<b>Total temporary differences (asset)/liability</b>	<b>(1,605,170,112)</b>	<b>(93,611,595)</b>	<b>-</b>	<b>(1,698,781,707)</b>
<b>Deferred tax effect</b>				
Intangible assets	33,901	-	-	33,901
Property, plant and equipment	70,881,664	15,188,648	-	86,070,312
Inventories	56,885	-	-	56,885
Provisions	(45,116,163)	-	-	(45,116,163)
Tax losses	(282,683,050)	(30,166,503)	-	(312,849,553)
Other	(456)	-	-	(456)
<b>Deferred tax (asset)/liability recognized</b>	<b>(256,827,219)</b>	<b>(14,977,855)</b>	<b>-</b>	<b>(271,805,074)</b>

**ROMPETROL RAFINARIE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**13. DEFERRED TAX ASSETS AND LIABILITIES (continued)**

<b>USD</b>				
<b>2015</b>	<b>Opening balance</b>	<b>Charged/(Credited) to income</b>	<b>Charged/(Credited) to equity</b>	<b>Closing balance</b>
<i>Temporary differences</i>				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	1,784,869	101,161,800	-	102,946,669
Inventories	82,619	-	-	82,619
Provisions	-	(65,525,531)	-	(65,525,531)
Tax losses	-	(410,561,444)	-	(410,561,444)
Other	(663)	-	-	(663)
<b>Total temporary differences (asset)/liability</b>	<b>1,916,063</b>	<b>(374,925,175)</b>	<b>-</b>	<b>(373,009,112)</b>
<i>Deferred tax effect</i>				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	285,579	16,185,888	-	16,471,467
Investments	-	-	-	-
Inventories	13,219	-	-	13,219
Provisions	-	(10,484,085)	-	(10,484,085)
Tax losses	-	(65,689,831)	-	(65,689,831)
Other	(106)	-	-	(106)
<b>Deferred tax (asset)/liability recognized</b>	<b>306,570</b>	<b>(59,988,028)</b>	<b>-</b>	<b>(59,681,458)</b>
<b>RON</b>				
<b>2015</b>	<b>Opening balance</b>	<b>Charged/(Credited) to income</b>	<b>Charged/(Credited) to equity</b>	<b>Closing balance</b>
<i>Temporary differences</i>				
Intangible assets	211,886	-	-	211,886
Property, plant and equipment	7,680,827	435,329,574	-	443,010,401
Inventories	355,534	-	-	355,534
Provisions	-	(281,976,018)	-	(281,976,018)
Tax losses	-	(1,766,769,062)	-	(1,766,769,062)
Other	(2,853)	-	-	(2,853)
<b>Total temporary differences (asset)/liability</b>	<b>8,245,394</b>	<b>(1,613,415,506)</b>	<b>-</b>	<b>(1,605,170,112)</b>
<i>Deferred tax effect</i>				
Intangible assets	33,901	-	-	33,901
Property, plant and equipment	1,228,932	69,652,732	-	70,881,664
Inventories	56,885	-	-	56,885
Provisions	-	(45,116,163)	-	(45,116,163)
Tax losses	-	(282,683,050)	-	(282,683,050)
Other	(456)	-	-	(456)
<b>Deferred tax (asset)/liability recognized</b>	<b>1,319,262</b>	<b>(258,146,481)</b>	<b>-</b>	<b>(256,827,219)</b>

The ability of the Group to obtain recovery of its deferred tax asset depends on the entities ability, where tax losses have arisen to generate taxable income sufficient to cover the applicable tax losses available. The Group did not recognize deferred tax income for all available tax losses (see note 22). Management considers that future taxable income will be generated for recovery of the available tax losses where it has recognized a corresponding deferred tax asset.

See also note 22 for details for the income tax rate and other related matters.

Deferred tax assets and liabilities cannot be offset between the companies from Romania. The local fiscal law does not define the concept of "Fiscal Group".



**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**14. TRADE AND OTHER PAYABLES**

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
Trade payables	628,497,691	562,618,865	2,704,614,119	2,421,117,761
Advances from customers	21,064,941	19,072,803	90,648,759	82,075,993
Special fund tax for oil products	6,404,729	6,644,868	27,561,470	28,594,860
VAT payable	27,329,857	29,096,646	117,608,574	125,211,597
Profit tax payable	185,336	214,424	797,556	922,731
Other taxes payable	(620,103)	336	(2,668,489)	1,446
Employees and social obligations	2,891,425	4,131,314	12,442,669	17,778,284
Deferred revenues	5,801,965	5,664,303	24,967,596	24,375,195
Other liabilities	97,015,834	135,289,435	417,488,238	582,191,026
<b>Total</b>	<b><u>788,571,675</u></b>	<b><u>762,732,994</u></b>	<b><u>3,393,460,492</u></b>	<b><u>3,282,268,893</u></b>

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol S.R.L. ("Master Company"). The amounts in balance as of December 31, 2016 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 77.69 million and Romoil USD 2 million. Rompetrol Downstream S.R.L., Rompetrol Gas and Rompetrol Quality Control S.R.L. have a positive balance included in other receivables (see note 9) amounting to USD 15.4 million, USD 8.34 million and 0.61 million respectively.

Also in other liabilities are included short term guarantees in Rompetrol Downstream S.R.L., in amount of USD 3.45 million (2015: USD 3.11 million).

**15. SHORT-TERM DEBT**

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
<b>Bancpost</b>	<b><u>20,644,165</u></b>	<b><u>37,661,977</u></b>	<b><u>88,838,036</u></b>	<b><u>162,070,785</u></b>
Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2017. Drawings in USD/EUR/RON. The undrawn amount as at December 31, 2016 is in amount of USD 11.01 million.				
<b>Current portion of long-term debt</b>	<b><u>244,093</u></b>	<b><u>374,555</u></b>	<b><u>1,050,404</u></b>	<b><u>1,611,823</u></b>
	<b><u>20,888,258</u></b>	<b><u>38,036,532</u></b>	<b><u>89,888,440</u></b>	<b><u>163,682,608</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**15. SHORT-TERM DEBT (continued)**

	2016	2015	2016	2015
	USD	USD	RON	RON
<b>Borrowings from shareholders and related parties</b>				
<b>KMG International N.V.</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - December 31, 2017; Guarantees: 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. The undrawn amount as at December 31, 2016 is in amount of USD 54 million.	196,066,903	196,066,903	843,734,704	843,734,704
Rompetroil Financial Group	26,723,677	29,215,000	114,999,999	125,720,910
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to USD 26.72 million, maturity date - December 31, 2017. The facility has been fully used.	17,261,257	17,261,257	74,280,367	74,280,367
KMG International N.V.	7,000,000	7,000,000	30,123,100	30,123,100
Rompetroil Downstream SRL: Working capital facility for USD 39,2million. Maturity date is December 31, 2017 with the possibility to be extended automatically with the agreement of both parties. The undrawn amount as at December 31, 2016 is in amount of USD 22 million.	3,020,937	3,134,267	12,999,998	13,487,691
<b>Midia Marine Terminal</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of USD 7 million, maturity date December 31, 2017. The facility has been fully used.	2,602,654	2,700,292	11,200,001	11,620,167
Rompetroil Well Services S.A	1,626,659	1,687,682	7,000,002	7,262,602
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - January 14, 2017. The loan is secured with a promissory note covering the debt. The facility has been fully used.	720,377	747,402	3,099,998	3,216,295
Rompetroil Well Services S.A	13,231,505	48,869,263	56,939,134	210,299,099
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date - January 3, 2017. The loan is secured with a promissory note covering the debt. The facility has been fully used.	268,253,969	306,682,066	1,154,377,303	1,319,744,935
<b>Accrued Interest</b>				

**ROMPETROL RAFINARIE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**15.SHORT-TERM DEBT (continued)**

All the financial covenants applicable were complied with as of December 31, 2016.

All loans are interest bearing and the effective weighted average interest rates per currency are the following: EUR 2.98% (2015: 2.75%), RON 4.20% (2015: 4.32%) and USD 3.17% (2015: 3.20%).

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 420.29 million (2015: USD 393.89), inventories of USD 170.16 million (2015: USD 182.93) and trade receivables of USD: 132.18 million (2015: USD 145.01 million).

