

**ROMPETROL RAFINARE S.A.**

**INDIVIDUAL FINANCIAL STATEMENTS**

**Prepared in compliance with**

Order of the Minister of Public Finance no. 2844/2016

For approval of the accounting regulations in compliance with  
the International Financial Reporting Standards

**31 DECEMBER 2016**



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## **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 ale societatii Rompetrol Rafinare S.A. („Societatea”) care cuprind situatia pozitiei financiare la data de 31 decembrie 2016, contul de profit si pierdere, alte elemente ale rezultatului global, situatia modificarilor capitalurilor proprii si situatia fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative.

*We have audited the financial statements of Rompetrol Rafinare S.A. (the Company), which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.*

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2016, ca si a performantei financiare si a fluxurilor de numerar ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare.

*In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.*

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.

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## **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 Societate 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 Company 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.*

## **Evidentierea unor aspecte** *Emphasis of matter*

Fara a exprima rezerve asupra opiniei, atragem atentia asupra Notei 2b din situatiile financiare, care indica faptul ca, la data de 31 decembrie 2016, Societatea avea un activ net de 1.327 milioane RON si un capital social de 4.411 milioane RON. Conform cerintelor Legii societatiilor comerciale (Legea nr. 31/1990 si modificarile ulterioare), daca societatea are un activ net mai mic de 50% din capitalul social, asa cum este cazul Societatii, administratorii si actionarii trebuie sa ia masuri pentru a remedia situatia.

*Without qualifying our opinion, we draw attention to Note 2b to the financial statements which indicates that, as of 31 December 2016, the Company had net assets of RON 1,327 million and share capital of RON 4,411 million. In accordance with the requirements of Romanian Companies' Law (Law 31/1990 and subsequent amendments) if a company has net assets less than 50% of its share capital, as the Company has, action should be taken by the Directors and shareholders to rectify the situation.*

## **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 din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare in ansamblu, si in formarea opiniei noastre asupra acestora, si nu emitem o opinie separata cu privire la aceste aspecte cheie.

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 traducerii.

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*Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 în acel context o descriere a modului în 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 îndeplinit responsabilitățile descrise în secțiunea „Responsabilitățile auditorului pentru auditul situațiilor financiare” din raportul nostru, inclusiv în legătura cu aceste aspecte cheie. În consecință, auditul nostru a inclus efectuarea procedurilor proiectate să răspundă la evaluarea noastră cu privire la riscul de erori semnificative în cadrul situațiilor financiare. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastră de audit asupra situațiilor financiare 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 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 financial statements.*

Aspect cheie de audit	Modul în care auditul nostru a abordat aspectul cheie de audit
<p><b>Testarea pentru depreciere a imobilizarilor corporale și investițiilor în filiale</b></p>	
<p>Informațiile prezentate de Rompetrol Rafinare cu privire la imobilizările corporale și investițiile în filiale, inclusiv cu privire la deprecierea aferentă, sunt incluse în nota 5 și respectiv nota 6.</p>	
<p>Imobilizările corporale și investițiile în filiale au o importanță semnificativă pentru auditul nostru, având în vedere importanța poziției bilanțiere de 3.018 milioane RON și respectiv 1.629 milioane RON la 31 decembrie 2016. De asemenea, evaluarea conducerii cu privire la indicatorii de depreciere a unităților generatoare de numerar și a investițiilor 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</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 Societate pentru testarea de depreciere a imobilizarilor 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,</p>

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<p>inchiderea unor centre de productie si amanarea investitiilor de catre unii jucatori din industrie. La 31 decembrie 2016 conducerea a identificat indicatori de depreciere si a efectuat testari pentru depreciere separate cu privire la imobilizarile corporale ale celor doua unitati generatoare de numerar ale Societatii (Refinare, cu o valoare contabila neta a imobilizarilor corporale de 2.660 milioane RON si Petrochimie cu o valoare contabila neta a imobilizarilor corporale de 358 milioane RON). De asemenea, o analiza a indicatorilor de depreciere a fost efectuata pentru investitiile in filialele Societatii (Rompetro Downstream S.R.L, Rompetro Petrochemicals S.R.L., Rom Oil S.R.L., Rompetro Logistics S.R.L., Rompetro Quality Control S.R.L.)</p> <p>Aceasta testare pentru depreciere este semnificativa 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>modificarile capitalului de lucru, etc.), analizand conformitatea acestora cu mediul economic general si cel specific industriei, cu informatiile de piata relevante disponibile si cu planurile de afaceri ale Societatii.</p> <p>De asemenea, am evaluat analiza conducerii privind indicatorii de depreciere a imobilizarilor corporale si respectiv a investitiilor in filiale, analizand daca testarea pentru depreciere a acoperit toate unitatile generatoare de numerar/activele individuale semnificative pentru care au existat indicatori de depreciere la sfarsitul perioadei de raportare.</p> <p>De asemenea, am evaluat caracterul adecvat al informatiilor prezentate de Rompetro Rafinare cu privire la testarea pentru depreciere a imobilizarilor corporale si investitiilor in filiale.</p>
<p><b>Recunoasterea creantei privind impozitul pe profit amanat</b></p> <p>Informatiile prezentate de Rompetro Rafinare cu privire la creanta privind impozitul pe profitul amanat sunt incluse in nota 20.</p>	
<p>Creanta privind impozitul amanat are o importanta semnificativa pentru auditul nostru avand in vedere importanta pozitiei bilantiere de 271 milioane RON 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</p>

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	<p>luate in considerare la stabilirea impactului in cadrul evaluarii noastre cu privire la proiectiile privind profitul impozabil.</p> <p>De asemenea, am evaluat caracterul adecvat al informatiilor prezentate de Societate cu privire la creanta privind impozitul pe profit amanat.</p>
<p><b>Litigii</b></p> <p>Informatiile prezentate de Rompetrol Rafinare cu privire la litigii sunt incluse in nota 25.</p>	
<p>Societatea este implicata 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 25 din situatiile financiare. Aceaste 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 Societatii.</p>	<p>Procedurile noastre de audit au inclus, printre altele, obtinerea de confirmari de la avocatii externi ai Societatii care ofera asistenta cu privire la aceste cazuri precum si documentatie suport de la departamentul juridic intern al Societatii, cu privire la stadiul acestor litigii. Am examinat procesele verbale ale Consiliului de Administratie 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 avocatilor 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.</p> <p>De asemenea am evaluat caracterul adecvat al informatiilor prezentate cu privire la provizioane si datorii contingente rezultate din aceste actiuni legale.</p>

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Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment testing of property, plant and equipment and investments in subsidiaries</b></p>	
<p><i>Rompetrol Rafinare's disclosures about property, plant and equipment and investments in subsidiaries, including the related impairment, are included in Note 5 and Note 6 respectively.</i></p>	
<p><i>Property, plant and equipment and investments in subsidiaries are significant to our audit because of the magnitude of the balance sheet position of RON 3,018 million and RON 1,629 million, respectively, as at 31 December 2016. Furthermore, the management assessment of impairment indicators for cash generating units and investments involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.</i></p> <p><i>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 property, plant and equipment of the Company's two cash generating units (Refining, with a property, plant and equipment carrying value of RON 2.660 million and Petrochemicals with a property, plant and equipment carrying value of RON 358 million). Furthermore, an assessment of impairment indicators has been made for the investment in the Company's subsidiaries (Rompetrol Downstream S.R.L., Rompetrol Petrochemicals S.R.L., Rom Oil S.R.L., Rompetrol Logistics S.R.L., Rompetrol Quality Control S.R.L.)</i></p> <p><i>This impairment test 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.</i></p>	<p><i>Our audit procedures included, among others, using our internal valuation experts to assist us in evaluating the key assumptions and methodologies used by the Company for the impairment testing of 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 analyzing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Company.</i></p> <p><i>We also evaluated the management assessment of impairment indicators for property, plant and equipment and investments in subsidiaries, respectively, considering whether the impairment testing covered all significant cash generating units/individual assets for which impairment indicators existed at the end of the reporting period.</i></p> <p><i>We further assessed the adequacy of Rompetrol Rafinare's disclosures about impairment testing of property, plant and equipment and investments in subsidiaries.</i></p>

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<p><b>Recognition of deferred tax assets</b></p> <p>Rompetro Rafinare's disclosures about deferred tax assets are included in Note 20.</p>	
<p><i>Deferred tax assets are significant to our audit because of the magnitude of the balance sheet position of RON 271 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.</i></p>	<p><i>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.</i></p> <p><i>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.</i></p> <p><i>Furthermore, we assessed the adequacy of the Company's disclosures regarding deferred tax assets.</i></p>
<p><b>Litigations</b></p> <p>Rompetro Rafinare's disclosures about litigations are included in Note 25.</p>	
<p><i>The Company 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 25 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 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).</i></p> <p><i>Due to the significance and complexity of these litigations, adverse outcomes could potentially</i></p>	<p><i>Our audit procedures included, among others, obtaining legal confirmations from the Company's external lawyers advising on these matters and supporting documentation from the Company's internal legal counsel regarding the status of these litigations. We have inspected the minutes of Board meetings and held periodic meetings with management to discuss and understand the developments in 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</i></p>

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<p><i>impact the Company's reported financial performance and balance sheet position.</i></p>	<p><i>matters, based on the facts and circumstances available. Our internal experts were involved, where appropriate, to assist us to analyze the legal cases and the assumptions made by management. We further evaluated the adequacy of disclosures regarding provisions recognized and contingencies resulting from legal proceedings.</i></p>
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**Alte informatii**  
*Other information*

Alte informatii includ Raportul administratorilor, dar nu includ situatiile financiare 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 financial statements and our auditors' report thereon. Management is responsible for the other information.*

Opinia noastra de audit asupra situatiilor financiare nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora. *Our audit opinion on the 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, responsabilitatea noastra este de a citi aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare 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. *In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.*

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

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

Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare in conformitate cu Ordinul Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.

*Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

La intocmirea situatiilor financiare, conducerea este responsabila sa evalueze abilitatea Societatii 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 Societatea sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.

*In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Societatii.

*Those charged with governance are responsible for overseeing the Company'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, 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.

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

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*Our objectives are to obtain reasonable assurance about whether the 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 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, 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 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 Societatii.*
- ▶ *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 Company's internal control.*
- ▶ *Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.*
- ▶ *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- ▶ *Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii, si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoilei semnificative privind capacitatea Societatii de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare sau, in cazul in care aceste prezentari sunt neadecvate, sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Societatea sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.*

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.

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- ▶ *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 Company'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 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 Company to cease to continue as a going concern.*
- ▶ *Evaluăm prezentarea, structura și conținutul general al situațiilor financiare, inclusiv al prezentărilor de informații, și măsurăm în care situațiile financiare reflectă tranzacțiile și evenimentele de bază într-o manieră care realizează prezentarea fidelă.*
- ▶ *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

Comunicăm persoanelor responsabile cu guvernanta, printre altele 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*

De asemenea, prezentăm persoanelor responsabile cu guvernanta o declarație cu privire la conformitatea noastră cu cerințele etice privind independența și le comunicăm toate relațiile și alte aspecte care pot fi considerate, în mod rezonabil, ca ar putea să ne afecteze independența și, unde este cazul, măsurile de siguranță 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 comunicăm persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanță în cadrul auditului asupra situațiilor financiare din perioada curentă și, prin urmare, reprezintă aspecte cheie de audit. Descriem aceste aspecte în raportul nostru de audit, cu excepția cazului în care legislația sau reglementările împiedică prezentarea publică a aspectului respectiv sau a cazului în care, în circumstanțe extrem de rare, determinăm ca un aspect nu ar trebui comunicat în raportul nostru deoarece se preconizează în mod rezonabil ca efectele negative ale acestei comunicări depășesc beneficiile interesului public al comunicării 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 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 la data de 31 decembrie 2016, atasate;
- b) raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinului 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
- c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare intocmite la data de 31 decembrie 2016 cu privire la Societate si la mediul acesteia, 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 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;*

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.

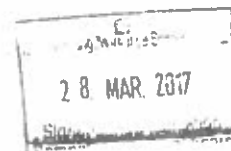
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- c) *based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at 31 December 2016, we have not identified information included in the Directors' Report that contains 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.

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF THE FINANCIAL POSITION**  
**As at 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	31 December, 2016	31 December, 2015
Intangible assets	3	16,724,850	13,330,284
Goodwill	4	152,720	152,720
Property, plant and equipment	5	3,018,053,823	3,139,544,566
Financial assets	6	1,629,020,055	1,629,020,055
Deferred tax asset	20	271,373,514	228,038,083
<b>Total non current assets</b>		<b>4,935,324,962</b>	<b>5,010,085,708</b>
Inventories, net	7	816,627,179	520,212,512
Receivables and prepayments, net	8	1,018,626,207	1,073,860,703
Derivative Financial Instruments	27	22,980	-
Cash and cash equivalents	9	45,891,549	6,773,869
<b>Total current assets</b>		<b>1,881,167,915</b>	<b>1,600,847,084</b>
<b>TOTAL ASSETS</b>		<b>6,816,492,877</b>	<b>6,610,932,792</b>
Subscribed share capital	10	4,410,920,573	4,410,920,573
Share premium	10	232,637,107	232,637,107
Other reserves	10	3,169,670,514	3,172,596,294
Accumulated losses		(6,556,328,713)	(6,637,120,634)
Current year result		70,001,508	84,291,996
<b>Total equity</b>		<b>1,326,900,989</b>	<b>1,263,325,336</b>
Long-term borrowings from banks	13	281,763,783	299,687,700
Provisions	14	302,311,412	246,183,634
<b>Total non-current liabilities</b>		<b>584,075,195</b>	<b>545,871,334</b>
Trade and other payables	11	3,750,363,002	3,457,659,668
Short-term borrowings from shareholders	12	1,065,970,431	1,187,404,941
Short-term borrowings from banks	12	89,183,260	156,671,513
<b>Total current liabilities</b>		<b>4,905,516,693</b>	<b>4,801,736,122</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,816,492,877</b>	<b>6,610,932,792</b>

The financial statements were approved on March 23, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

**CATALIN DUMITRU**  
 President of the Board of Directors

**VASILE-GABRIEL MANOLE**  
 Chief Financial Officer

**YEDIL UTEKOV**  
 Chief Executive Officer



**ROMPETROL RAFINARE S.A.**  
**PROFIT AND LOSS STATEMENT**  
for financial year ending on 31 December 2016  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	2016	2015
Net revenues	15	8,774,321,849	9,811,196,252
Cost of sales	16	(8,272,314,522)	(9,406,207,259)
<b>Gross profit</b>		<b>502,007,327</b>	<b>404,988,993</b>
Selling, general and administrative expenses	17	(215,517,308)	(223,045,325)
Other operating revenues / expenses, net	18	(10,576,941)	222,266,341
<b>Operating profit/ (loss)</b>		<b>275,913,078</b>	<b>404,210,009</b>
Financial cost	19	(130,189,378)	(127,796,953)
Financial income	19	21,170,401	3,268,964
Net foreign exchange gains / (losses)	19	(140,228,024)	(423,428,107)
<b>Profit/(loss) before income tax</b>		<b>26,666,077</b>	<b>(143,746,087)</b>
Deferred tax	20	43,335,431	228,038,083
<b>Net Profit / (Loss)</b>		<b>70,001,508</b>	<b>84,291,996</b>
Earnings per share <i>(bani/share)</i>	23	0.16	0.19
Basis			

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**CATALIN DUMITRU**  
President of the Board of Directors



**VASILE-GABRIEL MANOLE**  
Chief Financial Officer



**YEDIL UTEKOV**  
Chief Executive Officer



**ROMPETROL RAFINARE S.A.**  
**OTHER ELEMENTS OF THE GLOBAL EARNINGS**  
**for financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

