ROMPETROL RAFINARE SA

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

JUNE 30, 2016

CONTENTS

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30, 2016

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

	Notes	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Intangible assets	3	6,210,845	6,679,192	25,230,937	27,133,550
Goodwill	4	82,871,706	82,871,706	336,658,019	336,658,019
Property, plant and equipment	5	1,135,431,893	1,175,280,529	4,612,578,521	4,774,459,620
Available for sale investments	6	18,583	18,583	75,492	75,492
Long-term receivable		1,797,302	1,095,124	7,301,360	4,448,832
Deferred tax asset	12	59,988,028	59,988,028	243,695,365	243,695,365
Total non current assets		**1,286,318,357**	**1,325,933,162**	**5,225,539,694**	**5,386,470,878**
Inventories, net	7	208,003,282	175,731,732	844,992,533	713,892,588
Trade and other receivables	8	349,539,663	318,124,428	1,419,969,926	1,292,348,677
Cash and cash equivalents	9	11,166,561	6,727,079	45,363,037	27,328,086
Total current assets		**568,709,506**	**500,583,239**	**2,310,325,496**	**2,033,569,351**
TOTAL ASSETS		**1,855,027,863**	**1,826,516,401**	**7,535,865,190**	**7,420,040,229**
Share capital	10	1,463,323,897	1,463,323,897	5,944,607,000	5,944,607,000
Share premium	10	74,050,518	74,050,518	300,822,824	300,822,824
Other reserves	10	(2,184,174)	(1,305,470)	(8,872,988)	(5,303,341)
Other reserves - Hybrid instrument	10	1,000,000,000	1,000,000,000	4,062,400,000	4,062,400,000
Effect of transfers with equity holders	10	(596,832,659)	(596,832,659)	(2,424,572,994)	(2,424,572,994)
Accumulated losses		(1,529,316,646)	(1,592,741,565)	(6,212,695,997)	(6,470,353,334)
Current year result		21,460,687	63,424,919	87,181,896	257,657,338
Equity attributable to equity holders of the parent		**430,501,623**	**409,919,640**	**1,748,869,741**	**1,665,257,493**
Non-Controlling interest		14,276,560	13,705,934	57,997,097	55,678,986
Total equity		**444,778,183**	**423,625,574**	**1,806,866,838**	**1,720,936,479**
Long-term borrowings from banks	11	212,776,592	215,312,502	864,383,628	874,685,509
Deferred tax liabilities	12	306,570	306,570	1,245,410	1,245,410
Provisions	15	77,519,273	79,036,717	314,914,294	321,078,759
Other non-current liabilities		168,274	156,520	683,596	635,847
Total non-current liabilities		**290,770,709**	**294,812,309**	**1,181,226,928**	**1,197,645,525**
Trade and other payables	13	787,183,806	762,732,994	3,197,855,546	3,098,526,567
Derivative financial instruments	27.2	274,670	626,926	1,115,819	2,546,824
Short-term borrowings from shareholders and related parties	14	311,286,924	306,682,066	1,264,572,000	1,245,865,227
Short-term borrowings from banks	14	20,733,571	38,036,532	84,228,059	154,519,607
Total current liabilities		**1,119,478,971**	**1,108,078,518**	**4,547,771,424**	**4,501,458,225**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,855,027,863**	**1,826,516,401**	**7,535,865,190**	**7,420,040,229**

AZAMAT ZHANGULOV
PRESIDENT of the BOARD of DIRECTORS

ROMPETROL RAFINARE S.A.

YEDIL UTEKOV
CHIEF EXECUTIVE OFFICER

VASILE-GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

The accompanying notes on pages 9 – 60 are an integral part of these consolidated financial statements.
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ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the year ended at June 30, 2016
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

	Notes	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Revenues	16	1,153,144,118	1,473,571,876	4,684,532,665	5,986,238,388
Cost of sales	17	(1,033,407,093)	(1,377,930,905)	(4,198,112,973)	(5,597,706,508)
Gross profit		119,737,025	95,640,971	486,419,692	388,531,880
Selling, general and administrative expenses, including logistic costs	18	(78,602,299)	(79,546,442)	(319,313,980)	(323,149,464)
Other operating income/(expenses), net	19	1,317,335	25,264,995	5,351,541	102,636,463
Operating loss		42,452,061	41,359,524	172,457,253	168,018,879
Finance cost	20	(20,774,261)	(29,117,016)	(84,393,357)	(118,284,964)
Finance income	20	4,634,264	1,150,280	18,826,234	4,672,897
Foreign exchange gain / (loss), net	20	(3,808,769)	5,084,579	(15,472,743)	20,655,593
Profit/(Loss) before income tax		22,503,295	18,477,367	91,417,387	75,062,405
Income tax	22	(471,982)	(516,637)	(1,917,380)	(2,098,787)
Profit/(Loss) for the year		22,031,313	17,960,730	89,500,007	72,963,618
Attributable to:					
Equity holders of the parent		21,460,687	17,586,189	87,181,896	71,442,083
Non-Controlling interests		570,626	374,541	2,318,111	1,521,535
Earnings per share *(US cents/share)*					
Basic	24	0.049	0.040	0.199	0.162

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

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Net Gain/(Loss) for the year	**22,031,313**	**17,960,730**	**89,500,007**	**72,963,618**
Other comprehensive income				
Actuarial gains/(losses) on retirement benefits	-	1,040,242	-	4,225,879
Hedge reserve	(878,704)	(825,067)	(3,569,647)	(3,351,752)
Other comprehensive income (loss) for the year, net of tax	**(878,704)**	**215,175**	**(3,569,647)**	**874,127**
Total comprehensive loss for the year, net of tax	**21,152,609**	**18,175,905**	**85,930,360**	**73,837,745**
Attributable to:				
Equity holders of the parent	20,581,983	17,801,364	83,612,249	72,316,210
Non-Controlling interests	570,626	374,541	2,318,111	1,521,535
Total comprehensive gain for the year	**21,152,609**	**18,175,905**	**85,930,360**	**73,837,745**

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended at June 30, 2016

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

	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	USD	USD	RON	RON
Profit/(Loss) before income tax	**22,503,295**	**18,477,367**	**91,417,387**	**75,062,405**
Adjustments for:				
Depreciation and amortisation	48,330,659	40,363,759	196,338,469	163,973,734
Provisions for receivables and inventories (incl write-off)	(483,772)	(25,614,557)	(1,965,276)	(104,056,523)
Impairment for property, plant and equipment (incl write-off)	26,581	233,894	107,983	950,171
Restructuring and retirement benefit provisions	-	620,073	-	2,518,985
Late payment interest	(162,645)	(56,889)	(660,729)	(231,106)
Interest expense and bank charges, net	15,599,745	19,093,009	63,372,404	77,563,439
Unrealised gains from derivatives	201,000	-	816,542	-
(Gain)/Loss on sale or disposal of property, plant and equipment	(123,012)	(54,683)	(499,723)	(222,145)
Unrealised foreign exchange (gain)/loss	3,487,300	(7,536,354)	14,166,808	(30,615,684)
Cash generated from operations before working capital changes	**89,379,151**	**45,525,619**	**363,093,865**	**184,943,276**
Net working capital changes :				
Receivables and prepayments	(152,591,040)	(336,904,043)	(619,885,840)	(1,368,638,992)
Inventories	(31,703,494)	(35,034,055)	(128,792,274)	(142,322,345)
Trade and other payables, excluding payables for capital expenditures	79,820,886	357,792,473	324,264,363	1,453,496,142
Change in working capital	**(104,473,648)**	**(14,145,625)**	**(424,413,751)**	**(57,465,195)**
Cash payments for derivatives, net	**(1,431,960)**	**(2,049,494)**	**(5,817,194)**	**(8,325,864)**
Net cash provided by/(used in) operating activities	**(16,526,457)**	**29,330,500**	**(67,137,080)**	**119,152,217**
Cash flows from investing activities				
Purchase of property, plant and equipment	15,359,143	(42,682,495)	62,394,983	(173,393,368)
Purchase of intangible assets	(150,434)	(31,501)	(611,123)	(127,970)
Proceeds from sale of property, plant and equipment	121,995	66,500	495,592	270,150
Net cash used in investing activities	**15,330,704**	**(42,647,496)**	**62,279,452**	**(173,251,188)**
Cash flows from financing activities				
Cash pooling movement	36,457,239	(40,654,306)	148,103,888	(165,154,053)
Loans (repaid to) received from shareholders	4,604,858	3,031,647	18,706,775	12,315,763
Loans (repaid to)/drawn from banks, net	(19,827,117)	65,871,800	(80,545,679)	267,597,610
Interest and bank charges paid, net	(15,599,745)	(19,093,009)	(63,372,404)	(77,563,440)
Net cash used in financing activities	**5,635,235**	**9,156,132**	**22,892,580**	**37,195,880**
Increase / (Decrease) in cash and cash equivalents	**4,439,482**	**(4,160,864)**	**18,034,952**	**(16,903,091)**
Cash and cash equivalents at the beginning of period	**6,727,079**	**12,937,600**	**27,328,085**	**52,557,706**
Cash and cash equivalents at the end of the period	**11,166,561**	**8,776,736**	**45,363,037**	**35,654,615**

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ROMPETROL RAFINARE S.A.

