ROMPETROL RAFINARE S.A.

UNAUDITED INDIVIDUAL FINANCIAL STATEMENTS

Prepared in compliance with
Order of the Minister of Public Finance no. 2844/2016
For approval of the accounting regulations in compliance with
the International Financial Reporting Standards

30 JUNE 2017

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ROMPETROL RAFINARE S.A.
PROFIT AND LOSS STATEMENT
for financial exercise ending on 30 June 2017
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	June 30, 2017	December 31, 2016
Intangible assets	3	15,613,500	16,724,850
Goodwill	4	152,720	152,720
Property, plant and equipment	5	2,998,384,365	3,018,053,823
Financial assets	6	1,629,020,055	1,629,020,055
Deferred tax asset	20	271,373,514	271,373,514
Total non current assets		4,914,544,154	4,935,324,962
Inventories, net	7	724,322,835	816,627,179
Receivables and prepayments, net	8	1,239,090,639	1,018,626,207
Derivative Financial Instruments	27	1,292,281	22,980
Cash and cash equivalents	9	8,391,419	45,891,549
Total current assets		1,973,097,174	1,881,167,915
TOTAL ASSETS		6,887,641,328	6,816,492,877
Subscribed share capital	10	4,410,920,573	4,410,920,573
Share premium	10	232,637,107	232,637,107
Other reserves	10	3,170,938,161	3,169,670,514
Accumulated losses		(6,486,327,206)	(6,556,328,713)
Current year result		171,150,855	70,001,508
Total equity		1,499,319,490	1,326,900,989
Long-term borrowings from banks	13	-	281,763,783
Provisions	14	302,311,412	302,311,412
Total non-current liabilities		302,311,412	584,075,195
Trade and other payables	11	3,696,044,666	3,750,363,002
Derivatives	27	-	-
Short-term borrowings from affiliates	12	859,686,316	1,065,970,431
Short-term borrowings from banks	12	530,279,444	89,183,260
Total current liabilities		5,086,010,426	4,905,516,693
TOTAL LIABILITIES AND EQUITY		6,887,641,328	6,816,492,877

CATALIN DUMITRU
President of the Board of Directors

VASILE-GABRIEL MANOLE
Chief Financial Officer

YEDIL UTEKOV
Chief Executive Officer

Prepared by (Chief Accountant)
Alexandru Cornel Anton

	Notes	January - June 2017	January - June 2016
Net revenues	15	4,729,016,743	4,133,145,499
Cost of sales	16	(4,589,342,718)	(3,909,427,704)
Gross profit / (loss)		139,674,025	223,717,795
Selling, general and administrative expenses	17	(135,456,052)	(106,713,648)
Other operating revenues / expenses, net	18	(25,074,916)	19,765,121
Operating profit/ (loss)		(20,856,943)	136,769,268
Financial expenses	19	(83,461,563)	(60,482,772)
Financial revenues	19	38,090,988	9,274,823
Net foreign exchange gains / (losses)	19	237,378,373	57,305,326
Profit/(loss) before income tax		171,150,855	142,866,645
Deferred tax	20	-	-
Net Profit / (Loss)		171,150,855	142,866,645
Earnings per share *(bani/share)*	23	0.39	0.32

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	1st Semester 2017	1st Semester 2016
Net Profit / (Loss)	171,150,855	142,866,645
Other comprehensive income		
Actuarial gain / (losses) relating to retirement benefits	-	-
Gains / (losses) from derivatives	1,267,646	-
Other comprehensive income for the year, net of tax	1,267,646	-
Total comprehensive income for the year, net of tax	172,418,501	142,866,645

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ROMPETROL RAFINARE S.A.
STATEMENT OF TREASURY FLOWS
for financial exercise ending on 30 June 2017
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	June 30, 2017	June 30, 2016
Net result before income tax	**171,150,855**	**142,866,645**
Adjustments for:		
Depreciation and amortisation	132,853,494	138,304,455
Provisions for receivables and inventories (incl write-off)	7,903,903	(16,682,923)
Provision for environmental liabilities and litigations	-	-
Restructuring and retirement benefit provisions	-	-
Expenses with penalties	491,440	98,257
Interest expenses	83,429,793	62,650,021
Inrerest income	(38,070,422)	(9,274,823)
Income from dividends	-	-
Losses/gains from derivatives	(1,655)	-
(Gain)/Loss on sale or disposal of property, plant and equipment	-	-
Unrealised foreign exchange (gain)/loss from restatement and monetary items	(246,723,366)	(26,805,623)
Cash generated from operations before working capital changes	**111,034,042**	**291,156,009**
Net working capital changes in:		
Receivables and prepayments	(249,641,136)	(110,528,308)
Inventories	84,400,441	(74,509,784)
Trade and other payables, including payables variation for capital expenditures	328,636,108	384,636,381
Change in working capital	**163,395,413**	**199,598,289**
Cash payments for derivatives, net	31,769	-
Net cash provided by/(used in) operating activities	**274,461,224**	**490,754,298**
Cash flows from investing activities		
Purchase of property, plant and equipment	(111,718,588)	(213,895,147)
Purchase of intangible assets	(354,096)	(49,547)
Dividends received	-	-
Net cash used in investing activities	**(112,072,684)**	**(213,944,694)**
Cash flows from financing activities		
Cash pooling	(196,007,965)	(148,378,377)
Short - term loans/ (repaid to) received from banks, net	181,480,729	(73,281,788)
Long - term loans received from banks	-	144,806,117
Long - term loans repaid to banks	-	(143,373,660)
Short - term loans (repaid to)/ received from shareholders	(101,931,642)	16,603,461
Interest and bank charges paid, net	(83,429,793)	(53,375,198)
Net cash from financing activities	**(199,888,671)**	**(256,999,445)**
Increase / (Decrease) in cash and cash equivalents	**(37,500,131)**	**19,810,159**
Cash and cash equivalents at the beginning of period	**45,891,549**	**6,773,869**
Cash and cash equivalents at the end of the period	**8,391,419**	**26,584,028**

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Explanatory notes from 1 to 28 are part of these financial statements

ROMPETROL RAFINARE S.A.
STATEMENT OF CHANGES IN EQUITY
As at 30 June 2017 and 30 June 2016
(All amounts expressed in Lei ("RON"), unless otherwise specified)

	Share capital	Share premium	Acumulated losses	Other reserves	Total equity
1st of January 2016	4,410,920,573	232,637,107	(6,552,828,638)	3,172,596,294	1,263,325,336
Net profit for 1st Semester 2016	-	-	142,866,645	-	142,866,645
Actuarial gain/losses related to retirement benefits	-	-	-	-	-
Gains/losses related to derivative financial instruments	-	-	-	-	-
Other comprehensive income for H1 2016	-	-	-	-	-
Transfer to reserves	-	-	-	-	-
30th of June 2016	4,410,920,573	232,637,107	(6,409,961,993)	3,172,596,294	1,406,191,981
1st of January 2017	4,410,920,573	232,637,107	(6,486,327,205)	3,169,670,514	1,326,900,989
Net profit for 1st Semester 2017	-	-	171,150,855	-	171,150,855
Actuarial gain/losses related to retirement benefits	-	-	-	-	-
Gains/losses related to derivative financial instruments	-	-	-	1,267,646	1,267,646
Other comprehensive income for H1 2017	-	-	-	1,267,646	1,267,646
Transfer to reserves	-	-	-	-	-
30th of June 2017	4,410,920,573	232,637,107	(6,315,176,350)	3,170,938,160	1,499,319,490

DUMITRU CATALIN
President of the Board of Directors

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1. GENERAL

Rompetrol Rafinare S.A. (hereinafter referred to as "the Company" is a company incorporated under Romanian laws. The Company operates two refineries Petromidia and Vega. Petromidia Refinery is the one with the highest capacity (of 5 million tons/annum, nameplate capacity) and the only Romanian refinery at the Romanian Black Sea shore, which processes exclusively imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975 and 1977 and was further upgraded in the early '90s and between 2005 - 2012. Vega refinery was built in 1905 and upgraded in the following decades.