**16. PROVISIONS**

Provisions comprise the following:

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
Non-current provisions	76,429,343	79,036,717	328,898,391	340,118,704
<b>Total Provisions</b>	<b>76,429,343</b>	<b>79,036,717</b>	<b>328,898,391</b>	<b>340,118,704</b>

The movement in provisions is presented below:

<b>USD</b>	<u>At 1 January</u> <u>2016</u>	<u>Charged to</u> <u>equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>Reclassification</u> <u>between balance</u> <u>sheet items</u>	<u>At 31 December</u> <u>2016</u>
Provision for retirement benefit	6,550,536	1,029,432	(621,564)	-	6,958,404
Provision for restructuring	13,486	-	-	-	13,486
Environmental provisions	65,595,731	-	-	-	65,595,731
Other provisions	6,876,964	-	-	(3,015,242)	3,861,722
<b>Total</b>	<b>79,036,717</b>	<b>1,029,432</b>	<b>(621,564)</b>	<b>(3,015,242)</b>	<b>76,429,343</b>

<b>RON</b>	<u>At 1 January</u> <u>2016</u>	<u>Charged to</u> <u>equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>Reclassification</u> <u>between balance</u> <u>sheet items</u>	<u>At 31 December</u> <u>2016</u>
Provision for retirement benefit	28,188,922	4,429,955	(2,674,777)	-	29,944,100
Provision for restructuring	58,034	-	-	-	58,034
Environmental provisions	282,278,109	-	-	-	282,278,109
Other provisions	29,593,639	-	-	(12,975,491)	16,618,148
<b>Total</b>	<b>340,118,704</b>	<b>4,429,955</b>	<b>(2,674,777)</b>	<b>(12,975,491)</b>	<b>328,898,391</b>

The movement in other provisions from 2016 is related mainly to the provision booked in relation to Competition Council case in Rompetrol Downstream (USD 3.01 million).

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**16. PROVISIONS (continued)**

<b>USD</b>	<b>At 1 January 2015</b>	<b>Charged to equity</b>	<b>Arising during the year</b>	<b>At 31 December 2015</b>
Provision for retirement benefit	6,881,634	(891,761)	560,663	6,550,536
Provision for restructuring	13,486	-	-	13,486
Environmental provisions	65,595,731	-	-	65,595,731
Other provisions	-	-	6,876,964	6,876,964
<b>Total</b>	<b>72,490,851</b>	<b>(891,761)</b>	<b>7,437,627</b>	<b>79,036,717</b>

<b>RON</b>	<b>At 1 January 2015</b>	<b>Charged to equity</b>	<b>Arising during the year</b>	<b>At 31 December 2015</b>
Provision for retirement benefit	29,613,736	(3,837,515)	2,412,701	28,188,922
Provision for restructuring	58,034	-	-	58,034
Environmental provisions	282,278,109	-	-	282,278,109
Other provisions	-	-	29,593,639	29,593,639
<b>Total</b>	<b>311,949,879</b>	<b>(3,837,515)</b>	<b>32,006,340</b>	<b>340,118,704</b>

The movement in other provisions from 2015 is related mainly to the provision booked in relation to Competition Council case in Rompetrol Downstream (USD 6.8 million).

An environmental provision has been recognized in prior periods for Rompetrol Rafinare S.A (Vega refinery) for the cleaning of the oil sludge pools and restoration of contaminated land. During 2012 an evaluation report was issued by the third party 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 USD 67.35 million has been provided by the Group. The Company has re-assessed the provision as of 31 December 2016 and the resulting difference was immaterial. Currently, the suppliers prequalification stage is in progress and considering the further bidding process and final contract negotiation, the expected start of the works on the field will be in the last quarter of 2017 / latest first quarter 2018. After the remediation works will be contracted, a better estimation of the costs will be available and this will be reflected in 2017 financial statements.

Under the collective labor agreements that certain Group's entities have in force it is provided that, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with Group entities at the date of their retirement. A corresponding provision has been recognized based on: the specific benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions regarding mortality, staff turnover etc. These liabilities are recorded at their fair values as of the balance sheet 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 present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 3.49% (2015: 3.69%), with an expected rate of long-term salary increase 2.23% (2015: 1.03%).

**ROMPEIROL HAFINAHE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**16. PROVISIONS (continued)**

Amounts recognized in profit or loss in respect of this obligation is as follows:

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
Interest on obligation	82,664	187,651	355,728	807,519
Service cost	337,661	373,012	1,453,057	1,605,183
Benefits paid	(1,041,889)		(4,483,561)	
<b>Total</b>	<b>(621,564)</b>	<b>560,663</b>	<b>(2,674,776)</b>	<b>2,412,702</b>

The amounts included in the statement of financial position arising from the retirement benefit obligation are as follows:

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
<b>Opening balance</b>	<b>6,550,536</b>	<b>6,881,634</b>	<b>28,188,922</b>	<b>29,613,736</b>
Interest on obligation	82,664	187,651	355,728	807,519
Service cost	337,661	373,012	1,453,057	1,605,183
Benefits paid	(1,041,889)	-	(4,483,561)	-
Changes in assumptions	1,029,432	(891,761)	4,429,954	(3,837,516)
<b>Closing balance</b>	<b>6,958,404</b>	<b>6,550,536</b>	<b>29,944,100</b>	<b>28,188,922</b>

The charge for the year is included in the salaries expenses in the income statement for 2016. It is estimated that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2017.

**17. REVENUES**

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
Gross revenues from petroleum products production	3,214,137,201	3,501,234,502	13,831,396,617	15,066,862,432
Gross revenues from petroleum products trading	97,966,467	82,656,263	421,579,097	355,694,697
Revenues from petrochemicals production	179,453,911	183,687,287	772,244,015	790,461,502
Revenues from petrochemicals trading	817,893	5,705,306	3,519,639	24,551,643
Revenues from other merchandise sales	60,656,757	49,816,499	261,024,222	214,375,340
Revenues from utilities sold	1,785,448	1,964,208	7,683,318	8,452,576
Revenues from transportation fees	1,412,917	1,435,079	6,080,206	6,175,575
Revenues from rents and other services	10,218,792	10,086,031	43,974,528	43,403,217
<b>Gross Revenues</b>	<b>3,566,449,386</b>	<b>3,836,585,175</b>	<b>15,347,501,642</b>	<b>16,509,976,982</b>
Less sales taxes	(1,029,822,055)	(972,052,132)	(4,431,633,249)	(4,183,031,940)
Less commercial discounts	(96,117,303)	(139,812,349)	(413,621,590)	(601,654,481)
<b>Total</b>	<b>2,440,510,028</b>	<b>2,724,720,694</b>	<b>10,502,246,803</b>	<b>11,725,290,561</b>

Total Revenues decreased mainly due to the decrease of prices for crude oil and petroleum products.

**HUMPEI HUL KAFINANE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**18.COST OF SALES**

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	USD	USD	RON	RON
Crude oil and other raw materials	1,852,733,541	2,138,699,235	7,972,868,247	9,203,464,418
Consumables and other materials	12,586,035	10,896,451	54,161,484	46,890,698
Utilities	65,359,418	63,632,486	281,261,183	273,829,677
Staff costs	24,192,390	22,819,967	104,107,112	98,201,164
Transportation	111,208	112,471	478,561	483,996
Maintenance	20,663,840	19,077,873	88,922,703	82,097,811
Insurance	1,661,830	2,251,766	7,151,353	9,690,025
Environmental expenses	230,111	190,940	990,237	821,672
Other	14,288,411	13,925,897	61,487,319	59,927,313
<b>Cash production cost</b>	<b>1,991,826,784</b>	<b>2,271,607,086</b>	<b>8,571,428,199</b>	<b>9,775,406,774</b>
Depreciation and amortization	66,929,330	47,971,876	288,016,986	206,437,374
<b>Production costs</b>	<b>2,058,756,114</b>	<b>2,319,578,962</b>	<b>8,859,445,185</b>	<b>9,981,844,148</b>
Plus: Change in inventories	8,516,791	87,745,088	36,650,307	377,593,437
Less: Own production of property, plant & equipment	(1,422,672)	(3,666,146)	(6,122,184)	(15,776,526)
Cost of petroleum products trading	77,943,495	61,769,785	335,414,242	265,813,916
Cost of petrochemicals trading	887,738	5,978,563	3,820,203	25,727,550
Cost of merchandise sold	48,037,332	40,499,232	206,719,051	174,280,345
Cost of utilities resold	854,113	1,097,425	3,675,504	4,722,549
Realised (gains)/losses on derivatives	(2,179,570)	4,969,468	(9,379,344)	21,385,112
<b>Total</b>	<b>2,191,393,341</b>	<b>2,517,972,377</b>	<b>9,430,222,964</b>	<b>10,835,590,531</b>