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	<u>2016</u>	<u>2015</u>
<b>Net Profit / (Loss)</b>	<b>70,001,508</b>	<b>84,291,996</b>
<b>Other comprehensive income</b>		
Actuarial gain / (losses) relating to retirement benefits	(6,448,613)	1,524,223
Gains / (losses) from derivatives	22,758	706,884
<b>Other comprehensive income for the year, net of tax</b>	<b>(6,425,855)</b>	<b>2,231,107</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>63,575,653</b>	<b>86,523,103</b>

The financial statements were approved on March 23, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

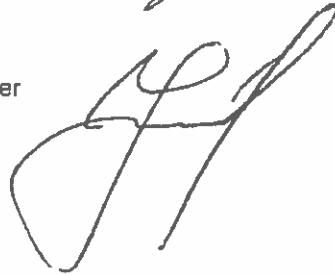
**CATALIN DUMITRU**  
President of the Board of Directors



**VASILE-GABRIEL MANOLE**  
Chief Financial Officer



**YEDIL UTEKOV**  
Chief Executive Officer



**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF TREASURY FLOWS**  
for financial year ending on 31 December 2016  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	31 December 2016	31 December 2015
<b>Net result before income tax</b>	<b>26,666,077</b>	<b>(143,746,087)</b>
<i>Adjustments for:</i>		
Depreciation and amortisation	271,859,735	200,600,799
Provisions for receivables and inventories (Incl write-off)	(20,097,808)	(221,827,255)
Provision for environmental liabilities and litigations	52,353,942	-
Restructuring and retirement benefit provisions	2,674,777	(2,324,914)
Expenses with penalties	143,494	323,246
Interest expenses	130,189,378	127,796,953
Inreresst income	(18,509,735)	(2,685,147)
Income from dividends	(2,121,569)	(583,817)
Losses/gains from derivatives	552	(282)
(Gain)/Loss on sale or disposal of property, plant and equipment	-	732
Unrealised foreign exchange (gain)/loss from restatement and monetary items	38,911,265	28,046,563
<b>Cash generated from operations before working capital changes</b>	<b>482,070,108</b>	<b>(14,399,209)</b>
<i>Net working capital changes in:</i>		
Receivables and prepayments	65,052,137	(49,026,529)
Inventories	(276,600,089)	392,882,380
Trade and other payables, excluding payables for capital expenditures	66,715,808	(376,174,594)
<b>Change in working capital</b>	<b>(144,832,144)</b>	<b>(32,318,743)</b>
<b>Cash payments for derivatives, net</b>	<b>(187,054)</b>	<b>(11,408,640)</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>337,050,910</b>	<b>(58,126,593)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(147,202,051)	(420,218,831)
Purchase of intangible assets	(6,565,876)	84,464
Dividends received	2,121,569	583,817
<b>Net cash used in investing activities</b>	<b>(151,646,358)</b>	<b>(419,550,550)</b>
<b>Cash flows from financing activities</b>		
Cash pooling	204,510,410	439,974,738
Short - term loans/ (repaid to) received from banks, net	(66,532,789)	(72,896,637)
Long - term loans received from banks	241,177,578	607,866,150
Long - term loans repaid to banks	(266,944,697)	(319,062,931)
Short - term loans (repaid to)/ received from related parties	(7,258,932)	31,529,445
Interest and bank charges paid, net	(251,238,442)	(216,862,629)
<b>Net cash from financing activities</b>	<b>(146,286,872)</b>	<b>470,548,136</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>39,117,680</b>	<b>(7,129,006)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>6,773,869</b>	<b>13,902,875</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>45,891,549</b>	<b>6,773,869</b>

The financial statements were approved on March 23 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

**CATALIN DUMITRU**  
President of the Board of Directors

**VASILE-GABRIEL MANOLE**  
Chief Financial Officer

**YEDIL UTEKOV**  
Chief Executive Officer

**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**As at 31 December 2016 and 31 December 2015**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

	Share capital	Share premium	Accumulated losses	Other reserves	Total equity
<b>1<sup>st</sup> of January 2015</b>	<b>4,410,920,573</b>	<b>232,637,107</b>	<b>(6,632,906,034)</b>	<b>3,166,150,587</b>	<b>1,176,802,233</b>
Net profit for 2015	-	-	84,291,996	-	84,291,996
Actuarial gain/losses related to retirement benefits	-	-	-	1,524,223	1,524,223
Gains/losses related to derivative financial instruments	-	-	-	706,884	706,884
Other comprehensive income for 2015	-	-	-	2,231,107	2,231,107
Transfer to reserves	-	-	(4,214,600)	4,214,600	-
<b>31<sup>st</sup> of December 2015</b>	<b>4,410,920,573</b>	<b>232,637,107</b>	<b>(6,552,828,638)</b>	<b>3,172,596,294</b>	<b>1,263,325,336</b>
<b>1<sup>st</sup> of January 2016</b>	<b>4,410,920,573</b>	<b>232,637,107</b>	<b>(6,552,828,638)</b>	<b>3,172,596,294</b>	<b>1,263,325,336</b>
Net profit for 2016	-	-	70,001,508	-	70,001,508
Actuarial gain/losses related to retirement benefits	-	-	-	(6,448,613)	(6,448,613)
Gains/losses related to derivative financial instruments	-	-	-	22,758	22,758
Other comprehensive Income for 2016	-	-	-	(6,425,855)	(6,425,855)
Transfer to reserves	-	-	(3,500,075)	3,500,075	-
<b>31<sup>st</sup> of December 2016</b>	<b>4,410,920,573</b>	<b>232,637,107</b>	<b>(6,486,327,205)</b>	<b>3,169,670,514</b>	<b>1,326,900,989</b>

The financial statements were approved on March 23, 2017 and submitted for approval by the General Assembly of shareholders on April 27, 2017 by:

**DUMITRU CATALIN**  
 President of the Board of Directors

**VASILE-GABRIEL MANOLE**  
 Chief Financial Officer

**YEDIL UTEKOV**  
 Chief Executive Officer





## **1. GENERAL**

Rompetrol Rafinare S.A. (hereinafter referred to as "the Company" is a company incorporated under Romanian laws. The Company operates two refineries Petromidia and Vega. Petromidia Refinery is the one with the highest capacity (of 5 million tons/annum, nameplate capacity) and the only Romanian refinery at the Romanian Black Sea shore, which 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 and 1977 and was further upgraded in the early '90s and between 2005 - 2012. Vega refinery was built in 1905 and upgraded in the following decades.

Rompetrol Rafinare S.A. production facilities are located in Romania. The number of employees of the Company as at 31 December 2016 is 1,077, respectively 1,183 as at 31 December 2015.

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

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

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

The ultimate parent of the KMG International N.V. is the company "National Welfare Fund Samruk Kazyna" JSC, an entity with its headquarters in Kazakhstan and owned by the Kazakh State.

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

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

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

Effective as of 31 December 2012, the standalone financial statements of the Company are prepared in accordance with the Order of the Minister of Public Finance no. 1286/2012 subsequent amended by Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting regulations in compliance with the International Financial Reporting Standards applicable to the companies whose real estate values are accepted for transaction on a regulated market. These stipulations are compliant with the requirements of the International Financial Reporting Standards as approved by the European Union, except the regulations of IAS 21, *the Effects of the exchange rate variation* with regards to the functional currency.

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

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

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

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

### **b) The going concern**

The financial statements of the Company are prepared on a going concern basis. As at 31 December 2016 and 31 December 2015, the Company reported net assets amounted to RON 1,327 million and RON 1,263 million respectively. For the years ended as at 31 December 2016 and 31 December 2015, the Company reported a profit of RON 70 million, and of RON 84 million respectively. The accumulated losses incurred so far are due to the fact that the Company has been affected by the specific of the refining activity, characterized by a significant volatility and lower refinery margins in the past years but, considering that the massive investment trend of the last period that seeks to obtain positive financial results thus will decrease the cumulated loss recorded so far.

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

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

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

The company's net assets decreased to less than half the value of the subscribed share capital, the Company's management intends to regulate this situation of the ratio between the net assets of the Company and its share capital, within the term provided by law, according to article 153.24 of Law no. 31/1990 regarding the trade companies, as amended and in accordance with statutory decisions.

Therefore, the Board of Directors met in session on 10 November 2016 summon General Meeting of Shareholders, held on 19 December 2016. The agenda of the meeting, among other topics discussed, established as a point - continuing the company's activity in accordance with art. 153.24 of Law. no 31/1990 regarding the trade companies, republished, and that will take the necessary steps to resolve the situation of the net asset. The General Meeting of Shareholders held on 19 December 2016 decided continuing the company's activity and decided to set 31 December 2017 as date for resolving the situation mentioned above.

Also, considering the Company's plans for 2017, and other aspects above mentioned, it is considered that the preparation of the financial statements is based on the ongoing activity principle.

### **c) Changes in accounting policies**

#### **New and amended standards and interpretations**

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.

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

- **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 Company 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 Company does not have any plans that fall within the 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 Company'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.

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

- **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 Company'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.
  - **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 and are not early adopted

The Company has not early adopted 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 Company is in the process of assessing the impact of this amendment to the financial position or performance of the Company.
- **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 Company has concluded on the preliminary assessment performed on this new standard, that no significant impact will have on the Company'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 Company is in the process of assessing the impact of this new standard on the Company's financial position or performance.



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

- **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 Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.
- **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 Company is in the process of assessing the impact of this amendment on the Company'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 Company is in the process of assessing the impact of this amendment on the Company'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 Company is in the process of assessing the impact of this amendment on the Company'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 Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

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

- **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 Company is in the process of assessing the impact of this amendment on the Company'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 Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

### e) Significant professional judgements, estimates and assumptions

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

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

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

The 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

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

### **- Impairment of non-financial assets**

The Company 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 legislations changes. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

### **- Provision for environmental liability**

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

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

### **- Deferred tax assets**

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

Additional details on the deferred tax applicable to the corporate tax Note 20.

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

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

### **- Carrying value of inventories**

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

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

### - *Provision for litigations*

The Company 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 litigation, the expected claim to be paid and the expected timing of the payments. Changes to these estimates could have a significant impact on the amount of the provision. Further details on the provisions relating to litigations are provided in Notes 14, 18, 25.

### f) **Financial instruments**

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

#### *a. Financial assets*

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

#### **Subsequent measurement**

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

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

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Company 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 (effective interest rate) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

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

### 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

#### *b. Financial liabilities*

### Initial recognition and measurement

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

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

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

### Subsequent measurement

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

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

#### *c. Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised

amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

### d. Impairment of financial assets

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company 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 Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company 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 reorganisation 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.

### g) Property plant and equipment

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

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

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

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

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

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

### h) Intangible assets

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

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

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

### i) Financial assets

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

Further details on financial assets are provided in Note 6.

### j) Impairment of non-financial assets

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

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

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

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

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

### k) Provisions

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

Provisions are not recognized for future operating losses.

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

### Environmental liabilities

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

The Company has an environmental policy which complies with existing legislation and complies with any obligations resulting from its environmental and operational licenses. In order to comply with all rules and regulations the Company has set up a monitoring 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.

### l) Inventories

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

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

### m) Receivables

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



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

### n) Cash and cash equivalents

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

### o) Recognition of revenues

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties and other sales taxes, rebates and sales discounts. Revenue is recognized to the extent

that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its concluded arrangements.

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

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

In addition:

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

### p) Interest bearing loans

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

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

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

### q) Retirement benefit costs

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

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

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

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

### r) Taxes

#### - *Current income tax*

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

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

#### - *Deferred tax*

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

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

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

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

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

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

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

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

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

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

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

### - Sales (revenues) related tax

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

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

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

### s) Dividends

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

### t) Emission rights

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

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

### u) Foreign Currency Transactions

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

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

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

Currency	31 December 2016	31 December 2015
RON/USD	4.3033	4.1477
RON/EUR	4.5411	4.5245

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

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

### v) Derivative financial instruments

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

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

The Company determines gain/loss on a net basis based on the daily open positions.

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

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

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

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

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

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

### w) Contingencies

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

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

## 3. INTANGIBLE ASSETS

	Software	Other	Intangibles in progress	Total
<b>Cost</b>				
<b>Opening balance as of January 1, 2015</b>	<b>45,891,328</b>	<b>1,106,220</b>	-	<b>46,997,548</b>
Additions	-	-	-	-
Disposals	-	(1,106,220)	-	(1,106,220)
Transfers*	(96,520)	150,123	-	53,603
<b>Closing balance as of December 31, 2015</b>	<b>45,794,808</b>	<b>150,123</b>	-	<b>45,944,931</b>
Additions	124,494	-	6,441,382	6,565,876
Transfers*	49,548	-	-	49,548
<b>Closing balance as of December 31, 2016</b>	<b>45,968,850</b>	<b>150,123</b>	<b>6,441,382</b>	<b>52,560,355</b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2015</b>	<b>(29,408,066)</b>	<b>(1,106,220)</b>	-	<b>(30,514,286)</b>
Charge for the year	(3,194,071)	(12,510)	-	(3,206,581)
Accumulated amortization of disposals	-	1,106,220	-	1,106,220
<b>Closing balance as of December 31, 2015</b>	<b>(32,602,137)</b>	<b>(12,510)</b>	-	<b>(32,614,647)</b>
Charge for the year	(3,170,817)	(50,041)	-	(3,220,858)
<b>Closing balance as of December 31, 2016</b>	<b>(35,772,954)</b>	<b>(62,551)</b>	-	<b>(35,835,505)</b>
<b>Net book value</b>				
<b>As of December 31, 2015</b>	<b>13,192,671</b>	<b>137,613</b>	-	<b>13,330,284</b>
<b>As of December 31, 2016</b>	<b>10,195,896</b>	<b>87,572</b>	<b>6,441,382</b>	<b>16,724,850</b>

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

Major part of „Other” intangible assets refer to development expenses.

Transfers and reclassifications amounting to RON 49.5 thousand represent transfers from property, plant and equipment.

In 2016 additions for intangibles in progress are licenses (RON 2.2 million) and software (RON 4.2 million).

## 4. GOODWILL

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

## 5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Furniture and others	Construction in progress	Total
<b>Cost or valuation</b>					
<b>As of January 1, 2015</b>	<b>2,006,990,096</b>	<b>2,916,085,163</b>	<b>12,093,480</b>	<b>110,982,177</b>	<b>5,046,150,916</b>
Acquisitions	-	879,213	64,015	419,275,603	420,218,831
Transfers from CIP	41,816,472	423,169,481	-	(464,985,953)	-
Disposals	-	(3,088,856)	(3,155)	-	(3,092,011)
Transfers and reclassifications*	(2,720,892)	2,721,161	-	(138,067)	(137,798)
<b>As of December 31, 2015</b>	<b>2,046,085,676</b>	<b>3,339,766,162</b>	<b>12,154,340</b>	<b>65,133,760</b>	<b>5,463,139,938</b>
Acquisitions	-	3,108,595	88,411	144,005,046	147,202,051
Transfers from CIP	13,395,972	33,766,626	4,564	(47,167,162)	-
Disposals	-	(27,786,401)	-	-	(27,786,401)
Transfers and reclassifications*	-	3,467	-	(53,917)	(50,450)
<b>As of December 31, 2016</b>	<b>2,059,481,648</b>	<b>3,348,858,449</b>	<b>12,247,315</b>	<b>161,917,727</b>	<b>5,582,505,139</b>
<b>Accumulated depreciation &amp; impairment</b>					
<b>As of January 1, 2015</b>	<b>(851,295,009)</b>	<b>(1,270,112,669)</b>	<b>(4,713,001)</b>	<b>(3,171,485)</b>	<b>(2,129,292,164)</b>
Charge for the year	(49,656,627)	(146,963,543)	(774,048)	-	(197,394,218)
Accumulated depreciation of disposals	-	3,088,124	3,155	-	3,091,279
Transfers and reclassifications*	1,344,578	(1,344,847)	-	-	(269)
<b>As of December 31, 2015</b>	<b>(899,607,058)</b>	<b>(1,415,332,935)</b>	<b>(5,483,894)</b>	<b>(3,171,485)</b>	<b>(2,323,595,372)</b>
Charge for the year	(51,969,521)	(216,008,646)	(660,711)	-	(268,638,878)
Accumulated depreciation of disposals	-	27,786,401	-	-	27,786,401
Transfers and reclassifications*	-	(3,467)	-	-	(3,467)
<b>As of December 31, 2016</b>	<b>(951,576,579)</b>	<b>(1,603,558,648)</b>	<b>(6,144,605)</b>	<b>(3,171,485)</b>	<b>(2,564,451,316)</b>
<b>Net book value as of December 31, 2015</b>	<b>1,146,478,618</b>	<b>1,924,433,227</b>	<b>6,670,446</b>	<b>61,962,275</b>	<b>3,139,544,566</b>
<b>Net book value as of December 31, 2016</b>	<b>1,107,905,070</b>	<b>1,745,299,801</b>	<b>6,102,710</b>	<b>158,746,242</b>	<b>3,018,053,823</b>

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

### - Impairment

No significant depreciation was recorded in 2016.

