

**ROMPETROL RAFINARE SA**

**CONSOLIDATED FINANCIAL STATEMENTS**

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

**DECEMBER 31, 2017**

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Prepared in accordance with International Financial Reporting Standards**  
**As endorsed by the European Union (EU)**  
**At 31 December 2017**

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

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

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

### **Opinia** *Opinion*

Am auditat situatiile financiare consolidate ale Rompetrol Rafinare S.A. cu sediul social in Bulevardul Navodari, nr. 215, Pavilion Administrativ, 907500 - Navodari, Romania, identificata prin codul unic de inregistrare fiscala RO1860712, si ale filialelor sale (impreuna „Grupul”), care cuprind situatia consolidata a pozitiei financiare la data de 31 decembrie 2017, contul de profit si pierdere consolidat, contul de profit si pierdere global consolidat, situatia consolidata a modificarilor capitalului propriu si situatia fluxurilor de trezorerie consolidata pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative (impreuna „situatiile financiare”), toate sumele fiind exprimate in dolari americani („USD”). De asemenea, am verificat conversia in RON a sumelor prezentate in aceste situatii pe baza descrisa in nota 2e.

*We have audited the consolidated financial statements of Rompetrol Rafinare S.A. with official head office in 215, Navodari Boulevard, Administrative Pavilion, 907500 - Navodari, Romania, identified by sole fiscal registration number RO1860712, and its subsidiaries (together “the Group”) which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (together the “financial statements”), all expressed in United States Dollar (“USD”). We have also checked the translation into Romanian lei on the basis described in Note 2e.*

In opinia noastra, situatiile financiare consolidate anexate ofera o imagine fidela si justa a pozitiei financiare a Grupului la data de 31 decembrie 2017, ca si a performantei financiare si a fluxurilor de trezorerie ale acestuia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standardele Internationale de Raportare Financiara adoptate de Uniunea Europeana.

*In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.*

## **Bazele opiniei** *Basis for opinion*

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA), Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului din 16 aprilie 2014 („Regulamentul (UE) nr. 537/2014”) si Legii nr.162 /2017 („Legea 162/2017”). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare” din raportul nostru.

Suntem independenti fata de Grup conform Codului etic al profesionistilor contabili emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA), conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania, inclusiv Regulamentul (UE) nr. 537/2014 si Legea 162/2017, si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

*We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 (“Regulation (EU) No. 537/2014”) and Law 162/2017 (“Law 162/2017”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report.*

*We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

## **Aspecte cheie de audit** *Key audit matters*

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

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

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

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



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

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

Aspecte cheie de audit	Modul in care auditul a abordat aspectul cheie de audit
<b>Testarea pentru depreciere a fondului comercial si a imobilizarilor corporale</b>	
Informatiile prezentate de grupul Rompetrol Rafinare cu privire la fondul comercial si imobilizarile corporale, inclusiv cu privire la deprecierea aferenta, sunt incluse in nota 4, nota 5 si respectiv nota 6.	
Grupul Rompetrol Rafinare trebuie sa testeze anual pentru depreciere valoarea fondului comercial. La 31 decembrie 2017, fondul comercial al Grupului are valoarea de 83 milioane USD si este semnificativ pentru auditul nostru. Testarea pentru depreciere a fondului comercial a fost efectuata la nivelul unei singure unitati generatoare de numerar – Downstream, careia i-a fost alocat acest fond comercial.	Procedurile noastre de audit au inclus, printre altele:
Imobilizarile corporale sunt de asemenea semnificative pentru auditul nostru, avand in vedere importanta pozitiei bilantiere de 1.255 milioane USD la 31 decembrie 2017. De asemenea, evaluarea conducerii cu privire la indicatorii de depreciere a unitatilor generatoare de numerar si respectiv a activelor individuale implica analiza unor surse de informatii diverse, inclusiv a factorilor cu privire la mediul economic si a factorilor specifici industriei.	<ul style="list-style-type: none"><li>• am analizat si evaluat judecata conducerii cu privire la existenta indicatorilor de depreciere pentru imobilizari corporale si respectiv fond comercial, luand in considerare de asemenea, daca testul de depreciere a acoperit toate unitatile generatoare de numerar/activele individuale semnificative pentru care au existat indicatori de depreciere la sfarsitul perioadei de raportare;</li><li>• am comparat volumele de productie/vanzari si costurile actuale in 2017 ale fiecarei unitati generatoare de numerar cu volumele de productie/vanzari si costuri estimate in bugetul pregatit pentru 2017;</li><li>• am comparat preturile viitoare pe termen scurt si lung pentru titei si gaze si marjele produselor folosite in bugetele Grupului cu previziunile analistilor si cele adoptate de alte societati internationale din domeniul petrolier;</li></ul>

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza asupra acestei traduceri.  
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.



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În plus, în 2017 Grupul și-a schimbat politica contabilă pentru evaluarea clădirilor, de la modelul pe baza de cost la modelul bazat pe reevaluare, care a condus la o creștere netă în valoarea contabilă a clădirilor de 129 milioane USD.

Industria de petrol și gaze a trecut prin schimbări semnificative ca urmare a declinului prețurilor petrolului și gazelor începând cu ultima parte a anului 2014, ceea ce a condus la închiderea unor centre de producție și amânarea investițiilor de către unii jucători din industrie. La 31 decembrie 2017 conducerea a identificat indicatori de depreciere și a efectuat testări pentru depreciere separate cu privire la imobilizările corporale ale celor trei unități generatoare de numerar identificate: Downstream, cu o valoare netă contabilă a imobilizărilor corporale de 207 milioane USD, Rafinare, cu o valoare contabilă netă a imobilizărilor corporale de 919 milioane USD și Petrochimie cu o valoare contabilă netă a imobilizărilor corporale de 55 milioane USD.

Testarea pentru depreciere a fondului comercial și a imobilizărilor corporale este importantă pentru auditul nostru deoarece procesul de evaluare este complex, implică raționamente semnificative ale conducerii și se bazează pe ipoteze care sunt afectate de condițiile de piață viitoare din sud-estul Europei.

- am evaluat acuratețea istorică a bugetelor și estimărilor conducerii prin compararea lor cu performanța efectiv realizată și cu cea a anului anterior;
- am implicat specialiștii noștri evaluatori interni pentru a ne asista la evaluarea ipotezelor-cheie și a metodologiilor aplicate de Grupul Rompetrol Rafinare pentru testarea de depreciere a fondului comercial și a imobilizărilor corporale. Evaluarea noastră s-a axat pe estimarea ratei de actualizare folosite, pe analiza privind sensibilitatea valorilor recuperabile ale unităților generatoare de numerar la modificările ipotezelor semnificative, precum și pe ipotezele-cheie aplicate la estimarea fluxurilor de numerar viitoare pentru unitățile generatoare de numerar respective (cum ar fi prețurile de vânzare preconizate, volumele de producție / vânzare, marjele produselor, modificările capitalului de lucru, etc.), analizând conformitatea acestora cu mediul economic general și cel specific industriei, cu informațiile de piață relevante disponibile și cu planurile de afaceri ale Grupului;
- am testat acuratețea matematică a modelului;

Ca parte a procedurilor noastre de audit specifice cu privire la reevaluarea clădirilor, am obținut rapoartele de reevaluare emise de experții evaluatori externi angajați de Grup și am efectuat următoarele proceduri:

- am evaluat independența și competența experților evaluatori externi;
- am implicat specialiștii noștri evaluatori interni pentru a ne asista în aprecierea metodologiilor de evaluare folosite și în testarea principalelor ipoteze (incluzând factorii de indexare folosiți în determinarea costului de înlocuire folosind metoda indirectă/de indexare, testând durata de viață ramasă și cea totală pentru activele evaluate pe clase, estimarea factorilor de

depreciere specifici pentru activele nefolosite sau uzate, testand informatia de piata acolo unde este relevant) prin comparatie cu trendurile istorice si informatii externe;

- am testat, pe baza unui esantion, acuratetea matematica a calculelor cheie observate in cadrul raportului de evaluare pregatit de evaluatorul independent.

Am evaluat de asemenea caracterul adecvat al informatiilor prezentate de Grup cu privire la fondul comercial si imobiliarile corporale, incluzand deprecierea aferenta.

#### **Recuperabilitatea creantei privind impozitul pe profit amanat**

Informatiile prezentate de Grupul Rompetrol Rafinare cu privire la creanta privind impozitul pe profitul amanat sunt incluse in Nota 13.

Dupa cum este prezentat in nota 13 la situatiile financiare, la 31 decembrie 2017, Societatea a recunoscut o creanta din impozit pe profit amanat de 36 milioane USD, rezultand din pierderi fiscale reportate.

Creanta privind impozitul pe profit amanat are o importanta semnificativa pentru auditul nostru avand in vedere importanta pozitiei bilantiere la 31 decembrie 2017 si faptul ca, pentru evaluarea recuperabilitatii soldului, procesul de estimare necesita rationamente ale conducerii, in special raportat la informatiile privind suficienta veniturilor impozabile previzionate pe baza carora pierderile fiscale pot fi folosite, preconizandu-se ca unele dintre acestea vor fi generate peste mai multi ani in viitor.

Procedurile noastre de audit s-au axat pe evaluarea ipotezelor-cheie ale conducerii cu privire la recuperabilitatea creantei privind impozitul pe profit amanat, cum ar fi previziuni care stau la baza recunoasterii activului, inclusiv sumarul datelor de expirare a pierderilor fiscale. Am evaluat conformitatea acestor previziuni cu planurile de afaceri pe termen lung aplicate de conducere pentru gestionarea si monitorizarea performantei activitatii.

Specialistii nostri interni in aspecte fiscale au fost implicati, daca a fost cazul, in procedurile noastre de audit in domeniul impozitarii curente si efectul oricarei evaluari relevante a fost luat in considerare in cadrul evaluarii noastre cu privire la proiectiile privind profitul impozabil.