**19.SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, INCLUDING LOGISTIC COSTS**

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	USD	USD	RON	RON
Staff costs	19,163,842	26,368,377	82,467,761	113,471,037
Utilities	4,370,437	4,582,295	18,807,302	19,718,990
Transportation	41,709,788	41,375,309	179,489,731	178,050,367
Professional and consulting fees	23,839,292	24,089,970	102,587,625	103,666,368
Royalties and rents	5,580,172	5,780,655	24,013,154	24,875,893
Consumables	578,712	647,023	2,490,371	2,784,334
Marketing	4,281,067	3,486,732	18,422,716	15,004,454
Taxes	3,855,649	4,446,379	16,592,014	19,134,103
Communications	813,677	712,579	3,501,496	3,066,441
Insurance	1,038,749	1,213,961	4,470,049	5,224,038
IT related expenditures	8,422,902	10,461,344	36,246,274	45,018,302
Environmental expenses	2,148,353	2,354,460	9,245,007	10,131,948
Maintenance	8,767,634	7,440,043	37,729,759	32,016,737
Other expenses	10,256,789	6,918,510	44,138,040	29,772,424
<b>Costs before depreciation</b>	<b>134,827,063</b>	<b>139,877,637</b>	<b>580,201,299</b>	<b>601,935,436</b>
Depreciation and amortisation	28,848,694	31,435,948	124,144,585	135,278,315
<b>Total</b>	<b>163,675,757</b>	<b>171,313,585</b>	<b>704,345,884</b>	<b>737,213,751</b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**20. OTHER OPERATING INCOME/ (EXPENSES), NET**

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	USD	USD	RON	RON
Net book value of non-current assets disposals	(65,610)	(29,398)	(282,340)	(126,508)
Proceeds on disposals of non-current assets	262,411	250,306	1,129,233	1,077,142
Reverse for impairment of tangible assets, net	(351,877)	-	(1,514,232)	-
Provision for receivables, net	701,652	(4,106,673)	3,019,419	(17,672,246)
Provision for inventories and write-off, net	2,789,003	36,425,268	12,001,917	156,748,856
Tangible and intangible assets write-off	(1,647,972)	(238,644)	(7,091,718)	(1,026,957)
Proceeds on disposals of financial investments	-	3,573	-	15,376
Inventories write-off	(111,172)	(1,566,233)	(478,406)	(6,739,970)
Other provisions, net	-	(6,876,964)	-	(29,593,639)
Other, net	5,440,533	(340,813)	23,412,246	(1,466,621)
<b>Total</b>	<b>7,016,968</b>	<b>23,520,422</b>	<b>30,196,119</b>	<b>101,215,433</b>

The movement in provisions is presented in Notes 5, 8 and 9.

In 2015, a provision USD 29.65 million in respect of Competition Council case was recognized for Romepetrol Downstream S.R.L, split between provision for receivables (USD 22.7 million) and USD 6.87 million in other provisions.

In 2015 the provision recognized in Rompetrol Rafinare for the payment made to Romanian Tax Authorities ("ANAF") for antidumping and countervailing taxes for Biodiesel import amounting to USD 20.73 million was reversed, the amount will be recovered from KMG International N.V., following an agreement between the parties.

The movement in provision for inventories in 2015 includes a reversal of the provision computed in 2014 as the difference between cost and the net realizable value for crude oil and petroleum products as at 31 December 2014, as the products were used in production or sold in 2015.

**21. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE**

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	USD	USD	RON	RON
<b>Finance cost</b>				
Late payment interest	(6,753)	(54,882)	(29,060)	(236,174)
Interest expense	(20,394,342)	(12,729,291)	(87,762,972)	(54,777,958)
Interest expense shareholders	(9,359,179)	(8,139,206)	(40,275,355)	(35,025,445)
Commission and other bank charges	(14,835,757)	(20,264,202)	(63,842,713)	(87,202,940)
Collection discounts expenses	104	(20,597,451)	448	(88,637,012)
	<b>(44,595,927)</b>	<b>(61,785,032)</b>	<b>(191,909,652)</b>	<b>(265,879,529)</b>
<b>Finance income</b>				
Interest income	11,480,874	3,811,528	49,405,645	16,402,149
Other financial income	386,785	251,320	1,664,452	1,081,505
	<b>11,867,659</b>	<b>4,062,848</b>	<b>51,070,097</b>	<b>17,483,654</b>
<b>Finance income/(cost) net</b>	<b>(32,728,268)</b>	<b>(57,722,184)</b>	<b>(140,839,555)</b>	<b>(248,395,875)</b>
Unrealized net foreign exchange (losses)/gains	1,020,605	3,978,480	4,391,969	17,120,593
Realized net foreign exchange (losses)/gains	(6,166,624)	690,284	(26,536,833)	2,970,499
Foreign exchange gain/(loss), net	(5,146,019)	4,668,764	(22,144,864)	20,091,092
<b>Total</b>	<b>(37,874,287)</b>	<b>(53,053,420)</b>	<b>(162,984,419)</b>	<b>(228,304,783)</b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**21. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE (continued)**

Collection discounts expenses represent financial discounts granted by Rompetrol Downstream S.R.L to its customers for the early payment of receivables. From 2016, the amounts were deducted from net revenues.

**22. INCOME TAX**

a) The current income tax rate in 2016 was 16%, the same as in 2015.

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Tax expense comprises:				
Current tax expense	918,795	1,234,226	3,953,851	5,311,245
Deferred tax credit relating to the origination and reversal of temporary differences	<u>(3,480,551)</u>	<u>(59,988,028)</u>	<u>(14,977,855)</u>	<u>(258,146,481)</u>
<b>Total tax expense/(income)</b>	<b><u>(2,561,756)</u></b>	<b><u>(58,753,802)</u></b>	<b><u>(11,024,004)</u></b>	<b><u>(252,835,236)</u></b>

As of December 31, 2016, the Group had the following total unused fiscal losses:

Entity	<u>Carried forward</u>	<u>Recognized</u>	<u>Carry forward</u>	
	<u>fiscal losses 2016</u>	<u>Deferred Tax</u>	<u>fiscal losses 2015</u>	<u>Deferred Tax</u>
	<u>USD million</u>	<u>Asset 2016</u>	<u>USD million</u>	<u>Asset 2015</u>
Rompetrol Rafinare SA	573.91	432.5	566.92	389
Rompetrol Petrochemicals SRL	30.24	-	29.95	-
Rompetrol Downstream SRL	19.26	21.87	37.58	21.6
Rom Oil SA	5.38	-	5.41	-
<b>As at December 31 2016</b>	<b><u>628.79</u></b>	<b><u>454.37</u></b>	<b><u>639.86</u></b>	<b><u>410.6</u></b>

As at 31 December 2016, deferred tax asset was recognized for USD 454 million (2015: USD 411 million) of the losses carried forward, based on the future fiscal profits estimated to be registered, mainly in Rompetrol Rafinare and Rompetrol Downstream. No deferred tax asset has been recognized for USD 174.79 million (2015: USD 531.8 million) in relation to the tax losses for the above entities, on the basis of the assessment made.



**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**22. INCOME TAX (continued)**

A breakdown of tax losses by Group entity and by year are:

Entity		Taxable loss	Taxable loss	Tax loss
		Amount USD million	Amount RON million	Expires in
<b>Rompetrol Rafinare SA</b>	2010	13.78	59.30	2017
	2011	108.82	468.29	2018
	2012	78.81	339.14	2019
	2013	90.83	390.87	2020
	2014	172.25	741.24	2021
	2015	102.43	440.79	2022
	2016	6.99	30.08	2023
			<b>573.91</b>	<b>2,469.71</b>
<b>Rompetrol Petrochemicals SRL</b>	2011	4.22	18.16	2018
	2012	14.63	62.96	2019
	2013	-	-	2020
	2014	10.68	45.96	2021
	2015	0.42	1.81	2022
	2016	0.29	1.25	2023
			<b>30.24</b>	<b>130.14</b>
<b>Rom Oil SA</b>	2010	2.41	10.37	2016
	2011	0.48	2.07	2017
	2012	0.97	4.17	2018
	2013	0.86	3.70	2019
	2014	0.69	2.97	2020
	2015	-	-	2021
	2016	(0.03)	(0.13)	
			<b>5.38</b>	<b>23.15</b>
<b>Rompetrol Downstream SRL</b>	2010	0.34	1.46	2017
	2011	5.58	24.01	2018
	2012	15.96	68.68	2019
	2015	15.7	67.56	2022
	2016	(18.32)	(78.84)	
			<b>19.26</b>	<b>82.87</b>
		<b>628.79</b>	<b>2,705.87</b>	

*Note: 2010 was split in two fiscal years, the last quarter being treated as a separate fiscal year for computation and carrying forward the tax losses of 2010*

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**22. INCOME TAX (continued)**

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

**b) The deferred tax liabilities details are disclosed in Note 13.**

**c) The prima facie tax charge to the statements of income calculated based on regulatory accounts is reconciled to the profit tax expense calculated based on tax rules as follows, taking into account temporary differences and non-deductible items:**

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
Profit before tax	54,583,611	5,901,734	234,889,655	25,396,929
Tax at prevailing tax rate	8,733,378	944,277	37,582,346	4,063,507
Effect of statutory items non deductible / (not taxable) for tax purposes	(7,814,583)	289,949	(33,628,495)	1,247,738
Effect of temporary differences	(3,480,551)	(59,988,028)	(14,977,855)	(258,146,481)
<b>Income tax expense recognised in profit or loss</b>	<b>(2,561,756)</b>	<b>(58,753,802)</b>	<b>(11,024,004)</b>	<b>(252,835,236)</b>

**23. OPERATING SEGMENT INFORMATION**

**a) Business Segments**

For management purposes the Group is currently organized in 3 segments – refining, petrochemicals and marketing. Refining comprises Petromidia and Vega refineries, Petrochemicals comprises petrochemical division of Rompetrol Rafinare SA and Rompetrol Petrochemicals operations and Marketing comprises the operations of Rompetrol Downstream, Rom Oil, Rompetrol Logistics, and Rompetrol Gas.