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended at June 30, 2016
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

Amount in USD

	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
December 31, 2014	1,463,323,897	74,050,518	(1,592,741,565)	(596,832,659)	996,574,490	344,374,681	12,475,317	356,849,998
Net profit for 2015	-	-	17,586,189	-	-	17,586,189	374,541	17,960,730
Other comprehensive income	-	-	-	-	215,175	215,175		215,175
Total comprehensive income	-	-	17,586,189	-	215,175	17,801,364	374,541	18,175,905
June 30, 2015	1,463,323,897	74,050,518	(1,575,155,376)	(596,832,659)	996,789,665	362,176,045	12,849,858	375,025,903

	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
December 31, 2015	1,463,323,897	74,050,518	(1,529,316,646)	(596,832,659)	998,694,530	409,919,640	13,705,934	423,625,574
Net profit for 2016	-	-	21,460,687	-	-	21,460,687	570,626	22,031,313
Other comprehensive income	-	-	-	-	(878,704)	(878,704)		(878,704)
Total comprehensive income	-	-	21,460,687	-	(878,704)	20,581,983	570,626	21,152,609
June 30, 2016	1,463,323,897	74,050,518	(1,507,855,959)	(596,832,659)	997,815,826	430,501,623	14,276,560	444,778,183

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended at June 30, 2016
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

Amount in RON

	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
December 31, 2014	5,944,606,999	300,822,824	(6,470,353,334)	(2,424,572,994)	4,048,484,208	1,398,987,703	50,679,728	1,449,667,431
Net profit for 2015	-	-	71,442,083	-	-	71,442,083	1,521,535	72,963,618
Other comprehensive income	-	-	-	-	874,127	874,127	-	874,127
Total comprehensive income	-	-	71,442,083	-	874,127	72,316,210	1,521,535	73,837,745
June 30, 2015	5,944,606,999	300,822,824	(6,398,911,251)	(2,424,572,994)	4,049,358,335	1,471,303,913	52,201,263	1,523,505,176

	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
December 31, 2015	5,944,607,000	300,822,824	(6,212,695,996)	(2,424,572,994)	4,057,096,659	1,665,257,493	55,678,986	1,720,936,479
Net profit for 2016	-	-	87,181,896	-	-	87,181,896	2,318,111	89,500,007
Other comprehensive income	-	-	-	-	(3,569,647)	(3,569,647)	-	(3,569,647)
Total comprehensive income	-	-	87,181,896	-	(3,569,647)	83,612,248	2,318,111	85,930,360
June 30, 2016	5,944,607,000	300,822,824	(6,125,514,101)	(2,424,572,994)	4,053,527,012	1,748,869,741	57,997,097	1,806,866,838

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1. GENERAL

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

Rompetrol Rafinare S.A and its subsidiaries (hereinafter referred to as "the Group") are involved in refining, petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 6.a). The number of employees of the Group at the end of June 2016 and December 2015 was 2,371 and 2,718 respectively.

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

The Group's ultimate parent company is "The State holding enterprise on assets management (Samruk)" JSC, an entity with its headquarters in Kazakhstan.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of June 30, 2016, as endorsed by the European Union ("EU").

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

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

b) Going concern

The financial statements of the Group are prepared on a going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

In 2014, the Group changed the accounting policy for the un-pumpable stock from the refinery, considering the un-pumpable as property plant and equipment instead of inventory as it was treated in the past. The management considers that this presentation provides more relevant and reliable information within the financial statements, being in line with industry practice. This change reflects the true nature of the un-pumpable stock, considering that it is used as part of the related property, plant and equipment, during more than one period. The change was done in accordance with IAS 8.14.b and was applied retrospectively, as per IAS 8.22.

d) Foreign currency translation

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

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

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statement of income

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

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

Other matters

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

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

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 30 June 2016 closing exchange rate of RON 4.0624=USD 1, for both 2016 and 2015 amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Significant accounting judgments, estimates and assumptions

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

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

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

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

- Impairment of Goodwill on acquisitions

The Group's impairment test for goodwill is based on fair value less costs to sell calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to undertake. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes (Note 4).

- Impairment of non- financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are reviewed for possible impairment annually, while all assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recovered. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Estimates of future cash flows are based on management estimates of future commodity prices, market supply and demand and product margins. Other factors that can lead to changes in estimates include restructuring plans and variation in regulatory environments. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.
The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 4 and Note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Provision for environmental liability

The Group is involved in refining and petrochemicals, wholesale and retail and other related services. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Group together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognized as a provision in the Group's financial statements. When the final determination of such obligation amounts differs from the recognized provisions, the Group's income statement is impacted.

Further details on provision for environmental liability are provided in Note 15.

- Deferred tax assets

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

Further details on deferred tax assets are provided in Notes 12 and 21.

- Retirement benefits costs

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

Under collective labor agreements in place in certain of the Group's entities, employees are entitled to certain retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the balance sheet date based on: the applicable benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions on future liabilities. The defined benefit liability as of balance sheet date comprises the present value of the defined benefit obligation with the related service cost charged to the income statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans. Actuarial gains and losses recognized in other comprehensive income are presented in the statement of other comprehensive income.

The Group has no other liabilities with respect to future pension, health and other costs for its employees. Further details on retirement benefits costs are provided in Note 15.

- *Carrying value of trade and other receivables*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *Carrying value of inventories*

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

f) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 30 June 2016.

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Business combinations and goodwill

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments

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

i. Financial assets

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

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

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

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

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

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

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available for sale assets reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale assets reserve to the statement of profit or loss in finance costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Derecognition

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

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

Or

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

Impairment of financial assets

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

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

ii. Financial liabilities

Initial recognition and measurement

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Subsequent measurement

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

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

Derecognition

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

iii. Offsetting of financial instruments

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

i) Property, plant and equipment

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings and other constructions	10 to 60 years
Storage tanks	20 to 30 years
Tank cars	25 years
Machinery and other equipment	3 to 20 years
Gas pumps	8 to12 years
Vehicles	5 years
Furniture and office equipment	3 to 10 years
Computers	3 years

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

j) Intangible assets

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

Intangible assets consist of software and licenses and are amortized on a straight-line basis over 3 to 5 years.

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

k) Impairment of non-financial assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Goodwill

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

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

l) Provisions

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

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Additional comments on the following specific liabilities are:

- *Decommissioning liability*

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

- *Environmental liabilities*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

m) Leases

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

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

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

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

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

n) 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, minus the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

o) Trade receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) Revenue recognition

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

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

In addition:

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

r) Interest bearing loans and borrowings

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

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

s) Borrowings costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Retirement benefit costs

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

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

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

u) 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 Group operates and generates taxable income.

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

- *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

- *Sales tax*

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

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

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.

v) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Foreign Currencies Transactions

The Group translates its foreign currency transactions and balances into functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of transaction. Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the consolidated income statement in the period they arise.

x) Derivative Financial Instruments

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

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

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

Changes in fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in period profit or loss. The Group's policy with respect to hedging forecasted transactions is to designate it as a cash flow hedge. If the cash flow hedge of a forecasted transaction results in the recognition of an asset or a liability, then at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognized in profit or loss in the same period in which the hedged items affects period profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in period profit or loss as they arise.

For the future contracts (purchase and sales contracts) that are entered into by the Group to hedge its commodity risk the realized and unrealized gains/losses are included in Cost of sales for the period (see Note 17).

y) Emission Rights

The Group refining and petrochemicals operations are allocated CO2 emission rights quota. For period 2013-2020 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. Rompetrol Refinery received its quota allocation for 2015 and the one for 2016 was received by February 25, 2016. The Group accounts for the liability resulting from generating of these emissions using the net liability method. The actual emissions have not exceeded the certificates which the group has in its accounts in CO2 EU Register. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective group companies. Income is recognised only when excess certificates are sold on the market.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Contingencies

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2015	**33,011,787**	**38,803,764**	**2,569,470**	**74,385,021**
Additions	62,430	7,967	404,906	475,303
Transfers from CIP	342,075	333,233	(675,308)	-
Disposals	-	(471,408)	-	(471,408)
Transfers and reclassifications*	111,970	(136,828)	58,340	33,482
Closing balance as of December 31, 2015	**33,528,262**	**38,536,728**	**2,357,408**	**74,422,398**
Additions	2,417	-	148,017	150,434
Transfers from CIP	-	12,123	(12,123)	-
Transfers and reclassifications*	-	-	12,123	12,123
Closing balance as of June 30, 2016	**33,530,679**	**38,548,851**	**2,505,425**	**74,584,955**
Accumulated amortization				
Opening balance as of January 1, 2015	**(32,047,185)**	**(34,342,614)**	**(523,380)**	**(66,913,179)**
Charge for the year	(468,697)	(832,738)	-	(1,301,435)
Accumulated amortization of disposals	-	471,408	-	471,408
Closing balance as of December 31, 2015	**(32,515,882)**	**(34,703,944)**	**(523,380)**	**(67,743,206)**
Charge for the year	(273,317)	(357,587)	-	(630,904)
Closing balance as of June 30, 2016	**(32,789,199)**	**(35,061,531)**	**(523,380)**	**(68,374,110)**
Net book value				
As of December 31, 2015	**1,012,380**	**3,832,784**	**1,834,028**	**6,679,192**
As of June 30, 2016	**741,480**	**3,487,320**	**1,982,045**	**6,210,845**

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

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

In 2015 transfers and reclassifications of USD 0.033 million (RON 0.136 million) represent transfers, reclassifications between categories and other adjustments.

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

3. INTANGIBLE ASSETS (continued)

Amounts in RON

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2015	**134,107,084**	**157,636,411**	**10,438,215**	**302,181,710**
Additions	253,616	32,365	1,644,890	1,930,871
Transfers from CIP	1,389,645	1,353,726	(2,743,371)	-
Disposals	-	(1,915,048)	-	(1,915,048)
Transfers and reclassifications*	454,867	(555,850)	237,000	136,017
Closing balance as of December 31, 2015	136,205,212	156,551,604	9,576,734	302,333,550
Additions	9,819	-	601,304	611,123
Transfers from CIP	-	49,248	(49,248)	-
Transfers and reclassifications*	-	-	49,248	49,248
Closing balance as of June 30, 2016	136,215,031	156,600,852	10,178,038	302,993,921
Accumulated amortization				
Opening balance as of January 1, 2015	**(130,188,484)**	**(139,513,435)**	**(2,126,179)**	**(271,828,098)**
Charge for the year	(1,904,035)	(3,382,915)	-	(5,286,950)
Accumulated amortization of disposals	-	1,915,048	-	1,915,048
Closing balance as of December 31, 2015	(132,092,519)	(140,981,302)	(2,126,179)	(275,200,000)
Charge for the year	(1,110,323)	(1,452,661)	-	(2,562,984)
Closing balance as of June 30, 2016	(133,202,842)	(142,433,963)	(2,126,179)	(277,762,984)
Net book value				
As of December 31, 2015	4,112,693	15,570,302	7,450,555	27,133,550
As of June 30, 2016	3,012,189	14,166,889	8,051,859	25,230,937

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

4. GOODWILL

The carrying value of goodwill as of 30 June 2016 and 31 December 2015 was USD 82,871,706 (RON: 336,658,019).