### - Construction in progress

In 2016 out of the Company total acquisitions for construction in progress the most significant refers to the following projects: Refinery specific optimization programs amounting to RON 31.5 million, ISCIR authorisations amounting to RON 21 million, Tank rehabilitation amounting to RON 17.4 million and Refinery 2017 turnaround amounting to RON 12.6 million.

In 2016 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to RON 32.6 million, ISCIR authorisations amounting to RON 21 million, Refinery 2016 specific optimization programs amounting to RON 24.15 million and Refinery 2017 turnaround amounting to RON 12.4 million. Part of these projects have been transferred to other property, plant and equipment categories.

During 2015, the Company transferred in tangible assets a significant part of assets in progress. The following expenses were transferred to tangible assets: expenses incurred with installing a system for

reduction of burned gas particles in the Catalytic Cracking Unit amounting to RON 37.9 million; expenses related to ISCIR authorization for static equipment and pipes amounting to RON 76.3 million; expenses with the consolidation of land (dredging) amounting to RON 6.9 million; expenses related to refinery shut down amounting to RON 299.7 million; expenses with increasing the security level on the Petromidia Platform amounting to RON 4.8 million.

In 2015, the main projects that remained in assets in progress refers to expenses related to modernization of the Homogenizer 103/7 Unit amounting to RON 1.8 million; Rehabilitation of cryogenic insulation (cryogenic warehouse, downloading line Berth 9) amounting to RON 1.2 million.

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

### - Disposal

In 2016, the amount of RON 27.8 million disposed assets, refers to replacement of used catalysts for MHC unit (Mild hydrocracking).

### - Capitalization of borrowing costs

The Company finances its activities inclusively through loans and the cost of debt for the acquisition of assets is capitalized in the cost of the asset, when specific loans have been obtained (investment). In the year ended as at 31 December 2016 the interest was not capitalised.

### - Fixed assets pledged

The company pledged assets net amounting to RON 984,474,779 (2015: RON 825,857,662), as follows:

- guarantees in favour of banks: RON 720,649,301 (2015: RON 658,241,146);
- guarantees in favour of ANAF: RON 263,825,478 (2015: RON 167,616,516).

It was established a distraint on all fixed assets and investments and on the equity as well as on the shares, amounting to RON 1,595,020,055 in favour of the Romanian state (represented by ANAF). On these titles there was set up a rank 2 guarantee in favour of KMG International N.V.

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

According with the Memorandum of Understanding signed with the Romanian State and approved by Government Decision no. 35/2014, ANAF should remove and revoke the distraint established on 10 September 2010.

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

On December 31<sup>st</sup> 2016 no foreclosure has been made.

### Impairment Test

Impairment tests have been performed by the Company 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 2,660 million RON, Petrochemicals 358 million RON.

### 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 Company's 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%).

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

### Petrochemicals

Petrochemicals CGU includes the petrochemical business of the Company. The recoverable amount of Rompetrol Petrochemicals unit has been determined based on the fair value less costs to sell using financial budgets approved by Company's 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%).

### 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.

Operating profit margin estimations:

	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%

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 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:

#### *Refining*

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%

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



## 6. FINANCIAL ASSETS

	<b>31 December 2016</b>	<b>31 December 2015</b>
Investments in subsidiaries	<u>1,629,020,055</u>	<u>1,629,020,055</u>
<b>Total</b>	<b><u>1,629,020,055</u></b>	<b><u>1,629,020,055</u></b>

### Investments in subsidiaries

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

	<b>Range of activity</b>	<b>Ownership at 31 December 2016</b>	<b>Ownership at 31 December 2015</b>	<b>Balance as at 31 December 2016</b>	<b>Balance as at 31 December 2015</b>
Rompetrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067	1,090,406,067
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100,00%	100,00%	311,698,295	311,698,295
Rom Oil S.A.	Rental services	99,99%	99,99%	191,216,660	191,216,660
Rompetrol Logistics S.R.L.	Logistics operations	66,19%	66,19%	24,349,123	24,349,123
Rompetrol Quality Control S.R.L.	Quality Control Services for oil products	70,91%	70,91%	<u>11,349,910</u>	<u>11,349,910</u>
<b>Total of equity investments</b>				<b><u>1,629,020,055</u></b>	<b><u>1,629,020,055</u></b>

Financial assets represent long-term strategic investment and are recorded at cost less any allowance for impairment for diminished value. The main indicators taken into account to identify impairment are current and anticipated results of the Company in the context of the industry in which it operates.

At December 31, 2016, the Company's management conducted a review of the indicators of impairment of subsidiaries. Following this analysis, no impairment indicators were identified for any of the subsidiaries.

## 7. INVENTORIES, NET

	<b>31 December 2016</b>	<b>31 December 2015</b>
Crude oil and other feedstock materials	451,924,829	264,343,902
Finished products	209,334,771	174,090,340
Work in progress	120,977,712	68,672,234
Spare parts	52,567,514	52,922,641
Other consumables	21,539,603	19,064,001
Merchandises	869,809	869,809
Other inventories	3,516,225	4,163,078
Inventories reserve	<u>(44,103,284)</u>	<u>(63,913,493)</u>
<b>Total</b>	<b><u>816,627,179</u></b>	<b><u>520,212,512</u></b>

The inventories of finished goods comprise mainly petroleum products.

As at December 31, 2016, the Company has under pledge crude oil stocks and petroleum products amounting to RON 357,697,328, respectively RON 406,950,797 at December 31, 2015.

## 7. INVENTORIES, NET (continued)

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Reserve at the beginning of the year</b>	<b>(63,913,493)</b>	<b>(200,817,629)</b>
Accrued provision	(22,316,909)	(18,431,002)
Write off	(1,524,350)	-
Reversal provision inventories reserve	43,651,468	155,335,138
<b>Reserve at the end of the period</b>	<b>(44,103,284)</b>	<b>(63,913,493)</b>

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

## 8. TRADE AND OTHER RECEIVABLES, NET

	<u>31 December 2016</u>	<u>31 December 2015</u>
Trade receivables	841,197,413	845,836,731
Advances to suppliers	21,079,937	20,862,639
Sundry debtors	119,152,205	128,586,927
VAT to be recovered	120,162	75,188
Other receivables	99,367,359	140,521,180
Reserve for bad and doubtful debts	(62,290,869)	(62,021,962)
<b>Total</b>	<b>1,018,626,207</b>	<b>1,073,860,703</b>

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

As at 31 December 2016, the sundry debtors account included the following main items: RON 90.34 million payment to the Romanian Fiscal Authorities ("ANAF") for antidumping taxes and countervailing duties for Biodiesel import to be recovered from KMG International N.V.; RON 11.85 million for debts and related penalties paid to ANAF in reference to the fiscal inspection conducted for the years 2007-2010 (see note 25); RON 13.7 million in local taxes to the Navodari City Hall (see note 25).

In other receivables it is included VAT receivable from members of the Fiscal Group (RON 35.1 million); receivables from the State Budget representing excise, energy products paid in advance by customers in States Budget excise revenue account (RON 60.56 million).

Trade receivables totalling RON 328.5 million (USD 76 million) at 31 December 2016, respectively totalling RON 132.6 million (USD 32 million) at 31 December 2015 are pledged in order to obtain credit facilities (see Note 12).

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Balance at the beginning of the year</b>	<b>(62,021,962)</b>	<b>(145,296,189)</b>
Impairment losses recognized on receivables	(157,280)	(1,110,694)
Impairment losses reversed	444,879	86,033,813
Translation differences	(556,506)	(1,648,892)
<b>Balance at the end of the period</b>	<b>(62,290,869)</b>	<b>(62,021,962)</b>

## 8. TRADE AND OTHER RECEIVABLES (continued)

In 2015, the provision amounting to RON 85.9 million set up for the payment to the Romanian Fiscal Authorities ("ANAF") was reversed, accounting for antidumping taxes and countervailing duties for Biodiesel import, amount to be recovered from KMG International N.V.

At 31 December 2016 the analysis of receivables maturity dates is as follows:

	Total	Past due but not impaired					
		Neither past due not impaired	1-30 days	30-60 days	60-90 days	90-120 days	>120 days
2016	784,442,261	402,052,072	29,648,971	18,436,822	109,070	35,318	334,160,008
2015	789,350,486	455,418,631	9,205,235	720,997	332,408	79,252	323,593,963

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

At 31 December 2016, the trade receivables at the initial value of RON 56.75 million (2015 RON 56.48 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	<b>Collectively impaired</b>
<b>At January 1, 2015</b>	<b>(53,839,135)</b>
Value adjustments for impairment of receivables	(1,110,694)
Reversed provisions	112,475
Exchange rate difference	(1,648,892)
<b>At December 31, 2015</b>	<b>(56,486,246)</b>
Value adjustments for impairment of receivables	(157,280)
Reversed provisions	444,879
Exchange rate difference	(556,506)
<b>At December 31, 2016</b>	<b>(56,755,153)</b>

## 9. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash at bank	44,732,891	6,133,312
Cash on hand	2,273	3,720
Transitory amounts	861,470	-
Other cash equivalents	294,915	636,837
<b>Total</b>	<b>45,891,549</b>	<b>6,773,869</b>

In the bank accounts there are included approximately RON 4.06 million at 31 December 2016 respectively RON 0.5 million at 31 December 2015 representing restricted cash. Other treasury values represent in the greatest part checks to be cashed.

## 10. OWN CAPITALS

### 10.1 SHARE CAPITAL

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

The shareholder structure at 31 December 2016 and December 2015.

<b>Shareholders</b>	<b>Percent held (%)</b>	<b>Statutory amounts in [RON]</b>
KMG International N.V	48.11%	2,122,250,643
The Romanian State represented by The Ministry of Energy	44.70%	1,971,500,905
Rompetrol Financial Group S.R.L.	6.47%	285,408,308
Rompetrol Well Services S.A.	0.05%	2,198,030
Rompetrol Rafinare S.A.	0.01%	613,470
Others (not State or KMGI Group)	0.66%	28,949,217
<b>Total</b>	<b>100%</b>	<b>4,410,920,573</b>

The total value of the Company's share capital remained unchanged in 2016 and 2015.

Following the Extraordinary General Meeting of Shareholders of 30 June 2010, which approved the capital increase with up to RON 450 million, Rompetrol subscribed and paid a total of 3,294,914,165 shares (equivalent of USD 100,222,279), and minority shareholders have subscribed and paid a total number of 6,506 shares (USD 198). These shares have been registered with the Trade Register. The proceeds of the capital increase were used to partially redeem the bonds held by the Romanian state.

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

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

### 10.2 SHARE PREMIUM

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

### 10.3 LEGAL RESERVE

Out of the 2016 realized profit, the Company distributed to legal reserves RON 3,500,075, the rest of the profit being used for covering losses carried forward, according to the note presented below:

#### Profit Sharing

<b>Scope</b>	<b>Amount</b>
Net profit to distribute, out of which for:	70,001,508
Legal reserve	3,500,075
Coverage of losses from previous years	66,501,433

#### 10.4 OTHER RESERVES

"Other reserves" includes the value of the hybrid loan in amount of RON 3,163 million (USD 950 million). From the loan granted by The Rompetrol Group N.V. (actual KMG International N.V.) the amount of USD 950 million was converted into a unsecured hybrid loan, repayable in 51 years. The loan is subordinated to any present and future liability of the company. 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 during the year, a net profit after tax
- The company will be able to distribute dividends as per the Romanian law requirements

During 2016 unrealized derivative gains and gains/losses related to retirement benefits were booked in Other Reserves as follows:

	<u>2016</u>	<u>2015</u>
Actuarial gain/(losses) related to retirement benefits	(6,448,613)	1,524,223
Gains/(losses) related to derivative financial instruments	22,758	706,884
<b>Total</b>	<b><u>(6,425,855)</u></b>	<b><u>2,231,107</u></b>

#### 11.COMMERCIAL LIABILITIES AND OTHER LIABILITIES

	<u>31 December 2016</u>	<u>31 December 2015</u>
Trade payables	3,155,920,002	2,670,639,235
Advances from customers	85,097,092	89,008,901
VAT payable	117,191,493	119,088,929
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	15,570	26,807
Employees and social obligations	8,129,681	10,946,619
Other liabilities	356,448,532	540,388,545
<b>Total</b>	<b><u>3,750,363,002</u></b>	<b><u>3,457,659,668</u></b>

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

The cash pooling debt amounts to RON 333.63 million (2015: RON 538.6 million) and is recognised in "other debts".

## 12. SHORT-TERM LOANS

Short term loan from related parties:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>KMG International N.V.</b>	843,734,704	813,226,693
Short-term credit facility for working capital needs, amounting to a maximum of USD 250 million, USD 50 million due on December 31, 2017 and USD 200 million refunded upon request; guarantees: assignment of receivables, pledge on holdings in Rompetrol Logistics, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil; pledge on bank accounts. The undrawn amount as at December 31, 2016 is in amount of USD 54 million.		
<b>Rompetrol Well Services</b>	13,000,000	13,000,000
Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - January 10, 2017. The loan is secured with a promissory note covering the debt. The facility has been fully used.		
<b>Rompetrol Well Services</b>	7,000,000	7,000,000
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.		
<b>Rompetrol Well Services</b>	3,100,000	3,100,000
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.		
<b>Rompetrol Well Services</b>	11,200,000	11,200,000
Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - January 28, 2017. The loan is secured with a promissory note covering the debt. The facility has been fully used.		
<b>Midia Marine Terminal</b>	30,123,100	29,033,900
Short-term facility for working capital needs in amount of USD 7 million, maturity date December 31, 2017. The facility has been fully used.		
<b>Rompetrol Financial Group SRL</b>	115,000,000	121,175,056
Short-term facility for working capital needs in amount of USD 29.215 million, maturity date December 31, 2017. The facility has been fully used.		
Interest due	<u>42,812,627</u>	<u>189,669,292</u>
	<u><b>1,065,970,431</b></u>	<u><b>1,187,404,941</b></u>

**12. SHORT-TERM LOANS (continued)**

**Short-term bank loans**

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Bancpost</b>	88,838,025	132,868,645
Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2017; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.		
<b>Bancpost</b>	10	23,341,939
Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on 31 July 2017; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International NV; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS = EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.		
Interest due	<u>345,226</u>	<u>460,929</u>
	<u><b>89,183,260</b></u>	<u><b>156,671,513</b></u>

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

All loans are interest bearing and the 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 RON 720.7 million (2015: RON 658.2 million), inventories RON 357.7 million (2015: RON 406.9 million) and trade receivables RON 328.5 million (2015: RON 132.6 million).