For the income statement, management analysis is made separately for the 3 segments: Refining, Petrochemicals and Marketing. 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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**23. OPERATING SEGMENT INFORMATION (continued)**

**2016 Income Statement information**

<b>USD</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Net revenues	1,976,229,685	180,271,804	1,071,568,271	(787,559,732)	2,440,510,028
Cost of sales	(1,876,288,435)	(181,447,513)	(939,802,041)	806,144,648	(2,191,393,341)
<b>Gross margin</b>	<b>99,941,250</b>	<b>(1,175,709)</b>	<b>131,766,230</b>	<b>18,584,916</b>	<b>249,116,687</b>
Selling, general and administrative expenses	(45,304,794)	(7,698,183)	(93,735,984)	(16,936,796)	(163,675,757)
Other operating expenses, net	10,476,092	8,087	(1,391,693)	(2,075,518)	7,016,968
<b>Operating margin</b>	<b>65,112,548</b>	<b>(8,865,805)</b>	<b>36,638,553</b>	<b>(427,398)</b>	<b>92,457,898</b>
Financial expenses, net	(27,439,240)	214,831	(4,678,648)	(825,211)	(32,728,268)
Net foreign exchange result	3,638,313	(2,613,147)	(6,171,185)	-	(5,146,019)
<b>Profit before income tax</b>	<b>41,311,621</b>	<b>(11,264,121)</b>	<b>25,788,720</b>	<b>(1,252,609)</b>	<b>54,583,611</b>
Income tax	4,231,193	-	(1,669,437)	-	2,561,756
<b>Net Profit</b>	<b>45,542,814</b>	<b>(11,264,121)</b>	<b>24,119,283</b>	<b>(1,252,609)</b>	<b>57,145,367</b>
Depreciation and amortisation	64,636,241	15,197,899	17,410,254	(1,466,370)	95,778,024

<b>RON</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Net revenues	8,504,309,203	775,763,654	4,611,279,741	(3,389,105,795)	10,502,246,803
Cost of sales	(8,074,232,022)	(780,823,083)	(4,044,250,123)	3,469,082,264	(9,430,222,964)
<b>Gross margin</b>	<b>430,077,181</b>	<b>(5,059,429)</b>	<b>567,029,618</b>	<b>79,976,469</b>	<b>1,072,023,839</b>
Selling, general and administrative expenses	(194,960,120)	(33,127,591)	(403,374,060)	(72,884,113)	(704,345,884)
Other operating expenses, net	45,081,767	34,801	(5,988,872)	(8,931,577)	30,196,119
<b>Operating margin</b>	<b>280,198,828</b>	<b>(38,152,219)</b>	<b>157,666,886</b>	<b>(1,839,221)</b>	<b>397,874,074</b>
Financial expenses, net	(118,079,281)	924,482	(20,133,626)	(3,551,130)	(140,839,555)
Net foreign exchange result	15,656,752	(11,245,155)	(26,556,461)	-	(22,144,864)
<b>Profit before income tax</b>	<b>177,776,299</b>	<b>(48,472,892)</b>	<b>110,976,599</b>	<b>(5,390,351)</b>	<b>234,889,655</b>
Income tax	18,208,093	-	(7,184,089)	-	11,024,004
<b>Net Profit</b>	<b>195,984,392</b>	<b>(48,472,892)</b>	<b>103,792,510</b>	<b>(5,390,351)</b>	<b>245,913,659</b>
Depreciation and amortisation	278,149,136	65,401,119	74,921,546	(6,310,229)	412,161,572

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**23. OPERATING SEGMENT INFORMATION (continued)**

**2016 Statement of financial position information**

<b>USD</b>	<b>Refining &amp; Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Total non current assets	1,657,832,014	232,348,038	(596,927,621)	1,293,252,431
Total current assets	306,514,311	250,542,299	(23,571,919)	533,484,691
<b>TOTAL ASSETS</b>	<b>1,964,346,325</b>	<b>482,890,337</b>	<b>(620,499,540)</b>	<b>1,826,737,122</b>
Total equity	892,127,164	186,779,797	(600,282,699)	478,624,262
Total non-current liabilities	132,946,441	132,115,687	5,013,700	270,075,828
Total current liabilities	939,272,720	163,994,853	(25,230,541)	1,078,037,032
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,964,346,325</b>	<b>482,890,337</b>	<b>(620,499,540)</b>	<b>1,826,737,122</b>
Capital expenditure	37,037,111	24,560,668	(155,105)	61,442,674

<b>RON</b>	<b>Refining &amp; Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Total non current assets	7,134,148,508	999,863,311	(2,568,758,631)	5,565,253,188
Total current assets	1,319,023,034	1,078,158,675	(101,437,038)	2,295,744,671
<b>TOTAL ASSETS</b>	<b>8,453,171,542</b>	<b>2,078,021,986</b>	<b>(2,670,195,669)</b>	<b>7,860,997,859</b>
Total equity	3,839,090,826	803,769,500	(2,583,196,538)	2,059,663,788
Total non-current liabilities	572,108,421	568,533,435	21,575,455	1,162,217,311
Total current liabilities	4,041,972,295	705,719,051	(108,574,586)	4,639,116,760
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>8,453,171,542</b>	<b>2,078,021,986</b>	<b>(2,670,195,669)</b>	<b>7,860,997,859</b>
Capital expenditure	159,381,800	105,691,923	(667,464)	264,406,259

**2015 Income Statement information**

<b>USD</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Net revenues	2,262,829,917	189,392,593	1,200,726,680	(928,228,496)	2,724,720,694
Cost of sales	(2,202,579,974)	(202,455,675)	(1,062,551,250)	949,614,522	(2,517,972,377)
<b>Gross margin</b>	<b>60,249,943</b>	<b>(13,063,082)</b>	<b>138,175,430</b>	<b>21,386,026</b>	<b>206,748,317</b>
Selling, general and administrative expenses	(44,761,005)	(7,700,586)	(99,351,583)	(19,500,411)	(171,313,585)
Other operating expenses, net	63,376,827	(16,830)	(32,052,851)	(7,786,724)	23,520,422
<b>Operating margin</b>	<b>78,865,765</b>	<b>(20,780,498)</b>	<b>6,770,996</b>	<b>(5,901,109)</b>	<b>58,955,154</b>
Financial expenses, net	(31,953,643)	58,310	(25,435,294)	(391,557)	(57,722,184)
Net foreign exchange result	16,023,689	(9,111,076)	(2,239,116)	(4,733)	4,668,764
<b>Profit before income tax</b>	<b>62,935,811</b>	<b>(29,833,264)</b>	<b>(20,903,414)</b>	<b>(6,297,399)</b>	<b>5,901,734</b>
Income tax	56,472,940	-	2,280,862	-	58,753,802
<b>Net Profit</b>	<b>119,408,751</b>	<b>(29,833,264)</b>	<b>(18,622,552)</b>	<b>(6,297,399)</b>	<b>64,655,536</b>
Depreciation and amortisation	49,008,740	14,075,081	18,399,645	(2,075,642)	79,407,824

In total net revenues are included customers that own more than 10% of total sales, their value amounting USD 748 million in 2016 and USD 894 million in 2015.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**23. OPERATING SEGMENT INFORMATION (continued)**

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	9,737,635,982	815,013,145	5,167,087,122	(3,994,445,688)	11,725,290,561
Cost of sales	(9,478,362,402)	(871,227,506)	(4,572,476,794)	4,086,476,171	(10,835,590,531)
<b>Gross margin</b>	<b>259,273,580</b>	<b>(56,214,361)</b>	<b>594,610,328</b>	<b>92,030,483</b>	<b>889,700,030</b>
Selling, general and administrative expenses	(192,620,033)	(33,137,932)	(427,539,667)	(83,916,119)	(737,213,751)
Other operating expenses, net	272,729,500	(72,425)	(137,933,034)	(33,508,608)	101,215,433
<b>Operating margin</b>	<b>339,383,047</b>	<b>(89,424,718)</b>	<b>29,137,627</b>	<b>(25,394,244)</b>	<b>253,701,712</b>
Financial expenses, net	(137,506,112)	250,925	(109,455,701)	(1,684,987)	(248,395,875)
Net foreign exchange result	68,954,741	(39,207,693)	(9,635,588)	(20,368)	20,091,092
<b>Profit before income tax</b>	<b>270,831,676</b>	<b>(128,381,486)</b>	<b>(89,953,662)</b>	<b>(27,099,599)</b>	<b>25,396,929</b>
Income tax	243,020,003	-	9,815,233	-	252,835,236
<b>Net Profit</b>	<b>513,851,679</b>	<b>(128,381,486)</b>	<b>(80,138,429)</b>	<b>(27,099,599)</b>	<b>278,232,165</b>
Depreciation and amortisation	210,899,311	60,569,296	79,179,192	(8,932,110)	341,715,689