De asemenea, am evaluat caracterul adecvat al informatiilor prezentate de grup cu privire la creanta privind impozitul pe profit amanat.

### **Completitudinea si caracterul adecvat al provizioanelor pentru litigii**

Informatiile prezentate de grupul Rompetrol Rafinare cu privire la litigii sunt incluse in Nota 27.

Grupul este implicat in diferite litigii semnificative, inclusiv in legatura cu proceduri de reglementare si/sau guvernamentale, precum si investigatii ale autoritatilor fiscale care sunt prezentate in nota 27 din situatiile financiare. Aceste aspecte sunt importante pentru auditul nostru datorita incertitudinilor inerente cu privire la rezultatul final al acestor litigii, complexitatea cazurilor si rationamentul semnificativ aplicat de conducere in estimarea rezultatului final al acestor evaluari si al expunerilor (ex.: daca o datorie ar trebui recunoscuta sau o datorie contingenta ar trebui prezentata si daca o potentiala iesire de numerar poate fi estimata in mod credibil).

Datorita importantei si complexitatii acestor litigii, rezultate nefavorabile ar putea avea un potential impact asupra performantei financiare si pozitiei financiare a Grupului.

Procedurile noastre de audit au inclus, printre altele, obtinerea de confirmari de la avocatii externi ai Grupului care ofera asistenta cu privire la aceste cazuri precum si documentatie suport de la departamentul juridic intern al Grupului, cu privire la stadiul acestor litigii. Am examinat procesele verbale ale Consiliilor de Administratie ale societatilor din grup si am efectuat intalniri periodice cu conducerea pentru a discuta si intelege evolutia acestor actiuni legale, ipotezele si rationamentul conducerii cu privire la aceste aspecte.

Am evaluat daca opiniile avocailor externi si a departamentului juridic intern sunt in concordanta cu ipotezele si estimarile aplicate de conducere in ceea ce priveste recunoasterea si evaluarea provizioanelor sau evaluarea si prezentarea datoriilor contingente cu privire la aceste aspecte, pe baza evenimentelor si circumstantelor existente. Specialistii nostri interni au fost implicati, daca a fost cazul, pentru a ne asista in analiza cazurile legale si ipotezele efectuate de conducere. De asemenea, am evaluat caracterul adecvat al informatiilor prezentate cu privire la provizioane si datorii contingente rezultate din aceste actiuni legale.

#### **Key audit matter**

#### **How our audit addressed the key audit matter**

### **Impairment testing of goodwill and property, plant and equipment**

*Rompertrol Rafinare Group's disclosures about goodwill and property, plant and equipment, including the related impairment, are included in Note 4, Note 5 and Note 6 respectively.*

*Rompertrol Rafinare Group is required to test, at least annually and when impairment indicators exist, the amount of goodwill for impairment. As at 31 December 2017, the carrying value of goodwill is USD 83 million and is material to our audit. The goodwill impairment testing was performed at the level of one cash-generating*

*Our audit procedures included, among others:*

- we analysed and evaluated the management's assessment of the existence of impairment indicators for property, plant and equipment and goodwill, respectively, considering also whether the impairment testing covered all significant cash generating units/individual assets for which*

unit (CGU) - Downstream, to which the respective goodwill was allocated.

Property, plant and equipment (PPE) is also significant to our audit because of the magnitude of the balance sheet position of USD 1,255 million as at 31 December 2017. Furthermore, the management's assessment of impairment indicators for CGUs and individual assets respectively involves consideration of various sources of information, including factors related to the economic environment and industry specific factors. In addition, in 2017 the Group changed its accounting policy for measurement of buildings, from cost model to revaluation model, which led to a net increase in the carrying value of buildings of USD 129 million.

The oil and gas industry went through significant changes following a decline in oil and gas prices since late 2014, which resulted in capacity shutdowns and deferred investments by some players in the industry. As of 31 December 2017 the management has identified impairment indicators and has performed separate impairment testing in respect of the three CGUs' identified:

Downstream, with a PPE carrying value of USD 207 million, Refining with a PPE carrying value of USD 919 million and Petrochemicals with a PPE carrying value of USD 55 million, resulting in no impairment loss being recognised.

The impairment testing of goodwill and property, plant and equipment is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions in South East Europe.

impairment indicators existed at the end of the reporting period;

- we compared the actual production/sales volumes and costs in 2017 of each cash generating unit with the production/sales volumes and costs estimates in the budget prepared in 2017;
- we compared the future short and long term oil and gas prices and product margins used in the Group's budgets to consensus analyst's forecasts and those adopted by other international oil companies;
- we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year;
- we involved our internal valuation specialists to assist us in evaluating the key assumptions and the methodologies used by Rompetrol Rafinare Group for the impairment testing of goodwill and property, plant and equipment. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows for the respective CGUs (such as expected sales prices, production/sales volumes, product margins, working capital changes, etc.) by analysing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group.
- we tested the mathematical accuracy of the models;

As part of our specific audit procedures on revaluation of buildings we obtained the valuation reports issued by the external valuation experts engaged by the Group and performed the following procedures:



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- we assessed the independence and the competence of the external valuation experts;
- we involved our internal valuation specialists to assist us in the evaluation of the valuation methodologies used and testing the main assumptions (including indexation factors used in deriving replacement cost using the indirect/indexation method, testing the remaining and total useful lives assumptions for the valued assets by classes, estimation of specific depreciation factors for idle or obsolete assets, testing market based inputs where relevant) against historical trends and external data;
- we tested, on a sample basis, the mathematical accuracy of key computations observed within the valuation report prepared by the independent appraisers.

Furthermore, we assessed the adequacy of the Group's disclosures about goodwill and property, plant and equipment, including the related impairment.

#### **Recoverability of deferred tax assets**

*Rompertrol Rafinare Group's disclosures about deferred tax assets are included in Note 13.*

*As presented in Note 13 to the financial statements, as at 31 December 2017, the Company recognized a net deferred tax asset of USD 36 million resulting from tax losses carried forward.*

*Deferred tax assets are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2017 and the fact that the estimation process requires management judgement to assess the recoverability of the balance, in particular by reference to evidence for sufficient forecasted taxable income against which tax losses can be utilised, some of which are expected to arise a number of years in the future.*

*Our audit procedures focused on assessing the key management assumptions for the deferred tax asset recoverability such as forecasts which underpin the asset recognition, including summaries of tax losses expiry dates. We evaluated the consistency of these forecasts with the long term business plans used by management to manage and monitor the performance of the business.*

*Our internal tax specialists were involved, as appropriate, in our audit procedures in the current taxation area and the effect of any relevant evaluations was taken into consideration in our assessment of the taxable profit projections.*

Furthermore, we assessed the adequacy of the Group's disclosures regarding deferred tax assets.

#### **Completeness and appropriateness of provisions for litigations**

*Rompertol Rafinare Group's disclosures about litigations are included in Note 27.*

*The Group is involved in various significant litigations, including in relation to regulatory and/or governmental proceedings as well as investigations by tax authorities which are presented in Note 27 to the financial statements. This area is significant to our audit due to the inherent uncertainties over the final outcome of these litigations, complexity of the cases and the significant judgement applied by the management in estimating the final outcome of such assessments and exposures (i.e. whether a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated).*

*Due to the significance and complexity of these litigations, adverse outcomes could potentially impact the Group's reported financial performance and financial position.*

*Our audit procedures included, among others, obtaining legal confirmations from the Group's external lawyers advising on these matters and supporting documentation from the Group's internal legal counsel regarding the status of these litigations. We have inspected the minutes of the Board of Directors' meetings and held periodic meetings with management to discuss and understand the developments in legal proceedings and the management assumptions and judgement in respect of these matters. We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. Our internal specialists were involved, where appropriate, to assist us to analyse the legal cases and the assumptions made by management.*

*We further evaluated the adequacy of disclosures regarding provisions recognised and contingencies resulting from legal proceedings.*

#### **Alte informatii Other information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.*

*Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.*

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:

*As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:*

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare consolidate, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.

- ▶ *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- ▶ *Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Grupului.*
- ▶ *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.*
- ▶ *Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.*
- ▶ *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- ▶ *Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii, si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoilei semnificative privind capacitatea Grupului de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare consolidate sau, in cazul in care aceste prezentari sunt neadecvate, sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Grupul sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.*
- ▶ *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.*

- ▶ Evaluăm prezentarea, structura și conținutul general al situațiilor financiare consolidate, inclusiv al prezentărilor de informații, și măsura în care situațiile financiare consolidate reflectă tranzacțiile și evenimentele de bază într-o manieră care realizează prezentarea fidelă.
- ▶ *Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*
- ▶ Obținem suficiente probe de audit adecvate cu privire la informațiile financiare ale entităților sau activităților din cadrul Grupului pentru a exprima o opinie asupra situațiilor financiare consolidate. Suntem responsabili pentru îndrumarea, supravegherea și efectuarea auditului la nivelul grupului. Suntem singurii responsabili pentru opinia noastră de audit.
- ▶ *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.*

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

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

De asemenea, prezentăm persoanelor responsabile cu guvernanta o declarație cu privire la conformitatea noastră cu cerințele etice privind independența și le comunicăm toate relațiile și alte aspecte care pot fi considerate, în mod rezonabil, ca ar putea să ne afecteze independența și, unde este cazul, măsurile de siguranță aferente.

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

Dintre aspectele pe care le comunicăm persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanță în cadrul auditului asupra situațiilor financiare consolidate din perioada curentă și, prin urmare, reprezintă aspecte cheie de audit.

*From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.*

**Raport cu privire la alte cerinte legale si de reglementare**  
*Report on Other Legal and Regulatory Requirements*

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

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

- a) in Raportul administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare consolidate la data de 31 decembrie 2017, atasate;
- b) Raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare, Anexa 1, punctele 15-19, 26-28
- c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare consolidate intocmite la data de 31 decembrie 2017 cu privire la Grup si la mediul acestuia, nu am identificat informatii eronate semnificative prezentate in Raportul administratorilor.