### 13. LONG-TERM LOANS

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Syndicated loan – through Unicredit Bank as payer agent</b>		
Up to USD 360 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Romp petrol Rafinare, Rom petrol Downstream SRL, KazMunayGas Trading AG, KMG Rom petrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consist in an up to USD 240 million principal granted for a 3-year period and an auxiliary component representing overdraft loans of up to USD 120 million for a 1 year period. For the main component the maturity is on April 23, 2018. The following mortgages are set up to secure the loan: a) the credit balances of all current accounts present and future; b) the rights of insurance compensation; c) inventories (Propylene, Ethylene, PP, LDPE, HDPE, Bitumen, Fuel Oil, Jet FOB Med, Naphtha, n-hexane, ULSD FOB Med, White Spirit); d) receivables from eligible commercial agreements - for at least 80% of the debts assigned to notify the clients.	281,763,783	299,687,700

### 14. PROVISIONS

	<u>2016</u>	<u>2015</u>
Non - current provision	302,311,412	246,183,634
<b>Total</b>	<u><b>302,311,412</b></u>	<u><b>246,183,634</b></u>

The movement of the provisions is presented below:

	<u>As at January 1, 2016</u>	<u>Other comprehensive income</u>	<u>Arising during the year</u>	<u>Utilised</u>	<u>As at December 31, 2016</u>
Retirement obligations provision	26,181,673	6,448,613	1,808,782	(4,483,559)	29,955,509
Environmental provision	220,001,961	-	52,353,942	-	272,355,903
<b>Total</b>	<u><b>246,183,634</b></u>	<u><b>6,448,613</b></u>	<u><b>54,162,724</b></u>	<u><b>(4,483,559)</b></u>	<u><b>302,311,412</b></u>

The environmental provision for the Vega Refinery in amount of RON 272 million represents obligations related to cleaning of the oil sludge pools and restoration of contaminated land. During 2012, an evaluation report was issued by an independent expert, evaluation report estimating the costs associated to the technical methods to realize the remediation action. Based on these preliminary cost estimates and the estimated completion over a 5 year period, a discounted cash flow cost estimate of RON 220 million has been provided by the Company.

In 2016 the value for the environmental provision has been updated based on new technical assumptions regarding the total value of the greening costs, the discount rate and the impact resulting from the exchange rate differences, the movement of the year (increase) amounting to RON 52.4 million. Currently is being conducted prequalification stage of suppliers and considering the auction process and negotiating the final contract is expected to begin work on the ground in the last quarter of 2017 / latest first quarter of 2018. After the remediation works will be contracted, a better estimation of the costs will be available and this will reflect in 2017 financial statements.



#### 14. PROVISIONS (continued)

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

The 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% in 2016 (2015: 3.69%), with an expected rate of long-term salary increase of 2.23% in 2016 (1.03% in 2015).

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

	<u>2016</u>	<u>2015</u>
Interest on obligation	355,727	778,321
Service cost	1,453,055	1,546,593
Benefits paid	(4,483,559)	-
<b>Total</b>	<b><u>(2,674,777)</u></b>	<b><u>2,324,914</u></b>

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

	<u>2016</u>	<u>2015</u>
<b>Opening balance</b>	<b><u>26,181,673</u></b>	<b><u>25,380,982</u></b>
Interest on obligation	355,727	778,321
Service cost	1,453,055	1,546,593
Curtailment due to restructuring/retirement	(4,483,559)	-
Changes in assumptions (tax rate, salary increase, turnover)	6,448,613	(1,524,223)
<b>Closing balance</b>	<b><u>29,955,509</u></b>	<b><u>26,181,673</u></b>

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

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

## 15. REVENUES

	<u>2016</u>	<u>2015</u>
Gross revenues from petroleum products production	12,478,833,569	13,381,679,383
Revenues from petrochemicals trading	3,269,485	23,055,530
Revenues from other merchandise sales	10,579,090	2,071,042
Revenues from utilities sold	7,744,388	8,362,308
Revenues from other products	626,411	344,264
Revenues from rents and other services	13,954,205	12,691,852
<b>Gross Revenues</b>	<b><u>12,515,007,148</u></b>	<b><u>13,428,204,379</u></b>
Less sales taxes	<u>(3,740,685,299)</u>	<u>(3,617,008,127)</u>
<b>Total</b>	<b><u>8,774,321,849</u></b>	<b><u>9,811,196,252</u></b>

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

## 16. COST OF SALES

	<u>2016</u>	<u>2015</u>
Crude oil and other raw materials	7,495,305,590	8,441,193,126
Consumables and other materials	59,379,490	50,939,267
Utilities	325,316,249	309,638,302
Staff costs	84,592,581	79,463,691
Transportation	120,082	447,640
Maintenance	82,889,768	76,035,869
Insurance	6,735,763	8,467,272
Environmental expenses	4,195,675	3,787,434
Other	64,757,322	60,769,890
<b>Cash production cost</b>	<b><u>8,123,292,520</u></b>	<b><u>9,030,742,491</u></b>
Depreciation and amortization	238,470,471	163,132,960
<b>Production costs</b>	<b><u>8,361,762,991</u></b>	<b><u>9,193,875,451</u></b>
Less: Change in inventories	(94,215,657)	173,893,791
Less: Own production of property, plant & equipment	(5,435,767)	(15,164,282)
Cost of petroleum products trading	5,120,749	24,841,626
Cost of petrochemicals trading	5,792,886	6,425,592
Realised (gains)/losses on derivatives	(710,680)	22,334,628
Unrealised gains on derivatives	-	453
<b>Total</b>	<b><u>8,272,314,522</u></b>	<b><u>9,406,207,259</u></b>

In 2016, in other expenses are included costs for: inspections and quality control in amount of RON 18.4 million (2015: RON 17.5 million), local taxes in amount of RON 15.2 million (2015: RON 15.5 million), IT and communications in amount of RON 8.9 million (2015: RON 5.9 million), technical consulting in amount of RON 8.5 million (2015: RON 10.6 million), security, fire protection and other services in amount of RON 13.6 million (2015: RON 11.3 million).

**17. SELLING, GENERAL AND ADMINISTRATIVE COSTS, INCLUDING LOGISTIC COSTS**

	<u>2016</u>	<u>2015</u>
Staff costs	18,441,051	28,925,625
Utilities	6,535,476	10,757,551
Transportation	37,551,536	32,779,589
Professional and consulting fees	47,725,980	34,399,056
Consumables	1,238,469	1,546,900
Marketing	220,798	299,934
Taxes	5,659,655	6,166,940
Communications	68,328	84,828
Insurance	2,154,341	3,092,586
IT related expenditures	7,416,682	12,057,675
Environmental expenses	9,598,312	10,428,506
Maintenance	12,368,095	10,982,799
Fees and penalties	13,712,691	14,058,359
Other expenses	19,436,630	19,997,138
<b>Costs before depreciation</b>	<b><u>182,128,044</u></b>	<b><u>185,577,486</u></b>
Depreciation and amortisation	<u>33,389,264</u>	<u>37,467,839</u>
<b>Total</b>	<b><u>215,517,308</u></b>	<b><u>223,045,325</u></b>

Also the auditor's fees were recognised in "Professional and consulting fees".

The auditors' fees related to the audit of the stand-alone and consolidated financial statements are RON 672,082, the equivalent of EUR 148,000 (in 2015: RON 678,675, the equivalent of EUR 150,000).

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

	<u>2016</u>	<u>2015</u>
Provision for receivables, net	(287,599)	(84,923,120)
Provision for inventories and write-off, net	(19,810,209)	(136,904,136)
Other provisions (environmental provision)	52,353,942	-
Other, net	<u>(21,679,193)</u>	<u>(439,085)</u>
<b>Total</b>	<b><u>10,576,941</u></b>	<b><u>(222,266,341)</u></b>

In 2016 the movement for environmental provision includes update of new new technical assumptions regarding the total value of the greening costs, the discount rate and the impact resulting from the exchange rate differences

In 2016 the line "Other, net" includes revenues from penalties calculated based on outstanding receivables at 31 December 2016 for KMG Trading, amounting to RON 17.1 million.

In 2015 the movement of the provision for receivables includes a reversal of the provision set up at RON 85,921,338 related to the Biodiesel import; such amount is to be recovered by KMG International N.V.

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

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

	<u>2016</u>	<u>2015</u>
<b>Finance cost</b>		
Interest expense	13,815,069	14,433,765
Interest expense shareholders	65,161,725	44,092,471
Commission and other bank charges	<u>51,212,584</u>	<u>69,270,717</u>
	<b>130,189,378</b>	<b>127,796,953</b>
<b>Finance income</b>		
Interest income	(18,509,735)	(2,685,147)
Other financial income	<u>(2,660,666)</u>	<u>(583,817)</u>
	<b>(21,170,401)</b>	<b>(3,268,964)</b>
<b>Finance income/(cost) net</b>	<u><b>109,018,977</b></u>	<u><b>124,527,989</b></u>
Unrealized net foreign exchange losses/(gains)	39,450,842	28,046,281
Realized net foreign exchange losses/(gains)	<u>100,777,182</u>	<u>395,381,826</u>
<b>Foreign exchange (gain)/loss, net</b>	<u><b>140,228,024</b></u>	<u><b>423,428,107</b></u>
<b>Total</b>	<u><b>249,247,001</b></u>	<u><b>547,956,096</b></u>

**20. INCOME TAX**

The income tax rate was 16% in 2016 and 2015. In both years the Company booked fiscal losses.

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

Entity	<u>Fiscal loss 2016</u> Million RON	<u>Fiscal loss 2015</u> Million RON
Rompetrol Rafinare SA	(2,455.7)	(3,203.8)
<b>At 31 December 2016</b>	<u><b>(2,455.7)</b></u>	<u><b>(3,203.8)</b></u>

A breakdown of tax losses of the Company in years is displayed below:

Entity Rompetrol Rafinare SA	<u>Fiscal loss</u> Million	<u>Fiscal loss</u> Expires in
2010(01.10.-31.12.2010)	(59.28)	2017
2011	(468.29)	2018
2012	(339.14)	2019
2013	(390.88)	2020
2014	(741.23)	2021
2015	(440.80)	2022
2016	(16.06)	2023
	<u><b>(2,455.68)</b></u>	

## 20. INCOME TAX (continued)

### Reconciliation of comprehensive income with tax result

Below there is a reconciliation between the current income tax recorded in the profit and loss account and the whole expenses with the profit tax, based on the temporary differences and non-deductible items:

	<u>2016</u>	<u>2015</u>
<b>Accounting Net profit</b>	<b>70,001,508</b>	<b>84,291,996</b>
Addition: Non-deductible expenses	347,230,507	225,193,102
Less: Non-taxable income	(89,548,955)	(469,990,851)
Less: Non-fiscal depreciation	(340,244,476)	(280,288,837)
Deductible legal reserve	(3,500,075)	(4,214,600)
<b>Fiscal (Net loss)</b>	<b>(16,061,490)</b>	<b>(445,009,190)</b>
Reported fiscal loss	(2,439,620,238)	(2,763,035,684)
<b>Taxable base</b>	<b>(2,455,681,728)</b>	<b>(3,208,044,874)</b>
<b>Income tax (16%)</b>		

In 2016 the following income was considered non-taxable when calculating tax loss:

- Tax provisions (income from reversal of provisions for which no deduction was allowed) RON 44.1 million;
- Deferred tax income in amount of RON 43.3 million;
- The dividends collected in amount of RON 2.12 million;

The following were considered non-deductible expenses when determining tax loss:

- Expenses with accounting depreciation, amounting to RON 271.8 million;
- Expenses with provisions, amounting RON 76.35 million;
- Fines, increases, and penalties amounting to RON 0.1 million;
- Other non-deductible expenses amounting to RON -1.1 million.

### DEFERRED TAX

	<u>Balance at 1 January 2016</u>	<u>Movement during the year</u>	<u>Balance at 31 December 2016</u>
<b>Temporary differences</b>			
<b>Asset/Liability</b>			
Plant and equipment	313,600,000	68,384,741	381,984,741
Provisions for environment	(220,001,961)	(52,353,942)	(272,355,903)
Fiscal loss	(1,518,838,021)	(286,875,275)	(1,805,713,296)
<b>Total temporary differences (Asset)/Liability</b>	<b>(1,425,239,982)</b>	<b>(270,844,476)</b>	<b>(1,696,084,458)</b>
Plant and equipment	50,176,000	10,941,558	61,117,558
Provisions for environment	(35,200,000)	(8,376,631)	(43,576,631)
Fiscal loss	(243,014,083)	(45,900,358)	(288,914,442)
<b>Deferred tax (assets)/liability recognised</b>	<b>(228,038,083)</b>	<b>(43,335,431)</b>	<b>(271,373,514)</b>

## 20. INCOME TAX (continued)

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>2015</u>
Profit before tax	26,666,077	(143,746,087)
Tax at prevailing tax rate	(4,266,572)	-
Effect of tax losses carried forward	4,266,572	-
Effect of temporary differences	43,335,431	228,038,083
<b>Income tax expense (revenue) recognised in profit or loss</b>	<b><u>43,335,431</u></b>	<b><u>228,038,083</u></b>

### Contingencies related to taxation

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

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

## 21. OPERATING SEGMENT INFORMATION

### a) Business segments

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

#### 2016 Profit and loss statement

	<u>Refining</u>	<u>Petrochemicals</u>	<u>Total</u>
Net revenues	8,041,998,440	732,323,409	8,774,321,849
Cost of sales	(7,591,451,915)	(680,862,607)	(8,272,314,522)
<b>Gross profit</b>	<b><u>450,546,525</u></b>	<b><u>51,460,802</u></b>	<b><u>502,007,327</u></b>
Selling, general and administrative expenses	(186,243,781)	(29,273,527)	(215,517,308)
Other operating revenues / expenses, net	(10,576,941)	-	(10,576,941)
<b>Operating profit/ (loss)</b>	<b><u>253,725,803</u></b>	<b><u>22,187,275</u></b>	<b><u>275,913,078</u></b>
Financial cost	(130,189,378)	-	(130,189,378)
Financial income	21,170,401	-	21,170,401
Net foreign exchange gains / (losses)	(140,228,024)	-	(140,228,024)
<b>Profit/(loss) before income tax</b>	<b><u>4,478,802</u></b>	<b><u>22,187,275</u></b>	<b><u>26,666,077</u></b>
Deferred tax	43,335,431	-	43,335,431
<b>Net Profit / (Loss)</b>	<b><u>47,814,233</u></b>	<b><u>22,187,275</u></b>	<b><u>70,001,508</u></b>
<b>Depreciation and amortization</b>	<b><u>(218,784,270)</u></b>	<b><u>(53,075,465)</u></b>	<b><u>(271,859,735)</u></b>

## 21. OPERATING SEGMENT INFORMATION (continued)

### 2015 Profit and loss statement

	<u>Refining</u>	<u>Petrochemicals</u>	<u>Total</u>
Net turnover	9,054,998,547	756,197,705	9,811,196,252
Cost of sales	<u>(8,698,989,571)</u>	<u>(707,217,688)</u>	<u>(9,406,207,259)</u>
<b>Gross Profit</b>	<b>356,008,976</b>	<b>48,980,017</b>	<b>404,988,993</b>
Selling, general and administrative expenses	(192,775,484)	(30,269,841)	(223,045,325)
Other operating revenues / expenses, net	222,266,341	-	222,266,341
<b>Operational profit / (loss)</b>	<b>385,499,833</b>	<b>18,710,176</b>	<b>404,210,009</b>
Financial cost	(127,796,953)	-	(127,796,953)
Financial income	3,268,964	-	3,268,964
Net foreign exchange gains / (losses)	<u>(423,428,107)</u>	<u>-</u>	<u>(423,428,107)</u>
<b>Profit/(loss) before income tax</b>	<b>(162,456,263)</b>	<b>18,710,176</b>	<b>(143,746,087)</b>
Deferred tax	228,038,083	-	228,038,083
<b>Net Profit / (Loss)</b>	<b>65,581,820</b>	<b>18,710,176</b>	<b>84,291,996</b>
<b>Depreciation and amortisation</b>	<b>(152,291,010)</b>	<b>(48,309,789)</b>	<b>(200,600,799)</b>

In 2016 turnover of the Company are included clients that own more than 10% of the total sales, their value amounting to RON 5,973.7 million (2015: RON 7,002.92 million).