**2015 Statement of financial position information**

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,695,993,502	228,239,156	(598,299,496)	1,325,933,162
Total current assets	297,276,615	285,521,052	(82,214,428)	500,583,239
<b>TOTAL ASSETS</b>	<b>1,993,270,117</b>	<b>513,760,208</b>	<b>(680,513,924)</b>	<b>1,826,516,401</b>
Total equity	857,839,386	164,527,556	(598,741,368)	423,625,574
Total non-current liabilities	139,724,219	150,482,299	4,605,791	294,812,309
Total current liabilities	995,706,512	198,750,353	(86,378,347)	1,108,078,518
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,993,270,117</b>	<b>513,760,208</b>	<b>(680,513,924)</b>	<b>1,826,516,401</b>
Capital expenditure	102,428,761	24,067,212	(8,812)	126,487,161

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,298,368,836	982,181,560	(2,574,662,217)	5,705,888,179
Total current assets	1,279,270,457	1,228,682,743	(353,793,349)	2,154,159,851
<b>TOTAL ASSETS</b>	<b>8,577,639,293</b>	<b>2,210,864,303</b>	<b>(2,928,455,566)</b>	<b>7,860,048,030</b>
Total equity	3,691,540,230	708,011,432	(2,576,563,729)	1,822,987,933
Total non-current liabilities	601,275,232	647,570,477	19,820,101	1,268,665,810
Total current liabilities	4,284,823,831	855,282,394	(371,711,938)	4,768,394,287
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>8,577,639,293</b>	<b>2,210,864,303</b>	<b>(2,928,455,566)</b>	<b>7,860,048,030</b>
Capital expenditure	440,781,690	103,568,429	(37,919)	544,312,200

- Inter - segment revenues are eliminated on consolidation.
- Transfer pricing between operating segments is determined based on market rules agreed between the segments. These transfer prices take into account the latest Crude/Refined products prices on markets adjusted by various margins / discounts taking into account quantity, quality, payment terms, transportation costs etc.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**23. OPERATING SEGMENT INFORMATION (continued)**

**b) Geographical segments**

All the Group's production facilities are located in Romania. The following table provides an analysis of the Group's net revenues by geographical market:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
<b>Romania</b>	<b>1,423,888,059</b>	<b>1,527,499,467</b>	<b>6,127,417,484</b>	<b>6,573,288,456</b>
<b>Export</b>	<b>1,016,621,969</b>	<b>1,197,221,227</b>	<b>4,374,829,319</b>	<b>5,152,002,105</b>
<i>out of which</i>				
Petroleum products	909,694,651	1,087,497,607	3,914,688,991	4,679,828,451
Petrochemical products	106,927,318	109,723,620	460,140,328	472,173,654
<b>Total</b>	<b>2,440,510,028</b>	<b>2,724,720,694</b>	<b>10,502,246,803</b>	<b>11,725,290,561</b>

**24. RELATED PARTIES**

The ultimate parent of the Group is the "National Welfare Fund Samruk Kazyna" JSC, an entity with its headquarters in Kazakhstan, fully owned by State of Kazakhstan. The related parties and the nature of relationship is presented below:

Name of related party	Nature of relationship
KMG International N.V.	Majority Shareholder
Byron Shipping Ltd.	Company owned by KMG International Group
Byron Shipping SRL	Company owned by KMG International Group
Global Security Systems S.A.	Company owned by KMG International Group
KazMunayGas Engineering B.V.	Company owned by KMG International Group
KazMunayGas Trading AG	Company owned by KMG International Group
KMG Rompetrol S.R.L.	Company owned by KMG International Group
KMG Rompetrol Services Center (former Rompetrol Exploration and Production S.R.L.)	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Palplast S.A.	Company owned by KMG International Group
KazMunayGas –Engineering LLP (former Rominserv Kazakhstan LTD)	Company owned by KMG International Group
Rominserv S.A.	Company owned by KMG International Group
Rominserv Valves Iaifo SRL	Company owned by KMG International Group
Rominservices Therm S.R.L.	Company owned by KMG International Group
Rompetrol Albania Wholesale Sh.A.	Company owned by KMG International Group
Rompetrol Bulgaria JSC	Company owned by KMG International Group
Rompetrol Energy S.A.	Company owned by KMG International Group
Rompetrol Financial Group S.R.L.	Company owned by KMG International Group
Rompetrol Georgia LLC	Company owned by KMG International Group
Rompetrol Moldova SA	Company owned by KMG International Group
Oilfield Exploration Business Solutions S.A. (former Rompetrol S.A.)	Company owned by KMG International Group
Rompetrol Ukraine LLC	Joint Venture owned by KMG International Group
Rompetrol Well Services S.A.	Company owned by KMG International Group
Dyneff SA	Associate of KMG International Group
Uzina Termoelectrica Midia S.A.	Associate of KMG International Group
Kazmotransflot	Company affiliated to KMG International Group
Tengizchevroil LLP	Company affiliated to KMG International Group

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. Balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. For the year ended December 31, 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**24. RELATED PARTIES (continued)**

Name of related party	Receivables and other assets			
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	USD	USD	RON	RON
KazMunayGas Trading AG	4,628,871	334,402	19,919,421	1,439,032
Rominserv S.A.	4,935,299	12,394,657	21,238,072	53,337,927
KMG International N.V.	619,260	740,128	2,664,862	3,184,993
KMG Rompetrol S.R.L.	34,126,173	70,473,830	146,855,160	303,270,033
Oilfield Exploration Business Solutions S.A.	5,551,511	5,564,354	23,889,817	23,945,085
Rompetrol Well Services S.A.	464,799	112,609	2,000,170	484,590
KMG Rompetrol Services Center	78,554	-	338,041	-
Palplast S.A.	1,241,923	1,447,004	5,344,367	6,226,892
Rompetrol Bulgaria JSC	2,222,376	919,577	9,563,551	3,957,216
Rompetrol Moldova SA	11,175	-	48,089	-
KazMunayGas Engineering B.V.	3,573	3,573	15,376	15,376
Rompetrol Energy S.A.	558	-	2,401	-
Byron Shipping SRL	1,582	1,789	6,808	7,699
Rompetrol Albania Wholesale Sh.A.	11,532	11,923	49,626	51,308
Midia Marine Terminal S.R.L.	327,356	254,098	1,408,711	1,093,460
Rominserv Valves Iaifo SRL	6,600	7,457	28,402	32,090
Rominserv Kazakhstan LTD	168,167	168,167	723,673	723,673
Rompetrol Ukraine LLC	7,802	7,949	33,574	34,207
Uzina Termoelectrica Midia S.A.	1,933,289	1,379,802	8,319,523	5,937,702
Global Security Systems S.A.	153,990	234,585	662,665	1,009,490
Tengizchevroil LLP	13,347	321,131	57,436	1,381,923
Dyneff SA	-	205,989	-	886,432
<b>Total</b>	<b>56,507,737</b>	<b>94,583,024</b>	<b>243,169,745</b>	<b>407,019,128</b>

Name of related party	Payables, loans and other liabilities			
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	USD	USD	RON	RON
KazMunayGas Trading AG	440,019,411	349,527,529	1,893,535,531	1,504,121,816
Rominserv S.A.	28,249,425	66,280,947	121,565,751	285,226,799
KMG International N.V.	225,778,122	264,825,059	971,590,992	1,139,621,676
KMG Rompetrol S.R.L.	93,544,858	136,657,063	402,551,587	588,076,339
Oilfield Exploration Business Solutions S.A.	193,694	145,118	833,523	624,486
Rompetrol Exploration and Production S.R.L.	15	-	65	-
Rompetrol Well Services S.A.	8,021,032	8,321,557	34,516,907	35,810,156
KMG Rompetrol Services Center	1,080,058	-	4,647,814	-
Rompetrol Bulgaria JSC	603	-	2,595	-
Rompetrol Moldova SA	818,638	7,125,287	3,522,845	30,662,248
Rompetrol Financial Group S.R.L.	28,607,725	30,044,043	123,107,623	129,288,530
Byron Shipping Ltd.	2,045	-	8,800	-
Byron Shipping SRL	1,108	256	4,768	1,102
Midia Marine Terminal S.R.L.	35,442,825	29,757,346	152,521,109	128,054,787
Rominserv Valves Iaifo SRL	27,443	45,335	118,095	195,090
Uzina Termoelectrica Midia S.A.	2,896,375	2,073,928	12,463,971	8,924,734
Global Security Systems S.A.	514,462	547,670	2,213,884	2,356,788
<b>Total</b>	<b>865,197,839</b>	<b>895,351,138</b>	<b>3,723,205,860</b>	<b>3,852,964,551</b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**24. RELATED PARTIES (continued)**