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

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

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2015 on the Downstream Romania cash generating units ("CGU"). Based on the impairment tests no impairment has been identified.

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost					
As of January 1, 2015	954,091,926	1,081,202,604	116,250,704	80,485,327	2,232,030,561
Acquisitions	17,630	326,331	435,119	125,232,778	126,011,858
Transfers from CIP	14,866,205	108,154,495	8,808,609	(131,829,309)	-
Disposals	(24,589)	(1,083,768)	(2,733,853)	-	(3,842,210)
Transfers and reclassifications*	(816,911)	833,153	(632)	(73,096)	(57,486)
As of December 31, 2015	968,134,261	1,189,432,815	122,759,947	73,815,700	2,354,142,723
Additions	24,373	382,557	13,636	7,551,768	7,972,334
Transfers from CIP	1,526,188	11,308,864	569,242	(13,404,294)	-
Disposals	(19,769)	(267,786)	(106,017)	-	(393,572)
Transfers and reclassifications*	-	-	-	(95,650)	(95,650)
As of June 31, 2016	**969,665,053**	**1,200,856,450**	**123,236,808**	**67,867,524**	**2,361,625,835**
Accumulated depreciation & Impairment					
As of January 1, 2015	(434,272,715)	(547,842,863)	(93,309,322)	(28,923,732)	(1,104,348,632)
Charge for the year	(25,677,748)	(47,601,140)	(4,827,501)	-	(78,106,389)
Accumulated depreciation of disposals	6,960	1,073,175	2,494,033	-	3,574,168
Transfers and reclassifications*	430,745	(412,717)	631	-	18,659
As of December 31, 2015	(459,512,758)	(594,783,545)	(95,642,159)	(28,923,732)	(1,178,862,194)
Charge for the year	(4,930,777)	(41,275,960)	(1,493,018)	-	(47,699,755)
Accumulated depreciation of disposals	19,770	243,130	105,107	-	368,007
As of June 30, 2016	**(464,423,765)**	**(635,816,375)**	**(97,030,070)**	**(28,923,732)**	**(1,226,193,942)**
Net book value as of December 31, 2015	508,621,503	594,649,270	27,117,788	44,891,968	1,175,280,529
Net book value as of June 30, 2016	505,241,288	565,040,075	26,206,738	38,943,792	1,135,431,893

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts in RON

	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost					
As of January 1, 2015	**3,875,903,040**	**4,392,277,458**	**472,256,860**	**326,963,592**	**9,067,400,950**
Acquisitions	71,620	1,325,687	1,767,627	508,745,637	511,910,571
Transfers from CIP	60,392,471	439,366,820	35,784,093	(535,543,384)	-
Disposals	(99,890)	(4,402,699)	(11,106,004)	-	(15,608,593)
Transfers and reclassifications*	(3,318,619)	3,384,601	(2,567)	(296,945)	(233,530)
As of December 31, 2015	**3,932,948,622**	**4,831,951,867**	**498,700,009**	**299,868,900**	**9,563,469,398**
Additions	99,013	1,554,100	55,395	30,678,302	32,386,810
Transfers from CIP	6,199,986	45,941,129	2,312,489	(54,453,604)	-
Disposals	(80,310)	(1,087,854)	(430,683)	-	(1,598,847)
Transfers and reclassifications*	-	-	-	(388,570)	(388,570)
As of June 30, 2016	**3,939,167,311**	**4,878,359,242**	**500,637,210**	**275,705,028**	**9,593,868,791**
Accumulated depreciation & Impairment					
As of January 1, 2015	**(1,764,189,477)**	**(2,225,556,847)**	**(379,059,790)**	**(117,499,769)**	**(4,486,305,883)**
Charge for the year	(104,313,283)	(193,374,871)	(19,611,240)	-	(317,299,394)
Accumulated depreciation of disposals	28,274	4,359,666	10,131,760	-	14,519,700
Transfers and reclassifications*	1,749,858	(1,676,622)	2,563	-	75,799
As of December 31, 2015	**(1,866,724,628)**	**(2,416,248,674)**	**(388,536,707)**	**(117,499,769)**	**(4,789,009,778)**
Charge for the year	(20,030,788)	(167,679,460)	(6,065,236)	-	(193,775,484)
Accumulated depreciation of disposals	80,314	987,691	426,987	-	1,494,992
As of June 30, 2016	**(1,886,675,102)**	**(2,582,940,443)**	**(394,174,956)**	**(117,499,769)**	**(4,981,290,270)**
Net book value as of December 31, 2015	**2,066,223,994**	**2,415,703,193**	**110,163,302**	**182,369,131**	**4,774,459,620**
Net book value as of June 30, 2016	**2,052,492,209**	**2,295,418,799**	**106,462,254**	**158,205,259**	**4,612,578,521**

In 2016, Transfers and Reclassifications of USD 0.095 million (RON 0.388) represent transfer to intangibles, reclassifications between categories and other adjustments.

- *Construction in progress*

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

Also, in 2015 were transferred into function USD 88 million for Refinery general turnaround and workings for prolongation of authorization for static equipment, ISCIR, USD 11.2 million in respect of a new Electrostatic Precipiator for reducing the residual gases particles in Catalytic Cracking Unit, USD 2.8 million for prolonging equipment functionality time for Refinery static equipment, USD 1.7 million for execution of an efficient dredging in order to restore the design water depth in Midia Port. For Rompetrol Downstream USD 6.2 million in respect of Rebranding project were transferred into function.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Disposals*

In 2016, of the total USD 0.393 million disposed assets, USD 0.247million refers to write-offs for Rompetrol Downstream and USD 0.147million refers to write-offs for Rompetrol Quality Control.

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

- *Borrowing costs capitalized*

The Group is financing part of its operations from borrowings and hence the cost of these borrowings related to acquisition of qualifying assets is capitalized as part of the cost of those qualifying assets. For the years ended at 30 June 2016 and 31 December 2015 no borrowing costs were capitalized.

- *Disposals through sales of subsidiaries and liquidations*

During 2016 and 2015 there was no disposal of companies.

- *Impairment*

The Group completes an annual assessment for any indication of impairment for all entities based on specific asset considerations, as applicable, and taking into consideration expectations on future estimated business cash flows.

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment of approximately USD 440.36 million (2015: USD 393.89 million) net, for securing banking facilities granted to Group entities.

6. INVESTMENTS

a) Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at June 30, 2016 and December 31 2015 are as follows:

Company name	Range of activity	Effective ownership June 30, 2016	Control June 30, 2016	Effective ownership December 31, 2015	Control December 31, 2015
Rompetrol Downstream S.R.L.	Retail Trade of Fuels and Lubricants	100.00%	100.00%	100.00%	100.00%
Rom Oil S.A.	Wholesale of Fuels; fuel storage	100.00%	100.00%	100.00%	100.00%
Rompetrol Logistics S.R.L.	Fuels Transportation	66.19%	100.00%	66.19%	100.00%
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100.00%	100.00%	100.00%	100.00%
Rompetrol Quality Control S.R.L.	Quality Control Services	100.00%	100.00%	100.00%	100.00%
Rompetrol Gas S.R.L.	LPG Sales	66.19%	100.00%	66.19%	100.00%

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

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

6. INVESTMENTS (continued)

b) Available for sale Investments

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Other	18,583	18,583	75,492	75,492
Total	**18,583**	**18,583**	**75,492**	**75,492**

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

7. INVENTORIES, NET

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Crude oil and other feedstock materials	76,030,733	66,761,850	308,867,250	271,213,339
Petroleum and petrochemical products	90,201,452	74,425,417	366,434,379	302,345,814
Work in progress	24,481,636	16,533,052	99,454,198	67,163,870
Spare parts	16,638,187	17,037,964	67,590,971	69,215,025
Consumables and other raw materials	4,765,471	5,032,259	19,359,249	20,443,049
Merchandises	6,124,227	6,553,792	24,879,060	26,624,125
Other inventories	8,669,101	8,867,371	35,217,356	36,022,808
Inventories provision	(18,907,525)	(19,479,973)	(76,809,930)	(79,135,442)
	208,003,282	**175,731,732**	**844,992,533**	**713,892,588**

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

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Reserve as of January 1	**(19,479,973)**	**(55,905,241)**	**(79,135,442)**	**(227,109,451)**
Accrued provision	(4,958,620)	(7,139,391)	(20,143,898)	(29,003,062)
Write off	-	195,573	-	794,496
Reversal of provision	5,531,068	43,369,086	22,469,410	176,182,575
Reserve as of June 30	**(18,907,525)**	**(19,479,973)**	**(76,809,930)**	**(79,135,442)**

The inventories provisions mainly represent the provision for Net Realizable Value in relation to refineries and petrochemical plant.

The Group has pledged inventories in gross amount of USD 179.67 million (2015: USD 189.93 million) to secure banking facilities.

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

8. TRADE AND OTHER RECEIVABLES

As mentioned in Note 1 the Parent company and its subsidiaries are part of KMG International Group. The balances with related parties are disclosed in Note 23.

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Trade receivables	270,414,141	238,384,665	1,098,530,406	968,413,863
Advances to suppliers	7,654,634	8,086,603	31,096,185	32,851,016
Sundry debtors	32,065,597	31,935,506	130,263,281	129,734,800
VAT to be recovered	5,845	11,457	23,745	46,543
Other receivables	136,812,935	133,631,629	555,788,867	542,865,130
Provision for bad and doubtful debts	(97,413,489)	(93,925,432)	(395,732,558)	(381,562,675)
	349,539,663	318,124,428	1,419,969,926	1,292,348,677

Movement in the above provision is disclosed below and in Note 19.