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

- a) *in the Administrators’ Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at December 31, 2017;*
- b) *the Administrators’ Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 - 19, 26-28;*
- c) *based on our knowledge and understanding concerning the Group and its environment gained during our audit of the consolidated financial statements as at December 31, 2017, we have not identified information included in the Administrators’ Report that contains a material misstatement of fact.*

**Alte cerinte privind cuprinsul raportului de audit conform Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului**

*Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council*

**Numirea si aprobarea auditorului**

*Appointment and Approval of Auditor*

Am fost numiti auditori ai Grupului de catre Adunarea Generala a Actionarilor la data de 13 aprilie 2017 pentru a audita situatiile financiare consolidate ale exercitiului financiar incheiat la 31 decembrie 2017. Durata totala de misiune continua, inclusiv reinnoirile (prelungirea perioadei pentru care am fost numiti initial) si renumirile anterioare drept auditori a fost de 10 ani, acoperind exercitiile financiare incheiate la 31 decembrie 2008 pana la 31 decembrie 2017.

*We were appointed as auditors of the Group by the General Meeting of Shareholders on April 13, 2017 to audit the consolidated financial statements for the financial year end December 31, 2017.*

*Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 10 years, covering the financial periods end December 31, 2008 till December 31, 2017.*

**Consecventa cu raportul suplimentar adresat Comitetului de Audit**

*Consistency with Additional Report to the Audit Committee*

Opinia noastra de audit asupra situatiilor financiare consolidate exprimata in acest raport este in concordanta cu raportul suplimentar adresat Comitetului de Audit al Grupului, pe care l-am emis in aceeasi data in care am emis si acest raport.

*Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on the same date as the issue date of this report.*

## Servicii non-audit

### *Provision of Non-audit Services*

Nu am furnizat Grupului servicii non-audit interzise mentionate la articolul 5 alineatul (1) din Regulamentul (UE) nr. 537/2014 al Parlamentului European si al Consiliului si ramanem independenti fata de Grup pe durata auditului.

Nu am furnizat Grupului si entitatilor controlate de aceasta alte servicii decat cele de audit statutar si cele prezentate in raportul anual si in situatiile financiare consolidate.

*No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.*

*In addition to statutory audit services and services disclosed in the annual report and in the consolidated financial statements, no other services which were provided by us to the Group, and its controlled undertakings.*

In numele,

*On behalf of,*

**Ernst & Young Assurance Services SRL**

Bd. Ion Mihalache 15-17, etaj 21, Bucuresti, Romania

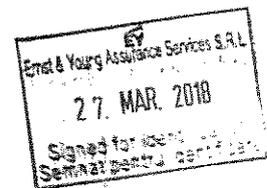
*15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania*

Inregistrat la Camera Auditorilor Financiari din Romania

Cu nr. 77/15 august 2001

*Registered with the Chamber of Financial Auditors in Romania*

*Nr. 77/15 August 2001*



Nume Auditor / Partener: Alexandru Lupea

*Name of the Auditor/ Partner: Alexandru Lupea*

Inregistrat la Camera Auditorilor Financiari din Romania

Cu nr. 273 /5 ianuarie 2001

*Registered with the Chamber of Financial Auditors in Romania*

*No. 273 / 5 January 2001*

Bucuresti, Romania

27 martie 2018

*Bucharest, Romania*

*27 March 2018*

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at December 31, 2017**

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

	Notes	December 31, 2017 USD	December 31, 2016 USD	December 31, 2017 RON	December 31, 2016 RON
Intangible assets	3	8,252,455	7,265,762	32,114,429	28,274,713
Goodwill	4	82,871,706	82,871,706	322,495,245	322,495,245
Property, plant and equipment	5	1,254,559,178	1,138,146,913	4,882,117,042	4,429,098,714
Available for sale investments	7	18,583	18,583	72,316	72,316
Long-term receivable		1,599,013	1,480,888	6,222,559	5,762,876
Deferred tax asset	13	36,221,657	63,468,579	140,956,577	246,987,975
<b>Total non current assets</b>		<b>1,383,522,592</b>	<b>1,293,252,431</b>	<b>5,383,978,168</b>	<b>5,032,691,839</b>
Inventories, net	8	342,623,825	230,091,565	1,333,320,615	895,401,325
Trade and other receivables	9	436,209,507	287,577,488	1,697,509,296	1,119,107,795
Derivative financial instruments	29.5	-	5,340	-	20,781
Cash and cash equivalents	10	12,592,193	15,810,298	49,002,519	61,525,775
<b>Total current assets</b>		<b>791,425,525</b>	<b>533,484,691</b>	<b>3,079,832,430</b>	<b>2,076,055,676</b>
<b>TOTAL ASSETS</b>		<b>2,174,948,117</b>	<b>1,826,737,122</b>	<b>8,463,810,598</b>	<b>7,108,747,515</b>
Share capital	11	1,463,323,897	1,463,323,897	5,694,524,945	5,694,524,945
Share premium	11	74,050,518	74,050,518	288,167,591	288,167,591
Revaluation reserve, net	11	146,431,777	-	569,839,260	-
Other reserves	11	(4,153,668)	(3,452,149)	(16,163,999)	(13,434,038)
Other reserves - Hybrid loan	11	1,059,285,995	1,000,000,000	4,122,211,450	3,891,499,999
Effect of transfers with equity holders	11	(596,832,659)	(596,832,659)	(2,322,574,292)	(2,322,574,292)
Accumulated losses		(1,473,246,436)	(1,529,316,646)	(5,733,138,502)	(5,951,335,725)
Current year result		19,552,126	56,070,210	76,087,098	218,197,223
<b>Equity attributable to equity holders of the parent</b>		<b>688,411,550</b>	<b>463,843,171</b>	<b>2,678,953,551</b>	<b>1,805,045,703</b>
Non-Controlling interest		15,934,422	14,781,091	62,008,803	57,520,614
<b>Total equity</b>		<b>704,345,972</b>	<b>478,624,262</b>	<b>2,740,962,354</b>	<b>1,862,566,317</b>
Long-term borrowings from banks	12	-	193,162,805	-	751,693,056
Hybrid loans- interest portion	11	14,687,203	-	57,155,250	-
Deferred tax liabilities	13	3,715,861	306,570	14,460,273	1,193,017
Provisions	16	85,001,042	76,429,343	330,781,551	297,424,788
Other non-current liabilities		207,676	177,110	808,171	689,224
<b>Total non-current liabilities</b>		<b>103,611,782</b>	<b>270,075,828</b>	<b>403,205,245</b>	<b>1,051,000,085</b>
Trade and other payables	14	966,666,960	788,571,675	3,761,784,480	3,068,726,677
Derivative financial instruments	29.5	48,387	323,130	188,298	1,257,460
Short-term borrowings from shareholders and related parties	15	176,211,784	268,253,969	685,728,155	1,043,910,320
Short-term borrowings from banks	15	224,063,232	20,888,258	871,942,066	81,286,656
<b>Total current liabilities</b>		<b>1,366,990,363</b>	<b>1,078,037,032</b>	<b>5,319,642,999</b>	<b>4,195,181,113</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,174,948,117</b>	<b>1,826,737,122</b>	<b>8,463,810,598</b>	<b>7,108,747,515</b>

The consolidated financial statements have been approved on March 22<sup>nd</sup>, 2018 and submitted for approval by the General Assembly of shareholders on April 27, 2018 by:

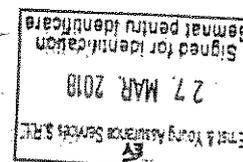
**CATALIN DUMITRU**  
**PRESIDENT of the BOARD of DIRECTORS**

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

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

Prepared by,

**Cristina Ana Dica**  
**Reporting Coordinator**



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

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED INCOME STATEMENT**  
**for the year ended at December 31, 2017**

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

	Notes	2017 USD	2016 USD	2017 RON	2016 RON
Revenues	17	3,093,007,328	2,440,510,028	12,036,438,017	9,497,244,775
Cost of sales	18	(2,786,630,756)	(2,191,393,341)	(10,844,173,588)	(8,527,807,188)
<b>Gross profit</b>		<b>306,376,572</b>	<b>249,116,687</b>	<b>1,192,264,429</b>	<b>969,437,587</b>
Selling, general and administrative expenses, including logistic costs	19	(190,883,469)	(163,675,757)	(742,823,021)	(636,944,209)
Other operating income	20	801,814	9,193,599	3,120,259	35,776,891
Other operating expenses	20	(58,754,223)	(2,176,631)	(228,642,059)	(8,470,360)
<b>Operating profit</b>		<b>57,540,694</b>	<b>92,457,898</b>	<b>223,919,608</b>	<b>359,799,909</b>
Finance cost	21	(53,227,537)	(44,595,927)	(207,134,958)	(173,545,050)
Finance income	21	20,527,605	11,867,659	79,883,175	46,182,995
Foreign exchange loss, net	21	(584,549)	(5,146,019)	(2,274,771)	(20,025,733)
<b>Profit before income tax</b>		<b>24,256,213</b>	<b>54,583,611</b>	<b>94,393,054</b>	<b>212,412,121</b>
Income tax	23	(3,550,756)	2,561,756	(13,817,767)	9,969,074
<b>Profit for the year</b>		<b>20,705,457</b>	<b>57,145,367</b>	<b>80,575,287</b>	<b>222,381,195</b>
<i>Attributable to:</i>					
Equity holders of the parent		19,552,126	56,070,210	76,087,098	218,197,223
Non-Controlling interests		1,153,331	1,075,157	4,488,189	4,183,972
<b>Earnings per share (US cents/share)</b>					
Basic	25	0.044	0.127	0.171	0.494

The consolidated financial statements have been approved on March 22<sup>th</sup>, 2018 and submitted for approval by the General Assembly of shareholders on April 27, 2018 by:

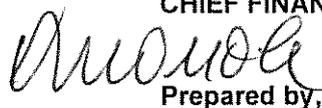
**CATALIN DUMITRU**  
**PRESIDENT of the BOARD of DIRECTORS**