Rompetrol Rafinare S.A. production facilities are located in Romania. The number of employees of the Company as at 30 June 2017 is 1,066, respectively 1,1077 as at 31 December 2016.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) The going concern

The financial statements of the Company are prepared on a going concern basis. As at 30 June 2017 and 31 December 2016, the Company reported net assets amounted to RON 1,499 million and RON 1,327 million respectively. For the exercise ended as at 30 June 2017 and 31 December 2016 , the Company reported a profit of RON 171.15 million, and of RON 70 million respectively. The accumulated losses incurred so far are due to the fact that the Company has been affected by the specific of the refining activity, characterized by a significant volatility and lower refinery margins in the past years but, considering that the massive investment trend of the last period that seeks to obtain positive financial results thus will decrease the cumulated loss recorded so far.

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

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

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

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

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

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

c) Changes in accounting policies

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

d) Standards issued but not yet effective and are not early adopted

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

- **IFRS 9 Financial Instruments – Classification and measurement**
  The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Company is in the process of assessing the impact of this amendment to the financial position or performance of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRS 15 Revenue from Contracts with Customers**
  The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Company has concluded on the preliminary assessment performed on this new standard, that no significant impact will have on the Company's financial position or performance.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
  The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. The Company is in the process of assessing the impact of this new standard on the Company's financial position or performance.

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

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

- **IAS 40: Transfers to Investment Property (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration**
  The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU The Company is in the process of assessing the impact of this amendment on the Company's financial position or performance.

e) Significant professional judgements, estimates and assumptions

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

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

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

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

- Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are tested for impairment. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- ***Provision for environmental liability***

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

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

- ***Deferred tax assets***

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

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

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

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

- ***Carrying value of inventories***

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

- ***Provision for litigations***

The Company analyses its legal exposure regularly in order to determine whether provisions are required. In determining the amount of the provision, assumptions and estimates are made in relation to the probability of losing thelitigation, the expected claim to be paid and the expected timing of the payments. Changes to these estimates could have a significant impact on the amount of the provision.
Further details on the provisions relating to litigations are provided in Notes 14, 18, 25.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments

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

a. Financial assets

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:
- Financial liabilities at fair value through profit or loss
- Loans and borrowings at amortized cost

Derecognition

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

c. Offsetting of financial instruments

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

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

d. Impairment of financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property plant and equipment

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

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

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

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

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

h) Intangible assets

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

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

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

i) Financial assets

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

Further details on financial assets are provided in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment of non-financial assets

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

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

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

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

k) Provisions

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

Provisions are not recognized for future operating losses.

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

Environmental liabilities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

l) Inventories

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

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

m) Receivables

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

n) Cash and cash equivalents

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

o) Recognition of revenues

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

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

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

In addition:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Interest bearing loans

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

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

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

q) Retirement benefit costs

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

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

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

r) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Dividends

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

t) Emission rights

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

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

u) Foreign Currency Transactions

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

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

Currency	30 June 2017	31 December 2016
RON/USD	3.9915	4.3033
RON/EUR	4.5539	4.5411

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

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

v) Derivative financial instruments

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

w) Contingencies

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

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

3. INTANGIBLE ASSETS

	Software/ Licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2016	45,794,808	150,123	-	45,944,931
Additions	124,494	-	6,441,382	6,565,876
Disposals	-	-	-	-
Transfers*	49,548	-	-	49,548
Closing balance as of December 31, 2016	45,968,850	150,123	6,441,382	52,560,355
Additions	134,693	-	219,403	354,096
Transfers*	-	-	-	-
Closing balance as of June 30, 2017	46,103,543	150,123	6,660,785	52,914,451
Accumulated amortization				
Opening balance as of January 1, 2016	(32,602,137)	(12,510)	-	(32,614,647)
Charge for the year	(3,170,817)	(50,041)	-	(3,220,858)
Accumulated amortization of disposals	-	-	-	-
Closing balance as of December 31, 2016	(35,772,954)	(62,551)	-	(35,835,505)
Charge for the year	(1,440,425)	(25,020)	-	(1,465,446)
Closing balance as of June 30, 2017	(37,213,379)	(87,571)	-	(37,300,951)
Net book value				
As of December 31, 2016	10,195,896	87,572	6,441,382	16,724,850
As of June 30, 2017	8,890,164	62,552	6,660,785	15,613,500

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

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

4. GOODWILL

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Furniture and others	Construction in progress	Total
Cost or valuation					
As of January 1, 2016	2,046,085,676	3,339,766,162	12,154,340	65,133,760	5,463,139,938
Acquisitions	-	3,108,595	88,411	144,005,046	147,202,051
Transfers from CIP	13,395,972	33,766,626	4,564	(47,167,162)	-
Disposals	-	(27,786,401)	-	-	(27,786,401)
Transfers and reclassifications*	-	3,467	-	(53,917)	(50,450)
As of December 31, 2016	2,059,481,648	3,348,858,449	12,247,315	161,917,727	5,582,505,139
Acquisitions	-	2,071,791	26,066	109,626,911	111,724,768
Transfers from CIP	16,098,618	21,188,525	1,479,902	(38,773,224)	(6,180)
As of June 30, 2017	2,075,580,266	3,372,118,764	13,753,283	232,771,414	5,694,223,727
Accumulated depreciation & impairment					
As of January 1, 2016	(899,607,058)	(1,415,332,935)	(5,483,894)	(3,171,485)	(2,323,595,372)
Charge for the year	(51,969,521)	(216,008,646)	(660,711)	-	(268,638,878)
Accumulated depreciation of disposals	-	27,786,401	-	-	27,786,401
Transfers and reclassifications*	-	(3,467)	-	-	(3,467)
As of December 31, 2016	(951,576,579)	(1,603,558,648)	(6,144,605)	(3,171,485)	(2,564,451,316)
Charge for the year	(26,425,529)	(104,606,389)	(356,129)	-	(131,388,047)
As of June 30, 2017	(978,002,108)	(1,708,165,036)	(6,500,733)	(3,171,485)	(2,695,839,362)
Net book value as of December 31, 2016	1,107,905,070	1,745,299,801	6,102,710	158,746,242	3,018,053,823
Net book value as of June 30, 2017	1,097,578,158	1,663,953,728	7,252,550	229,599,929	2,998,384,365

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- Impairment

No depreciation was recorded in the 1st Semester of 2017.