During 2016 and 2015, Rompetrol Rafinare Group entered into the following transactions with related parties:

Name of related party	Sales and other revenues			
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	USD	USD	RON	RON
KazMunayGas Trading AG	748,970,396	894,340,601	3,223,044,305	3,848,615,908
Rominserv S.A.	824,979	841,645	3,550,132	3,621,851
KMG Rompetrol S.R.L.	139,944	151,407	602,221	651,550
Rompetrol S.A.	4,800	18,444	20,656	79,370
Rompetrol Well Services S.A.	639,390	919,051	2,751,487	3,954,952
Palplast S.A.	17,570	2,614,409	75,609	11,250,586
Rompetrol Bulgaria JSC	31,115,170	39,484,401	133,897,911	169,913,223
Rompetrol Moldova SA	120,124,270	135,244,088	516,930,771	581,995,884
Rompetrol Georgia LLC	-	16,487	-	70,949
KMG Rompetrol Services Center	89,656	-	385,817	-
Midia Marine Terminal S.R.L.	377,741	380,249	1,625,533	1,636,326
Byron Shipping SRL	22,211	23,746	95,581	102,186
Rominserv Valves Iaifo SRL	10,207	15,755	43,924	67,798
Uzina Termoelectrica Midia S.A.	14,113,103	14,457,842	60,732,916	62,216,431
Global Security Systems S.A.	182,399	121,536	784,918	523,006
	<b>916,631,836</b>	<b>1,088,629,661</b>	<b>3,944,541,781</b>	<b>4,684,700,020</b>

Name of related party	Nature of transaction	Purchases and other costs			
		31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
		USD	USD	RON	RON
KazMunayGas Trading AG	Purchase of crude oil	1,753,804,923	1,932,849,698	7,547,148,725	8,317,632,105
Rominserv S.A.	Acquisition and maintenance of fixed assets	57,989,331	99,002,092	249,545,488	426,035,703
KMG International N.V.	Management services	1,780,790	2,640,000	7,663,274	11,360,712
KMG Rompetrol S.R.L.	Management services	24,107,553	22,870,072	103,742,033	98,416,781
Rompetrol S.A.	Management services	41,233	51,021	177,438	219,559
Rompetrol Well Services S.A.	Interest on loan	29,676	26,164	127,705	112,592
Rompetrol Financial Group S.R.L.	Corporate Holding	1,063,727	-	4,577,536	-
KMG Rompetrol Services Center	Shared services	2,676,234	-	11,516,638	-
Midia Marine Terminal S.R.L.	Handling services	19,041,442	16,528,056	81,941,037	71,125,183
Byron Shipping SRL	Shipping services	418	2,784	1,799	11,980
Rominserv Valves Iaifo SRL	Valves	94,818	103,551	408,030	445,611
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	21,818,636	21,235,311	93,892,136	91,381,914
Global Security Systems S.A.	Security and protection services	3,142,226	1,773,248	13,521,941	7,630,818
Tengizchevroil LLP	Liquefied Petroleum Gas	5,714,889	6,176,421	24,592,882	26,578,992
		<b>1,891,305,896</b>	<b>2,103,258,418</b>	<b>8,138,856,662</b>	<b>9,050,951,950</b>

The nature of sale transactions consists in sale of petroleum products. Sales to related parties include sales taxes.



**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**24. RELATED PARTIES (continued)**

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, through a Government Ordinance, the shareholder became Ministry of Economy Trade and Business Environment ("MECMA") until May 2013, when following MECMA reorganization the new holder became Ministry of Economy ("ME"). Later it was renamed the Ministry of Energy, Small and Medium Enterprises and Business Environment. At the moment it is named the Ministry of Energy.

As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. No entities in the Group have had any transactions during the period since MFPR, MECMA and ME became a related party or had balances as of period end, other than those arising from Romanian fiscal and legislative requirements, with MFPR, MECMA, ME and Other Authorities in Romania.

The amount of remuneration for key management personnel for 2016 was of USD 0.69 million (2015: USD 0.85 million), representing short term benefits and bonuses.

**25. 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:

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>RON</u>	<u>2015</u> <u>RON</u>
<b>Earnings</b>				
Profit /(Loss) for the year attributable to ordinary equity holders of the parent entity	56,070,210	63,424,919	241,286,936	272,936,451
<b>Number of shares</b>				
Weighted average number of shares for the purpose of basic earnings per share (see Note 11)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
<b>Earnings per share (US cents/share)</b>				
Basis	<u>0.127</u>	<u>0.144</u>	<u>0.547</u>	<u>0.620</u>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**26. CONTINGENCIES**

a) Related to the Parent's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 11.08 million) to be paid by the Parent based on an inspection carried out in 2003. 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 related 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 first case in note 27). The management is confident that the Parent is able to defend itself and the likelihood of a negative outcome is considered remote.

b) In 2001, the Parent 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 Parent 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 Parent cancelled such invoices. The Parent 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 Parent liable for paying such excises; the Parent appealed the tax audit, which is now being suspended as for the same reason described in the paragraph above. The amount noted in the minutes issued by D.G.F.P Constanta is RON 9.5 Million (USD 2.2 million). The management is confident that the likelihood of reversal of the earlier court decision is very low. No changes were incurred in 2016.

c) ANAF - DGAMC started in October 2016 the general fiscal audit referring to the fiscal period 2011-2015, taxes covered: income tax, VAT, WHT and excises. As of date of these financial statements, the tax audits are in progress, there are no effective information regarding any potential fiscal findings or tax adjustments. The Company subject to general fiscal audit is Rompetrol Rafinare SA.

## **27. LEGAL MATTERS**

### **Litigation with the State involving criminal charges**

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former shareholders directors, managers and external censors of S.C. Rompetrol Rafinare S.A. ("RRC") and other individuals; 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, only one of the directors of the Company who is involved in the investigation, still works for KMG International Group).

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

- a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Parent;
- 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.

Considering the above mentioned charges a freezing orders were issued by DIICOT and received on 9-10 May 2016 (the "Orders"), whereby it was decided to impose a seizure (freezing of the assets) on the movable and immovable assets of KMG International N.V., Rompetrol Rafinare SA and Oilfield Exploration Business Solutions SA (former Rompetrol SA) as well as over the shares these companies held in their Romanian subsidiaries.

The freezing of the assets does not impact the inventories, receivables and the bank account of Rompetrol Rafinare and this allows to the company to continue normally the day by day operations.

The companies already submitted the challenges against the Orders within 3 days (namely on 12 and 13 of May 2016).

After two hearings in front of the Constanta Court, the case was assigned to be settled by the Supreme Court, who rejected in full the challenging submitted by Group's subsidiaries. The application was rejected in December 2016.

Meanwhile, the companies also challenged on May 30, 2016 the Orders to the superior prosecutor. The submission was rejected in December 2016.

On July 22, 2016 NC JSC KazMunayGas (KMG) and KMG International (KMGI) submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty.

The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. Based on our knowledge the Romanian authorities received this Notice on July 25, 2016. According to the above mentioned treaties starting with July 25, 2016 commenced a 3 (three) to 6 (six) month period within the KMG companies and Romanian State may reach a settlement. Romanian authorities through the Ministry of Finance issued a response in October 2016 citing that all steps took by the Romanian state, through its public authorities, were conducted in compliance with the agreements put forward by KMG and KMGI in the notification of amicable settlement of the dispute.

Currently an analysis of the steps to be carried out by KMG and KMGI is conducted and in the absence of an agreement between KMG, KMGI and the Romanian state, these could involve an action at the International Center for the Settlement of Disputes Relating to Investments in the World Bank, based in Washington, D.C., or the Arbitration Institute of the Stockholm Chamber of Commerce.

## **27.LEGAL MATTERS (continued)**

### **Litigation on Tax Assessments received by Rompetrol Rafinare S.A.in 2012**

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, out of which half represents additional principal tax liabilities and the other half represents late payment interest and penalties.

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 it has met all technical requirements 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. Therefore a provision has been recognized for an overall amount of USD 15 million, out of which USD 11 million was expensed during 2012.

The main court case started by Rompetrol Rafinare SA against the assessment has been settled on 27<sup>th</sup> 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 The 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. The Decision of the Supreme Court of Justice has been communicated to Rompetrol Rafinare SA, according to which both appeals have been admitted in principle. A second term is established on 30 March 2017, in order to check the appeals under the other aspects. The first hearing it is not yet established.