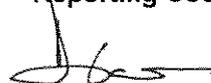
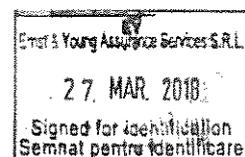
**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**



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

  
 Prepared by,

**Cristina Ana Dica**  
**Reporting Coordinator**

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the year ended at December 31, 2017**

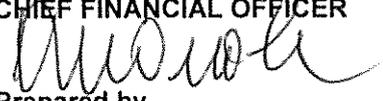
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Net Gain for the year</b>	<b>20,705,457</b>	<b>57,145,367</b>	<b>80,575,287</b>	<b>222,381,195</b>
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified income statement in subsequent periods (net of tax):</i>				
Hedge reserve	312,211	(1,117,247)	1,214,969	(4,347,767)
<b>Net other comprehensive income to be reclassified to income/(loss) statement in subsequent periods</b>	<b>312,211</b>	<b>(1,117,247)</b>	<b>1,214,969</b>	<b>(4,347,767)</b>
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</i>				
Actuarial losses on retirement benefits	(1,013,730)	(1,029,432)	(3,944,930)	(4,006,035)
Revaluation of buildings category in property plant and equipment	174,323,544	-	678,380,071	-
Deferred income tax related to revaluation, recognised in equity	(27,891,767)	-	(108,540,811)	-
<b>Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods</b>	<b>145,418,047</b>	<b>(1,029,432)</b>	<b>565,894,330</b>	<b>(4,006,035)</b>
<b>Total other comprehensive income (loss) for the year, net of tax</b>	<b>145,730,258</b>	<b>(2,146,679)</b>	<b>567,109,299</b>	<b>(8,353,802)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>166,435,715</b>	<b>54,998,688</b>	<b>647,684,586</b>	<b>214,027,393</b>
<i>Attributable to:</i>				
Equity holders of the parent	165,282,384	53,923,531	643,196,397	209,843,421
Non-Controlling interests	1,153,331	1,075,157	4,488,189	4,183,972
<b>Total comprehensive income for the year</b>	<b>166,435,715</b>	<b>54,998,688</b>	<b>647,684,586</b>	<b>214,027,393</b>

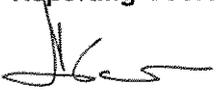
The consolidated financial statements have been approved on March 22<sup>nd</sup>, 2018 and submitted for approval by the General Assembly of shareholders on April 27, 2018 by:

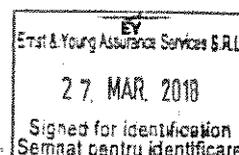
  
**CATALIN DUMITRU**  
**PRESIDENT of the BOARD of DIRECTORS**

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

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

Prepared by,

  
**Cristina Ana Dica**  
**Reporting Coordinator**



**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended at December 31, 2017**

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

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Profit before income tax</b>	<b>24,256,213</b>	<b>54,583,611</b>	<b>94,393,054</b>	<b>212,412,121</b>
<i>Adjustments for:</i>				
Depreciation and amortisation	96,061,994	95,778,024	373,825,250	372,720,181
Provisions for receivables and inventories (incl write-off)	2,268,436	(3,379,483)	8,827,618	(13,151,258)
Impairment for property, plant and equipment (incl write-off)	1,037,558	1,999,849	4,037,656	7,782,412
Loss on revaluation of tangible assets	44,981,492	-	175,045,476	-
Provision for environmental and other liabilities	10,297,478	-	40,072,636	-
Restructuring and retirement benefit provisions	264,965	(621,564)	1,031,111	(2,418,816)
Late payment interest	99,212	6,753	386,083	26,279
Other financial income	(486,529)	(386,785)	(1,893,328)	(1,505,174)
Interest income	(20,041,076)	(11,480,874)	(77,989,847)	(44,677,821)
Interest expense and bank charges	51,177,832	42,936,374	199,158,533	167,086,899
Gain on sale or disposal of property, plant and equipment	(376,590)	(196,801)	(1,465,500)	(765,851)
Unrealised foreign exchange (gain)/loss	12,605,676	(488,670)	49,054,988	(1,901,659)
<b>Cash from operations before working capital changes</b>	<b>222,146,661</b>	<b>178,750,434</b>	<b>864,483,730</b>	<b>695,607,313</b>
<i>Net working capital changes:</i>				
Receivables and prepayments	(244,498,806)	(153,208,372)	(951,467,103)	(596,210,379)
Inventories	(113,776,397)	(51,535,765)	(442,760,849)	(200,551,429)
Trade and other payables	276,373,352	199,928,165	1,075,506,902	778,020,457
<b>Change in working capital</b>	<b>(81,901,851)</b>	<b>(4,815,972)</b>	<b>(318,721,050)</b>	<b>(18,741,351)</b>
<b>Income tax paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash (paid)/received for derivatives, net</b>	<b>42,808</b>	<b>(1,426,383)</b>	<b>166,587</b>	<b>(5,550,769)</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>140,287,618</b>	<b>172,508,079</b>	<b>545,929,267</b>	<b>671,315,193</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(84,027,084)	(59,586,224)	(326,991,399)	(231,879,793)
Purchase of intangible assets	(1,333,129)	(1,856,450)	(5,187,872)	(7,224,375)
Proceeds from sale of property, plant and equipment	451,011	262,411	1,755,109	1,021,172
<b>Net cash used in investing activities</b>	<b>(84,909,202)</b>	<b>(61,180,263)</b>	<b>(330,424,162)</b>	<b>(238,082,996)</b>
<b>Cash flows from financing activities</b>				
Cash pooling movement	52,782,953	6,916,381	205,404,862	26,915,097
Long - term loans received from banks	-	44,126,912	-	171,719,878
Long - term loans repaid to banks	-	(66,276,609)	-	(257,915,424)
Short - term loans (repaid to)/ received from shareholders	(82,004,189)	(2,790,339)	(319,119,301)	(10,858,604)
Short - term loans/ (repaid to) received from banks, net	9,880,159	(17,127,684)	38,448,639	(66,652,382)
Interest and bank charges paid, net	(39,255,444)	(67,093,258)	(152,762,560)	(261,093,414)
<b>Net cash used in financing activities</b>	<b>(58,596,521)</b>	<b>(102,244,597)</b>	<b>(228,028,361)</b>	<b>(397,884,849)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>(3,218,105)</b>	<b>9,083,219</b>	<b>(12,523,256)</b>	<b>35,347,348</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>15,810,298</b>	<b>6,727,079</b>	<b>61,525,775</b>	<b>26,178,427</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12,592,193</b>	<b>15,810,298</b>	<b>49,002,519</b>	<b>61,525,775</b>

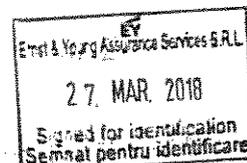
The consolidated financial statements have been approved on March 22<sup>nd</sup>, 2018 and submitted for approval by the General Assembly of shareholders on April 27, 2018 by:

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

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

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

Prepared by,  
**Cristina Ana Dica**  
**Reporting Coordinator**



**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the year ended at December 31, 2017**

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

**Amount in USD**

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
December 31, 2015	1,463,323,897	74,050,518	(1,529,316,646)	-	-	(596,832,659)	998,694,530	409,919,640	13,705,934	423,625,574
Net profit for 2016	-	-	56,070,210	-	-	-	-	56,070,210	1,075,157	57,145,367
Other comprehensive income	-	-	-	-	-	-	(2,146,679)	(2,146,679)	-	(2,146,679)
Total comprehensive income	-	-	56,070,210	-	-	-	(2,146,679)	53,923,531	1,075,157	54,998,688
December 31, 2016	1,463,323,897	74,050,518	(1,473,246,436)	-	-	(596,832,659)	996,547,851	463,843,171	14,781,091	478,624,262
Net profit for 2017	-	-	19,552,126	-	-	-	-	19,552,126	1,153,331	20,705,457
Other comprehensive income	-	-	-	174,323,544	(27,891,767)	-	(701,519)	145,730,258	-	145,730,258
Total comprehensive income	-	-	19,552,126	174,323,544	(27,891,767)	-	(701,519)	165,282,384	1,153,331	166,435,715
Hybrid loan - reserves	-	-	-	-	-	-	59,285,995	59,285,995	-	59,285,995
December 31, 2017	1,463,323,897	74,050,518	(1,453,694,310)	174,323,544	(27,891,767)	(596,832,659)	1,055,132,327	688,411,550	15,934,422	704,345,972

The consolidated financial statements have been approved on March 22<sup>nd</sup>, 2018 and submitted for approval by the General Assembly of shareholders on April 27, 2018 by:

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

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

Prepared by,

**Cristina Ana Dica**  
**Reporting Coordinator**

Ernst & Young Assurance Romania SRL  
**27. MAR. 2018**  
 Signed for identification  
 Semnat pentru identificare

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the year ended at December 31, 2017**

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

**Amount in RON**

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
<b>December 31, 2015</b>	5,694,524,945	288,167,591	(5,951,335,728)	-	-	(2,322,574,292)	3,886,419,763	1,595,202,279	53,336,642	1,648,538,924
Net profit for 2016	-	-	218,197,226	-	-	-	-	218,197,226	4,183,972	222,381,198
Other comprehensive income	-	-	-	-	-	-	(8,353,802)	(8,353,802)	-	(8,353,802)
Total comprehensive income	-	-	218,197,226	-	-	-	(8,353,802)	209,843,424	4,183,972	214,027,393
<b>December 31, 2016</b>	5,694,524,945	288,167,591	(5,733,138,502)	-	-	(2,322,574,292)	3,878,065,961	1,805,045,703	57,520,614	1,862,566,317
<b>Net profit for 2017</b>	-	-	76,087,098	-	-	-	-	76,087,098	4,488,189	80,575,287
Other comprehensive income	-	-	-	678,380,071	(108,540,811)	-	(2,729,961)	567,109,299	-	567,109,299
Total comprehensive income	-	-	76,087,098	678,380,071	(108,540,811)	-	(2,729,961)	643,196,397	4,488,189	647,684,586
Hybrid loan - reserves	-	-	-	-	-	-	230,711,451	230,711,451	-	230,711,451
<b>December 31, 2017</b>	5,694,524,945	288,167,591	(5,657,051,404)	678,380,071	(108,540,811)	(2,322,574,292)	4,106,047,451	2,678,953,551	62,008,803	2,740,962,354

The consolidated financial statements have been approved on March 22<sup>nd</sup>, 2018 and submitted for approval by the General Assembly of shareholders on April 27, 2018 by:

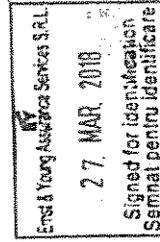
**CATALIN DUMITRU**  
**PRESIDENT of the BOARD of DIRECTORS**

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

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

Prepared by,

**Cristina Ana Dica**  
**Reporting Coordinator**



**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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**1. GENERAL**

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

Rompétrol Rafinare S.A and its subsidiaries (hereinafter referred to as "the Group") are involved in refining, petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 7.a). The number of employees of the Group at the end of 2017 and 2016 was 1,887 and 2,114 respectively.