- Construction in progress

In the 1st Semester of 2017, the significant contribution to the total acquisitions of assets in progress is represented by the capital maintenance project "Refinery Shutdown 2017" (about RON 61 million) carried out in order to ensure a high level of safety of the operating equipment and the ISCIR projects within of the two refineries (approximately RON 22 million).

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

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

- Disposal

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

- Capitalization of borrowing costs

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

- Fixed assets pledged

The company pledged assets net amounting to RON 942,074,949 (2016: RON 984,474,779), as follows:

- guarantees in favour of banks: RON 699,128,214 (2016: RON 720,649,301);
- guarantees in favour of ANAF: RON 242,946,735 (2016: RON 263,825,478).

In 2010 it was established by ANAF a distraint on all fixed assets and investments and on the equity as well as on the shares, amounting to RON 1,595,020,055 in favour of the Romanian state (represented by ANAF). On these titles there was set up a rank 2 guarantee in favour of KMG International N.V.

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

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

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

On June 30th, 2017 no enforcement process has been made.

6. FINANCIAL ASSETS

	30 June 2017	31 December 2016
Investments in subsidiaries	1,629,020,055	1,629,020,055
Total	1,629,020,055	1,629,020,055

Investments in subsidiaries

Details regarding subsidiaries at 30 June 2017 and 31 December 2016 are as follows:

	Range of activity	Ownership at 30 June 2017	Ownership at 31 December 2016	Balance as at 30 June 2017	Balance as at 31 December 2016
Rompetrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067	1,090,406,067
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100,00%	100,00%	311,698,295	311,698,295
Rom Oil S.A.	Rental services	99,99%	99,99%	191,216,660	191,216,660
Rompetrol Logistics S.R.L.	Logistics operations	66,19%	66,19%	24,349,123	24,349,123
Rompetrol Quality Control S.R.L.	Quality Control Services for oil products	70.91%	70.91%	11,349,910	11,349,910
Total of equity investments				1,629,020,055	1,629,020,055

7. INVENTORIES, NET

	June 30, 2017	December 31, 2016
Crude oil and other feedstock materials	357,863,807	451,924,829
Finished products	224,370,308	209,334,771
Work in progress	115,899,569	120,977,712
Spare parts	51,680,276	52,567,514
Other consumables	19,782,746	21,539,603
Merchandises	3,157,360	869,809
Other inventories	3,575,956	3,516,225
Inventories reserve	(52,007,187)	(44,103,284)
Total	724,322,835	816,627,179

The inventories of finished goods comprise mainly petroleum products.

7. INVENTORIES, NET (continued)

The movement of the provision for inventories in 1st Semester 2017 and in year 2016 is presented below:

	June 30, 2017	December 31, 2016
Reserve at the beginning of the year	(44,103,284)	(63,913,493)
Accrued provision	(10,436,158)	(22,316,909)
Write off	-	(1,524,350)
Reversal provision inventories reserve	2,532,255	43,651,468
Reserve at the end of the period	(52,007,187)	(44,103,284)

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

8. TRADE AND OTHER RECEIVABLES, NET

	June 30, 2017	December 31, 2016
Trade receivables	1,089,523,948	841,197,413
Advances to suppliers	11,219,773	21,079,937
Sundry debtors	122,129,447	119,152,205
VAT to be recovered	154,096	120,162
Other receivables	77,239,021	99,367,359
Reserve for bad and doubtful debts	(61,175,646)	(62,290,869)
Total	**1,239,090,639**	**1,018,626,207**

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

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

	June 30, 2017	December 31, 2016
Balance at the beginning of the year	(62,290,869)	(62,021,962)
Impairment losses recognized on receivables	-	(157,280)
Impairment losses reversed	-	444,879
Translation differences	1,115,222	(556,506)
Balance at the end of the period	(61,175,646)	(62,290,869)

At 30 June 2017 the analysis of receivables maturity dates is as follows:

			Past due but not impaired				
	Total	**Neither past due not impaired**	**1-30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
30 June 2017	1,033,884,018	681,430,934	26,847,649	16,105,874	400,668	(293,648)	309,392,540
31 December 2016	784,442,261	402,052,072	29,648,971	18,436,822	109,070	35,318	334,160,008

8. TRADE AND OTHER RECEIVABLES (continued)

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

At 30 June 2017, the trade receivables at the initial value of RON 55.6 million (2016 RON 56.75 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	Collectively impaired
At January 1, 2016	**(56,486,246)**
Value adjustments for impairment of receivables	(157,280)
Reversed provisions	444,879
Exchange rate difference	(556,506)
At December 31, 2016	**(56,755,153)**
Value adjustments for impairment of receivables	-
Reversed provisions	-
Exchange rate difference	1,115,222
At June 30, 2017	**(55,639,930)**

9. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016
Cash at bank	7,574,307	44,732,891
Cash on hand	2,293	2,273
Transitory amounts	-	861,470
Other cash equivalents	814,819	294,915
Total	8,391,419	45,891,549

Other treasury values represent in the greatest part checks to be cashed.

10. OWN CAPITALS

10.1 SHARE CAPITAL

As at 30 June 2017 and 31 December 2016, the share capital consists in 44,109,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 per each share.

The shareholder structure at 30 June 2017 and 31 December 2016.

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

The total value of the Company's share capital remained unchanged in 1st Semester 2017 and in year 2016.

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

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

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

10.2 SHARE PREMIUM

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

10.3 OTHER RESERVES

"Other reserves" includes the value of the hybrid loan in amount of RON 3,163 million (USD 950 million). From the loan granted by The Rompetrol Group N.V. (actual KMG International N.V.) the amount of USD 950 million was converted into a unsecured hybrid loan, repayable in 51 years. The loan is subordinated to any present and future liability of the company. At maturity the loan can be repaid in cash or fully, or partially converted into shares. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- The company records during the year, a net profit after tax
- The company will be able to distribute dividends as per the Romanian law requirements

The Company has booked during 1st Semester of 2017 unrealised gains related to derivative financial instruments in the "Other reserves" account in amount of RON 1,267,646.

11.COMMERCIAL LIABILITIES AND OTHER LIABILITIES

	June 30, 2017	December 31, 2016
Trade payables	2,925,246,530	3,155,920,002
Advances from customers	78,081,859	85,097,092
VAT payable	122,173,284	117,191,493
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	389	15,570
Employees and social obligations	7,790,909	8,129,681
Other liabilities	535,191,063	356,448,532
Total	3,696,044,666	3,750,363,002

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

The cash pooling debt amounts to RON 529.21 million (2016: RON 333.63 million) and is recognised in "other debts".