Included in Sundry debtors in 2016 is an amount of USD 23.27 million (2015: USD 22.79 million) for payment made by Rompetrol Rafinare for antidumping and countervailing taxes for Biodiesel import; and USD 2.92 million (2015: USD 2.85 million) for principal liabilities and related penalties paid to ANAF following General Tax Audit Report covering 2007-2010 period, and an additional USD 3.37 million (2015: USD 3.3 million) for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) (see Note 26).

Out of the total balance for other receivables of USD 136.81 million, an amount of USD 24.68 million USD (2015: USD 22.77 million) relates to Competition Council fine from Downstream (see Note 26) and USD 72.37 million relates to cash pooling receivables for Rompetrol Downstream (USD 64.4 million), Rompetrol Gas (USD 7.3 million), and Rompetrol Quality Control (USD 0.64 million). Also, in other receivables an amount of USD 8.15 million (2015: USD 15.07 million) refers to excise receivables in Rompetrol Rafinare.

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

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Balance at the beginning of the year	**(93,925,432)**	**(100,649,376)**	**(381,562,675)**	**(408,878,025)**
Impairment losses recognized on receivables	(505,813)	(25,950,819)	(2,054,815)	(105,422,607)
Impairment losses reversed	421,529	21,844,146	1,712,419	88,739,659
Translation differences	(3,403,773)	10,830,617	(13,827,487)	43,998,298
Balance at the end of the year	**(97,413,489)**	**(93,925,432)**	**(395,732,558)**	**(381,562,675)**

Trade receivables totaling USD 155.21 million (RON 630.53 million) as at June 30, 2016 and USD 145.01 million (RON 589.08 million) as at December 31, 2015 are pledged to obtain credit facilities (see Notes 11 and 14).

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

9. CASH AND CASH EQUIVALENTS

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Cash at bank	9,668,704	5,115,560	39,278,143	20,781,451
Cash on hand	1,062,874	979,233	4,317,819	3,978,036
Cash equivalents	434,983	632,286	1,767,075	2,568,599
	11,166,561	6,727,079	45,363,037	27,328,086

Included in cash at bank is USD 1.60 million (RON 6.5 million) as at June 30, 2016 and USD 0.74 million (RON 3.25 million) as at December 31, 2015 representing cash collateral for certain bank facilities (see Note 11 and 14). Cash equivalents represent mainly cheques in the course of being cashed.

10. SHARE CAPITAL

As of June 30, 2016 and December 31, 2015 the share capital consisted of 44,109,205,726, authorized, issued and fully paid ordinary shares with a face value of RON 0.1 each.

Shareholders' structure as at June 30, 2016 is as follows:

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International Group NV	48.11%	2,122,250,642	704,057,130	2,860,161,685
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,656,995,946
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	384,645,383
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,962,290
Others (not State or KMGI Group)	0.67%	29,562,686	9,807,428	39,841,696
Total	**100%**	**4,410,920,571**	**1,463,323,897**	**5,944,607,000**

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

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International Group NV	48.11%	2,122,250,642	704,057,130	2,860,161,685
Romanian State represented by Ministry of Energy, Small and Medium Enterprises and Business Environment	44.70%	1,971,500,905	654,045,871	2,656,995,946
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	384,645,383
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,962,290
Others (not State or KMGI Group)	0.67%	29,562,686	9,807,428	39,841,696
Total	**100%**	**4,410,920,571**	**1,463,323,897**	**5,944,607,000**

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

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

10. SHARE CAPITAL (continued)

Share premium and effect of transfers with equity holders

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

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

Hybrid Loan

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into a hybrid loan, repayable after 51 years. During 2013, an additional USD 200,000,000 were converted (USD 150 million related to Rompetrol Rafinare and USD 50,000,000 to Rompetrol Dowstream), the hybrid loan amounting USD 1,000 million. The interest rate is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- ✓ the company records net profit after tax in the year
- ✓ the company distributes dividends as per the Romanian law requirements

11. LONG-TERM BORROWINGS FROM BANKS

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank	139,790,702	143,321,980	567,885,748	582,231,212
Rompetrol Downstream: The entire exposure is composed by 2 different loans in USD. The loans are payable by April 23, 2018.				
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank	73,276,405	72,365,077	297,678,068	293,975,889
Rompetrol Rafinare: The exposure is composed by 4 loans in USD. The loans are payable by April 22, 2018.				
Amount payable within one year principal	(290,515)	(374,555)	(1,180,188)	(1,521,592)
Total	212,776,592	215,312,502	864,383,628	874,685,509

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
One year or less - principal	290,515	374,555	1,180,188	1,521,592
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	212,776,592	215,312,502	864,383,628	874,685,509
Total	213,067,107	215,687,057	865,563,816	876,207,101

The loans bearing guarantees are secured with pledges on property plant and equipment USD 440.36 million (2015: USD 393.89), inventories USD 179.67 million (2015: USD 182.93) and trade receivables USD: 155.21 million (2015: USD 145.01 million).

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

12. DEFERRED TAX ASSETS AND LIABILITIES

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

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Deferred tax assets	(59,988,028)	(59,988,028)	(243,695,365)	(243,695,365)
Deferred tax liabilities	306,570	306,570	1,245,410	1,245,410
Deferred tax (asset) / liability, net	**(59,681,458)**	**(59,681,458)**	**(242,449,955)**	**(242,449,955)**

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

USD

2016	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	16,471,467	-	-	16,471,467
Inventories	13,219	-	-	13,219
Provisions	(10,484,085)	-		(10,484,085)
Tax losses	(65,689,831)	-		(65,689,831)
Other	(106)		-	(106)
Deferred tax (asset)/liability recognized	**(59,681,458)**	**-**	**-**	**(59,681,458)**

RON

2016	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	32,004	-	-	32,004
Property, plant and equipment	66,913,688	-	-	66,913,688
Inventories	53,701	-	-	53,701
Provisions	(42,590,547)	-	-	(42,590,547)
Tax losses	(266,858,370)	-	-	(266,858,370)
Other	(431)	-	-	(431)
Deferred tax (asset)/liability recognized	**(242,449,955)**	**-**	**-**	**(242,449,955)**

The ability of the Group to obtain recovery of its deferred tax asset depends on the entities ability, where tax losses have arisen to generate taxable income sufficient to cover the applicable tax losses available. The Group did not recognize deferred tax income for all available tax losses (see note 21). Management considers that future taxable income will be generated for recovery of the available tax losses where it has recognized a corresponding deferred tax asset.

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

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

2015	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	285,579	16,185,888	-	16,471,467
Inventories	13,219	-	-	13,219
Provisions	-	(10,484,085)		(10,484,085)
Tax losses	-	(65,689,831)		(65,689,831)
Other	(106)		-	(106)
Deferred tax (asset)/liability recognized	**306,570**	**(59,988,028)**	**-**	**(59,681,458)**

RON

2015	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Intangible assets	32,004	-	-	32,004
Property, plant and equipment	1,160,136	65,753,551	-	66,913,687
Inventories	53,701	-	-	53,701
Provisions	-	(42,590,547)		(42,590,547)
Tax losses	-	(266,858,369)		(266,858,369)
Other	(431)	-	-	(431)
Deferred tax (asset)/liability recognized	**1,245,410**	**(243,695,365)**	**-**	**(242,449,955)**

See also note 21 for details for the income tax rate and other related matters.

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

13. TRADE AND OTHER PAYABLES

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Trade payables	606,077,108	562,618,865	2,462,127,698	2,285,582,928
Advances from customers	25,535,633	19,072,803	103,735,953	77,481,355
Special found tax for oil products	6,784,514	6,644,868	27,561,410	26,994,112
VAT payable	32,122,289	29,096,646	130,493,587	118,202,215
Profit tax payable	197,300	214,424	801,512	871,076
Taxes payable	-	336	-	1,365
Employees and social obligations	2,715,688	4,131,314	11,032,211	16,783,050
Deferred revenues	4,892,135	5,664,303	19,873,809	23,010,665
Other liabilities	108,859,139	135,289,435	442,229,366	549,599,801
Total	**787,183,806**	**762,732,994**	**3,197,855,546**	**3,098,526,567**

The Group entered into a cash pooling contract for optimizing cash, under KMG Rompetrol S.R.L., with cash held in a master account with Unicredit Bank. The amounts in balance as of June 30, 2016 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 96.15 million and Romoil USD 1.98 million. Rompetrol Downstream S.R.L., Rompetrol Gas and Rompetrol Quality Control S.R.L. have a positive balance included in other receivables (see note 8) amounting to USD 64.4 million, USD 7.3 million and 0.64 million respectively.

Also in other liabilities are included short term guarantees in Rompetrol Downstream S.R.L., in amount of USD 3.36 million (2015: USD 3.11 million).