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of December 31, 2017, as endorsed by the European Union ("EU").

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

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

**b) Going concern**

The financial statements of the Group are prepared on a going concern basis. As at December 31, 2017 and 2016 the Group reported net assets including non-controlling interest, of USD 704.3 million and USD 478.6 million respectively. The Group reported for the year ended December 31, 2017 a profit of USD 19.5 million and for the year ended December 31, 2016 reported a profit of USD 56 million respectively.

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

Ernst & Young Assurance Services S.R.L.  
27. MAR. 2018  
Signed for identification  
Semnat pentru identificare

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

**STRATEGY**

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

- A modern, reliable and highly performing asset base
- Capable management to drive improved performance
- Long-term strategy that links the company's strengths with opportunities on the market
- Adequate access to financial markets to fund strategy implementation

The sound strategy has allowed the Group to significantly improve financial and operational results during 2012 and 2016 period:

- Petromidia refinery achieved record production volumes, well above the designed capacity, and improved technical performance;
- Retail entities sales volumes increased;
- Consolidated financial net result reached positive levels in the last three years.

**OUTLOOK FOR 2018**

Market environment: For 2018 the Group budgeted a crude average price of 55 \$/bbl. From computation of the difference between main petroleum products quotations and Urals quotation, weighted at 2018 approved budget production yields structure (main products represented are: Gasoline, Diesel, Naphtha, LPG, Jet, Fuel oil, Propylene, Coke, Sulphur) results a Market refining margin valued at 48.4 \$/tonne.

In 2018, it is expected a positive growth trend in terms of gasoline and diesel demand for Group's key markets of 0.53% (annual average for Romania and Near Abroad).

Group operations: The Group will continue to carry on the operational initiatives which were identified and put in motion starting 2016, such as: Refining planning and production optimization, energy efficiency and organizational effectiveness, increase of non-fuel profitability, Asian Market trading profitability increase.

These operational initiatives have as main purpose the improvement of the operational results with minimum investment cost.

From the production perspective, in 2018, the Group has the following assumptions in terms of budget:

- ✓ Total feedstock planned to be processed in 2018 estimated at 5.45 million tonnes or 16.4 thousand tonnes/day.
- ✓ White products yield of 85.6%, -1% below actual 2017 mainly from different structure of feedstock (crude oil and SRGO).
- ✓ Increase in processing cost by 1.7 USD/tonne compared with 2017, mainly due to utilities expenses caused by higher utilities tariffs and negative impact from the exchange rate.

Considering the expected market environment and the internal operational initiatives, the Group's operational results are expected reach higher levels than in 2017.

Based on the Group's budget for 2018, its Long-Term Development Strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

As at December 31, 2017 Rompetrol Rafinare SA resolved the issue in respect of its net assets referring to the fact that at the end of year 2015 net assets decreased to less than half the value of the subscribed share capital. During the year 2017, various analyses were developed to identify the best method of remediating the net asset.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

The following operations contributed in 2017 to the remedy of Rompetrol Rafinare S.A. net asset:

1. In November 2017 the company signed with KMG International NV a hybrid loan agreement in total amount of USD 72.2 million loan as a result of conversion of a commercial debt in front of KMG International NV (approximately RON 285.5 million as a result of assignment by Rompetrol Petrochemicals SRL in favor of KMG International NV of a commercial receivable held over the Company) (see note 11).
2. Starting December 31, 2017, the Company changed its accounting policies regarding the recognition and measurement of its non-current assets, in respect of buildings category, from cost model to the revalued one (for details see notes 2 and 5).

**c) Changes in accounting policies**

**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective as of 1 January 2017:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**  
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The Group has no impact from application of this amendment.
- **IAS 7: Disclosure Initiative (Amendments)**  
The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The Group has no impact from application of this amendment.
- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. None of these had a significant effect on the Group's financial statements:
  - **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

Ernst & Young Assurance Services S.R.L.  
27. MAR. 2018  
Signed for identification  
Semnal pentru identificare

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

**Revaluation of buildings category in property, plant and equipment**

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of buildings and constructions after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

Starting December 31, 2017, the Group elected to change the method of accounting for buildings category classified as property, plant and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements. Additional details are provided at Note 2b.

The Group applied the revaluation model prospectively. After initial recognition, buildings are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. For details refer to Note 5.

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

The Group 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 Group adopts the new standard IFRS 9 on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 as well as from further refinements of the impairment model which is currently being tested at the date of these financials. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

**a) Classification and measurement**

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

**b) Hedge accounting**

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Group excluded the forward points from the hedge designation under IAS 39. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

**c) Impairment**

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined after assessment of major categories of trade receivables that the loss allowance will increase by USD 1 million.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

• **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.

• **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.

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. During 2017, the Group performed a preliminary assessment of IFRS 15 and did not identify a significant impact that will affect financial statements.

The Group is involved in refining and petrochemicals, wholesale and retail of petroleum products and related services (oilfield, logistics, maintenance, quality control).

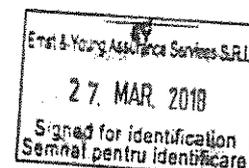
The Group analysed the main revenue streams which are comprised sales of crude oil, petroleum products and petrochemicals, under the main business segments: Downstream (retail and wholesale) and refinery, by applying the "five steps" model prescribed by IFRS 15:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Based on the results of review of contractual terms of principal types of contracts pertaining to each material revenue streams, the Group concluded that IFRS 15 will not have a significant impact compared with current revenue recognition.

• **IFRS 16: Leases**

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



**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

• **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Group level from application of this standard.

• **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. Management has assessed that there is no material impact at Group level from application of this standard.

• **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. Management has assessed that there is no material impact at Group level from application of this standard.

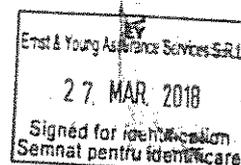
• **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

These Amendments have not yet been endorsed by the EU. Management has assessed that there is no material impact at Group level from application of this standard.

• **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. Management has assessed that there is no material impact at Group level from application of this standard.



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**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. Management has assessed that there is no material impact at Group level from application of this standard.
- **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 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. None of these had a significant effect on the Group's financial statements:
  - **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
  - **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**  
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management has assessed that there is no significant impact from application of this standard.
- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. None of these had a significant effect on the Group's financial statements:
  - **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
  - **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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27. MAR. 2018  
Signed for identification  
Semnat pentru identificare

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

• **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendment require entities to use audited actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. Management has assessed that there is no material impact at Group level from application of this standard.

**e) Foreign currency translation**

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

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

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statement of income

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

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

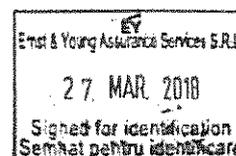
Other matters

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

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

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 31 December 2017 closing exchange rate of RON 3.8915= USD 1, for both 2017 and 2016 amounts.



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

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

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

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

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

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

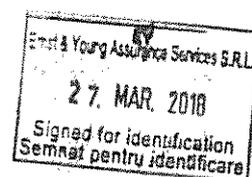
- Impairment of Goodwill on acquisitions

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

- Impairment of non- financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are tested for impairment. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Estimates of future cash flows are based on management estimates of future commodity prices, market supply and demand and product margins. Other factors that can lead to changes in estimates include restructuring plans and variation in regulatory environments. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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



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

- Provision for environmental liability

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

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

- Provision for decommissioning

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

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

- Deferred tax assets

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

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

- Carrying value of trade and other receivables

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

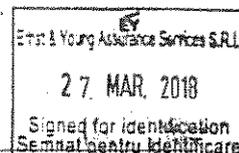
- Carrying value of inventories

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

- Provision for litigations

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

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



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

**g) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2017.

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

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

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

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

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

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

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

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

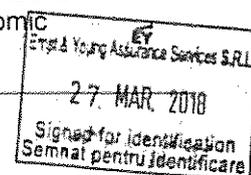
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

**h) Business combinations and goodwill**

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

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



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

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

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

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

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

**i) Financial instruments**

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

*i. Financial assets*

**Initial recognition and measurement**

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

**Subsequent measurement**

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

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

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

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

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

***Loans and receivables***

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

***Available for sale financial assets***

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

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

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

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

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

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

***Derecognition***

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

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

Or

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

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

**Impairment of financial assets**

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

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

*ii. Financial liabilities*

**Initial recognition and measurement**

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

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

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

**Subsequent measurement**

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

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

**Derecognition**

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

*iii. Offsetting of financial instruments*

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

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27. MAR. 2018  
Signed for recognition  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Property, plant and equipment**

Property, plant and equipment of the Company are stated at cost less cumulative depreciation, except for buildings that are periodically revalued and booked at fair value.