12. SHORT-TERM LOANS

Short-term loan from related parties:

	30 June 2017	31 December 2016
KMG International N.V. Short-term credit facility for working capital needs, amounting to a maximum of USD 250 million, USD 50 million due on December 31, 2017 and USD 200 million refunded upon request; guarantees: assignment of receivables, pledge on holdings in Rompetrol Logistics, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil; pledge on bank accounts. The undrawn amount as at June 30, 2016 is in amount of USD 83.16 million.	665,931,945	843,734,704
Rompetrol Well Services Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - July 10, 2017. The loan is secured with a promissory note covering the debt. The facility has been fully used.	13,000,000	13,000,000
Rompetrol Well Services Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - July 14, 2017. The loan is secured with a promissory note covering the debt. The facility has been fully used.	7,000,000	7,000,000
Rompetrol Well Services 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, 2017. The loan is secured with a promissory note covering the debt. The facility has been fully used.	3,100,000	3,100,000
Rompetrol Well Services Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - August 28, 2017. The loan is secured with a promissory note covering the debt. The facility has been fully used.	11,200,000	11,200,000
Midia Marine Terminal Short-term facility for working capital needs in amount of USD 7 million, maturity date December 31, 2017. The facility has been fully used.	27,940,500	30,123,100
Rompetrol Financial Group SRL Short-term facility for working capital needs in amount of USD 29.215 million, maturity date December 31, 2017. The facility has been fully used.	115,000,000	115,000,000
Interest due	16,513,872	42,812,627
	859,686,316	1,065,970,431

12. SHORT-TERM LOANS (continued)

Short-term bank loans

	30 June 2017	31 December 2016
Bancpost Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2017; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.	105,901,973	88,838,025
Bancpost Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on 31 July 2017; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS =EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.	99,788,461	10
Interest due	362,535	345,226
	206,052,968	89,183,260
Syndicated loan – through Unicredit Bank as payer agent Up to USD 360 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Rompetrol Rafinare, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consist in an up to USD 240 million principal granted for a 3-year period and an auxiliary component representing overdraft loans of up to USD 120 million for a 1 year period. For the main component the maturity is on April 23, 2018. The following mortgages are set up to secure the loan: a) the credit balances of all current accounts present and future; b) the rights of insurance compensation; c) inventories (Propylene, Ethylenne, PP, LDPE, HDPE, Bitumen, Fuel Oil, Jet FOB Med, Naphtha, n-hexane, ULSD FOB Med, White Spirit); d) receivables from eligible commercial agreements - for at least 80% ofthe debts assigned to notify the clients.	324,226,47	-
TOTAL	530,279,44	89,183,260

All the financial covenants applicable were complied with as of June 30, 2017.

13. LONG-TERM LOANS

	30 June 2017	31 December 2016
Syndicated loan – through Unicredit Bank as payer agent Up to USD 360 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Rompetrol Rafinare, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consist in an up to USD 240 million principal granted for a 3-year period and an auxiliary component representing overdraft loans of up to USD 120 million for a 1 year period. For the main component the maturity is on April 23, 2018. The following mortgages are set up to secure the loan: a) the credit balances of all current accounts present and future; b) the rights of insurance compensation; c) inventories (Propylene, Ethylenne, PP, LDPE, HDPE, Bitumen, Fuel Oil, Jet FOB Med, Naphtha, n-hexane, ULSD FOB Med, White Spirit); d) receivables from eligible commercial agreements - for at least 80% ofthe debts assigned to notify the clients.	-	281,763,783

At the end of Semester I 2017 the long-term credit no longer records balance due to the reclassification of the amounts from the Syndicated loan in the short-term loan, taking into account that on 30.06.2017 the maturity term (April 23, 2018) is less than 1 year .

14. PROVISIONS

	30 June 2017	31 December 2016
Non - current provision	302,311,412	302,311,412
Total	302,311,412	302,311,412

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

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

14. PROVISIONS (continued)

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

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

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

15. REVENUES

	January - June 2017	January - June 2016
Gross revenues from the sale of finished oil products	6,248,530,571	5,947,713,847
Revenues from other merchandise sales	7,073,624	3,311,207
Revenues from utilities sold	4,080,025	4,141,170
Revenues from the sale other products	761,882	271,635
Revenues from rents and other services	7,084,350	7,101,488
Gross Revenues	**6,267,530,452**	**5,962,539,347**
Less sales taxes	(1,538,513,709)	(1,829,393,848)
Total	4,729,016,743	4,133,145,499

16. COST OF SALES

	January - June 2017	January - June 2016
Crude oil and other raw materials	4,202,246,667	3,516,844,136
Consumables and other materials	28,679,184	30,301,013
Utilities	162,530,968	169,473,810
Staff costs	38,962,402	41,591,374
Transportation	36,899	46,540
Maintenance	41,355,352	46,628,883
Insurance	2,799,879	3,444,816
Environmental expenses	1,874,622	2,172,350
Other	21,509,353	27,880,162
Cash production cost	**4,499,995,326**	**3,838,383,084**
Depreciation and amortization	103,107,202	126,147,610
Production costs	**4,603,102,528**	**3,964,530,694**
Less: Change in inventories	(16,751,315)	(55,280,317)
Less: Own production of property, plant & equipment	(7,057,692)	(545,401)
	-	-
	-	-
Cost of petroleum products trading	7,972,312	3,333,505
Cost of petrochemicals trading	3,120,480	2,991,514
Realised (gains)/losses on derivatives	(1,043,595)	(5,602,291)
Total	4,589,342,718	3,909,427,704

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

	January - June 2017	January - June 2016
Staff costs	14,856,617	9,848,176
Utilities	4,629,615	3,839,601
Transportation	20,566,228	19,152,339
Professional and consulting fees	26,992,256	26,958,677
Consumables	1,356,558	788,674
Marketing	308,211	121,428
Taxes	1,721,647	2,780,213
Communications	33,692	31,993
Insurance	1,276,704	1,003,746
IT related expenditures	3,036,830	3,610,424
Environmental expenses	5,445,358	4,348,306
Maintenance	8,659,554	5,610,900
Fees and penalties	4,175,881	8,039,647
Other expenses	12,650,609	8,422,679
Costs before depreciation	**105,709,780**	**94,556,803**
Depreciation and amortisation	29,746,292	12,156,845
Total	135,456,052	106,713,648

18. OTHER OPERATING (INCOME) / EXPENSES, NET

	January - June 2017	January - June 2016
Provision for receivables, net	-	(61,717)
Provision for inventories and write-off, net	7,903,903	(16,621,208)
Other, net	17,171,013	(3,082,196)
Total	25,074,916	(19,765,121)

19. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January - June 2017	January - June 2016
Finance cost		
Interest expense	7,237,798	6,268,288
Interest expense shareholders	43,062,724	29,077,706
Commission and other bank charges	33,161,041	25,136,779
	83,461,563	60,482,773
Finance income		
Interest income	(38,070,422)	(7,107,575)
Other financial income	(20,566)	(2,167,248)
	(38,090,988)	(9,274,823)
Finance income/(cost) net	45,370,575	51,207,950
Unrealized net foreign exchange losses/(gains)	(248,007,522)	(26,805,623)
Realized net foreign exchange losses/(gains)	10,629,149	(30,499,703)
Foreign exchange (gain)/loss, net	(237,378,373)	(57,305,326)
Total	(192,007,798)	(6,097,376)

20. INCOME TAX

The income tax rate was 16% in 2017 and 2016.