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

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

### b) Geographical segments

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

	<u>2016</u>	<u>2015</u>
Romania	4,318,875,535	4,624,094,161
Europe	4,350,690,784	5,026,029,779
Asia	57,504,453	96,993,067
Africa	-	28,693,658
United States	<u>47,251,078</u>	<u>35,385,587</u>
<b>Total</b>	<b>8,774,321,849</b>	<b>9,811,196,252</b>

## 22. RELATED PARTIES

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

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



**22. RELATED PARTIES (continued)**

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended at 31 December 2016, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties (2015: zero). This assessment is performed every year, by analysing the financial position of the related party and the market in which it is carrying on its activity.

At 31 December 2016 and 31 December 2015, Rompetrol Rafinare had the following balances with the related parties:

	<b>Receivables and other assets</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
KazMunayGas Trading AG	589,077,055	370,416,545
Rompetrol Downstream S.R.L	9,332,185	278,278,050
Rompetrol Petrochemicals S.R.L.	4,872	7,260,110
KMG International N.V.	92,923,010	93,327,374
Rompetrol Gas SRL	2,953,984	5,699,115
Rompetrol Bulgaria JSC	5,914,904	2,843,869
Rominserv S.R.L.	20,549,377	50,117,362
Rompetrol Quality Control S.R.L.	141,275	288,633
Rompetrol Logistics S.R.L	34,600	20,988
Midia Marine Terminal S.R.L.	1,381,413	1,015,401
Uzina Termoelectrica Midia S.A.	8,319,514	5,996,975
KMG Rompetrol SRL	3,270,515	2,027,724
Global Security Systems S.A.	606,680	606,684
Rominserv Kazakhstan Ltd	723,673	697,506
Palplast S.A.	5,340,002	6,000,002
Byron Shipping Ltd.	952	4,317
Rompetrol Ukraina	16,295	15,706
Oilfield Exploration Business Solutions S.A.	6,195,812	5,465,885
Rompetrol Financial Group SRL	10,309	10,208
KMG Rompetrol Services Center SRL	317,124	-
<b>Total</b>	<b>747,113,551</b>	<b>830,092,454</b>

**22. RELATED PARTIES (continued)**

	<b>Payables, loans and other liabilities</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
KazMunayGas Trading AG	2,467,408,542	1,824,454,641
Rompetrol Downstream S.R.L.	58,814,262	52,348,525
Rompetrol Petrochemicals S.R.L.	293,605,364	301,754,482
KMG International N.V.- loans(note12)	843,734,704	813,226,693
KMG International N.V.-interest	30,608,711	183,593,960
KMG International N.V.-trade debts	3,271,292	7,454,879
Rompetrol Gas SRL	3,080,054	2,165,704
Rompetrol Moldova ICS	3,522,833	29,553,539
Rominserv S.R.L.	105,032,421	273,933,370
Rompetrol Quality Control S.R.L.	16,455,923	14,890,423
Rompetrol Logistics S.R.L.	715,201	584,107
Midia Marine Terminal S.R.L.- loans(note12)	30,123,100	29,033,900
Midia Marine Terminal S.R.L.-interest	3,999,220	2,532,154
Midia Marine Terminal S.R.L.-trade debts	118,619,878	91,947,982
Rompetrol Well Services S.A. - loans (note 12)	34,300,000	34,404,558
Rompetrol Well Services S.A.-interest	97,174	-
Uzina Termoelectrica Midia S.A.	12,571,780	8,606,244
KMG Rompetrol SRL- debt cash pooling	333,637,122	538,611,619
KMG Rompetrol SRL-interest cash pooling	713,459	1,067,142
KMG Rompetrol SRL-trade debts	4,564,787	5,815,710
Global Security Systems S.A.	974,287	931,139
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note12)	115,000,000	121,175,056
Rompetrol Financial Group SRL-interest	8,107,522	3,438,620
KMG Rompetrol Services Center SRL	1,540,163	-
<b>Total</b>	<b>4,490,497,865</b>	<b>4,341,524,513</b>

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "coordinating company" and RRC SA is a participating company; maturity on 4 August 2017.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For financial year ending on 31 December 2016**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**22. RELATED PARTIES (continued)**

At 31 December 2016 and 31 December 2015, Rompetrol Rafinare had the following transactions with the related parties:

Name of related party	Nature of transaction, sales / purchases	Sales		Purchases	
		2016	2015	2016	2015
KazMunayGas Trading AG	Raw materials / Petroleum products	3,074,000,899	3,575,248,166	7,131,254,079	7,775,995,804
Rompetroil Downstream S.R.L.	Petroleum products, rent, utilities and other	2,940,624,360	3,427,681,179	2,844,654	2,350,825
Rompetroil Petrochemicals S.R.L.	Rent, utilities and other	16,161	16,013	-	-
KMG International N.V.	Loan interest, management services	-	-	33,230,031	28,222,934
Rompetroil Gas SRL	Platform operation, propane / Petroleum products, rent, other	226,361,595	263,014,548	438,821	122,429
Rompetroil Moldova ICS	Sales intermediary services	479,758,572	532,394,616	-	-
Rompetroil Bulgaria JSC	Sales intermediary services	90,761,404	143,884,304	-	-
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	2,449,842	2,438,098	154,129,334	405,875,398
Rompetroil Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	1,352,790	1,976,362	24,471,268	23,702,571
Rompetroil Logistics S.R.L.	Transport, rent/Rent, utilities	11,377	10,643	109,549	109,549
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, re-invoicing, loan interest, others	1,384,284	1,337,772	78,837,235	67,582,242
Rompetroil Well Services S.A.	Loan interest	-	1,956	1,148,041	1,351,412
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	55,866,290	57,805,105	87,803,643	85,220,940
KMG Rompetrol S.R.L.	Loan interest, management services	18,734,281	2,710,158	81,701,505	58,461,882
Global Security Systems S.A.	Sales of petrochemicals products	-	1,445	10,101,453	9,528,305
Palplast S.A.	Demurrage /Rent, reinvoices of other services	-	-	-	-
Byron Shipping S.R.L.	Loan interest	37,372	10,417,636	2,828	24,143
Rompetroil Financial Group SRL	Reinvoicing bank loan fees	-	36,891	4,331,261	3,348,793
Romroil S.A.	Shared services	-	-	-	585,968
KMG Rompetrol Services Center SRL	Shared services	264,270	-	7,505,840	-
		<b>6,891,623,497</b>	<b>8,018,974,892</b>	<b>7,617,909,540</b>	<b>8,462,483,195</b>

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, based on a Government Ordinance, the Ministry of Economy Trade and Business Environment ("MECMA") became shareholder until May 2013 when, following the reorganisation of MECMA, the Ministry of Economy ("ME") became the new shareholder. The ministry was later renamed as Ministry of Energy, Small- and Medium-sized Enterprises and Business Environment. Its current name is Ministry of Energy.

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

The salaries paid to the Company directors in 2016 were RON 765,299 (RON 741,682 in 2015). The salaries and bonuses paid to the Company management in 2016 (in average 13 persons) was RON 2,955,160 (RON 2,802,915 in 2015, in average 14 persons).

## 23. EARNINGS PER SHARE

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
Net profit (+), loss (-)	70,001,508	84,291,996
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (bani/share)	0.16	0.19

## 24. CONTINGENT LIABILITIES

- a) Related to the Parent's oil products technological lending practice to other refineries by the Company, D.G.F.P. Constanta claimed that the Company had unrecorded income, excise, VAT and related penalties totalling RON 47,7 million (USD 11,1 million) to be paid by the Company 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 Note 25). The management is confident that the Company is able to defend itself and the likelihood of a negative outcome is being considered remote.
- b) In 2001, the Company processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Company were challenged by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Company cancelled such invoices. The Company is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Company liable for paying such excises; the Company appealed the tax audit, which is now being suspended as 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 2,20 million). The management is confident that the likelihood of reversal of the earlier court decision is very little.
- 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 Financials, the tax audits are in progress, there are no effective information regarding any potential fiscal findings or tax adjustments.

## 25. 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»); 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 current directors of the Company, who has worked in this position in early 2016, is contemplated by the investigation imitated by the General Prosecutor's Office appended to the High Court of Cassation and Justice (PICCJ – DIICOT).

## 25. LEGAL MATTERS (continued)

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;
- 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 NV, Rompetrol Rafinare SA and Oilfield Exploration Business Solutions SA (former Rompetrol SA) as well as over the shares these companies held in their Romanian branches.

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 branches.

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

On July 22, 2016 NC KMG and 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 Romania may reach a settlement. Romanian authorities through the Ministry of Finance, issued a response in October 2016 citing that all steps took by 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.

### **Litigation on Tax Assessments received by Rompetrol Rafinare 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.

## 25. LEGAL MATTERS (continued)

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

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

a provision has been recognized for an overall amount of RON 49.4 million, out of which RON 37.5 million was expensed during 2012.

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

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

This Decision is not final, both Rompetrol Rafinare and National Agency for Tax Administration appealed against it in front of the Supreme Court of Justice. 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 is not established yet.

### 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 2016 was Euro 5,4 per certificate.

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

On April 24, 2014 the court rejected the Rompetrol' s claim on a reason that "is lack of object". Rompetrol appealed the Decision in front of the Supreme Court (Case File 917/36/2013).. The first hearing is set by the Supreme Court for June 3rd 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.

## 25. LEGAL MATTERS (continued)

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

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

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 Euro in total) in case they will fail to implement in due time the initial and final court decision and the Government Decision no. 611/2015. On February 3<sup>rd</sup> 2016, the Constanta Court of Appeal decided to postpone the procedure until the Supreme Court will pronounce a decision in another related case (Case file no. 917/36/2013), 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 is set by Constanta Court of Apel for 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 21<sup>st</sup>, 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 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 December 2009 and 31 December 2011, namely that because the revaluation was not made to 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 an administrative complaint. The administrative complaint filed by RRC 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 21st, 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.

## 25. LEGAL MATTERS (continued)

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 Council 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 granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 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.

### 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 1.8 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 Administratia 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.
- b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 and for restitution of dredging expenses. The total amount in RON is today RON 10.3 million. The case is pending on Constanta Tribunal, with next hearing for 7 April, 2017.

### Criminal case concerning Rompetrol Rafinare SA, Rominserv SRL and their employees involved in the Petromidia Refinery incident on 22 August 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, 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.



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

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.

## **26. 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 Company's activities are monitored by specialized authorities and the management of the Company.

As of December 31, 2016 and 31 december 2015 Rompetrol Rafinare SA 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 9.1 million).

### **Sale and purchase commitments**

As of December 31, 2016 Rompetrol Rafinare S.A. has contracted purchase contracts for raw materials and utilities, estimated to USD 2,102.8 million (2015: USD 1,474.8 million) and commitments for petroleum, petrochemicals products and utilities estimated to USD 4,110.4 million (2015: USD 3,133.4 million).

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

### **A) CAPITAL RISK**

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

## 27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

### B) Gearing ratio

The debt-to-equity ratio at the end of the year is as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Borrowings maturing in over one year	281,763,783	299,687,700
Own capitals	1,326,900,989	1,263,325,336
Gearing ratio	21.23%	23.72%

### C) FINANCIAL INSTRUMENTS

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Financial assets</b>		
Trade receivables and other receivables	898,058,749	912,401,696
Derivatives	22,980	-
Cash and bank accounts	45,891,549	6,773,869
<b>TOTAL FINANCIAL ASSETS</b>	<b>943,973,278</b>	<b>919,175,565</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Financial liabilities</b>		
Short term borrowings from shareholders	1,065,970,431	1,187,404,941
Derivatives	-	-
Commercial liabilities and other liabilities	3,516,647,537	3,216,777,206
Short term loans	89,183,260	156,671,513
Long term borrowings from banks	281,763,783	299,687,700
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,953,565,011</b>	<b>4,860,541,350</b>

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

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

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

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

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

## 27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (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 Company 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 recognised at fair value.

### Fair value hierarchy

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

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

	<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Trade receivables and other receivables	898,058,749	898,058,749	-	-
Derivatives	22,980	-	22,980	-
Cash and bank accounts	45,891,549	45,891,549	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>943,973,278</b>	<b>943,950,298</b>	<b>22,980</b>	<b>-</b>
<b>Financial liabilities</b>				
Short term borrowings from shareholders	1,065,970,431	1,065,970,431	-	-
Commercial liabilities and other liabilities	3,516,647,537	3,516,647,537	-	-
Short term loans	89,183,260	89,183,260	-	-
Long term borrowings from banks	281,763,783	281,763,783	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,953,565,011</b>	<b>4,953,565,011</b>	<b>-</b>	<b>-</b>
	<b>31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Trade receivables and other receivables	912,401,696	912,401,696	-	-
Cash and bank accounts	6,773,869	6,773,869	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>919,696,745</b>	<b>919,696,745</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Short term borrowings from shareholders	1,187,404,941	1,187,404,941	-	-
Commercial liabilities and other liabilities	3,216,777,206	3,216,777,206	-	-
Short term loans	156,671,513	156,671,513	-	-
Long term borrowings from banks	299,687,700	299,687,700	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,860,541,360</b>	<b>4,860,541,360</b>	<b>-</b>	<b>-</b>

## 27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

At 31 December 2016 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### D) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

#### Balance Sheet

	<u>31 December 2016</u>	<u>31 December 2015</u>
Derivative financial assets	22,980	-
Derivative financial liabilities	-	-
<b>Net position - asset/(liability)</b>	<u><b>22,980</b></u>	<u><b>-</b></u>

#### Income Statement

	<u>31 December 2016</u>	<u>31 December 2015</u>
Unrealised (gains)	-	-
Unrealised (losses)	-	-
<b>Net position - (gain)/loss - in Cost of sales</b>	-	-
Realised losses – net	(710,680)	32,826,649
<b>Total position - loss/(gain) - in Cost of sales</b>	<u><b>(710,680)</b></u>	<u><b>32,826,649</b></u>

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

### E) Market risk

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

## 27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

### F) FOREIGN CURRENCY RISK MANAGEMENT

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

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

### G) FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

	USD		EUR	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>RON</b>				
5%	(158,280,065)	(159,208,819)	(78,907)	(1,922,014)
-5%	158,280,065	159,208,819	78,907	1,922,014

### H) INTEREST RATE RISK MANAGEMENT

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Company's borrowings, are provided in Note 12.

The sensitivity analyses below have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 31 December 2016 would increase / decrease by RON 15.9 million (2015: increase / decrease by RON 16.1 million).

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For financial year ending on 31 December 2016**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

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

**1) LIQUIDITY RISK**

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

	Balance as at 31 December 2016						Total
	Less than 1 month or current	<3 months	3-12 months	1-5 years	>5 years		
Commercial liabilities and other liabilities	3,454,743,711	61,474,932	428,894	-	-	-	3,516,647,537
Short term borrowings from related parties	7,000,000	1,059,002,164	-	-	-	-	1,066,002,164
Short term borrowings from banks	-	478,195	89,820,854	-	-	-	90,299,049
Long term borrowings from banks	-	2,235,725	6,707,176	284,744,750	-	-	293,687,651
	<b>3,461,743,711</b>	<b>1,123,191,016</b>	<b>96,956,924</b>	<b>284,744,750</b>	<b>-</b>	<b>-</b>	<b>4,966,636,401</b>
	Less than 1 month or current	<3 months	3-12 months	1-5 years	>5 years	Total	
Commercial liabilities and other liabilities	2,475,175,875	176,893,679	564,707,652	-	-	-	3,216,777,206
Short term borrowings from related parties	829,810,985	8,413,886	382,737,054	-	-	-	1,220,961,925
Short term borrowings from banks	156,671,513	1,653,689	2,204,919	-	-	-	160,530,121
Long term borrowings from banks	-	2,332,875	6,998,626	312,129,703	-	-	321,461,204
	<b>3,461,658,373</b>	<b>189,294,129</b>	<b>956,648,251</b>	<b>312,129,703</b>	<b>-</b>	<b>-</b>	<b>4,919,730,456</b>

## 27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

### J) RAW MATERIAL PRICE RISK

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

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

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

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

### K) CREDIT RISK

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

#### Trade receivables

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

#### Financial instruments and bank deposits

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

## 28. SUBSEQUENT EVENTS

Rompetrol Rafinare S.A credit facility in amount of RON 7 million granted by Rompetrol Well Services S.A was prolonged until April 14, 2017.