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

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

Starting December 31, 2017, the Group changed its accounting policies regarding the recognition and measurement for buildings category, from cost model to the revalued one. The Group has changed its accounting policy to measure buildings category at the revalued amount in accordance with IAS 16. IAS 16.37 defines a class of property, plant and equipment as a grouping of assets of similar nature and use in an entity's operations. The Group determined that the buildings category constitute separate class of property, plant and equipment, based on their nature, characteristics and risks.

Buildings category are measured at fair value less accumulated depreciation and impairment losses recognized after the date of revaluation. Valuations need to be performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

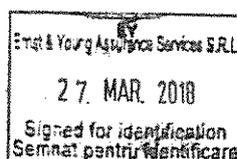
A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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

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

Buildings and other constructions	10 to 100 years
Storage tanks	20 to 30 years
Tank cars	25 years
Machinery and other equipment	3 to 20 years
Gas pumps	8 to 12 years
Vehicles	5 years
Furniture and office equipment	3 to 10 years
Computers	3 years



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

Following the changing in the accounting policy regarding recognition of buildings category from cost to revaluation method, also the economic remaining life utilization of the buildings were revaluated as at December 31, 2017. The remaining life utilization were estimated by the authorised appraiser based on ANEVAR's Assessment Guide GEV 500 (in accordance with normative act P135/2000 issued by INCERC). According to GEV 500 life utilization of buildings are up to 100 years. The depreciation of buildings category based on the revaluated remaining life utilization applies starting January 01, 2018.

When assets are sold or derecognized, their cumulative costs and depreciation are eliminated and any income or loss resulting from their disposal is included in the income statement.

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

**k) Intangible assets**

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

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

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

**l) Impairment of non-financial assets**

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

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

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

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

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

*Goodwill*

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

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the

cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

**m) Provisions**

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

Provisions are not recognized for future operating losses.

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

Additional comments on the following specific liabilities are:

- *Decommissioning liability*

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

- *Environmental liabilities*

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

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

The above-mentioned expenses are estimated based on the relevant environmental studies.

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

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

**n) Leases**

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

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

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

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

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

**o) Inventories**

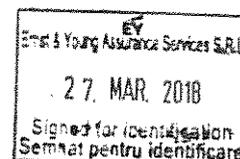
Inventories raw material, petroleum products, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, minus the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

**p) Trade receivables**

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

**q) Cash and cash equivalents**

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



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

**r) Revenue recognition**

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

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

In addition:

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

**s) Interest bearing loans and borrowings**

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

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

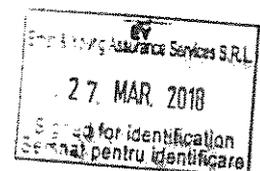
**t) Borrowings costs**

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

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

**u) Retirement benefit costs**

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



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

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

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

**v) Taxes**

- *Current income tax*

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

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

- *Deferred tax*

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

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

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

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

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

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

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

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

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

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

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

- **Sales tax**

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

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

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

**w) Dividends**

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

**x) Foreign Currency Transactions**

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

**y) Derivative Financial Instruments**

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

The use of financial derivatives is governed by the Group's policies approved by board of directors, which provide written principles on the use of financial derivatives.

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

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

*Fair value hedge*

The Company buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). The company hedges priced inventories (both raw materials and finished products) around BOS (based operated stock) using futures instruments for a period that approximately matches the operating cycle.

Hedge accounting is applied for the futures instruments. The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognised in the statement of profit or loss as Cost of Sales. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss (see note 18).

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

*Cash Flow Hedge*

The Company buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). Throughout a given period, the volatility associated with the oil market, both in crudes and in finished, is transmitted to the Company's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). To reduce this volatility, the Company hedges the margin with a swap on a hedged basket as relevant for the period.

Hedge accounting is applied for the refinery margin Swap instruments. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see note 18).

**z) Emission Rights**

CO2 emission rights quota are allocated to the Group's refining and petrochemicals operations. For the period 2013-2020 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. Rompetrol Rafinare SA received its quota allocation for 2017 and the one for 2018 has been received at the end of February 2018. The Group accounts for the liability resulting from generating of these emissions using the net liability method. The actual emissions are not expected to exceed the certificates which the group will have in its accounts in CO2 EU Register at the time of annual compliance (April 2018). The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective group companies. Income is recognized only when excess certificates are sold on the market.

**aa) Contingencies**

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

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

Ernst & Young Assurance Services S.R.L.  
27. MAR. 2018  
Signed for identification  
Semnat pentru identificare

**ROMPETROL RAFINARE SA**  
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**3. INTANGIBLE ASSETS**

**Amounts in USD**

	Software	Other	Intangibles in progress	Total
<b>Cost</b>				
Opening balance as of January 1, 2016	33,528,262	38,536,728	2,357,408	74,422,398
Additions	2,418	63,716	1,790,316	1,856,450
Transfers from CIP	(72,269)	170,836	(98,567)	-
Transfers and reclassifications*	-	-	(26,805)	(26,805)
<b>Closing balance as of December 31, 2016</b>	<b>33,458,411</b>	<b>38,771,280</b>	<b>4,022,352</b>	<b>76,252,043</b>
Additions	441,718	33,165	858,246	1,333,129
Transfers from CIP	37,861	96,565	(134,426)	-
Transfers and reclassifications*	735,252	275,304	16,365	1,026,921
<b>Closing balance as of December 31, 2017</b>	<b>34,673,242</b>	<b>39,176,314</b>	<b>4,762,537</b>	<b>78,612,093</b>
<b>Accumulated amortization</b>				
Opening balance as of January 1, 2016	(32,515,882)	(34,703,944)	(523,380)	(67,743,206)
Charge for the year	(552,315)	(690,760)	-	(1,243,075)
Accumulated amortization of disposals	158,713	(158,713)	-	-
<b>Closing balance as of December 31, 2016</b>	<b>(32,909,484)</b>	<b>(35,553,417)</b>	<b>(523,380)</b>	<b>(68,986,281)</b>
Charge for the year	(615,276)	(758,081)	-	(1,373,357)
<b>Closing balance as of December 31, 2017</b>	<b>(33,524,760)</b>	<b>(36,311,498)</b>	<b>(523,380)</b>	<b>(70,359,638)</b>
<b>Net book value</b>				
As of December 31, 2016	548,927	3,217,863	3,498,972	7,265,762
As of December 31, 2017	1,148,482	2,864,816	4,239,157	8,252,455

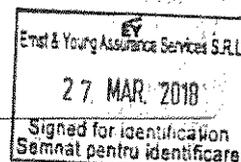
\* ) Includes, transfer to property, plant and equipment, reclassifications between categories and other adjustments;

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

**Amounts in RON**

	Software	Other	Intangibles in progress	Total
<b>Cost</b>				
Opening balance as of January 1, 2016	130,475,232	149,965,677	9,173,853	289,614,762
Additions	9,410	247,951	6,967,015	7,224,376
Transfers from CIP	(281,235)	664,808	(383,573)	-
Transfers and reclassifications*	-	-	(104,312)	(104,312)
<b>Closing balance as of December 31, 2016</b>	<b>130,203,407</b>	<b>150,878,436</b>	<b>15,652,983</b>	<b>296,734,826</b>
Additions	1,718,946	129,062	3,339,864	5,187,872
Transfers from CIP	147,336	375,783	(523,119)	-
Transfers and reclassifications*	2,861,233	1,071,346	63,684	3,996,263
<b>Closing balance as of December 31, 2017</b>	<b>134,930,922</b>	<b>152,454,627</b>	<b>18,533,412</b>	<b>305,918,961</b>
<b>Accumulated amortization</b>				
Opening balance as of January 1, 2016	(126,535,555)	(135,050,398)	(2,036,733)	(263,622,686)
Charge for the year	(2,149,334)	(2,688,093)	-	(4,837,427)
Accumulated amortization of disposals	617,632	(617,632)	-	-
<b>Closing balance as of December 31, 2016</b>	<b>(128,067,257)</b>	<b>(138,356,123)</b>	<b>(2,036,733)</b>	<b>(268,460,113)</b>
Charge for the year	(2,394,347)	(2,950,072)	-	(5,344,419)
<b>Closing balance as of December 31, 2017</b>	<b>(130,461,604)</b>	<b>(141,306,195)</b>	<b>(2,036,733)</b>	<b>(273,804,532)</b>
<b>Net book value</b>				
As of December 31, 2016	2,136,150	12,522,313	13,616,250	28,274,713
As of December 31, 2017	4,469,318	11,148,432	16,496,679	32,114,429

English translation is for information purposes only. Romanian language text is the official text for submission.



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**4. GOODWILL**

The carrying value of goodwill as of 31 December 2017 and 2016 was USD 82,871,706 (RON: 322,495,245).

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

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

**Impairment test**

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2017 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.