DEFERRED TAX

	Balance at January 1, 2017	Movement during the year	Balance at June 30, 2017
Temporary differences			
Asset/Liability			
Plant and equipment	381,984,741	-	381,984,741
Provisions	(272,355,903)	-	(272,355,903)
Fiscal loss	(1,805,713,296)	-	(1,805,713,296)
Total temporary differences (Asset)/Liability	(1,696,084,458)	-	(1,696,084,458)
Plant and equipment	61,117,558	-	61,117,558
Provisions	(43,576,631)	-	(43,576,631)
Fiscal loss	(288,914,442)	-	(288,914,442)
Deffered tax (assets)/liability recognised	(271,373,514)	-	(271,373,514)

20. INCOME TAX (continued)

Contingencies related to taxation

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

21. OPERATING SEGMENT INFORMATION

a) Business segments

30 June 2017 Profit and loss statement

	Refining	Petrochemicals	Total
Net turnover	4,393,348,912	335,667,831	4,729,016,743
Cost of sales	(4,278,035,563)	(311,307,155)	(4,589,342,718)
Gross profit	115,313,349	24,360,676	139,674,025
Selling, general and administrative expenses	(116,210,993)	(19,245,057)	(135,456,052)
Other operating revenues / expenses, net	(25,074,916)	-	(25,074,916)
Operating profit/ (loss)	(25,972,560)	5,115,620	(20,856,943)
Financial expenses	(83,461,563)	-	(83,461,563)
Financial revenues	38,090,988	-	38,090,988
Net foreign exchange gains / (losses)	237,378,373	-	237,378,373
Profit/(loss) before income tax	166,035,238	5,115,620	171,150,855
Deferred tax	-	-	-
Net Profit / (Loss)	166,035,238	5,115,620	171,150,855
out of which Depreciation and amortization	107,246,493	25,607,001	132,853,494

21. OPERATING SEGMENT INFORMATION (continued)

30 June 2016 Profit and loss statement

	Refinery	Petrochemicals	Total
Net turnover	3,766,560,338	366,585,161	4,133,145,499
Cost of sales	(3,579,845,362)	(329,582,342)	(3,909,427,704)
Gross profit	186,714,976	37,002,819	223,717,795
Selling, general and administrative expenses	(92,397,783)	(14,315,865)	(106,713,648)
Other operating revenues / expenses, net	19,765,121	-	19,765,121
Operating profit/(loss)	114,082,314	22,686,954	136,769,268
Financial expenses	(60,482,772)	-	(60,482,772)
Financial revenues	9,274,823	-	9,274,823
Net foreign exchange gains / (losses)	57,305,326	-	57,305,326
Profit/(loss) before income tax	120,179,691	22,686,954	142,866,645
Deferred tax	-	-	-
Net Profit / (Loss)	120,179,691	22,686,954	142,866,645
out of which Depreciation and amortization	111,114,863	27,189,592	138,304,455

a) Geographical segments

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

	1st Semester 2017	1st Semester 2016
Romania	2,538,620,631	1,922,460,154
Europe	2,072,598,125	2,174,950,155
Asia	86,929,313	24,803,104
Africa	-	-
America	30,868,674	10,932,086
Total	4,729,016,743	4,133,145,499

22. RELATED PARTIES

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

Name of the affiliated entity	Nature of the relation
KMG International N.V.	Majority shareholder
Oilfield Exploration Business Solutions S.A.	Company held by KMG International N.V
Rominserv S.R.L	Company held by KMG International N.V
KazMunayGas Trading AG	Company held by KMG International N.V
Rompetrol Well Services S.A.	Company held by KMG International N.V
Palplast S.A.	Company held by KMG International N.V
Rompetrol Bulgaria JSC	Company held by KMG International N.V
Intreprinderea Mixta Rompetrol Moldova SA	Company held by KMG International N.V
Rompetrol Georgia LTD	Company held by KMG International N.V
Midia Marine Terminal S.R.L.	Company held by KMG International N.V
Rompetrol Financial Group S.R.L.	Company held by KMG International N.V
Dyneff SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
KMG Rompetrol SRL	Company held by KMG International N.V
Byron Shipping Ltd	Company held by KMG International N.V
Byron Shipping S.R.L.	Company held by KMG International N.V
Rompetrol Albania Wholesale Sh.A.	Company held by KMG International N.V (in liquidation)
Rompetrol Ukraine LTD	Company held by KMG International N.V (KMG International N.V. owns 50%)
Rominserv Valves Iaifo SRL	Company held by KMG International N.V
KAZMUNAYGAS – Engineering LLP (former Rominserv Kazakhstan LLC)	Company held by KMG International N.V
Uzina Termoelectrica Midia S.A.	Company held by KMG International N.V (KMG International group holds: 43.42%)
Global Security System S.A.	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Rompetrol Downstream S.R.L.	Company affiliated to the Company
Rompetrol Petrochemicals S.R.L.	Company affiliated to the Company
Rom Oil S.A.	Company affiliated to the Company
Rompetrol Logistics S.R.L.	Company affiliated to the Company
Rompetrol Quality Control S.R.L.	Company affiliated to the Company
Rompetrol Gas S.R.L.	Company held by KMG International N.V
Dyneff Espagna SLU	A company of Rompetrol France group, where KMG International N.V. owns 49%
DPPLN SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
TMP SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
Dyneff Gas Stations Network SL	A company of Rompetrol France group, where KMG International N.V. owns 49%
Rompetrol France SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
DYNEFF TRADING SL (former Bioneff SL)	A company of Rompetrol France group, where KMG International N.V. owns 49%
Agat Ltd	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 50%)
Rompetrol Albania Downstream Sh.A.	Company held by KMG International N.V (in liquidation)
Rompetrol Albania Sh.A.	Company held by KMG International N.V (in

	liquidation)
Rompetrol Distribution Albania Sh.A	Company held by KMG International N.V (in liquidation)
TRG Petrol Ticaret AS	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Rompetrol Energy S.A	Company held by KMG International N.V (KMG International owns: 99%)
KazMunayGas Engineering B.V.	Company held by KMG International N.V
EPPLN SAS	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 49%)
KazMunayGas Trading Singapore	Company held by KMG International N.V (in liquidation)
KMG Rompetrol Services Center SRL (former Rompetrol Exploration & Production SRL)	Company held by KMG International N.V
Rompetrol Drilling	Company held by KMG International N.V
Benon Rompetrol LLC	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 40%)
The Romanian State and the Romanian Authorities	Significant shareholder
Bio Advanced Energy SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
Bio Advanced Energy PROD SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
DP FOS SA	A company of Rompetrol France group, where KMG International N.V. owns 49%
SPR SA	A company of Rompetrol France group, where KMG International N.V. owns 49%

22. RELATED PARTIES (continued)

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the exercise ended at 30 June 2017, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties (2016: zero). This assessment is performed every year, by analysing the financial position of the related party and the market in which it is carrying on its activity.