### **Litigation regarding CO2 emission allowances.**

On February 28, 2011 Rompetrol Rafinare S.A. won a 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. The market value for a CO2 emission certificate as of December 2015 was EUR 5.4 per certificate as of December 2016.

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

ROMPETROL RAFINARE SA  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

## **27.LEGAL MATTERS (continued)**

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 3<sup>rd</sup> 2016. Last hearing was on 21.10.2016, when the court admitted both appeals formulated by Rompetrol Rafinare and the Ministry of Environment, and send the cause to the same first instance (Constanta Court of Appeal) for retrial.

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 28<sup>th</sup> 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 Government Decision has still not been implemented.

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 new court enforcement procedure, having as object to oblige the defendants to pay the value of the 2,577,940 CO2 emission certificates (i.e. 40 million EUR 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 3<sup>rd</sup> 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 last hearing term for October 21<sup>st</sup> 2016, when the court admitted both appeals formulated by Rompetrol Rafinare and the Ministry of Environment, and sent the cause to the same first instance (Constanta Court of Appeal) for retrial.

Rompetrol Rafinare requested the resetting the cause of pending, and the first hearing took place in the Constanta Court of Appeal on April 6<sup>th</sup> 2016. At this hearing, Rompetrol Rafinare request to reset the cause of pending was dismissed. As a consequence of the finalisation of the case file no. 917/36/2013 by a decision dated October 21st, 2016, a new reopening request was submitted in Case file no. 712/36/2015, which was examined on January 11, 2017, when our request to reset the cause of pending was also dismissed.

### **Litigation between Rompetrol Downstream SRL and RATB (Bucharest public transport company)**

In 2011, following a public tender organized by RATB, the biggest public transport company in Romania serving Bucharest metropolitan area, Rompetrol Downstream was awarded with a 4 year frame Agreement (divided in 4 yearly contracts 2011-2015) for delivery of fuel for RATB fleet through an integrated system.

Rompetrol Downstream timely and fully observed its obligation to supply RATB with needed quantities of fuel during those 4 years, however the related IT system was implemented on a gradual basis till 16 until September 2015.

On 16 October 2015 RATB submitted to Court the claim for damages in amount of RON 62.4 million (approximately USD 15 million). The amount concerns the enforcement of penalty clause in amount of 15% of frame contract turnover for not observing the contractual obligations relating to the implementation of the IT system.

On 27 October 2015, based on the tender book terms and conditions, RATB asked the enforcement of the bank letter guarantee provided by DWS for the amount of RON 5.7 million.

## 27.LEGAL MATTERS (continued)

The first hearing took place on February 23, 2016. The decision was released on April 22, 2016 and the Court rejected the claim of RATB for not performing the preliminary mandatory formalities. The decision is subject of appeal. The Bucharest Court of Appeal admitted both Parties appeals, repealed the 1st court decision and sent the file again to the 1st court (Bucharest Tribunal) for judgement on the merits of the case.

Besides the claim above mentioned, in June 2016 Rompetrol Downstream received another 3 similar claims in an aggregate amount of RON 136 million by which RATB asked the same amount for each contractual year (Cases no. 2-4). The Company challenged the claims within the provided term. On November, 14 the Court ruled in the Company's favour and rejected the RATB' claim as being non-admissible as a result of admittance of the procedural objection raised by the Company (this decision being subject of appeal, as well – not scheduled yet).

The others two files had the following hearings: October 25, 2016 when the Bucharest Tribunal admitted the Company' request and suspended the judgment of the file until the date when the Case no. 1 shall be irrevocably settled by the court (Case no. 3); and November 1, 2016 when the Court ruled in the Company's favour and rejected the RATB' claim as being non-admissible as a result of admittance of the procedural objection raised by the Company (Case no. 4) (this case passed to the appeal stage and the first hearing was scheduled for January 25, 2017).The Court rejected the appeal as groundless. The decision is final.

### Litigation between Rompetrol Rafinare and Navodari City Hall

On November 19<sup>th</sup>, 2015, it was finalized the 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 31.12.2009 and 31.12.2011, namely that because the revaluation was not made for all fixed assets accounted for in the account 212 "Construction", in their view it was made without observing the 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 by Rompetrol Rafinare an administrative complaint which was dismissed as being lack of object, without any judgment pronounced on the merits of the case. This solution is based on Navodari Local Council Decision no.435/December 21<sup>st</sup>, 2015, under which Rompetrol Rafinare has obtain the annulment of 73% of penalties.

Rompetrol Rafinare submitted in court the challenge against this decision, and also another action for partial annulment of Navodari Local Decision no.435/2015 at Constanta Court of Appeal. On March 16<sup>th</sup>, 2017 Constanta Court of Appeal dismissed the challenge submitted by Rompetrol Rafinare against the decision issued by Navodari City Hall, but this court decision will be appealed within 15 days from the communication date.

The second action, submitted by Rompetrol Rafinare for partial annulment of Navodari Local Council Decision no. 435/December 21<sup>st</sup> 2015 was admitted by Constanta Tribunal. This solution has been appealed by Navodari Local Concil on Constanta Court of Appeal, where the first hearing term is set on January, 16<sup>th</sup>, 2017, when the appeal was rejected.

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 defense was submitted by Navodari City Hall and the first hearing term was established for February 22<sup>nd</sup> 2016. The court admitted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19<sup>th</sup> 2015. The solution was appealed by Navodari City Hall. The case is currently pending court investigation proceedings with the Supreme Court of Justice. The first hearing term before the Supreme Court has not yet been scheduled.

## 27.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 safe access and operation of ships, 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 USD 1.9 million - dredging expenditures; USD 3.3 million - 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 (USD 0.85 million) and for restitution of dredging expenses (USD 1.7 million). The total amount in RON is today USD 10 million (USD 2.6 million). The case is pending on Constanta Tribunal, with the next hearing scheduled for April 7th, 2017.

### **Procedure in which is involved Rompetrol Rafinare SA, Rominserv SRL, and employees of the two companies, following of a technical incident occurred in of Petromidia refinery on August 22, 2016**

On August 22, 2016 a technical incident occurred within the DAV plant, resulting in a fire, which was extinguished by Refinery' staff and firemen from private and public services. Following the event, two persons, employees of a Group' subsidiary Rominserv SRL suffered burns and two persons passed away. The competent authorities have initiated investigations in order to establish the circumstances and the causes that generated the technical incident, injury and the decease of employees. In respect of the work accident, the Prosecutor's Office of the Constanta Court of Appeal office, was notified ex officio and opened file no. 586 / P / 2016, within which have been questioned employees of the 2 companies and was administered technical expertise. Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and four employees of the two companies were put on trial for: the non-observance of the legal labour health and safety measures, bodily harm by negligence, manslaughter and accidental pollution. At the same time Rompetrol Rafinare S.A. has quality as civilly liable party. As a result of the completion of the initial phase of the files, of preliminary chamber procedure, the court decided on 01.03.2017: have been accepted in part the applications and the exceptions made by the defendants, it has been found the relative nullity of the indictment no. 586/P/2016 07.12.2016 from the Prosecutor's Office under the Constanta Court of Appeal, it has been found the irregularity that attracts the impossibility to the establishment of the object or judgment on the indictment no. 586/P/2016 of 7.12.2016, prosecutor must communicate to the judge of preliminary room whether to maintain the provision referred to in the judgment or request the refund case, within 5 days from the date of the communication of the solution. By the final conclusion of Preliminary Chamber procedure, no. 328 / 03.21.2017 (communicated to Rominserv on 03/24/2017, Rompetrol Rafinare not received it yet) the court ordering, considering the fact that the prosecutor did not reply within procedural five days, the court decide to return the case to the Prosecutor's Office Court Appeal Constanta, finding relative nullity of the Ordinance no. 586 / P / 29.11.2016, irregularity of the indictment 586 / P / 12.7.2016 prosecutor failure to respond within procedural terms. The solution can be appealed within three days from the communication of the final solution of the preliminary chamber.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

## **28.COMMITMENTS**

### **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 terms of effluents into land, water and air. The environmental effects of the Group's activities are monitored by specialized authorities and the management of the Group.

The Company has recognized a provision for restoration cost at its Vega location, see Note 16.

As of December 31, 2016 and December 31, 2015 Rompetrol Rafinare S.A. has no specific environmental commitments to conform to the Integrated Environmental Authorization, except for Vega obligations, which have been provisioned.

At the end of March 2017 Rompetrol Rafinare SA will buy back a total of 770,000 CO2 certificates from Vitol SA.