**5. PROPERTY, PLANT AND EQUIPMENT**

**Amounts in USD**

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
<b>Cost</b>						
As of January 1, 2016	70,158,567	897,975,694	1,189,432,815	122,759,947	73,815,700	2,354,142,723
Acquisitions	-	-	105,966	988,499	58,491,759	59,586,224
Transfers from CIP	-	11,851,455	12,568,200	4,443,607	(28,863,262)	-
Disposals	-	(1,532,984)	(9,996,145)	(3,086,799)	(19,962)	(14,635,890)
Transfers and reclassifications*	-	(8,347)	(26,084)	34,431	(118,839)	(118,839)
As of December 31, 2016	70,158,567	908,285,818	1,192,084,752	125,139,685	103,305,396	2,398,974,218
Additions	-	2,077	416,670	470,497	83,137,840	84,027,084
Transfers from CIP	-	16,370,701	42,382,143	4,930,107	(63,682,951)	-
Revaluation adjustment	-	129,342,052	-	-	-	129,342,052
Disposals	-	(605,372)	(2,349,942)	(10,727,083)	(836)	(13,683,233)
Transfers and reclassifications*	-	(382,107,113)	(1,641,542)	(1,439,050)	(115,663)	(385,303,368)
As of December 31, 2017	70,158,567	671,288,163	1,230,892,081	118,374,156	122,643,786	2,213,356,753
<b>Accumulated depreciation &amp; Impairment</b>						
As of January 1, 2016	(78,373)	(459,434,385)	(594,783,545)	(95,642,159)	(28,923,732)	(1,178,862,194)
Charge for the year	-	(26,044,186)	(63,416,506)	(5,074,257)	-	(94,534,949)
Accumulated depreciation of disposals	-	576,718	9,953,103	2,392,487	-	12,922,308
Impairment	-	-	-	-	(351,877)	(351,877)
Transfers and reclassifications*	-	(141,778)	124,973	16,212	-	(593)
As of December 31, 2016	(78,373)	(485,043,631)	(648,121,975)	(98,307,717)	(29,275,609)	(1,260,827,305)
Charge for the year	-	(27,057,742)	(61,735,456)	(5,895,439)	-	(94,688,637)
Accumulated depreciation of disposals	-	261,906	2,284,904	10,543,223	-	13,090,033
Impairment	-	(297,979)	-	-	(220,800)	(518,779)
Transfers and reclassifications*	-	382,107,113	-	2,040,000	-	384,147,113
As of December 31, 2017	(78,373)	(130,030,333)	(707,572,527)	(91,619,933)	(29,496,409)	(958,797,575)
Net book value as of December 31, 2016	70,080,194	423,242,187	543,962,777	26,831,968	74,029,787	1,138,146,913
Net book value as of December 31, 2017	70,080,194	541,257,830	523,319,554	26,754,223	93,147,377	1,254,559,178

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

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

**Amounts in RON**

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
<b>Cost</b>						
As of January 1, 2016	273,022,063	3,494,472,413	4,628,677,800	477,720,334	287,253,797	9,161,146,407
Acquisitions	-	-	412,367	3,846,744	227,620,680	231,879,791
Transfers from CIP	-	46,119,937	48,909,150	17,292,297	(112,321,384)	-
Disposals	-	(5,965,607)	(38,899,998)	(12,012,278)	(77,682)	(56,955,565)
Transfers and reclassifications*	-	(32,482)	(101,506)	133,988	(462,462)	(462,462)
As of December 31, 2016	273,022,063	3,534,594,261	4,638,997,813	486,981,085	402,012,949	9,335,608,171
Additions	-	8,083	1,621,471	1,830,939	323,530,904	326,991,397
Transfers from CIP	-	63,706,583	164,930,109	19,185,511	(247,822,203)	-
Revaluation adjustment	-	503,334,595	-	-	-	503,334,595
Disposals	-	(2,355,805)	(9,144,799)	(41,744,443)	(3,253)	(53,248,300)
Transfers and reclassifications*	-	(1,486,969,830)	(6,388,061)	(5,600,063)	(450,103)	(1,499,408,057)
As of December 31, 2017	273,022,063	2,612,317,887	4,790,016,533	460,653,029	477,268,294	8,613,277,806
<b>Accumulated depreciation &amp; impairment</b>						
As of January 1, 2016	(304,989)	(1,787,888,909)	(2,314,600,165)	(372,191,462)	(112,556,703)	(4,587,542,228)
Charge for the year	-	(101,350,950)	(246,785,333)	(19,746,470)	-	(367,882,753)
Accumulated depreciation of disposals	-	2,244,298	38,732,500	9,310,363	-	50,287,161
Impairment	-	-	-	-	(1,369,329)	(1,369,329)
Transfers and reclassifications*	-	(551,729)	486,332	63,089	-	(2,308)
As of December 31, 2016	(304,989)	(1,887,547,290)	(2,522,166,666)	(382,564,480)	(113,926,032)	(4,906,509,457)
Charge for the year	-	(105,295,203)	(240,243,527)	(22,942,102)	-	(368,480,832)
Accumulated depreciation of disposals	-	1,019,207	8,891,704	41,028,952	-	50,939,863
Impairment	-	(1,159,585)	-	-	(859,243)	(2,018,828)
Transfers and reclassifications*	-	1,486,969,830	-	7,938,660	-	1,494,908,490
As of December 31, 2017	(304,989)	(506,013,041)	(2,753,518,489)	(356,538,970)	(114,785,275)	(3,731,160,764)
Net book value as of December 31, 2016	272,717,074	1,647,046,971	2,116,831,147	104,416,605	288,086,917	4,429,098,714
Net book value as of December 31, 2017	272,717,074	2,106,304,846	2,036,498,044	104,114,059	362,483,019	4,882,117,042

In 2017, Transfers and Reclassifications of USD 1.15 million (RON 4.48 million) represent transfer to intangibles, reclassifications between categories and other adjustments. Also, an additional transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset in amount of USD 382.1 million.

- *Construction in progress*

During 2017, Downstream continued the process of expending the network by opening new stations and rebranding the existing one. The value of investment was USD 21.7 million.

In 2017 out of the total acquisitions in construction in progress the most significant refers to the following projects of Rompetrol Rafinare SA: HDPE\* Unit restart USD 4.2 million, State Inspecting for Control of Boilers, Pressure Vessel and Hoisting authorizations (ISCIR) amounting to USD 12.5 million, Tank rehabilitation amounting to USD 5.2 million and Refinery and Petrochemicals annual turnaround amounting to USD 17.3 million. Part of these projects have been transferred to the other property, plant and equipment categories.

\*At December 31, 2017, the net book value of the HDPE plant is \$ 23.7 million.

With the support and decision of the majority shareholder, the company started at the end 2017 the mechanical and organizational works for bringing the HDPE plant to operation. At the time of preparation of the financial statements, the mechanical works are completed, the restarting technological tests being carried out at these times (March 2018). In the near future, depending on the appropriate market moment, the actual putting into operation of the HDPE unit will take place.

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

In 2017 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 7.6 million, State Inspecting for Control of Boilers, Pressure Vessel and Hoisting authorizations (ISCIR) amounting to USD 7.5 million, HDPE Unit restart amounting to USD 4.2 million and Refinery specific optimisation programs amounting to USD 13.3 million in respect of Rompetrol Rafinare SA.

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

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

In 2016 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 7.9 million, State Inspecting for Control of Boilers, Pressure Vessel and Hoisting authorizations (ISCIR) amounting to USD 5 million, Refinery specific optimisation programs amounting to USD 5.8 million and Refinery 2017 turnaround amounting to USD 2.8 million in respect of Rompetrol Rafinare SA.

- *Disposals*

In 2017, out of the total USD 13.7 million disposed assets, USD 13.2 million refers to write-offs for Rompetrol Downstream.

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

- *Borrowing costs capitalized*

The Group is financing part of its operations from borrowings and hence the cost of these borrowings related to acquisition of qualifying assets is capitalized as part of the cost of those qualifying assets. For the years ended at 31 December 2017 and 31 December 2016 no loans were taken specifically for investments and - no borrowing costs were capitalized.

- *Disposals through sales of subsidiaries and liquidations*

During 2017 and 2016 there was no disposal of companies.

- *Impairment*

The Group completes an annual assessment for any indication of impairment for all entities based on specific asset considerations, as applicable, and taking into consideration expectations on future estimated cash flows. Impairment tests have been performed by the Group for the carrying value of goodwill and property plant and equipment as of 31 December 2017 on the cash generating units ("CGUs") listed below in Note 6.

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

- Revaluation of buildings category

Starting December 31, 2017, the Group changed its accounting policies regarding the recognition and measurement of its non-current assets, for buildings category, from cost model to the revalued one. The Group has changed its accounting policy to measure buildings category at the revalued amount in accordance with IAS 16. IAS 16.37 defines a class of property, plant and equipment as a grouping of assets of similar nature and use in an entity's operations. The Group determined that the buildings category constitute separate class of property, plant and equipment, based on their nature, characteristics and risks.

The change from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Group's assets. Fair value of the buildings category was determined using the market comparable method. The valuations were performed by an independent appraiser and are based on proprietary databases of prices for properties of similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value was classified as a Level 3 measurement. A net gain from the revaluation of the Group buildings category of USD 146,4 million in 2017 was recognized in OCI.

**Reconciliation of carrying amount**

	<b>Buildings</b>	
	<b>mUSD</b>	<b>mRON</b>
<b>Carrying amount as at December 31, 2016*</b>	<b>423</b>	<b>1,646</b>
Level 3 revaluation gain recognised due to change in accounting policy to revaluation model	174	677
Level 3 revaluation loss recognized (included in the profit and loss for the period)	(45)	(175)
Depreciation for the year	(27)	(105)
Additions/Disposals/Transfers and reclassifications	16	62
<b>Carrying amount and fair value as at 31 December 2017</b>	<b>541</b>	<b>2,148</b>

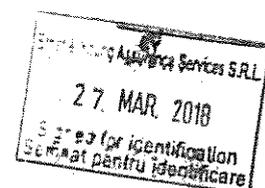
\*The Group changed the accounting policy with respect to the measurement of buildings category as at December 31, 2017 on a prospective basis. Therefore, the fair value of the of buildings category was not measured at December 31, 2016.

If the buildings category was measured using the cost model, the carrying amounts would be, as follows:

	<b>2017</b>	
	<b>mUSD</b>	<b>mRON</b>
Cost	924	3,596
Accumulated depreciation and impairment	(512)	(1,992)
<b>Net carrying amount</b>	<b>412</b>	<b>1,604</b>

- Pledged property, plant and equipment

The Group has pledged property, plant and equipment of approximately USD 437.9 million (2016: USD 420.29 million) net, for securing banking facilities granted to Group entities.



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**6. IMPAIRMENT TEST**

Impairment tests have been performed by the Group for the carrying value of goodwill and property plant and equipment as of 31 December 2017 on the cash generating units ("CGUs") listed below. Based on the impairment tests performed, no impairment has been identified.

As of December 31, 2017, the net book value of property plant and equipment for the cash generating units is the following: Refining USD 919 million, Petrochemicals USD 55 million, Downstream USD 207 million.