Rompetrol Rafinare S.A credit facility in amount of RON 11.2 million granted by Rompetrol Well Services S.A was prolonged until April 28, 2017.

Rompetrol Rafinare S.A credit facility in amount of RON 13 million granted by Rompetrol Well Services S.A was prolonged until May 10, 2017.

Rompetrol Rafinare S.A credit facility in amount of RON 3.1 million granted by Rompetrol Well Services S.A was prolonged 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.

**Statement of assets, liabilities and equity as at 31.12.2016**  
**Code 10**

	Row no.	Balance at January 01 <sup>st</sup>	Balance at December 31 <sup>st</sup>
A	B	1	2
<b>A. FIXED ASSETS</b>			
<b>I. INTANGIBLE ASSETS</b>			
1. Development expenses (acc. 203-2803-2903)	01	137,613	87,572
2. Rights, patents, licenses, trademarks, rights and other similar assets and intangible assets (acc. 205+208-2805-2808-2905-2906-2908)	02	13,192,671	16,637,278
3. Goodwill (acc. 2071)	03	152,720	152,720
4. Advances (acc 4094)	04	-	-
5. Intangible assets for exploration and evaluation of mineral resources (206-2806-2907)	05	-	-
<b>TOTAL (rows 01 to 05)</b>	06	<b>13,483,004</b>	<b>16,877,570</b>
<b>II. PROPERTY, PLANT AND EQUIPMENT</b>			
1. Land and buildings (acc. 211+212-2811-2812-2911-2912)	07	1,146,478,618	1,107,905,070
2. Plant and machinery (acc. 213+223-2813-2913)	08	1,924,433,227	1,745,299,801
3. Other machinery and fixtures (acc. 214+224-2814-2914 )	09	6,670,446	6,102,710
4. Real estate investments (acc 215-2815-2915)	10	-	-
5. Intangible assets in execution (acc. 231-2931)	11	61,962,275	158,746,242
6. Real estate investments in progress (acc. 235-2935)	12	-	-
7. Tangible assets for exploration and evaluation of mineral resources (216-2816-2916)	13	-	-
8. Productive plants (acc. 218 - 2818 - 2918)	14	-	-
9. Advances (acc. 4093)	15	2,860,945	3,560,174
<b>TOTAL (rows 07 to 15)</b>	16	<b>3,142,405,511</b>	<b>3,021,613,997</b>
<b>III. BIOLOGIC PRODUCTIVE ASSETS (acc. 241 +227-284-294)</b>	17	-	-
<b>IV. FINANCIAL ASSETS</b>			
1. Shares held with subsidiaries (acc. 261-2961)	18	1,629,020,055	1,629,020,055
2. Loans to related parties (acc. 2671+2672-2964)	19	-	-
3. Shares held with the mutually controlled entities (acc. 262+263-2962)	20	-	-
4. Loans granted to related parties to the mutually controlled entities (acc. 2673+2674-2965)	21	-	-
5. Other fixed equity (265+266-2963)	22	-	-
6. Other loans (acc. 2675*+2676*+2677+2678+2679*-2966*-2968*)	23	-	-
<b>TOTAL (rows 18 to 23)</b>	24	<b>1,629,020,055</b>	<b>1,629,020,055</b>
<b>NON-CURRENT ASSETS - TOTAL (rows 06+16+17+24)</b>	25	<b>4,784,908,570</b>	<b>4,667,511,622</b>
<b>B. CURRENT ASSETS</b>			
<b>I. INVENTORIES</b>			
1. Raw materials and consumable materials (acc. 301+302+322+303+/-308+321+322+323+328+351+358+381+/-388-391-392-3951-3958-398)	26	294,174,613	495,586,950



**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Row no.	Balance at January 01 <sup>st</sup>	Balance at December 31 <sup>st</sup>
A	B	1	2
2. Fixed assets held for sale (311)	27	-	-
3. Production in progress (acc. 331+341+/-348-393-3941-3952)	28	68,672,234	120,977,712
4. Finished products and commodities (acc. 327+345+346+347+/348+354+357+371+/-378-3945-3946-3953-3954-3957-397-4428)	29	157,365,665	200,062,517
5. Advances (acc. 4091)	30	15,564,957	13,315,565
<b>TOTAL (rows 26+30)</b>	<b>31</b>	<b>535,777,469</b>	<b>829,942,744</b>
<b>II RECEIVABLES</b> (amounts to be received after a period longer than 1 year and which must be displayed separately for each item)			
1. Trade receivables (acc. 2675*+2676*+2678*+2679*-2966*-2968*+411+413+418-491)	32	789,350,486	784,442,261
2. Advances paid (acc. 4092)	33	2,436,737	4,204,198
3. Amounts receivable from group entities (acc. 451*-495)	34	68,271,933	35,093,580
4. Receivables from affiliated undertakings and mutually controlled entities (acc. 453-495)	35	-	-
5. Receivables resulted from operations with derivative instruments (acc. 4652)	36	-	22,980
6. Other receivables (acc. 425+4282+431+437+4382+441+4424+4428+444+445+446+447+4482+4582+461+4662+473-496+5187)	37	415,779,399	446,729,850
7. Issued and unpaid share capital (acc. 456-495*)	38	-	-
<b>TOTAL (rows 32 to 38)</b>	<b>39</b>	<b>1,275,838,555</b>	<b>1,270,492,869</b>
<b>III. SHORT-TERM INVESTMENTS</b> (acc. 505 +506+507+from acc. 508-595-596-598+5113+5114)	40	-	-
<b>IV. PETTY CASH AND BANK ACCOUNTS</b> (from acc. 508 + acc. 5112+512+531+532+541+542)	41	6,773,869	45,891,549
<b>CURRENT ASSETS - TOTAL</b> (rows 30+38+39+40)	42	<b>1,818,389,893</b>	<b>2,146,327,162</b>
<b>C. ACCRUED EXPENSES</b> (acc. 471)(rows 44+45)	43	7,634,329	2,654,093
Amounts to be carried in a period up to one year (acc. 471)	44	5,409,807	2,101,958
Amounts to be released in more than one year (from acc. 471)	45	2,224,522	552,135
<b>D. DEBTS: AMOUNTS TO BE PAID IN LESS THAN ONE YEAR</b>			
1. Loans from the issue of debentures, with distinct indication of loans from the issue of convertible debentures (acc. 161+1681-169)	46	-	-
2. Amounts due to credit institutions (acc. 1621+1622+1624+1625+1627+1682+ 5191+5192+5198)	47	156,671,513	89,183,260
3. Advances received for orders (acc. 419)	48	89,008,901	85,097,092
4. Trade payables to suppliers (acc. 401+404+408)	49	2,670,639,235	3,155,920,003
5. Bills of exchange payable (acc. 403+405)	50	-	-
6. Debts from financial leasing (acc. 406)	51	-	-
7. Amounts payable to related parties (acc. 1661+1685 +2691+451)	52	1,727,618,185	1,400,879,857
8. Loans payable to related entities and to the mutually controlled entities (acc. 1663+1686 +2692+453)	53	-	-
9. Debts resulted from operations with derivative instruments (acc. 4651)	54	-	-
10. Other liabilities, including tax liabilities and social security liabilities (acc. 1623+1626+167+1687+2693+2695+421+422+423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+4661+447+4481+455+456+457+4581+ 462+473+509+5186+5193+5194+5195+5196+5197)	55	157,798,288	174,436,481

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Row no.	Balance at January 01 <sup>st</sup>	Balance at December 31 <sup>st</sup>
A	B	1	2
<b>TOTAL (rows 46 to 55)</b>	56	4,801,736,122	4,905,516,693
<b>E. NET CURRENT ASSETS / NET CURRENT LIABILITIES (rd. 42+44-56-77-77-80)</b>	57	-2,977,936,422	-2,757,087,573
<b>F. TOTAL ASSETS MINUS CURRENT LIABILITIES (rows 25+57)</b>	58	1,806,972,148	1,910,424,049
<b>G. DEBTS: AMOUNTS PAYABLE IN MORE THAN A YEAR</b>			
1. Loans from the issue of debentures, with distinct indication of loans from the issue of convertible debentures (acc. 161+1681-169)	59	-	-
2. Amounts owed to credit institutions (acc. 1621+1622+1624+1625+1627+1682+5191+5192 +5198)	60	299,687,700	281,763,783
3. Advances received for orders (acc. 419)	61	-	-
4. Trade debts - suppliers (acc. 401+404+408)	62	-	-
5. Bills of exchange payable (acc. 403+405)	63	-	-
6. Debts from financial leasing (acc. 406)	64	-	-
7. Amounts payable to related parties (acc. 1661+1685 +2691+451)	65	-	-
8. Loans payable to related entities and to the mutually controlled entities (acc. 1663+1686 +2692+453)	66	-	-
9. Debts resulted from operations with derivative instruments (acc. 4651)	67	-	-
10. Other liabilities, including tax liabilities and social security liabilities (acc. 1623+1626+167+1687+2693+421+422+423+424+426 +427+4281+431+437+4381+441+4423+4428+444+446+447+4481 +455+456+457+4581+ 462+473+509+5186+5193+5194 +5195+5196+5197)	68	-	-
<b>TOTAL (rows 59 to 68)</b>	69	299,687,700	281,763,783
<b>H. PROVISIONS</b>			
1. Provisions for employee benefits (acc. 1517)	70	26,181,673	29,955,509
3. Other provisions (acc. 1511+1512+1513+1514+1518)	71	220,001,961	272,355,903
<b>TOTAL (rows 70+71)</b>	72	246,183,634	302,311,412
<b>I. DEFERRED INCOME</b>			
1 - Subsidies for investments (acc. 475)(rows 74+75)	73	-	-
Amounts to be carried in a period up to one year (acc. 475)	74	-	-
Amounts to be released in more than one year (from acc. 475)	75	-	-
2 - Deferred income (acc. 472)-total (rows 77+78), out of which	76	-	-
Amounts to be carried in a period up to one year (acc. 472)	77	-	-
Amounts to be carried in more than one year (acc. 472)	78	-	-
3- Advance income related to assets received by transfer from the customers (acc. 478)(rows 80+81)	79	-	-
Amounts to be carried in a period up to one year (acc. 478)	80	-	-
Amounts to be carried in a period more than one year (from acc. 478)	81	-	-
<b>TOTAL(rows 73+76+79)</b>	82	-	-

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Row no.	Balance at January 01 <sup>st</sup>	Balance at December 31 <sup>st</sup>
A	B	1	2
<b>J. CAPITAL AND RESERVES</b>			
<b>I. CAPITAL</b>			
1- Subscribed and paid share capital (acc. 1012)	83	4,410,920,573	4,410,920,573
2- Subscribed and unpaid share capital (acc. 1011)	84	-	-
3-Subscribed capital representing financial liabilities (acc. 1027)	85	-	-
4-Adjustments of the social capital (acc. 1028)		-	-
Credit balance	86	-	-
Debit balance	87	-	-
5-Other items of own equity (acc. 103)		-	-
Credit balance	88	-	-
Debit balance	89	-	-
<b>TOTAL (rows 83+84+85+86-87+88-89)</b>	<b>90</b>	<b>4,410,920,573</b>	<b>4,410,920,573</b>
<b>II. EQUITY PREMIUMS (acc. 104)</b>	<b>91</b>	<b>232,637,107</b>	<b>232,637,107</b>
<b>III. REVALUATION RESERVES (acc. 105)</b>	<b>92</b>	-	-
<b>IV. RESERVES</b>			
1. Legal reserves (acc. 161+1681-169)	93	15,096,793	18,596,869
2. Statutory or contractual reserves (acc. 1063)	94	-	-
3. Other reserves (acc. 1068)	95	3,157,499,501	3,151,073,645
<b>TOTAL (rows 93 to 95)</b>	<b>96</b>	<b>3,172,596,294</b>	<b>3,169,670,514</b>
Exchange rate differences from conversion of the annual financial statements in a different currency than the functional currency (acc. 1072)			
Credit balance	97	-	-
Debit balance	98	-	-
Own shares (acc. 109)	99	-	-
Gains in respect of own capital instruments (acc. 141)	100	-	-
Losses in respect of own capital instruments (acc. 149)	101	-	-
<b>V. CARRIED RESULT, EXCEPTING THE CARRIED RESULT DERIVING FROM THE IMPLEMENTING IAS 29 FOR THE FIRST TIME (acc. 117)</b>			
Credit balance	102	-	-
Debit balance	103	6,605,582,026	6,525,504,630
<b>VI. CARRIED RESULT, DERIVING FROM THE IMPLEMENTING IAS 29 FOR THE FIRST TIME (acc. 118)</b>			
Credit balance	104	-	-
Debit balance	105	27,324,008	27,324,008
<b>VII. PROFIT OR LOSS AT THE END OF THE REPORTING PERIOD (acc. 121)</b>			
Credit balance	106	84,291,996	70,001,508
Debit balance	107	-	-
Profit distribution (acc. 129)	108	4,214,600	3,500,075

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

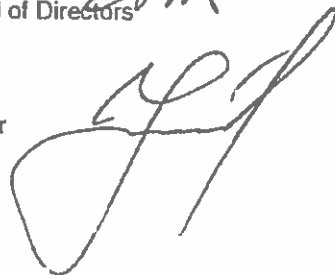
	Row no.	Balance at January 01 <sup>st</sup>	Balance at December 31 <sup>st</sup>
A	B	1	2
<b>TOTAL EQUITY</b> (rows 90+91+92+96+97-98-99+100-101+102-103+104-105+106-107-108)	109	1,263,325,336	1,326,900,989
The private patrimony (acc. 1023)	110	-	-
The public patrimony (acc. 1026)	111	-	-
<b>TOTAL EQUITY (rows 109+110+111)</b>	112	<b>1,263,325,336</b>	<b>1,326,900,989</b>

**CATALIN DUMITRU**  
 President of the Board of Directors



**VASILE-GABRIEL MANOLE**  
 Chief Financial Officer

**YEDIL UTEKOV**  
 Chief Executive Officer




**Income statement as of 31.12.2016**

**Code 20**

Name of indicator	Line no.	Reporting period	
		Previous year	Current year
A	B	1	2
<b>1. Net turnover</b>			
(rows, 02+03-04+05)	01	9,811,196,252	8,774,321,849
Production sold		-	
(acc. 701+702+703+704+705+706+708)	02	9,789,590,618	8,762,870,971
Income from sales of merchandise (acc.707)	03	25,126,572	13,848,575
Granted trade discount (709)	04	3,520,938	2,397,697
Income from operating subsidized relating to the net turnover (acc. 7411)	05	-	-
<b>2. Income related to the cost of commodity inventory (acc.711)</b>			
Credit balance	06	-	81,289,443
Debit balance	07	191,467,341	-
<b>3. Income from the production of assets and real estate investments (rows 09+10)</b>			
	08	15,164,282	5,435,767
<b>4. Income from the production of tangible and intangible assets (acc. 721+722)</b>			
	09	15,164,282	5,435,767
<b>5. Income from production of real estate investments (acc. 725)</b>			
	10	-	-
<b>6. Income from fixed assets (or the groups designed to leasing) held for sale (acc. 753)</b>			
	11	-	-
<b>7. Income from the revaluation of tangible and intangible assets (acc. 755)</b>			
	12	-	-
<b>8. Income from real estate investments (acc. 756)</b>			
	13	-	-
<b>9. Income from biologic assets and agricultural products (acc. 757)</b>			
	14	-	-
<b>10. Income from operating subsidies (acc. 7412+7413+7414+7415+7416+7417+7419)</b>			
	15	-	-
<b>11. Other operating income (acc. 758+751)</b>			
	16	1,402,039	25,048,216
- out of which, income from subsidies for investments (acc. 7584)	17	-	
<b>OPERATING INCOME - TOTAL</b>	<b>18</b>	<b>9,636,295,232</b>	<b>8,886,095,275</b>
(rows, 01+06-07+08+11+12+13+14+15+16)		-	
<b>12.a) Expenses with raw materials and consumables</b>			
(acc. 601+602)	19	8,496,772,375	7,558,333,918
Other material expenses			
(acc. 603+604+606+608)	20	1,707,853	1,776,127
b) Other external expenses (energy and water)			
(acc. 605)	21	310,087,726	325,767,009
c) Merchandise expenses (acc. 607)			
	22	-	