At 30 June 2017 and 31 December 2016, Rompetrol Rafinare had the following balances with the related parties:

	Receivables and other assets	
	June 30, 2017	December 31, 2016
KazMunayGas Trading AG	424,716,704	589,077,055
Rompetrol Downstream S.R.L	407,740,438	9,332,185
Rompetrol Petrochemicals S.R.L.	1,633	4,872
KMG International N.V.	99,369,710	92,923,010
Rompetrol Gas SRL	6,586,287	2,953,984
Rompetrol Moldova ICS	22,673,503	-
Rompetrol Bulgaria JSC	3,428,847	5,914,904
Rominserv S.R.L.	14,806,383	20,549,377
Rompetrol Quality Control S.R.L.	126,248	141,275
Rompetrol Logistics S.R.L	41,881	34,600
Midia Marine Terminal S.R.L.	1,168,335	1,381,413
Uzina Termoelectrica Midia S.A.	4,448,937	8,319,514
KMG Rompetrol SRL	353,539	3,270,515
Global Security Systems S.A.	607,571	606,680
Rominserv Kazakhstan LLC	671,239	723,673
Palplast S.A.	5,340,002	5,340,002
Byron Shipping Ltd.	3,359	952
Rompetrol Ukraina	15,114	16,295
Oilfield Exploration Business Solutions S.A.	1,594,537	6,195,812
Rompetrol Financial Group SRL	10,191	10,309
KMG Rompetrol Services Center SRL	53,535	317,124
TRG Petrol Ticaret Anonim Sirketi	1,338,544	-
Total	995,116,537	747,113,551

22. RELATED PARTIES (continued)

	Payables, loans and other liabilities	
	June 30, 2017	December 31, 2016
KazMunayGas Trading AG	2,212,313,878	2,467,408,542
Rompetrol Downstream S.R.L	34,543,736	58,814,262
Rompetrol Petrochemicals S.R.L.	293,380,395	293,605,364
KMG International N.V.- loans(note12)	665,931,945	843,734,704
KMG International N.V.-interest	2,232,037	30,608,711
KMG International N.V.-trade debts	4,950,187	3,271,292
Rompetrol Gas SRL	2,543,456	3,080,054
Rompetrol Moldova ICS	29,996,417	3,522,833
Rominserv S.R.L.	117,789,901	105,032,421
Rompetrol Quality Control S.R.L.	17,602,392	16,455,923
Rompetrol Logistics S.R.L	807,450	715,201
Midia Marine Terminal S.R.L.- loans(note12)	27,940,500	30,123,100
Midia Marine Terminal S.R.L.-interest	4,326,564	3,999,220
Midia Marine Terminal S.R.L.-trade debts	129,660,278	118,619,878
Rompetrol Well Services S.A. - loans (note 12)	34,300,000	34,300,000
Rompetrol Well Services S.A.-interest	110,332	97,174
Uzina Termoelectrica Midia S.A.	9,158,658	12,571,780
KMG Rompetrol SRL- debt cash pooling	529,205,442	333,637,122
KMG Rompetrol SRL-interest cash pooling	955,275	713,459
KMG Rompetrol SRL-trade debts	30,755,791	4,564,787
Global Security Systems S.A.	967,092	974,287
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note12)	115,000,000	115,000,000
Rompetrol Financial Group SRL-interest	9,844,938	8,107,522
KMG Rompetrol Services Center SRL	1,592,864	1,540,163
Rompetrol Bulgaria JSC	451,530	-
Total	4,276,361,124	4,490,497,865

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

22. RELATED PARTIES (continued)

In 1st Semester 2017 and 1st Semester 2016, Rompetrol Rafinare had the following transactions with the related parties:

Name of related party	Nature of transaction , sales / purchases	Sales		Purchases	
		1st Semester 2017	1st Semester 2016	1st Semester 2017	1st Semester 2016
KazMunayGas Trading AG	Raw materials / Petroleum products	1,377,375,403	1,563,314,462	3,840,751,816	3,254,748,803
Rompetrol Downstream S.R.L.	Petroleum products, rent, utilities and other	1,775,110,705	1,328,898,593	1,257,165	1,589,464
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	8,169	8,090	-	-
KMG International N.V.	Loan interest, management services	-	-	16,757,645	17,020,169
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	150,873,327	101,525,754	9,418	49,482
Rompetrol Moldova ICS	Sales intermediary services	327,203,689	185,820,212	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	34,885,944	49,638,526	462,673	-
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	1,303,640	1,268,900	154,105,170	69,649,146
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	692,062	2,626,333	12,593,978	12,169,993
Rompetrol Logistics S.R.L.	Transport, rent/Rent, utilities	6,130	5,807	77,597	54,775
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, reinvoicing, loan interest ,others	721,253	653,474	35,175,180	41,117,103
Rompetrol Well Services S.A.	Loan interest	-	-	665,478	575,240
Uzina Termoelectrica Midia S.A.	Acquistion of utilities	33,619,832	27,954,024	54,715,596	45,103,987
KMG Rompetrol S.R.L.	Loan interest, management services	18,312,146	7,285,799	50,015,868	42,950,029
Global Security Systems S.A.	Security and protection services	750	723	4,834,958	5,265,476
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	18,836	19,179	2,828	2,828
Rompetrol Financial Group SRL	Loan interest	-	-	2,229,435	2,165,349
KMG Rompetrol Services Center SRL	Shared services	269,318	-	7,896,474	-
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	32,975,712	-	-	-
		3,753,376,916	3,269,319,876	4,181,551,288	3,492,461,844

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

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

23. EARNINGS PER SHARE

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

	1st Semester 2017	1st Semester 2016
Net profit (+), loss (-)	171,150,855	142,866,645
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (bani/share)	0.39	0.32

24. CONTINGENT LIABILITIES

a) Related to the Parent's oil products technological lending practice to other refineries by the Company, D.G.F.P. Constanta claimed that the Company had unrecorded income, excise, VAT and related penalties totalling RON 47,7 million (USD 11,1 million) to be paid by the Company based on an inspection carried out in 2003. These claims (the legal effects) were suspended by the local court for admission. Subsequently, a second suspension has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.) until the final sentence regarding the related criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see Note 25). The management is confident that the Company is able to defend itself and the likelihood of a negative outcome is being considered remote.

b) In 2001, the Company processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Company were challenged by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Company cancelled such invoices. The Company is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Company liable for paying such excises; the Company appealed the tax audit, which is now being suspended as for the same reason described in the paragraph above. The amount noted in the minutes issued by D.G.F.P. Constanta is RON 9,5 million (USD 2,20 million). The management is confident that the likelihood of reversal of the earlier court decision is very little.

c) ANAF - DGAMC started in October 2016 the general fiscal audit referring to the fiscal period 2011-2015, taxes covered by this tax audit are: income tax, VAT, WHT and excises. As of date of Financials, the tax audits are in progress, there are no effective information regarding any potential fiscal findings or tax adjustments.