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

14. SHORT-TERM DEBT

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Bancpost	20,443,056	37,661,977	83,047,871	152,998,015
Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for issue of letters of credit and letters of guarantee. Maturity date is July 29, 2016. Drawings in USD/EUR/RON.				
Current portion of long-term debt	290,515	374,555	1,180,188	1,521,592
	20,733,571	**38,036,532**	**84,228,059**	**154,519,607**

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

14. SHORT-TERM DEBT (continued)

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Borrowings from shareholders and related parties				
KMG International N.V. Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - December 31, 2016, assignment of receivables, real movable security interest over movable asstes, real movable security interest over the participations over Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts.	196,066,903	196,066,903	796,502,187	796,502,187
Rompetrol Financial Group Rompetrol Rafinare SA:Short-term facility for working capital needs in amount of up to USD 29.2 million, maturity date - December 31, 2016.	29,215,000	29,215,000	118,683,016	118,683,016
KMG International N.V. Rompetrol Downstream SRL: Working capital facility for USD 39,261,257. Maturity date is December 31, 2016 with the possibility to be extended automatically with the agreement of both parties.	17,261,257	17,261,257	70,122,130	70,122,130
Midia Marine Terminal Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of USD 7 million, maturity date December 31, 2016.	7,000,000	7,000,000	28,436,800	28,436,800
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - July 10, 2016. The loan is secured with a promissory note covering the debt.	3,200,079	3,134,267	13,000,001	12,732,646
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - July 28, 2016. The loan is secured with a promissory note covering the debt.	2,756,991	2,700,292	11,200,000	10,969,666
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - July 14, 2016. The loan is secured with a promissory note covering the debt.	1,723,119	1,687,682	6,999,999	6,856,039
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date -July 3, 2016. The loan is secured with a promissory note covering the debt.	763,096	747,402	3,100,001	3,036,246
Accrued interest	53,300,479	48,869,263	216,527,866	198,526,497
	311,286,924	**306,682,066**	**1,264,572,000**	**1,245,865,227**

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

14. SHORT-TERM DEBT (continued)

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

All loans are interest bearing and the weighted average interest rates per currency are the following: EUR 3.30% (2015: 2.75%), RON 4.32% (2015: 4.32%) and USD 3.17% (2015: 3.20%).

The loans bearing guarantees are secured with pledges on property plant and equipment USD 440.36 million (2015: USD 393.89), inventories USD 179.67 million (2015: USD 182.93) and trade receivables USD: 155.21 million (2015: USD 145.01 million).

15. PROVISIONS

Provisions comprise the following:

	June 30, 2016 USD	December 31, 2015 USD	June 30, 2016 RON	December 31, 2015 RON
Non-current provisions	77,519,273	79,036,717	314,914,294	321,078,759
Total Provisions	**77,519,273**	**79,036,717**	**314,914,294**	**321,078,759**

The movement in provisions is presented below:

USD	At 1 January 2016	Reclassification between balance sheet items	At 30 June 2016
Provision for retirement benefit	6,550,536	-	6,550,536
Provision for restructuring	13,486	-	13,486
Environmental provisions	65,595,731	-	65,595,731
Other provisions	6,876,964	(1,517,444)	5,359,520
Total	**79,036,717**	**(1,517,444)**	**77,519,273**

RON	At 1 January 2016	Reclassification between balance sheet items	At 30 June 2016
Provision for retirement benefit	26,610,897	-	26,610,897
Provision for restructuring	54,786	-	54,786
Environmental provisions	266,476,097	-	266,476,097
Other provisions	27,936,979	(6,164,465)	21,772,514
Total	**321,078,759**	**(6,164,465)**	**314,914,294**

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

15. PROVISIONS (continued)

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

RON	At 1 January 2015	Charged to equity	Arising during the year	At 31 December 2015
Provision for retirement benefit	27,955,950	(3,622,690)	2,277,637	26,610,897
Provision for restructuring	54,786	-	-	54,786
Environmental provisions	266,476,097	-	-	266,476,097
Other provisions	-	-	27,936,979	27,936,979
Total	**294,486,833**	**(3,622,690)**	**30,214,616**	**321,078,759**

The movement in other provisions from 2015 is related mainly to the provision booked in relation to Competition Council case from Rompetrol Downstream (USD 6.8 million), for more details please see note 19.

An environmental provision has been recognized in prior periods for Rompetrol Rafinare S.A (Vega refinery) for the cleaning of the oil sludge pools and restoration of contaminated land. During 2012 an evaluation report was issued by the third party expert estimating the costs associated to the technical methods to realize the remediation action. Based on these preliminary cost estimates and the estimated completion over a 5 year period, a discounted cash flow cost estimate of USD 67.35 million has been provided by the Group. A 9.8% (2014: 9.9%) discount factor was applied for the discounted cash flow calculation, leading to an insignificant impact in 2015. Currently, the suppliers prequalification stage is in progress and considering the further bidding process and final contract negotiation.

Under the collective labour agreements that certain Group's entities have in force it is provided that, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with Group entities at the date of their retirement. A corresponding provision has been recognised based on: the specific benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions regarding mortality, staff turnover etc. These liabilities are recorded at their fair values as of the balance sheet date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

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

16. REVENUES

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Gross revenues from petroleum products production	1,542,073,977	1,845,007,777	6,264,521,325	7,495,159,591
Gross revenues from petroleum products trading	36,622,179	14,995,604	148,773,940	60,918,142
Revenues from petrochemicals production	90,459,745	94,123,616	367,483,668	382,367,778
Revenues from petrochemicals trading	609,666	2,755,796	2,476,707	11,195,146
Revenues from other merchandise sales	26,296,512	22,722,976	106,826,950	92,309,818
Revenues from utilities sold	960,675	1,107,580	3,902,646	4,499,433
Revenues from transportation fees	634,809	664,840	2,578,848	2,700,846
Revenues from rents and other services	4,967,431	4,689,050	20,179,692	19,048,797
Gross Revenues	**1,702,624,994**	**1,986,067,239**	**6,916,743,776**	**8,068,199,551**
Less sales taxes	(500,457,416)	(453,754,082)	(2,033,058,207)	(1,843,330,583)
Less commercial discounts	(49,023,460)	(58,741,281)	(199,152,904)	(238,630,580)
Total	**1,153,144,118**	**1,473,571,876**	**4,684,532,665**	**5,986,238,388**

Total Revenues decreased mainly due to the decrease of prices for crude oil and petroleum products despite the increase in the volume of petroleum products sold

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

17. COST OF SALES

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Crude oil and other raw materials	875,725,338	1,217,056,255	3,557,546,613	4,944,169,330
Consumables and other materials	6,440,274	6,035,782	26,162,969	24,519,761
Utilities	35,062,924	35,268,405	142,439,622	143,274,368
Staff costs	12,059,859	10,924,425	48,991,971	44,379,384
Transportation	69,580	52,531	282,662	213,402
Maintenance	11,714,482	10,417,182	47,588,912	42,318,760
Insurance	852,757	1,227,566	3,464,240	4,986,864
Environmental expenses	126,076	-	512,171	-
Other	6,099,674	6,453,653	24,779,316	26,217,320
Cash production cost	**948,150,964**	**1,287,435,799**	**3,851,768,476**	**5,230,079,189**
Depreciation and amortization	35,332,145	26,719,635	143,533,306	108,545,845
Production costs	**983,483,109**	**1,314,155,434**	**3,995,301,782**	**5,338,625,034**
Plus: Change in inventories	894,120	16,136,461	3,632,273	65,552,759
Less: Own production of property, plant & equipment	(150,473)	(210,534)	(611,282)	(855,273)
Cost of petroleum products trading	26,445,128	7,468,069	107,430,688	30,338,284
Cost of petrochemicals trading	640,094	3,046,284	2,600,318	12,375,224
Cost of merchandise sold	22,879,220	19,337,361	92,944,543	78,556,095
Cost of utilities resold	509,429	780,720	2,069,504	3,171,597
Realised (gains)/losses on derivatives	(1,494,534)	17,217,110	(6,071,395)	69,942,788
Total	1,033,407,093	1,377,930,905	4,198,112,973	5,597,706,508

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, INCLUDING LOGISTIC COSTS

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Staff costs	10,222,512	12,392,093	41,527,934	50,341,637
Utilities	1,961,016	2,259,396	7,966,431	9,178,570
Transportation	20,417,545	19,937,980	82,944,235	80,996,050
Professional and consulting fees	12,504,061	11,067,768	50,796,497	44,961,701
Royalties and rents	2,877,749	2,919,876	11,690,568	11,861,704
Consumables	253,425	310,947	1,029,514	1,263,191
Marketing	1,536,703	1,197,971	6,242,702	4,866,637
Taxes	1,982,223	2,088,810	8,052,583	8,485,582
Communications	416,496	262,441	1,691,973	1,066,140
Insurance	478,357	493,955	1,943,277	2,006,643
IT related expenditures	3,904,707	5,415,849	15,862,482	22,001,345
Environmental expenses	985,876	1,088,989	4,005,023	4,423,909
Maintenance	4,263,845	3,460,393	17,321,444	14,057,501
Other expenses	3,799,270	3,005,850	15,434,154	12,210,965
Costs before depreciation	**65,603,785**	**65,902,318**	**266,508,817**	**267,721,575**
Depreciation and amortisation	12,998,514	13,644,124	52,805,163	55,427,889
Total	78,602,299	79,546,442	319,313,980	323,149,464

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

19. OTHER OPERATING INCOME/ (EXPENSES), NET

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Net book value of non-current assets disposals	1,017	(11,817)	4,131	(48,005)
Proceeds on disposals of non-current assets	121,995	66,500	495,592	270,150
Provision for receivables, net	(84,284)	(574,635)	(342,395)	(2,334,397)
Provision for inventories and write-off, net	572,448	26,193,797	2,325,513	106,409,627
Tangible and intangible assets write-off	(26,581)	(233,894)	(107,983)	(950,171)
Net book value of financial investments disposals	-	3,573	-	14,515
Inventories write-off	(4,392)	(4,605)	(17,842)	(18,707)
Other, net	737,132	(173,924)	2,994,525	(706,549)
Total	**1,317,335**	**25,264,995**	**5,351,541**	**102,636,463**

The movement in provisions is presented in Notes 5, 7 and 8.

20. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Finance cost				
Late payment interest	(8,956)	56,889	(36,383)	231,106
Interest expense	(8,752,744)	(5,488,289)	(35,557,147)	(22,295,625)
Interest expense shareholders	(4,562,794)	(3,959,663)	(18,535,894)	(16,085,735)
Commission and other bank charges	(7,448,613)	(10,737,601)	(30,259,245)	(43,620,430)
Collection discounts expenses	(1,154)	(8,930,616)	(4,688)	(36,279,734)
	(20,774,261)	**(29,059,280)**	**(84,393,357)**	**(118,050,418)**
Finance income				
Interest income	4,462,663	1,092,544	18,129,122	4,438,351
Other financial income	171,601	-	697,112	-
	4,634,264	**1,092,544**	**18,826,234**	**4,438,351**
Finance income/(cost) net	**(16,139,997)**	**(27,966,736)**	**(65,567,123)**	**(113,612,067)**
Unrealized net foreign exchange (losses)/gains	860,659	5,513,389	3,496,341	22,397,591
Realized net foreign exchange (losses)/gains	(4,669,428)	(428,810)	(18,969,084)	(1,741,998)
Foreign exchange gain/(loss), net	**(3,808,769)**	**5,084,579**	**(15,472,743)**	**20,655,593**
Total	**(19,948,766)**	**(22,882,157)**	**(81,039,866)**	**(92,956,474)**

Collection discounts expenses represent financial discounts granted by Rompetrol Downstream S.R.L to its customers for the early payment of receivables.

21. INCOME TAX

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

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Tax expense comprises:				
Current tax expense	471,982	516,637	1,917,380	2,098,787
Deferred tax income relating to the origination and reversal of temporary differences	-	-	-	-
Total tax expense/(income)	**471,982**	**516,637**	**1,917,380**	**2,098,787**

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

21. INCOME TAX (continued)

The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. 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.

b) The deferred tax liabilities details are disclosed in Note 12.

22. OPERATING SEGMENT INFORMATION

a) Business Segments

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

For the income statement, management analysis is made separately for the 3 segments: Refining, Petrochemicals and Marketing. The balance sheet is analyzed by management at cumulated level for Refining and Petrochemicals segments. As a result, the balance sheet information for segments Refining and Petrochemicals are presented together.

2016 Income Statement information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	937,138,992	91,069,411	484,593,160	(359,657,445)	1,153,144,118
Cost of sales	(891,452,697)	(87,882,306)	(421,922,303)	367,850,213	(1,033,407,093)
Gross margin	**45,686,295**	**3,187,105**	**62,670,857**	**8,192,768**	**119,737,025**
Selling, general and administrative expenses	(21,262,051)	(3,943,957)	(44,832,487)	(8,563,804)	(78,602,299)
Other operating expenses, net	4,293,934	6,097	(109,145)	(2,873,551)	1,317,335
Operating margin	**28,718,178**	**(750,755)**	**17,729,225**	**(3,244,587)**	**42,452,061**
Financial expenses, net	(13,072,424)	215,275	(2,540,766)	(742,082)	(16,139,997)
Net foreign exchange result	(6,153,252)	1,527,968	816,515	-	(3,808,769)
Profit before income tax	**9,492,502**	**992,488**	**16,004,974**	**(3,986,669)**	**22,503,295**
Income tax	-	-	(471,982)	-	(471,982)
Net Profit	**9,492,502**	**992,488**	**15,532,992**	**(3,986,669)**	**22,031,313**
Depreciation and amortisation	32,849,863	7,804,043	8,714,574	(1,037,821)	**48,330,659**

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

22. OPERATING SEGMENT INFORMATION (continued)

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	3,807,033,441	369,960,375	1,968,611,253	(1,461,072,404)	**4,684,532,665**
Cost of sales	(3,621,437,436)	(357,013,080)	(1,714,017,164)	1,494,354,707	**(4,198,112,973)**
Gross margin	**185,596,005**	**12,947,295**	**254,594,089**	**33,282,303**	**486,419,692**
Selling, general and administrative expenses	(86,374,956)	(16,021,931)	(182,127,496)	(34,789,597)	**(319,313,980)**
Other operating expenses, net	17,443,677	24,768	(443,391)	(11,673,513)	**5,351,541**
Operating margin	**116,664,726**	**(3,049,868)**	**72,023,202**	**(13,180,807)**	**172,457,253**
Financial expenses, net	(53,105,415)	874,533	(10,321,608)	(3,014,633)	**(65,567,123)**
Net foreign exchange result	(24,996,971)	6,207,217	3,317,011	-	**(15,472,743)**
Profit before income tax	**38,562,340**	**4,031,882**	**65,018,605**	**(16,195,440)**	**91,417,387**
Income tax	-	-	(1,917,380)	-	**(1,917,380)**
Net Profit	**38,562,340**	**4,031,882**	**63,101,225**	**(16,195,440)**	**89,500,007**
Depreciation and amortisation	133,449,283	31,703,144	35,402,085	(4,216,044)	**196,338,469**

Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,661,796,226	221,799,031	(597,276,900)	1,286,318,357
Total current assets	333,579,283	315,364,281	(80,234,058)	568,709,506
TOTAL ASSETS	1,995,375,509	537,163,312	(677,510,958)	1,855,027,863
Total equity	868,328,121	178,488,766	(602,038,704)	444,778,183
Total non-current liabilities	140,660,229	145,504,648	4,605,832	290,770,709
Total current liabilities	986,387,159	213,169,898	(80,078,086)	1,119,478,971
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,995,375,509	537,163,312	(677,510,958)	1,855,027,863
Capital expenditure	5,789,992	2,354,722	(21,946)	**8,122,768**

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,750,880,988	901,036,384	(2,426,377,678)	**5,225,539,694**
Total current assets	1,355,132,480	1,281,135,855	(325,942,839)	**2,310,325,496**
TOTAL ASSETS	8,106,013,468	2,182,172,239	(2,752,320,517)	7,535,865,190
Total equity	3,527,496,159	725,092,763	(2,445,722,084)	**1,806,866,838**
Total non-current liabilities	571,418,114	591,098,082	18,710,732	**1,181,226,928**
Total current liabilities	4,007,099,195	865,981,394	(325,309,165)	**4,547,771,424**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,106,013,468	2,182,172,239	(2,752,320,517)	7,535,865,190
Capital expenditure	23,521,263	9,565,823	(89,153)	**32,997,933**

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

22. OPERATING SEGMENT INFORMATION (continued)

2015 Income Statement information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	1,278,412,591	96,879,413	600,518,682	(502,238,810)	1,473,571,876
Cost of sales	(1,247,581,522)	(103,873,654)	(536,460,939)	509,985,210	(1,377,930,905)
Gross margin	**30,831,069**	**(6,994,241)**	**64,057,743**	**7,746,400**	**95,640,971**
Selling, general and administrative expenses	(19,072,725)	(3,512,058)	(47,242,897)	(9,718,762)	(79,546,442)
Other operating expenses, net	37,748,655	884	(993,589)	(11,490,955)	25,264,995
Operating margin	**49,506,999**	**(10,505,415)**	**15,821,257**	**(13,463,317)**	**41,359,524**
Financial expenses, net	(15,969,521)	59,002	(11,616,110)	(440,107)	(27,966,736)
Net foreign exchange result	10,913,854	(6,366,591)	537,316	-	5,084,579
Profit before income tax	**44,451,332**	**(16,813,004)**	**4,742,463**	**(13,903,424)**	**18,477,367**
Income tax	-	-	(516,637)	-	(516,637)
Net Profit	**44,451,332**	**(16,813,004)**	**4,225,826**	**(13,903,424)**	**17,960,730**
Depreciation and amortisation	24,613,423	7,306,649	9,235,575	(791,888)	40,363,759

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	5,193,423,310	393,562,927	2,439,547,094	(2,040,294,943)	**5,986,238,388**
Cost of sales	(5,068,175,175)	(421,976,332)	(2,179,318,919)	2,071,763,918	**(5,597,706,508)**
Gross margin	**125,248,135**	**(28,413,405)**	**260,228,175**	**31,468,975**	**388,531,880**
Selling, general and administrative expenses	(77,481,038)	(14,267,384)	(191,919,545)	(39,481,497)	**(323,149,464)**
Other operating expenses, net	153,350,136	3,591	(4,036,356)	(46,680,908)	**102,636,463**
Operating margin	**201,117,233**	**(42,677,198)**	**64,272,274**	**(54,693,430)**	**168,018,879**
Financial expenses, net	(64,874,582)	239,690	(47,189,285)	(1,787,890)	**(113,612,067)**
Net foreign exchange result	44,336,440	(25,863,639)	2,182,792	-	**20,655,593**
Profit before income tax	**180,579,091**	**(68,301,147)**	**19,265,781**	**(56,481,320)**	**75,062,405**
Income tax	-	-	(2,098,787)	-	**(2,098,787)**
Net Profit	**180,579,091**	**(68,301,147)**	**17,166,994**	**(56,481,320)**	**72,963,618**
Depreciation and amortisation	99,989,570	29,682,531	37,518,600	(3,216,966)	**163,973,735**

Statement of financial position information

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

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

22. OPERATING SEGMENT INFORMATION (continued)

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,889,804,002	927,198,747	(2,430,531,871)	**5,386,470,878**
Total current assets	1,207,656,521	1,159,900,721	(333,987,891)	**2,033,569,351**
TOTAL ASSETS	8,097,460,523	2,087,099,468	(2,764,519,762)	**7,420,040,229**
Total equity	3,484,886,722	668,376,743	(2,432,326,986)	**1,720,936,479**
Total non-current liabilities	567,615,667	611,319,291	18,710,567	**1,197,645,525**
Total current liabilities	4,044,958,134	807,403,434	(350,903,343)	**4,501,458,225**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,097,460,523	2,087,099,468	(2,764,519,762)	**7,420,040,229**
Capital expenditure	416,106,602	97,770,638	(35,798)	**513,841,442**

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

b) Geographical segments

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

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Romania	**643,272,461**	**768,740,223**	**2,613,230,046**	**3,122,930,282**
Export	**509,871,657**	**704,831,653**	**2,071,302,619**	**2,863,308,106**
out of which				
Petroleum products	456,136,690	645,729,065	1,853,009,689	2,623,209,753
Petrochemical products	53,734,967	59,102,588	218,292,930	240,098,353
Total	**1,153,144,118**	**1,473,571,876**	**4,684,532,665**	**5,986,238,388**