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

		25,008,689	5,233,636
Trade discounts received (acc. 609)	23	-	-
13. Staff costs (rows,25+26) out of which:	24	105,982,644	100,968,970
a) Salaries and indemnities (acc. 641+642+643+644)	25	81,015,760	85,093,521
b) Social security contributions (acc. 645)	26	24,966,884	15,875,449
		-	-
14.a) Value adjustments concerning plant and equipment, real estate investments and biologic assets valued at cost (rows 27-28)	27	200,600,799	271,859,735
a.1) Expenses (acc. 6811+6813+6816+6817)	28	200,600,799	271,859,735
a.2) Revenues (acc. 7813+7816)	29	-	-
b) Value adjustments concerning current assets 31-32)	30	(221,827,256)	(20,097,809)
b.1) Expenses (acc. 654+6814)	31	19,541,696	23,994,146
b.2) Revenues (acc. 754+7814)	32	241,368,952	44,091,955
15. Other operating expenses (rows 34 to 42)	33	313,752,393	313,986,667
15.1. Expenses for external service provisions (acc. 611+612+613+614+615+621+622+623+624+625 +626+627+628)	34	259,919,821	263,872,128
		-	-
15.2 Expenses with other taxes, duties and similar expenses, expenses representing transfers and contributions owed on the basis of special normative acts (acc. 635+6586)	35	23,516,712	22,744,663
15.3. Expenses with environment protection (acc. 652)	36	14,226,260	13,805,848
15.4. - Expenses related to non-current assets (or groups designed for leasing) held for sale (acc. 653)	37	-	-
15.5. Income from the revaluation of tangible and intangible assets (acc. 655)	38	-	-
15.6 Expenses related to real estate services (acc. 656)	38	-	-
15.7. Income related to biologic assets and agricultural products (acc. 657)	40	-	-
15.8 - Expenses related to calamities and other similar events (acc. 6587)	41	-	-
15.9 Other expenses (acc. 6581+6852+6583+6585+6588)	42	16,089,600	13,564,028
Provision adjustments (rows 44-45)	43	-	52,353,942
Expenses (acc. 6812)	44	-	52,353,942
Income (acc. 7812)	45	-	-
<b>OPERATING EXPENSES - TOTAL</b>	46	<b>9,232,085,223</b>	<b>8,610,182,195</b>
(rows 19 to 22-23+24+27+30+33+43)		-	-
<b>OPERATING RESULT</b>		-	-
- Profit (rows 18-46)	47	404,210,009	275,913,080
- Loss (rows 46-18)	48	-	-
16. Income from shares held with subsidiaries (acc. 7611)	49	583,817	2,121,569
17. Income from shares held with related entities (acc. 7612)	50		

**NOTES TO THE FINANCIAL REPORT I**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

		-	
18. Income from shares held with related entities and mutually controlled entities (acc. 7613)	51	-	-
19. Income from operations with titles and other financial instruments (acc. 762)	52	-	-
20. Income from operations with derivative instruments (acc. 763)	53	-	-
21. Income from differences in the exchange rate (acc. 765)	54	162,968,275	105,241,397
22. Income from interests (acc. 766)	55	2,685,147	18,509,735
- of which, income from group entities	56	2,673,534	18,505,507
23. Income from operating subsidiaries for the owed interest (acc. 7418)	57	-	
24. Income from short term financial investments (acc. 7617)	58	-	
25. Other financial revenues	59	838,378	967,108
(acc. 7615+764+767+768)		-	
<b>FINANCIAL INCOME – TOTAL</b>	<b>60</b>	<b>167,075,617</b>	<b>126,839,809</b>
(rows 49+50+51+52+53+54+55+57+58+59)		-	
26. Value adjustment in respect of financial assets and financial investments held as current assets (rows 62-63)	61	-	-
Expenses (acc. 686)	62	-	-
Revenues (acc. 786)	63	-	-
27. Expenses regarding operations with titles and other financial instruments (acc. 661)	64	-	-
28. Expenses related to operations with derivative instruments (acc. 662)	65	-	-
26. Interest related expenses (acc. 666 - 7418)	66	58,526,236	78,976,794
- of which, expenses in respect of group entities	67	44,092,470	65,161,725
30. Other financial expenses	68	656,505,477	297,110,018
(acc. 663+664+665+667+668)		-	
<b>FINANCIAL EXPENSES – TOTAL</b>	<b>69</b>	<b>715,031,713</b>	<b>376,086,812</b>
(rows 61+64+65+66+68)		-	
<b>FINANCIAL RESULT:</b>		-	
- Profit (rows 60-69)	70	-	-
- Loss (rows 69-60)	71	547,956,096	249,247,003
<b>TOTAL INCOME (rows, 18+60)</b>	<b>72</b>	<b>9,803,370,849</b>	<b>9,012,935,084</b>
<b>TOTAL EXPENSES (rows 46+69)</b>	<b>73</b>	<b>9,947,116,936</b>	<b>8,986,269,007</b>
<b>31. GROSS RESULT:</b>		-	
- Profit (rows 72-73)	74	-	26,666,077
- Loss (rows 73-72)	75	143,746,087	-
32. Current income tax (acc. 691)	76	-	
33. Deferred income tax (acc. 692)	77		

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

		-	
34. Income from deferred tax (acc. 792)	78	228,038,083	43,335,431
35. Other taxes not shown under the above items (acc. 698)	79	-	
<b>36. PROFIT OR LOSS AT THE END OF THE REPORTING PERIOD</b>		-	
- Profit (rows 74-76-77+78-79)	80	84,291,996	70,001,508
- Loss (rows 75+76+77-78+79) (rows 76+77+79-74-78)	81	-	

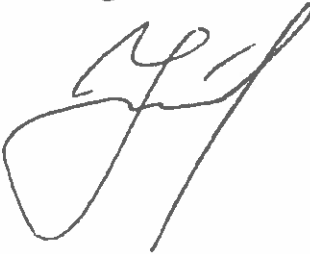
**CATALIN DUMITRU**  
 President of the Board of Directors



**VASILE-GABRIEL MANOLE**  
 Chief Financial Officer



**YEDIL UTEKOV**  
 Chief Executive Officer





Informative data as at 31.12.2016

**Code 30**

<b>I. Data about the achieved earnings</b>	<b>Row no.</b>	<b>No. Units</b>		<b>Amounts</b>
<b>A</b>	<b>B</b>	<b>1</b>		<b>2</b>
Profit-making units	01		1	70,001,508
Units which registered loss	02		-	-
Units that have registered neither profit, nor loss	03		-	-
<b>II. Data on overdue payments</b>	<b>Row no.</b>	<b>Total col. 2+3</b>	<b>Of which:</b>	
<b>A</b>	<b>B</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Overdue payments-total (rows 05+09+15 to 19+23) of which:</b>	04			
		1,184,668,405	894,260,513	290,407,892
<b>Overdue suppliers-total (rows 06 to 08), of which</b>	05			
		1,184,668,405	894,260,513	290,407,892
- over 30 days	06	550,945,420	546,583,352	4,362,068
- over 90 days	07	315,794,471	315,774,909	19,561
- over 1 year	08	317,928,514	31,902,251	286,026,263
<b>Overdue payments to the social security budget – total (rows 10 to 14), out of which</b>	09			
		-	-	-
- contributions to state social security payable by employers, employees and other assimilated entities	10			
		-	-	-
- contributions to the health insurance fund	11			
		-	-	-
- contribution to additional pension scheme	12			
		-	-	-
- contributions to the unemployment fund	13			
		-	-	-
other social contributions	14			
Outstanding obligations to the special funds and other funds	15			
		-	-	-
Outstanding obligations to other creditors	16			
		-	-	-
Taxes and fees not paid in due time to the state budget	17			
		-	-	-
Taxes and fees not paid in due time to local budgets	18			
		-	-	-
<b>Bank credits unpaid until the due date -total (rows 20 to 22) of which</b>	19			
		-	-	-
- overdue after 30 days	20			
		-	-	-
- overdue after 90 days	21			
		-	-	-
- overdue after 1 year	22			
		-	-	-
<b>Outstanding interest</b>	23			
		-	-	-

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

III. Average headcount		31 December previous year	31 December current year
A	B	1	2
Average headcount	24	1,173	1,085
The actual number of employees at the end of the fiscal year, namely on December 31st	25	1,183	1,077

IV Interests, dividends and royalties paid during the financial year. Subsidies cashed and outstanding receivables	Row no.	Amounts (RON)
A	B	1
Gross income from interests paid to non-resident natural persons, of which:	26	-
- tax due to the state budget	27	-
Gross income from interests paid to natural persons not resident in the EU Member States, of which:	28	-
- tax due to the state budget	29	-
Gross income from interests paid to non-resident legal entities, of which:	30	44,806,638
- tax due to the state budget	31	-
Gross income from interests paid to affiliated legal entities*) not resident in the EU Member States, of which:	32	155,978,796
- tax due to the state budget	33	-
Gross income from dividends paid to non-resident persons, of which:	34	-
- tax due to the state budget	35	-
Gross income from dividends paid to non-resident persons from the EU Member States, of which:	36	-
- tax due to the state budget	37	-
Gross income from dividends paid to non-resident legal entities from the EU member states, under art. 117, letter h) of Law 571/2003 on the Tax Code, as further amended and completed, of which:	38	-
- tax due to the state budget	39	-
Gross income from royalties paid to non-resident legal entities, of which:	40	-
- tax due to the state budget	41	-
Gross income from royalties paid to not-resident natural persons from the EU Member States, of which	42	-
- tax due to the state budget	43	-
Gross income from royalties paid to not-resident legal entities from the EU Member States, of which:	44	-
- tax due to the state budget	45	-

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Row no.	Amounts (RON)
<b>IV Interests, dividends and royalties paid during the financial year.</b>		
<b>Subsidies cashed and outstanding receivables</b>		
Gross income from royalties paid to not-resident associated legal entities*) from the EU Member States, of which:	46	-
- tax due to the state budget	47	-
Royalties paid during the reporting period for public interest goods, held in concession, of which:	48	-
- royalties for public interest goods paid to the state budget	49	-
Mining royalty paid to the state budget	50	-
Oil royalty paid to the state budget	51	-
Rents paid during the reporting period for lands	52	3,734,050
Gross income from services paid to non-resident persons, of which:	53	36,376,052
- tax due to the state budget	54	-
Gross income from services paid to non-resident persons from the EU Member States, of which:	55	15,134,793
- tax due to the state budget	56	-
Subsidies received during the reporting period, of which:	57	-
- subsidies received during the reporting period, related to assets	58	-
- subsidies related to income, of which:	59	-
- Subsidies for stimulating the work force	60	-
Outstanding receivables, which were not received by the deadlines stipulated in the commercial agreements and/or regulations in force, out of which:	61	434,641,028
- outstanding receivables from entities held in majority or totally by the state	62	9,603,960
- outstanding receivables from entities from the private sector	63	425,037,068

	Row no.	Amounts (RON)
<b>V. Meal tickets</b>		
A	B	1
Value of meal tickets given to the employees	64	2,187,943

VI. Research and development expenses	Row no.	31 December previous year	31 December current year
A	B	1	2
Research and development expenses (rd.65 = rd.66 = rd.69)	65	-	-
- according to financing sources (rd. 67 + 68)	66	-	-
- from public funds	67	-	-
- from private funds	68	-	-
- according to the nature of expenses (rd. 70 + 71)	69	-	-
- current expenses	70	-	-
- capital expenditure	71	-	-

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

VII. Innovation expenses	row no.	31 December previous year	31 December current year
A	B	1	2
Innovation expenses	72	-	-

VIII. Other information	row no.	31 December previous year	31 December current year
A	B	1	2
Advance payments for intangible non-current assets (acc. 4094)	73	-	-
Down payments granted for tangible assets (acc. 4093)	74	2,860,945	3,560,174
Financial assets, in gross amounts (acc. 76+84), out of which:	75	2,189,376,414	2,189,376,414
Shares in affiliates, investments, other long term investments and bonds in gross amounts (rows 77 to 83 ), out of which:	76	2,189,376,414	2,189,376,414
- listed shares issued by residents	77		
- non-listed shares issued by residents	78	191,216,660	191,216,660
- shares issued by residents	79	1,998,159,754	1,998,159,754
- bonds issued by residents	80		
- shares issued by collective investment institutions issued by residents	81	-	-
- shares and parts issued by non-residents	82	-	-
- bonds issued by non-residents	83	-	-
Long-term receivables in gross amounts (rows 85+86), of which:	84	-	-
- long-term receivables in RON and expressed in RON, the settlement of which will depend on a foreign exchange rate (acc. 267)	85	-	-
- long-term receivables in foreign currency (from acc. 267)	86	-	-
Trade receivables, advances paid to suppliers and other similar accounts, in gross amounts (acc. 4091+acc. 4092 + 411 + 413 + 418) out of which:	87	863,838,426	858,717,176
- external trade receivables, advances paid to external suppliers and other similar accounts, in gross amounts (acc. 4092 + from acc. 411 + from acc. 413 + from acc. 418)	88	424,386,248	650,901,336
Trade receivables unpaid on due date from acc. 4092+ from acc. 411+ from acc.413+ acc. 4091	89	390,418,101	434,641,028
Personnel-related receivables and similar accounts (acc. 425 + 4282)	90	226,721	235,721
Receivables related to social security budget and state budget (acc. 431 + 437 +4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482) , (rows 92 to 96) out of which:	91	292,501,467	332,877,641
- receivables related to social security budget (acc. 431+437+4382)	92	250,076	265,418
- fiscal receivables related to state budget (acc. 441+4424+4428+444+446)	93	291,738,270	332,099,102
- subsidies to receive (acc. 445)	94	-	-
- special funds - taxes and similar levies (acc. 447)	95	-	-

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

VIII. Other information	row no.	31 December previous year	31 December current year
A	B	1	2
- other receivables related to the social security budget (acc. 4482)	96	513,121	513,121
Receivables in connection with affiliates (acc. 451)	97	68,271,933	35,093,580
Receivables related to social security budget and state budget unpaid by the due date (from acc 431+from acc 437+from acc 4382+from acc 441+from acc 4424+from acc 4428+from acc 444+from acc 445+from acc 446+from acc 447+from acc 4482)	98	-	-
Debts resulted from operations with derivative instruments (acc. 4652)	99	-	-
Other receivables (acc. 453 + 456 + 4582 + 461 + 471 + 473) (rows 101 to 103) out of which:	100	136,221,256	121,806,297
- settlements with affiliates and mutually controlled entities, settlements with shareholders regarding capital and settlements from joint operations (acc. 453 + 456 + 4582)	101	-	-
- other receivables related to individuals and legal entities other than receivables related to public institutions (state institutions) (from acc. 461 + from acc. 471 + from acc. 473)	102	136,221,256	121,806,297
- sums taken over from acc. 542 "Treasury advances" representing treasury advances, granted under law and not granted until the date of balance (from acc. 461)	103	-	-
Interest receivable (acc. 5187) , out of which:	104	-	-
- from non-residents	105	-	-
Value of loans granted to economic operators	106	-	-
Short-term investments in gross amounts (acc. 505 + 506 + from acc. 508) (rows 108+114), out of which:	107	-	-
- listed shares issued by residents	108	-	-
- non-listed shares issued by residents	109	-	-
- shares issued by residents	110	-	-
- bonds issued by residents	111	-	-
- shares issued by collective investment institutions	112	-	-
- shares issued by non-residents	113	-	-
- bonds issued by non-residents	114	-	-
Other amounts receivable (acc. 5113 + 5114)	115	-	-
Petty cash in Lei and foreign currency (rows 117+118), out of which:	116	3,720	2,273
- in RON (acc. 5311)	117	3,720	2,273
- in foreign currency (acc. 5314)	118	-	-
Petty cash in Lei and foreign currency (rows 120+122) , out of which:	119	6,133,312	44,732,891
- in RON (acc. 5121) , out of which	120	2,095,018	37,631,623
- current accounts in RON opened with non-resident banks	121	-	-
- in foreign currency (acc. 5124) , out of which:	122	4,038,294	7,101,268
- current accounts in foreign currency opened with non-resident banks	123	20,731	-