25. LEGAL MATTERS

Litigation with the State involving criminal charges

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former shareholders directors, managers and external censors of S.C. Rompetrol Rafinare S.A. ("RRC") and other individuals; these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized judicial expertise), currently undergoing the criminal prosecution phase. At the present date, only one of the directors of the Company who is involved in the investigation, still works for KMG International Group.

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

a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Parent;
b) unlawful statement of excises and other debts to the state budget;

25. LEGAL MATTERS (continued)

c) incorrect keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
d) adoption of GEO no. 118/2003.

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

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

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

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

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

Considering the nature of the allegations submitted by DIICOT, the KMGI companies applied for a motion of disjoining (*cerere de disjungere* in Romanian) in order to have a two different cases which shall settle the allegations for RRC' privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by RRC (OUG 118/2003). No reply received yet from DIICOT on this topic.

Since the KMGI companies had no capacity in the file till 2016 and it seems the entire process (with minor exceptions) of gathering the evidences by DIICOT have been performed before May 2016, the Companies submitted on April 7, 2017 their own application for, on the one hand, evidences to be attached to the file in order to defend and one the other hand to be redone some evidences (such as expertise report) performed before 2016. No reply received yet from DIICOT on this topic.

On April 12, 2017 the companies submitted also their application by which they asked the dismissals of the allegations regarding the OUG 248/200 (regarding the privatization of RRC) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which the Court settled that the legislative process, as well as the aspects regarding the opportunity and/or lawfulness of a deed issued either by the Parliament and Government cannot be subject of a criminal inquiry and the Constitution provides other leverages assigned to other public authorities to control such kind of things. No reply received yet from DIICOT on this topic.

Finally, on May 10 and June 28, 2017 the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC privatisation and post-privatization period, privatization of Vega refinery and the issuance of bonds (OUG 118/2003), intra-companies transactions and budgetary taxes and duties.

On July 17, 2017 DIICOT issued an Ordinance which generally keeps the approach of the Orders issued in 2016 but let the civil parties namely, Ministry of Energy and Ministry of Finance, to provide the figures for the alleged damage they incurred as well as the evidences for supporting any alleged damage.

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

25. LEGAL MATTERS (continued)

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

After the expiration of this period, should a settlement between KMG and Romania fail to be reached, the case could be referred to and settled by the International Centre for Settlement of Investment Disputes under World Bank, headquartered in Washington, D.C or to the Arbitration Institute of the Stockholm Chamber of Commerce, in line with the provisions of the treaties and with KMG companies' envisaged reliefs and measures to be obtained.

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

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

Both the Report and the Decision were challenged subject to a prior administrative appeal.

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

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

The main court case started by Rompetrol Rafinare SA against the assessment has been settled on 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 National Agency for Tax Administration appealed against it in front of the Supreme Court of Justice. The report of the Supreme Court of Justice has been communicated to Rompetrol Rafinare SA, according to which both appeals have been admitted in principle. A second term is established on 30 March 2017, in order to check the appeals under the other aspects. At this term, the Supreme Court of Justice established the first hearing term on September 29th, 2017 (it is the first term for which the parties will receive a subpoena).

25. LEGAL MATTERS (continued)

Litigation regarding CO2 emission allowances.

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

According to the current Romanian and European legislation, the certificates obtained for 2008 – 2012 period may be owned and used also for the next period of 2013 – 2020. The market value for a CO2 emission certificate was EUR 5.4 per certificate as of December 2016.

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

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

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

On July 6, 2015 Constanta Court of Appeal admitted partially the claim and fined the representative of the Government and Ministry of Environment for non-performance of the enforcement of the decision by which the Company received a number of 2,577,940 CO2 emission certificates. The decision is subject to appeal.

As a consequence, on July 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 Government Decision has still not been implemented.

On October 27 2015, in order to secure all its rights and the full enforcement of the above mentioned court and government decisions, Rompetrol Rafinare filed a 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 in another related case (Case file no. 917/36/2013), regarding the appeal of Rompetrol Rafinare against court decision to reject our claims as lack of object, with last hearing term for October 21st 2016, when the court admitted both appeals formulated by Rompetrol Rafinare and the Ministry of Environment, and sent the cause to the same first instance (Constanta Court of Appeal) for retrial. First hearing for retrial was set on September 7, 2017.

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

25. LEGAL MATTERS (continued)

<u>Litigation between Rompetrol Rafinare and Navodari City Hall</u>

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

Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by RRC was dismissed as being lack of object, without any judgment pronounced on the merits of the case. 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 penalities.

Rompetrol Rafinare submitted in court the challenge against this decision, and also another action for partial annulment of Navodari Local Decision no.435/2015 at Constanta Court of Appeal. On March 16th, 2017 Constanta Court of Appeal dismissed the challenge submitted by Rompetrol Rafinare against the decision issued by Navodari City Hall. The solution will be appealed.

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

Rompetrol Rafinare also filed the request for suspension the enforceable effects of the imposing decision, pursuant to the Law 554/22004 and Government Ordinance 92/2003, file no.788/36/2015. 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. The solution was appealed by Navodari City Hall. The case is currently pending court investigation proceedings with the Supreme Court of Justice. The first hearing term before the Supreme Court was not yet been scheduled.

<u>Litigations between Rompetrol Rafinare and National Company – Constanta Maritime Port Administration S.A.</u>

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

a) Complaint against National Company "Administratia Porturilor Maritime " SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.87 million - dredging expenditures; USD 3.3 million - commercial loss; the complaint is in course of analysis at the Competition Council. By means of the lodged complaint, the Competition Council was asked to acknowledge the violation by Administrația Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, inclusively in terms of cost incurrence, the obligations resting upon it as administrator of port areas and of supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port.

25. LEGAL MATTERS (continued)

b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (USD 0.85 mil) and for restitution of dredging expenses (1.7 mil USD). The total amount in RON is today RON 10 million (USD 2.6 million). The case is pending on Constanta Tribunal, with next hearing for May 19th, 2017. At this date, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff: a) The equivalent in lei, at the exchange rate euro/leu , fixed by the National Bank of Romania, on the day of payment, the amount of EUR 1,570,000 representing dredging expenditures paid by Rompetrol Rafinare SA , during the period 30 April 2015 - 11 May 2015 ; b) The amount of 78.67 thousand lei - legal costs (of which 73.17 thousand lei - judicial stamp duties and 5,500 lei - the fees of experts and dismissals).