### **Other commitments**

As of December 31, 2016 Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards at the Petromidia refinery of USD 55.03 million (2015: USD 9.13 million). As of December 31, 2016, Rompetrol Downstream S.R.L has contracted capital commitments of USD 4.27 million (2015: USD 2.38 million).

Rompetrol Downstream S.R.L. has certain concession and rental agreements with local authorities and other companies/individuals in Romania for plots of land. Usually the conditions for these agreements are the following: terms from 5 to 49 years, fixed or variable fees per year. According to these agreements, the approximate amount to be paid in 2017 is USD 4.75 million within one year, and USD 0.28 million after one year but not more than five years (USD 5.02 million in 2016).

### **Sale and purchase commitments**

As of December 31, 2016 the main Group's commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 2,102.8 million (2015: USD 1,474.8 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,724.08 million (2015: USD 1,299.31 million).

## **29.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **29. 1. Capital risk management**

The Group manages its capital to ensure that entities in the Group 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 Group consists of bank debt and shareholder loans (see Note 15), 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".



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**29.2. Gearing ratio**

The gearing ratio at the year-end was as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Debt (excluding shareholder loans and related parties)	214,051,063	253,349,034
Cash and cash equivalents	(15,810,298)	(6,727,079)
<b>Net debt</b>	<b>198,240,765</b>	<b>246,621,955</b>
Equity (including shareholder loans and related parties)	746,878,231	730,307,640
<b>Net debt to equity ratio</b>	<b>0.27</b>	<b>0.34</b>

**29.3. Categories of financial instruments and fair values**

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b>Financial assets</b>		
Trade and other receivables	263,774,358	293,996,071
Long-term receivables	1,480,888	1,095,124
Available for sale investments	18,583	18,583
Derivative financial instruments	5,340	-
Cash and cash equivalents	15,810,298	6,727,079
<b>TOTAL FINANCIAL ASSETS</b>	<b>281,089,467</b>	<b>301,836,857</b>
<b>Financial liabilities</b>		
Long-term borrowings	193,162,805	215,312,502
Derivative financial instruments	323,130	626,926
Short term borrowings from shareholders	268,253,969	306,682,066
Other non-current liabilities	177,110	156,520
Trade and other payables	725,513,525	697,908,300
Short-term borrowings banks	20,888,258	38,036,532
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,208,318,797</b>	<b>1,258,722,846</b>

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

- Advances to suppliers
- VAT to be recovered
- Profit tax receivables
- Other taxes receivables

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

- Advances from customers
- Excises taxes
- Special found tax for oil products
- VAT payable
- Profit tax payable
- Salary taxes payable
- Other taxes
- Deferred revenues;

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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 Group enters into derivative financial instruments with various counterparties. As at 31 December 2016, the marked to market value of derivative position is for financial instruments recognized at fair value.

**29.4. Fair value hierarchy**

The Group 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.

	<b>December 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Trade and other receivables	263,774,358	263,774,358	-	-
Long-term receivables	1,480,888	1,480,888	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	5,340	-	5,340	-
Cash and cash equivalents	15,810,298	15,810,298	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>281,089,467</b>	<b>281,084,127</b>	<b>5,340</b>	-
<b>Financial liabilities</b>				
Long-term borrowings	193,162,805	193,162,805	-	-
Derivative financial instruments	323,130	-	323,130	-
Short term borrowings from shareholders	268,253,969	268,253,969	-	-
Other non-current liabilities	177,110	177,110	-	-
Trade and other payables	725,513,525	725,513,525	-	-
Short-term borrowings banks	20,888,258	20,888,258	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,208,318,797</b>	<b>1,207,995,667</b>	<b>323,130</b>	-

	<b>December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Trade and other receivables	293,996,071	293,996,071	-	-
Long-term receivables	1,095,124	1,095,124	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	-	-	-	-
Cash and cash equivalents	6,727,079	6,727,079	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>301,836,857</b>	<b>301,836,857</b>	-	-
<b>Financial liabilities</b>				
Long-term borrowings	215,312,502	215,312,502	-	-
Derivative financial instruments	626,926	-	626,926	-
Short term borrowings from shareholders	306,682,066	306,682,066	-	-
Other non-current liabilities	156,520	156,520	-	-
Trade and other payables	697,908,300	697,908,300	-	-
Short-term borrowings banks	38,036,532	38,036,532	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,258,722,846</b>	<b>1,258,095,920</b>	<b>626,926</b>	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

During the reporting period ending 31 December 2016 and 2015, 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.

**29.5 Derivative financial instruments**

The Group uses different commodity derivatives as part of price risk management in trading of crude oil and products.

**Balance Sheet:**

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Derivative financial asset	5,340	-
Derivative financial liability	(323,130)	(626,926)
<b>Net position - asset/(liability)</b>	<b>(317,790)</b>	<b>(626,926)</b>

**Income Statement:**

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Unrealised (gains)	-	-
<b>Net position - (gain)/loss - in Cost of sales</b>	<b>-</b>	<b>-</b>
Realised losses - net	(2,179,570)	4,969,468
<b>Total position - loss/(gain) - in Cost of sales</b>	<b>(2,179,570)</b>	<b>4,969,468</b>

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b>Derivative asset/(liability) 2015</b>	<b>(626,926)</b>	<b>(426,096)</b>
Forex unrealized (hedging of forex)	-	-
Cash payments	1,426,383	(1,429,109)
Reserves	(1,117,247)	1,228,279
<b>Derivative asset/(liability) 2016</b>	<b>(317,790)</b>	<b>(626,926)</b>

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.

**29.6 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 Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**29.7. Foreign currency risk management**

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products sales are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in other currencies, which are translated at the prevailing exchange rate at each balance sheet date. The unrealized differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

**29.8. Foreign currency sensitivity analysis**

The Group is mainly exposed to the RON and EUR currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity here the USD strengthens 5% against the relevant currency. For a 5% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	USD	RON		EUR	
		2016	2015	2016	2015
Profit or loss	5%	(1,969,718)	(2,755,068)	(826,698)	(1,114,097)
	-5%	1,969,718	2,755,068	826,698	1,114,097

**29.9. 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 Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Group's borrowings, are provided in Notes 12 and 15.

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 interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's: profit for the year ended 31 December 2016 would decrease/increase by USD 2,796 thousand (2015: decrease/increase by USD 3,869 thousand).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**29.10. Liquidity risk management**

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2016 and 31 December 2015 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Year ended December 31, 2016	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term debt	-	1,530,815	4,592,446	195,203,892	-	201,327,153
Trade and other payables	682,245,532	38,970,209	4,296,790	1,003	-	725,513,525
Derivative financial instruments	-	323,130	-	-	-	323,130
Short-term borrowings from related parties	268,253,969	7,374	-	-	-	268,261,343
Short-term debt	-	186,103	20,892,302	244,093	-	21,322,498
Other non-current liabilities	15,941	-	-	161,169	-	177,110
	<b>950,515,433</b>	<b>41,017,631</b>	<b>29,781,538</b>	<b>195,610,157</b>	<b>-</b>	<b>1,216,924,768</b>

Year ended December 31, 2015	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term debt	-	1,685,003	5,055,009	224,299,184	-	231,039,196
Trade and other payables	288,744,867	277,458,942	131,704,491	-	-	697,908,300
Derivative financial instruments	-	626,926	-	-	-	626,926
Short-term borrowings from related parties	8,294,937	2,176,452	304,892,724	-	-	315,364,113
Short-term debt	-	398,700	38,193,578	374,555	-	38,966,833
Other non-current liabilities	-	-	-	156,520	-	156,520
	<b>297,039,804</b>	<b>282,346,023</b>	<b>479,845,802</b>	<b>224,830,259</b>	<b>-</b>	<b>1,284,061,888</b>

**29.11. Commodity price risk**

The Group is affected by the volatility of prices of crude oil, oil products and by refinery margins. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Group'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 Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow. Based on the expectations of crude oil price increase, at the beginning of 2016, the hedge strategy for 2016 was split between futures and options while a certain quantity above base operating stock was left unhedged.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))*

---

**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

Trading activities are separated into physical (purchase from third parties and KazmunayGas Group, and sales to third parties and 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 Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. The company also had hedge operations for refinery margins. The net impact of the commodity hedges (physical result –gain- plus paper result –loss- for hedged stocks) was USD +10.4 million (2015: net gain of USD 17 million). However the company results were affected by the inventory losses related to the base operating stock in refinery but considering such stocks are constant in time, the loss is only on paper, not on cash.

**29.12 Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group 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**

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 31% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

**Financial instruments and bank deposits**

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

**30. SUBSEQUENT EVENTS**

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 13 million has been extended until May 10, 2017.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 11.2 million has been extended until April 28, 2017.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 7 million has been extended until April 14, 2017.

Facility granted Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 3.1 million has been extended until May 3, 2017.

At the end of March 2017 Rompetrol Rafinare SA is going to buy back a total of 770,000 CO2 certificates from Vitol SA.