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

VIII. Other information	row no.	31 December previous year	31 December current year
A	B	1	2
Other current accounts in banks and letters of credit (rows 125+126), out of which:	124	634,258	1,156,256
- amounts under settlement, letters of credit and other amounts receivable, in RON (acc. 5112 +5125 + 5411)	125	634,258	294,786
- amounts under settlement, and letters of credit in foreign currency (acc. 5125 + 5412)	126		861,470
Debts (rows 128+131+134+137+140+143+146+149+152+155+156+159+163+165+166+171+172+173+174+180) out of which:	127	5,101,423,822	5,170,496,570
debenture loans in gross amounts (acc. 161)(rows 129+130), out of which	128	-	-
- in lei	129	-	-
- in foreign currency	130	-	-
Interest related to debenture loans in gross amounts (acc. 1681) (rows 132+133), of which:	131	-	-
- in lei	132	-	-
- in foreign currency	133	-	-
- Short-term internal bank loans (acc. 5191 + 5192 + 5197 ), (rows 135+136), out of which:	134	156,210,584	88,838,034
- in RON	135	123,900,000	45,542,386
- in foreign currency	136	32,310,584	43,295,648
- Short-term internal bank loans and related interests (rows 5198) ,(rows 139+139), out of which:	137	-	-
- in lei	138	-	-
- in foreign currency	139	-	-
Short-term external bank loans (acc. 5193+5194+5195), (rows 141+142) out of which:	140	-	-
- in lei	141	-	-
- in foreign currency	142	-	-
Interests related to short-term external bank loans (from acc. 5198) (rows 144+145) out of which:	143	-	-
- in RON	144	-	-
- in foreign currency	145	-	-
Long-term bank credits (acc. 1621 + 1622 + 1627 ), (rows 147+148) out of which:	146	299,687,700	281,763,783
- in RON	147	-	-
- in foreign currency	148	299,687,700	281,763,783
Long-term bank loans and related interests (from acc. 1682) (rows 150+151), of which:	149	460,929	345,226
- in RON	150	-	-
- in foreign currency	151	460,929	345,226
Long-term external bank loans (acc. 1623 + 1624 + 1625 ) (rows 153+154) out of which:	152	-	-
- in RON	153	-	-
- in foreign currency	154	-	-

**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

VIII. Other information	row no.	31 December previous year	31 December current year
A	B	1	2
Long-term bank external bank loans and related interests (from acc. 1682) (rows 156+157), out of which:	155	-	-
- in RON	156	-	-
- in foreign currency	157	-	-
Loans from the State Treasury (acc. 1626 + from acc. 1682)	158	-	-
- Other loans and related interests (acc. 166 + 167 + 1685 + 1686 + 1687) (rows. 160+161), out of which:	159	174,985	301,903
- in RON and expressed in RON, the settlement of which will depend on a foreign exchange rate	160	-	3,099
- in foreign currency	161	174,985	298,804
Other loans and similar debts (ct. 167) din care:	162		16,783,906
- value of concessions received (acc. 167)	162a	-	-
Trade payables, advances from customers and other similar accounts, in gross amounts (acc. 401 + 403 + 404 + 405 + 408 + 419) of which:	163	2,759,648,136	3,241,017,095
- external trade payables, advances from external customers and other similar accounts in gross amounts from acc. 401+ from acc. 403+ from acc. 404 + from acc. 405 + from acc. 408 + from acc. 419)	164	1,933,411,491	2,513,803,142
Personnel-related payables and similar accounts (acc. 421 + 423 + 424 + 426 + 427 + 4281)	165	5,749,427	4,279,004
Payables related to the social insurance budget and State Budget (acc. 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481) (rows 167 to 170) out of which:	166	151,873,556	148,618,815
- receivables related to social security budget (acc. 431+437+4382)	167	3,830,029	2,827,502
- fiscal debts related to state budget (acc. 441+4423+4428+444+446)	168	120,456,403	118,216,701
- special funds - taxes and similar levies (acc. 447)	169	27,587,124	27,574,612
- Other payables related to the social insurance budget (acc. 4481	170	-	-
Debts of the entities in relation to the related entities (acc.451)	171	1,727,618,185	1,400,879,857
Amounts due to shareholders (acc. 455)	172	-	-
- amounts due to shareholders / individual associates	172a	-	-
- amounts due to shareholders / legal associates	172b	-	-
Debts resulted from operations with derivative instruments (acc. 4651)	173	-	-
Other debts (acc. 269+ 453 + 456 + 457 + 4581 + 462 + 472 + 473 + 478+ 509) rows (175 to 179) out of which:	174	320	4,452,853
- settlements with affiliates and mutually controlled entities, settlements with shareholders regarding capital, dividends and settlements from joint operations (acc. 453 + 456 + 457 + 4581)	175	-	-
- other debts related to individuals and legal entities, other than the receivables related to public institutions (state institutions) 2) (from acc. 462+from acc 472+from acc.473)	176	320	4,452,853
- Subsidies not carried as revenues (from acc. 472)	177	-	-

**NOTES TO THE FINANCIAL REPORT I**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

<b>VIII. Other information</b>	<b>row no.</b>	<b>31 December previous year</b>	<b>31 December current year</b>
A	B	1	2
- payments to be made for financial assets and short-term investments (acc. 269 + 509)	178	-	-
- advance income related to assets received by transfer from the customers (acc. 478)	179	-	-
Interest payable (acc. 5186)	180	-	-
Value of loans received from the economic operators	181	-	-
Subscribed and paid in share capital (acc. 1012), out of which:	182	4,410,920,573	4,410,920,573
- listed shares 3)	183	4,410,920,573	4,410,920,573
- non-listed shares 4)	184	-	-
- shares in limited liability companies	185	-	-
- subscribed and paid in share capital by non-residents (from acc. 1012)	186	2,124,628,616	2,124,585,676
Patents and licenses (from acc. 205)	187	22,966,703	23,140,744

<b>IX. Information on the expenses made for externally-contracted manpower</b>	<b>row no.</b>	<b>31 December previous year</b>	<b>31 December current year</b>
A	B	1	2
Expenses for externally-contracted manpower (acc. 621)	188	-	41.298

<b>X. Information related to goods on the public domain</b>	<b>row no.</b>	<b>31 December previous year</b>	<b>31 December current year</b>
A	B	1	2
Value of the goods in the public domain of the state, in administration	189	-	-
Value of the goods in the public domain of the state, in concession	190	-	-
Value of the goods in the public domain of the state, in rental	191	-	-
<b>XI. Information related to goods privately held by the state and subjected to inventory according to OMFP no. 668/2014</b>		<b>31 December previous year</b>	<b>31 December current year</b>
A	B	1	2
Net value of the goods	192	-	-



**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

XII. Paid up share capital	Row no.	31 December previous year		31 December current year	
		Amount (col. 1)	% (col. 2)	Amount (col. 3)	% (col. 4)
A	B				
Paid up share capital (acc. 1012), (rows 19194+197+201+202+203+204), out of which:	193	4,410,920,573	X	4,410,920,573	X
- held by public institutions (rows.195+196), of which:	194	1,971,500,905	44.70%	1,971,500,905	44.70%
- held by public institutions in central subordination	195	1,971,500,905	44.70%	1,971,500,905	44.70%
- held by public institutions in local subordination	196	-	-	-	-
- held by companies with state capital, of which:	197	-	-	-	-
- integral state capital	198	-	-	-	-
- majority state capital	199	-	-	-	-
- minority state capital	200	-	-	-	-
- held by autonomous companies	201	-	-	-	-
- held by companies with external capital:	202	2,414,224,107	54.73%	2,414,229,973	54.73%
- held by natural persons	203	25,195,561	0.57%	25,189,695	0.57%
- held by other entities	204	-	-	-	-

<b>XIII. Dividends / payments due to the state or local budget, to be distributed from the profit of the financial year by state owned enterprises and corporations and autonomous administrations, of which:</b>	205	-	-
- to central public institutions	206	-	-
- to local public institutions	207	-	-
- to other shareholders in which the state / territorial and administrative units / public institutions hold shares or participations directly/indirectly, regardless of their weight	208	-	-
	<b>Row no.</b>	<b>Amounts (lei)</b>	
<b>A</b>	<b>B</b>	<b>2015</b>	<b>2016</b>
<b>XIV. Dividends / payments due to the state or local budget, transferred during the reporting period from the profit of state owned enterprises and corporations and autonomous administrations, of which:</b>	209	-	-
- dividends / payments from the profit of the previous financial year, of which distributed:	210	-	-
- to central public institutions	211	-	-
- to local public institutions	212	-	-
- to other shareholders in which the state / territorial and administrative units / public institutions hold shares or participations directly/indirectly, regardless of their weight	213	-	-
- dividends / payments from the profit of the previous financial years, of which distributed:	214	-	-
- to central public institutions	215	-	-
- to local public institutions	216	-	-
- to other shareholders in which the state / territorial and administrative units / public institutions hold shares or participations directly/indirectly, regardless of their weight	217	-	-

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL REPORT**  
**For financial year ending on 31 December 2016**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

XV. Receivables taken over by cession from legal entities	Row no.	Amounts (lei)	
		2015	2016
A	B	1	2
- Receivables taken over by cession from legal entities (at their nominal value), of which:	218	-	-
- receivables taken over by cession from affiliated legal entities	219	-	-
- Receivables taken over by cession from legal entities (at their purchase value), of which:	220	-	-
- receivables taken over by cession from affiliated legal entities	221	-	-
XVI. Income obtained from agricultural activities	Row no.	Amounts (lei)	
A	B	2015	2016
Income obtained from agricultural activities	222	-	-

**CATALIN DUMITRU**  
 President of the Board of Directors

**YEDIL UTEKOV**  
 Chief Executive Officer

**VASILE-GABRIEL MANOLE**  
 Chief Financial Officer





**Fixed assets statement as at 31.12.2016**

**Code 40**

Fixed asset items	Row no.	Gross amounts				
		Initial balance	Increases	Decreases		Final balance (col 5=1+2-3)
				Total	Of which - dismantling and cassation	
A	B	1	2	3	4	5
<b>I.Intangible assets</b>						
Development costs	01	150,123	-	-	X	150,123
Other assets	02	45,947,528	6,615,423	-	X	52,562,951
Intangible assets for exploration and evaluation of mineral resources	03	-	-	-	X	-
Advance payments for intangible non-current assets	04	-	-	-	X	-
<b>TOTAL (rows 01 to 04)</b>	<b>05</b>	<b>46,097,651</b>	<b>6,615,423</b>	<b>-</b>	<b>X</b>	<b>52,713,074</b>
<b>II.Tangible assets</b>						
Land	06	192,480,007	-	-	X	192,480,007
Buildings	07	1,853,605,669	13,395,972	-	-	1,867,001,641
Plant and machinery	08	3,339,766,162	36,878,687	27,786,401	27,786,401	3,348,858,448
Other plant, machinery and fixtures	09	12,154,340	92,972	-	-	12,247,312
Investment property	10	-	-	-	-	-
Tangible assets for exploration and evaluation of mineral resources	11	-	-	-	-	-
Productive plants	12	-	-	-	-	-
Intangible assets in execution	13	65,133,760	157,942,529	61,158,562	-	161,917,727
Real estate investments in execution	14	-	-	-	-	-
Advance payments for tangible assets	15	2,860,945	718,363	19,134	-	3,560,174
<b>Total (rows 06 to 15)</b>	<b>16</b>	<b>5,466,000,883</b>	<b>209,028,523</b>	<b>88,964,097</b>	<b>27,786,401</b>	<b>5,586,065,310</b>
<b>III. Biologic productive assets</b>	<b>17</b>		-	-	X	-
<b>IV. Financial assets</b>	<b>18</b>	<b>2,189,376,414</b>	-	-	X	<b>2,189,376,414</b>
<b>NON-CURRENT ASSETS - TOTAL (rd. 05+16+17+18)</b>	<b>19</b>	<b>7,701,474,948</b>	<b>215,643,947</b>	<b>88,964,097</b>	<b>27,786,401</b>	<b>7,828,154,798</b>

**Statement of fixed assets amortization**

Fixed asset items	Row no.	Initial balance	Amortization during the period	Amortization of fixed assets removed from the accounting records	Amortization at the end of the year (col. 9=6+7-8)
A	B	6	7	8	9
<b>I. Intangible assets</b>					
Development costs	20	12,510	50,041	-	62,551
Other assets	21	32,602,137	3,170,817	-	35,772,953
Intangible assets for exploration and evaluation of mineral resources	22	-	-	-	-
<b>Total (rows 20+21+22)</b>	<b>23</b>	<b>32,614,647</b>	<b>3,220,858</b>	<b>-</b>	<b>35,835,504</b>
<b>II. Tangible assets</b>					
Land	24	22,220,959	1,839,934	-	24,060,893
Buildings	25	877,344,437	50,266,302	136,716	927,474,023
Plant and machinery	26	1,415,328,862	216,028,351	27,802,638	1,603,554,578
Other plant, machinery and fixtures	27	5,483,894	660,711	-	6,144,602
Investment property	28	-	-	-	-
Tangible assets for exploration and evaluation of mineral resources	29	-	-	-	-
Productive plants	30	-	-	-	-
<b>Total (rows 24 to 30)</b>	<b>31</b>	<b>2,320,378,152</b>	<b>268,795,298</b>	<b>27,939,354</b>	<b>2,561,234,097</b>
<b>III. Biologic productive assets</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL AMORTIZATIONS (rows 23+31+32)</b>	<b>33</b>	<b>2,352,992,799</b>	<b>272,016,155</b>	<b>27,939,354</b>	<b>2,597,069,601</b>

**Statement of adjustments for impairment**

Fixed asset items	Row no.	Initial balance	Adjustments during the year	Adjustments carried from revenues	Final balance (col. 13=10+11-12)
A		10	11	12	13
<b>I. Intangible assets</b>					
Development costs	34	-	-	-	-
Other assets	35	-	-	-	-
Intangible assets for exploration and evaluation of mineral resources	36	-	-	-	-
<b>Total (rows 34 to 36)</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>II. Tangible assets</b>					
Land	38	-	-	-	-
Buildings	39	41,662	-	-	41,662
Plant and machinery	40	4,073	-	-	4,073
Other plant, machinery and fixtures	41	-	-	-	-
Investment property	42	-	-	-	-
Tangible assets for exploration and evaluation of mineral resources valued at cost	43	-	-	-	-
Productive plants	44	-	-	-	-
Intangible assets in execution	45	3,171,485	-	-	3,171,485
Real estate investments in execution	46	-	-	-	-
<b>Total (rows 38 to 46)</b>	<b>47</b>	<b>3,217,220</b>	<b>-</b>	<b>-</b>	<b>3,217,220</b>
<b>III. Biologic productive assets</b>	<b>48</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>IV. Financial assets</b>	<b>49</b>	<b>560,356,359</b>	<b>-</b>	<b>-</b>	<b>560,356,359</b>
<b>ALLOWANCE - TOTAL (rows 37+47+48+49)</b>	<b>50</b>	<b>563,573,579</b>	<b>-</b>	<b>-</b>	<b>563,573,579</b>

**CATALIN DUMITRU**  
President of the Board of Directors

**VASILE-GABRIEL MANOLE**  
Chief Financial Officer

**YEDIL UTEKOV**  
Chief Executive Officer