23. RELATED PARTIES

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

Name of related party	Nature of relationship
KMG International N.V.	Majority Shareholder
Rompetrol S.A.	Company owned by KMG International Group
Rominserv S.A.	Company owned by KMG International Group
Ecomaster Servicii Ecologice S.R.L	Company owned by KMG International Group
KazMunayGas Trading AG	Company owned by KMG International Group
Rompetrol Well Services S.A.	Company owned by KMG International Group
Rominservices Therm S.R.L.	Company owned by KMG International Group
Palplast S.A.	Company owned by KMG International Group
Rompetrol Bulgaria JSC	Company owned by KMG International Group
Rompetrol Moldova SA	Company owned by KMG International Group
Rompetrol Georgia LTD	Company owned by KMG International Group
KazMunayGas Engineering B.V.	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Rompetrol Financial Group S.R.L.	Company owned by KMG International Group
Byron Shipping Ltd.	Company owned by KMG International Group
KMG Rompetrol S.R.L	Company owned by KMG International Group
Rompetrol Albania Wholesale Sh.A.	Company owned by KMG International Group
Rompetrol Ukraine LTD	Company owned by KMG International Group
Rominserv Valves Iaifo SRL	Company owned by KMG International Group
Rominserv Kazakhstan LTD	Company owned by KMG International Group
Dyneff SA	Associate of KMG International Group
Uzina Termoelectrica Midia S.A.	Associate of KMG International Group
Global Security Systems S.A.	Company owned by KMG International Group
Kazmotransflot	Company affiliated to KMG International Group
Tengizchevroil LLP	Company affiliated to KMG International Group

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Balances at the year-end are unsecured, interest free (except for shareholders loans) and settlement occurs in cash. For the year 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

23. RELATED PARTIES (continued)

	Receivables and other assets			
Name of related party	**30-Jun-15 USD**	**31-Dec-15 USD**	**30-Jun-15 RON**	**31-Dec-15 RON**
KazMunayGas Trading AG	418,035	334,402	1,698,225	1,358,475
Rominserv S.A.	10,005,461	12,394,657	40,646,185	50,352,055
KMG International N.V.	320,403	740,128	1,301,605	3,006,696
KMG Rompetrol S.R.L	78,181,797	70,473,830	317,605,732	286,292,887
Rompetrol S.A.	5,766,697	5,564,354	23,426,630	22,604,632
Rompetrol Well Services S.A.	234,784	112,609	953,787	457,463
Palplast S.A.	1,315,421	1,447,004	5,343,766	5,878,309
Rompetrol Bulgaria JSC	892,796	919,577	3,626,894	3,735,690
Rompetrol Moldova SA	5,156,320	-	20,947,034	-
KazMunayGas Engineering B.V.	3,573	3,573	14,515	14,515
Dyneff SA	-	205,989	-	836,810
Byron Shipping Ltd.	1,452	1,789	5,899	7,268
Rompetrol Albania Wholesale Sh.A.	12,164	11,923	49,415	48,436
Midia Marine Terminal S.R.L.	285,651	254,098	1,160,429	1,032,248
Rominserv Valves Iaifo SRL	8,096	7,457	32,889	30,293
Rominserv Kazakhstan LTD	168,167	168,167	683,162	683,162
Rompetrol Ukraine LTD	8,036	7,949	32,645	32,292
Uzina Termoelectrica Midia S.A.	1,130,943	1,379,802	4,594,343	5,605,308
Global Security Systems S.A.	293,856	234,585	1,193,761	952,978
Tengizchevroil LLP	380,071	321,131	1,544,000	1,304,563
Total	**104,583,723**	**94,583,024**	**424,860,916**	**384,234,080**

	Payables, loans and other liabilities			
Name of related party	**30-Jun-15 USD**	**31-Dec-15 USD**	**30-Jun-15 RON**	**31-Dec-15 RON**
KazMunayGas Trading AG	428,561,351	349,527,529	1,740,987,632	1,419,920,634
Rominserv S.A.	26,692,028	66,280,947	108,433,695	269,259,719
KMG International N.V.	267,119,257	264,825,059	1,085,145,270	1,075,825,320
KMG Rompetrol S.R.L	107,301,778	136,657,063	435,902,743	555,155,653
Rompetrol S.A.	190,301	145,118	773,079	589,527
Rompetrol Well Services S.A.	8,510,520	8,321,557	34,573,136	33,805,493
Rompetrol Bulgaria JSC	603	-	2,450	-
Rompetrol Moldova SA	10,782,671	7,125,287	43,803,523	28,945,766
Rompetrol Financial Group	30,580,623	30,044,043	124,230,723	122,050,920
Byron Shipping Ltd.	-	256	-	1,040
Midia Marine Terminal S.R.L.	34,409,558	29,757,346	139,785,388	120,886,242
Rominserv Valves Iaifo SRL	34,746	45,335	141,152	184,169
Uzina Termoelectrica Midia S.A.	2,194,930	2,073,928	8,916,684	8,425,125
Global Security Systems S.A.	607,226	547,670	2,466,795	2,224,855
Total	**916,985,592**	**895,351,138**	**3,725,162,270**	**3,637,274,463**

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

23. RELATED PARTIES (continued)

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

Name of related party	Sales and other revenues 30-Jun-16 USD	30-Jun-15 USD	30-Jun-16 RON	30-Jun-15 RON
KazMunayGas Trading AG	388,819,591	538,329,323	1,579,540,706	2,186,909,042
Rominserv S.A.	421,757	440,417	1,713,346	1,789,150
KMG Rompetrol S.R.L	68,385	75,026	277,807	304,786
Rompetrol S.A.	1,983	11,512	8,056	46,766
Rompetrol Well Services S.A.	265,258	488,845	1,077,584	1,985,884
Palplast S.A.	9,098	1,053,156	36,960	4,278,341
Rompetrol Bulgaria JSC	16,494,880	21,478,013	67,008,801	87,252,280
Rompetrol Moldova SA	47,224,644	73,806,585	191,845,394	299,831,871
Midia Marine Terminal S.R.L.	180,472	177,441	733,149	720,836
Byron Shipping Ltd.	11,130	12,455	45,215	50,597
Rominserv Valves Iaifo SRL	5,024	5,627	20,409	22,859
Uzina Termoelectrica Midia S.A.	6,931,451	8,309,582	28,158,327	33,756,846
Global Security Systems S.A.	54,773	59,267	222,510	240,766
	460,488,446	644,247,249	1,870,688,264	2,617,190,024

Name of related party	Nature of transaction	Purchases and other costs 30-Jun-16 USD	30-Jun-15 USD	30-Jun-16 RON	30-Jun-15 RON
KazMunayGas Trading AG	Purchase of crude oil	817,797,738	1,197,062,327	3,322,221,531	4,862,945,997
Rominserv S.A.	Acquisition and maintenance of fixed assets	19,580,638	17,508,090	79,544,384	71,124,865
KMG International N.V.	Purchase of crude oil / Management services	760,790	1,320,000	3,090,633	5,362,368
KMG Rompetrol S.R.L	Management services	13,322,350	10,456,782	54,120,715	42,479,631
Rompetrol S.A.	Management services	29,572	29,325	120,133	119,130
Rompetrol Well Services S.A.	Interest on loan	15,807	11,602	64,214	47,132
Midia Marine Terminal S.R.L.	Handling services	10,064,077	9,193,476	40,884,306	37,347,577
Byron Shipping Ltd.	Shipping services	418	1,506	1,698	6,118
Rominserv Valves Iaifo SRL	Valves	47,505	52,189	192,984	212,013
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	11,331,313	11,959,389	46,032,326	48,583,822
Global Security Systems S.A.	Security and protection services	1,568,532	1,574,446	6,372,004	6,396,029
Tengizchevroil LLP	Liquefied Petroleum Gas	2,878,144	3,197,573	11,692,172	12,989,821
		877,396,884	1,252,366,705	3,564,337,100	5,087,614,503

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

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

23. RELATED PARTIES (continued)

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

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

24. 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:

	June 30, 2016 USD	June 30, 2015 USD	June 30, 2016 RON	June 30, 2015 RON
Earnings				
Profit /(Loss) for the year attributable to ordinary equity holders of the parent entity	21,460,687	17,586,189	87,181,896	71,442,083
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 10)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
Earnings per share *(US cents/share)*				
Basis	**0.049**	**0.040**	**0.199**	**0.162**

25. CONTINGENCIES

Related to the Parent's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 11.5 million) to be paid by the Parent. These claims (the legal effects) were suspended by the local court for admission. Subsequently, a second suspension has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.) until the final sentence regarding the criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see note 26). The management is confident that the Parent is able to defend itself and the likelihood of a negative outcome is remote.

In 2001, the Parent processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Parent were challenged by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Parent cancelled such invoices. The Parent is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Parent liable for paying such excises; the Parent appealed the tax audit, which is now being suspended as described in the paragraph above. The amount noted in the minutes issued by D.G.F.P Constanta is RON 9.5 Million (USD 2.3 million). The management is confident that the likelihood of reversal of the earlier court decision is very low.

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

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

a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Parent;
b) unlawful statement of excises and other debts to the state budget;
c) incorrect keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
d) adoption of GEO no. 118/2003.

On May 6th 2016, considering the above mentioned charges, a seizure was instituted by DIICOT upon the movable and immovable goods of the company including upon the contributions held by the latter in its subsidiaries in Romania for a cumulated value of approximately USD 760 million. The same measure was instituted upon the parent company KMG International NV and its affiliate Oilfield Exploration Business Solutions as well.

The company filed an appeal against this DIICOT measure within the statutory period, and on June 17th 2016, the High Court of Cassation and Justice rejected the application of the company. Another complaint against the protective measure was filed before the hierarchically superior prosecutor, complaint currently pending before DIICOT. The company's operational activity was not affected by the seizure instituted by DIICOT.