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

On August 22, 2016 a technical incident occurred within the DAV plant, resulting in a fire, which was extinguished by Refinery' staff and firemen from private and public services. Following the event, two persons, employees of a Group' subsidiary Rominserv SRL suffered burns and two persons passed away. The competent authorities have initiated investigations in order to establish the circumstances and the causes that generated the technical incident, injury and the decease of employees. In respect of the work accident, the Prosecutor's Office of the Constanta Court of Appeal office, was notified ex officio and opened file no. 586 / P / 2016, within which have been questioned employees of the 2 companies and was administered technical expertise. Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and four employees of the two companies were put on trial for: the non-observance of the legal labour health and safety measures, bodily harm by negligence, manslaughter and accidental pollution. At the same time Rompetrol Rafinare S.A. has quality as civilly liable party. As a result of the completion of the initial phase of the files, of preliminary chamber procedure, the court decided on 01.03.2017: have been accepted in part the applications and the exceptions made by the defendants, it has been found the relative nullity of the indictment no. 586/P/2016 07.12.2016 from the Prosecutor's Office under the Constanta Court of Appeal, it has been found the irregularity that attracts the impossibility to the establishment of the object or judgment on the indictment no. 586/P/2016 of 7.12.2016, prosecutor must communicate to the judge of preliminary room whether to maintain the provision referred to in the judgment or request the refund case, within 5 days from the date of the communication of the solution. By the final conclusion of Preliminary Chamber procedure, no. 328 / 03.21.207 communicated to Rompetrol Rafinare on March 27, 2017 the court ordering, considering the fact that the prosecutor did not reply within procedural five days, to return the case to the Prosecutor's Office Court Appeal Constanta, finding relative nullity of the Ordinance no. 586 / P / 29.11.2016, irregularity of the indictment 586 / P / 12.7.2016 prosecutor failure to respond within procedural terms. The solution can be appealed within three days from the communication of the final solution of the preliminary chamber. The Prosecutor's Office Court Appeal Constanta made appeal.

On June 21, 2017 the Constanta County Court admitted the prosecutor's appeal. and ordered the retrial of the case by Constanta Court with the observance of the legal dispositions on the summoning of the parties, namely the aggrieved persons and prosecutor. On the other hand, it was admitted the request filed by RIS for the plea of unconstitutionality of certain provisions to be settled further by the Constitutional Court. The respective provisions concern the possibility to rectify the document instituting court proceedings during the preliminary chamber procedure.

Also on May 25, 2017 Rompetrol Rafinare and RIS received a reply to its challenge submitted against the Constanta Labor Inspectorate Reports by which the Labour authority maintains the same considerations challenged by the companies. Against this reply the companies will fill in an application to the court.

26. COMMITMENTS

Environmental commitments

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

As of June 30, 2017 and 31 December 2016 Rompetrol Rafinare SA has no specific environmental commitments to conform to the Integrated Environmental Authorization, except for Vega obligations, which have been provisioned.

At the end of March 2017 Rompetrol Rafinare SA has achieved the annual compliance with greenhouse gas (CO_2) emission regulations by returning a number of CO_2 certificates equivalent to the emission of 2016.

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

A) CAPITAL RISK

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

B) GEARING RATIO

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

	30 June 2017	31 December 2016
Borrowings maturing in over one year	-	281,763,783
Own capitals	1,499,319,490	1,326,900,989
Gearing ratio	0.00%	21.23%

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

C) FINANCIAL INSTRUMENTS

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

Financial assets	30 June 2017	31 December 2016
Trade receivables and other receivables	1,150,477,749	898,058,749
Derivatives	1,292,281	22,980
Cash and bank accounts	8,391,419	45,891,549
TOTAL FINANCIAL ASSETS	1,160,161,449	943,973,278
Financial liabilities	**30 June 2017**	**31 December 2016**
Short term borrowings from shareholders	859,686,316	1,065,970,431
Derivatives	-	-
Commercial liabilities and other liabilities	3,464,843,799	3,516,647,537
Short term loans	530,279,444	89,183,260
Long term borrowings from banks	-	281,763,783
TOTAL FINANCIAL LIABILITIES	4,854,809,559	4,953,565,011

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

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

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

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

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

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

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

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

- The Company enters into derivative financial instruments with various counterparties. As at 30 June 2017, the marked to market value of derivative position is for financial instruments recognised at fair value.

Fair value hierarchy

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

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

	30 June 2017	Level 1	Level 2	Level 3
Financial assets				
Trade receivables and other receivables	1,150,477,749	1,150,477,749	-	-
Derivatives	1,292,281	-	1,292,281	-
Cash and bank accounts	8,391,419	8,391,419	-	-
TOTAL FINANCIAL ASSETS	1,160,161,449	1,158,869,168	1,292,281	-
Financial liabilities				
Short term borrowings from shareholders	859,686,316	859,686,316	-	-
Commercial liabilities and other liabilities	3,464,843,799	3,464,843,799	-	-
Short term loans	530,279,444	530,279,444	-	-
TOTAL FINANCIAL LIABILITIES	4,854,809,559	4,854,809,559	-	-

	31 December 2016	Level 1	Level 2	Level 3
Financial assets				
Trade receivables and other receivables	898,058,749	898,058,749	-	-
Derivatives	22,980	-	22,980	-
Cash and bank accounts	45,891,549	45,891,549	-	-
TOTAL FINANCIAL ASSETS	943,973,278	943,950,298	22,980	-
Financial liabilities				
Short term borrowings from shareholders	1,065,970,431	1,065,970,431	-	-
Commercial liabilities and other liabilities	3,516,647,537	3,516,647,537	-	-
Short term loans	89,183,260	89,183,260	-	-
Long term borrowings from banks	281,763,783	281,763,783	-	-
TOTAL FINANCIAL LIABILITIES	4,953,565,011	4,953,565,011	-	-

At 30 June 2017 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

D) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

E) Market risk

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

F) FOREIGN CURRENCY RISK MANAGEMENT

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

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

G) FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

	USD		EUR	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
RON				
5%	(150,299,363)	(158,280,065)	1,926,097	(78,907)
-5%	150,299,363	158,280,065	(1,926,097)	78,907

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

H) INTEREST RATE RISK MANAGEMENT

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

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

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 30 June 2017 would increase / decrease by RON 14.8 million (2016: increase / decrese by RON 15.9 million).

I) OIL PRODUCTS AND RAW MATERIAL PRICE RISK

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

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

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

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

J) CREDIT RISK

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

Trade receivables

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

Financial instruments and bank deposits

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

28. SUBSEQUENT EVENTS

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

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

Rompetrol Rafinare S.A credit facility in amount of RON 3.1 million granted by Rompetrol Well Services S.A was prolonged until September 3, 2017.

Facilities granted to Rompetrol Rafinare S.A. by Bancpost in amount of EUR 30 million, respectively EUR 27.96 million have been extended until July 31, 2018.

On July 17th, 2017, Rompetrol Rafinare SA and the affiliates thereof KMG International NV and Oilfield Exploration Business Solutions SA received an ordinance issued by DIICOT which mandates the continuation of the criminal investigation of deeds attributed to the 1998-2003 period and of the grounds for the company's civil liability for part thereof.

As before, the company will further cooperate with the authorities in a transparent way with the aim that the investigations complete in in due course and in full observance of the company's rights.

This new procedural deed does not affect the daily actitiy of Rompetrol refineries the operations of which are being carried out in the normal course.

However, the company continues to work with its local and international legal advisors to use all legal means to protect its investments, activities and current operations as well as its reputation.

The company will provide further information once there will be clarified the apects related to the company's liability for the deeds currently pending investigation.

The national oil and gas company of Kazakhstan - KazMunayGas became in August 2007 the major shareholder, and in 2009 the sole shareholder of The Rompetrol Group (currently named KMG International NV) that the company is a part of.