Litigations related to Hybrid Conversion

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

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

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

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

26. LEGAL MATTERS (continued)

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

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

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

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

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

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

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

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

Litigation regarding the import of Biodiesel

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

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

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

26. LEGAL MATTERS (continued)

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

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

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

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

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

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

The re-audit was carried out by the fiscal authorities, who despite all evidence submitted by the Company through the minute dated May 28, 2015 considered that the company should pay VAT (plus interests and penalties) in an amount of RON 13.4 million. The Company already started the legal proceedings against the above mentioned minute. On June 17, 2016, General Directorate for Settlement of Fiscal Challenges (from Ministry of Finance) admitted our administrative challenge, and decided to cancel the interests & penalties (for VAT) paid by Rompetrol Rafinare in amount of 8.6 million lei.

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

KazMunayGas Trading AG started the enforcement of the LCIA award in Canada against Bioversel, and this company has declared insolvency. Following a signed agreement the amount will be recovered Rompetrol Rafinare S.A. from KazMunayGas International N.V.

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

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

26. LEGAL MATTERS (continued)

The following has subsequently occurred relating to this matter:

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

Although Rompetrol Rafinare considers that all technical requirements have been met by it and it is challenging all the items included in the report issued by the National Agency for Tax Administration, there is a chance that Rompetrol Rafinare may not recover the amount in whole or part, based on the high ambiguity in respect of the legislation and the court practice in a similar cases in Romania. Therefore a provision has been recognized for an overall amount of USD 15 million, out of which USD 11 million was expensed during 2012.

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

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

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

Litigation between Rompetrol Downstream SRL and the Romanian Competition Council

Based on its Decision no. 97/21 December 2011, the Romanian Competition Council (RCC) ruled that an alleged breach of the Romanian Competition Law and of Treaty for the Functioning of the European Union took place on the Romanian market (the allegations concerned an alleged mutual understanding of all major oil players to jointly withdraw from the market a type of fuel ECO Premium in 2008, during the Romanian Petroleum Association – RPA - meetings held in 2007 -2008). As a result, RCC imposed fines to all major players on the Romanian oil market ranging from 2.6 % (Rompetrol) to 3.2 % computed based on 2010 turnovers (the amount for Rompetrol Downstream case was RON 159.55 million (equivalent of USD 49.12 million).

Among the fined oil companies, the Rompetrol position was the only one distinctive (as Rompetrol Downstream did not attend any RPA meetings in that period nor exchanged any communication with the other companies); RCC recognized Rompetrol Downstream has a specific position (based on its lower level of involvement) and granted the benefit of extenuating circumstances but refused to exonerate the company ruling that Rompetrol Downstream had knowledge of the anti-competition behavior of its competitors and did not distance itself publicly from the action of its competitors.

Rompetrol Downstream challenged the RCC in court to get the annulment of the fine or a significant decrease of the fine amount.

26. LEGAL MATTERS (continued)

Starting with April 2012, the Romanian Fiscal Authority (ANAF) initiated procedures for recovery of amounts from Rompetrol Downstream. Since then and based on the fiscal legislation regarding the rescheduling of the budgetary debts (under the condition of bringing the proper guarantees, according to the law), the Group has held discussions with ANAF representatives to identify legal steps to finally settle this matter. On April 24, 2013, ANAF approved the rescheduling agreement for 60 months period for the remaining amount of RON 128 million, being the difference between initial amount of RON 159.55 million and the cumulated monthly installments paid until March 2013 in amount of RON 31.6 million. By the end of December 31, 2015 was paid a total amount of RON 94.267 million (USD 23 million).

The Group believes that all the charges are without any legal merit as Rompetrol Downstream did not take part in meetings in which this topic was discussed, did not receive correspondence in which it was announced that the others actually took a decision in this respect, did not answer to the questions regarding its own conduct and had an independent conduct on the market – there was therefore no illegal cooperation by removing the risks of competition by adopting a joint plan.

Despite all evidences provided, in September 2013 the Court of Appeal dismissed Rompetrol Downstream's claim in respect to the main matter (anti-competitive behavior). At the end of November 2014, following the communication of the grounds of the decision issued at the beginning of November 2014, Rompetrol Downstream submitted its appeal to be ruled by the Supreme Court. The Supreme Court finalized the proceedings and issued the decision on July 9, 2015. The Court partially admitted the Company's appeal and reduced the fine to RON 122 million (it reduced the fine from 2.6% to 2% of the Company's turnover).

The decision issued by the High Court of Cassation and Justice is final and irrevocable. There are two extraordinary means of appeal - the revision (*rom. „revizuirea"*) and the annulment claim (*rom. „contestatia in anulare"*) - but they may be submitted only in very exceptional circumstances.

We received on April 20, 2016 the communication of the reasoning. After reviewing the decision there is no reasonable grounds to submit successfully any extraordinary way of appeal.

As a consequence of the decision of the High Court of Cassation and Justice, in 2015, Rompetrol Downstream recorded a provision for the amount of RON 122 million (USD 29.6 million at 31 December 2015).

Litigation regarding CO2 emission allowances.

On February 28, 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2,577,938 CO2 emission certificates for the entire period 2008-2012. This first decision issued by the Constanta Court of Appeal was challenged by the Ministry of Environment and The Romanian Government but the appeals were rejected by the Supreme Court of Justice on October 30, 2012 and the first court decision became final.

According to the current Romanian and European legislation, the certificates obtained for 2008 – 2012 period may be owned and used also for the next period of 2013 – 2020. The market value for a CO2 emission certificate as of December 2015 was Euro 8 per certificate as of December 2015.

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

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

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.

26. 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 last court enforcement procedure, having as object to oblige the defendants to pay the counter value of the 2,577,940 CO2 emission certificates (i.e. 40 million Euro in total) in case they will fail to implement in due time the initial and final court decision and the Government Decision no. 611/2015. On February 3rd 2016, the Constanta Court of Appeal decided to postpone the procedure until the Supreme Court will pronounce a decision regarding the appeal of Rompetrol Rafinare against court decision to reject our claims as lack of object, with first hearing term for October 21st 2016. Rompetrol Rafinare requested the resetting the cause of pending, and the first hearing is set by Constanta Court of Apel for April 6th 2016. At this hearing term, Rompetrol Rafinare request to reset the cause of pending was dismissed.

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

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

Even if Rompetrol Downstream managed to timely and fully observe its obligation to supply RATB with needed quantities of fuel during those 4 years, the related IT system was implemented on gradually basis till 16 September 2015.

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

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

The statement of defense and the counter claim for the amount of the bank letter which was executed was submitted by Rompetrol Downstream on November 23rd 2015. The Court established the first hearing for February 23, 2016. The Court took the case for ruling upon the procedural reasons. If the Court will accept Rompetrol Downstream procedural challenges, the claim of RATB will be rejected. If the Court will not accept, then the file will continue to be analysed by the Court on its substance. The decision was released on April 22, 2016 and the Court rejected the claim of RATB for not performing the preliminary mandatory formalities. The decision is subject of appeal. .

26. LEGAL MATTERS (continued)

Litigation between Rompetrol Rafinare and Navodari City Hall

On November 19th, 2015, it was finalized the local taxes fiscal audit of the local taxes, done by Navodari City Hall, for the period of 2012-2014. The only non-compliant finding refers to revaluation of buildings made by the company on 31.12.2009 and 31.12.2011, namely that as the revaluation was not made to all fixed assets accounted for in the account 212 "Construction", in their view that was made without respect of accounting regulation stipulated by OMFP 3055/2009. As a result, the inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and penalties related in total amount of 20.4 mil RON, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report).

Against the Imposing Decision issued by Navodari City Hall, it has been filed by Rompetrol Rafinare an administrative complaint which was dismissed as being lack of object, without any judgment pronounced on the merits of the case. This solution is based on Navodari Local Council Decision no.435/December 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 took action for partial annulment of Navodari Local Decision no.435/2015. Both cases are currently pending court investigation proceedings with Constanta Court of Appeal and Constanta Tribunal. 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 22nd 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19th 2015.

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

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

a) Complaint against National Company "Administratia Porturilor Maritime " SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of 1,876,673 USD - dredging expenditures; 3,311,775 USD - commercial loss; the complaint is in course of analysis at the Competition Council. By means of the lodged complaint, the Competition Council was asked to acknowledge the violation by Administraţia Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, inclusively in terms of cost incurrence, the obligations resting upon it as administrator of port areas and of supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. This complaint was declared as being formally complete by the Competition Council and an investigation and a decision will follow.

b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (848,356 USD) and for restitution of dredging expenses (1,741,873 USD). The total amount in RON is today 10,360,916 RON (2,590,229 USD). The case is pending on Constanta Tribunal, with the next hearing scheduled for September 9th, 2016.

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

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

27. 1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank debt and shareholder loans (see Note 13), 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".

27.2 Derivative financial instruments

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

Balance Sheet:

	June 30, 2016	December 31, 2015
Derivative financial asset	-	-
Derivative financial liability	(274,670)	(626,926)
Net position - asset/(liability)	**(274,670)**	**(626,926)**

Income Statement:

	June 30, 2016	June 30, 2015
Unrealised (gains)/losses	201,000	-
Net position - (gain)/loss - in Cost of sales	**201,000**	**-**
Realised losses - net	(1,494,534)	17,217,110
Total position - loss/(gain) - in Cost of sales	**(1,293,534)**	**17,217,110**

	June 30, 2016	December 31, 2015
Derivative asset/(liability) 2015	**(626,926)**	**(426,096)**
Cash payments	1,431,960	(1,429,083)
Reserves	(878,704)	1,228,279
Derivative asset/(liability) 2016	**(274,670)**	**(626,926)**

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.

27.3 Market risk

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

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.4. Foreign currency risk management

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are translated 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. Group Treasury is responsible for handling the Group foreign currency transactions.

27.5. Interest rate risk management

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk.

27.6. Commodity price risk

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

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 Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. The company also had hedge operations for refinery margins.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.7 Credit risk

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

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 34% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

Financial instruments and bank deposits

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

28. SUBSEQUENT EVENTS

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 13 million has been extended until September 10, 2016.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 11.2 million has been extended until October 28, 2016.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 7 million has been extended until August 14, 2016.

Facility granted Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 3.1 million has been extended until September 3, 2016.

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