*Refining*

Refining CGU includes the operations of Petromidia Refinery and Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 9.0% (2016: 9.6%) and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.5% (2016: 8.1%).

*Petrochemicals*

Petrochemicals CGU includes the petrochemical business of the group, which is included within Rompetrol Rafinare legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 9.0% (2016:9.6%) and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.5% (2016: 8.1%).

*Downstream Romania*

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

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 9.0% (2016 9.6%) and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.5 % (2016: 8.1%).

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

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

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

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

	2018	2019	2020	2021	2022
Refining	2.8%	5.8%	5.6%	6.2%	5.3%
Petrochemicals	(2.9%)	(0.1%)	(0.8%)	0.6%	1.1%
Downstream Romania	2.2%	2.2%	2.0%	2.4%	2.9%

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**6. IMPAIRMENT TEST (continued)**

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

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

**Sensitivity to changes in assumptions**

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

*Refining*

The break-even point for the current model is achieved under a decrease of 59.1% of Operating profit, reaching the following Operating profit margins:

	2018	2019	2020	2021	2022
Operating profit margin	1.1%	2.4%	2.3%	2.5%	2.2%

*Petrochemicals*

The break-even point for the current model is achieved under a decrease of 57.3% of Operating profit, reaching the following Operating profit margins:

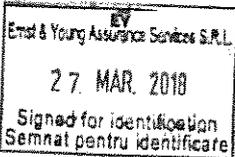
	2018	2019	2020	2021	2022
Operating profit margin	(1.2%)	(0.1%)	(0.3%)	0.2%	0.5%

*Downstream Romania*

The break-even point for the current model is achieved under a decrease of Operating profit of 51.8% reaching the following Operating profit margins:

	2018	2019	2020	2021	2022
Operating profit margin	1.0%	1.1%	1.0%	1.2%	1.4%

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


  
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**7. INVESTMENTS**

**a) Investments in Consolidated Subsidiaries**

Details of the Group consolidated subsidiaries at December 31, 2017 and 2016 are as follows:

Company name	Range of activity	Effective ownership December 31, 2017	Control December 31, 2017	Effective ownership December 31, 2016	Control December 31, 2016
Romp petrol Downstream S.R.L.	Retail Trade of Fuels and Lubricants	100.00%	100.00%	100.00%	100.00%
Rom Oil S.A.	Wholesale of Fuels; fuel storage	100.00%	100.00%	100.00%	100.00%
Romp petrol Logistics S.R.L.	Logistics operations	66.19%	100.00%	66.19%	100.00%
Romp petrol Petrochemicals S.R.L.	Petrochemicals	100.00%	100.00%	100.00%	100.00%
Romp petrol Quality Control S.R.L.	Quality Control Services	100.00%	100.00%	100.00%	100.00%
Romp petrol Gas S.R.L.	LPG Sales	66.19%	100.00%	66.19%	100.00%

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

**b) Available for sale Investments**

	2017 USD	2016 USD	2017 RON	2016 RON
Other	18,583	18,583	72,316	72,316
<b>Total</b>	<b>18,583</b>	<b>18,583</b>	<b>72,316</b>	<b>72,316</b>

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

**8. INVENTORIES, NET**

	2017 USD	2016 USD	2017 RON	2016 RON
Crude oil and other feedstock materials	148,316,687	110,510,568	577,174,387	430,051,877
Petroleum and petrochemical products	139,135,248	69,858,959	541,444,818	271,856,139
Work in progress	31,572,883	28,704,734	122,865,874	111,704,472
Spare parts	16,625,967	16,612,033	64,699,951	64,645,726
Consumables and other raw materials	5,743,935	5,583,758	22,352,523	21,729,194
Merchandises	10,434,929	6,787,215	40,607,526	26,412,447
Other inventories	8,765,119	8,725,268	34,109,461	33,954,380
Inventories provision	(17,970,943)	(16,690,970)	(69,933,925)	(64,952,910)
	<b>342,623,825</b>	<b>230,091,565</b>	<b>1,333,320,615</b>	<b>895,401,325</b>

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

The inventories provision movement in 2017 and 2016 is provided below:

**Movements in inventories reserve:**

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Reserve as of January 1</b>	<b>(16,690,970)</b>	<b>(19,479,973)</b>	<b>(64,952,910)</b>	<b>(75,806,315)</b>
Accrued provision	(3,864,942)	(6,103,255)	(15,040,422)	(23,750,817)
Write off	38,435	111,172	149,570	432,626
Reversal of provision	2,546,534	8,781,086	9,909,837	34,171,596
<b>Reserve as of December 31</b>	<b>(17,970,943)</b>	<b>(16,690,970)</b>	<b>(69,933,925)</b>	<b>(64,952,910)</b>

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

The Group has pledged inventories in gross amount of USD 301.4 million (2016: USD 170.16 million) to secure banking facilities.

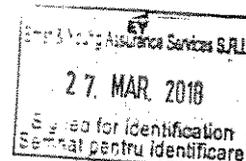
**9. TRADE AND OTHER RECEIVABLES**

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

	2017 USD	2016 USD	2017 RON	2016 RON
Trade receivables	272,145,734	252,476,726	1,059,055,124	982,513,180
Advances to suppliers	9,061,490	9,141,906	35,262,788	35,575,727
Sundry debtors	84,011,319	31,018,813	326,930,048	120,709,711
VAT to be recovered	12,050	71,450	46,893	278,048
Other receivables	176,224,862	87,603,703	685,779,050	340,909,810
Provision for bad and doubtful debts	(105,245,948)	(92,735,110)	(409,564,607)	(360,878,681)
	<b>436,209,507</b>	<b>287,577,488</b>	<b>1,697,509,296</b>	<b>1,119,107,795</b>

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

Included in Sundry debtors in 2017 is an amount of USD 3.05 million (2016: USD 2.75 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2007-2010 period, and an additional USD 3.53 million (2016: USD 3.2 million) for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) (see Note 27). Also, included in Sundry debtors category is an amount of USD 73.4 million relating to Rompetrol Petrochemicals SRL receivables against KMG I as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMG I starting with November 2017 for Rompetrol Rafinare SA debts. Included in Sundry debtors in 2016 is an amount of USD 20.99 million (2015: USD 22.79 million) for payment made by Rompetrol Rafinare for antidumping and countervailing taxes for Biodiesel import (in respect with KMG I).



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

Out of the total balance for other receivables of USD 176.2 million, an amount of USD 30.02 million (2016: USD 24.74 million) relates to Competition Council fine from Downstream and USD 112.8 million relates to cash pooling receivables for: Rompetrol Downstream USD 92.9 million (2016: USD 15.4 million), Rompetrol Gas USD 19.9 million (2016: USD 8.34 million), and Rompetrol Quality Control USD 0.02 million (2016: 0.61 million). Also, in other receivables an amount of USD 13.99 million (2016: USD 13.81 million) refers to excise receivables in Rompetrol Rafinare.

	2017 USD	2016 USD	2017 RON	2016 RON
Sundry debtors	84,011,319	31,018,813	326,930,048	120,709,711
Other receivables	176,224,862	87,603,703	685,779,050	340,909,810
Provision for sundry debtors and other receivables	(32,772,120)	(26,520,402)	(127,532,703)	(103,204,142)

Out of the total amount of other receivables and sundry debtors of USD 260.2 million (2016: USD 118.6 million) an amount of USD 32.77 million (2016: USD 26.52 million) is provisioned.

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

	2017 USD	2016 USD	2017 RON	2016 RON
Balance at the beginning of the year	(92,735,110)	(93,925,432)	(360,878,681)	(365,510,819)
Impairment losses recognized on receivables	(1,933,470)	(1,347,495)	(7,524,099)	(5,243,777)
Impairment losses reversed	2,028,308	2,049,147	7,893,161	7,974,256
Translation differences	(12,605,676)	488,670	(49,054,988)	1,901,659
Balance at the end of the year	(105,245,948)	(92,735,110)	(409,564,607)	(360,878,681)

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

	USD		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
2017	199,671,906	135,523,263	28,655,877	6,894,093	3,622,342	1,790,045	23,186,286
2016	186,262,018	101,005,281	23,216,368	9,435,088	6,666,049	5,063,161	40,876,071

	RON		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
2017	777,023,220	527,388,776	111,514,345	26,828,363	14,096,344	6,965,960	90,229,432
2016	724,838,641	393,062,049	90,346,496	36,716,645	25,940,930	19,703,291	159,069,230

As at 31 December 2017, trade receivables at initial value of USD 72.47 million (2016: USD 66.21 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

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

	Individually impaired USD	Collectively impaired USD	Total USD
<b>At 1 January 2016</b>	<b>51,110,929</b>	<b>17,090,712</b>	<b>68,201,641</b>
Charge for the year	949,986	395,857	1,345,843
Unused amounts reversed	(262,489)	(721,003)	(983,492)
Exchange rate differences	(1,400,328)	(948,956)	(2,349,284)
<b>At 31 December 2016</b>	<b>50,367,367</b>	<b>15,847,341</b>	<b>66,214,708</b>
Charge for the year	1,111,745	478,710	1,590,455
Unused amounts reversed	4,715	(170,937)	(166,222)
Exchange rate differences	4,827,235	1,848,772	6,676,007
<b>At 31 December 2017</b>	<b>54,975,570</b>	<b>17,498,258</b>	<b>72,473,828</b>

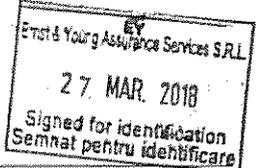
	Individually impaired RON	Collectively impaired RON	Total RON
<b>At 1 January 2016</b>	<b>198,898,180</b>	<b>66,508,507</b>	<b>265,406,687</b>
Charge for the year	3,696,871	1,540,478	5,237,349
Unused amounts reversed	(1,021,476)	(2,805,783)	(3,827,259)
Exchange rate differences	(5,449,376)	(3,692,862)	(9,142,238)
<b>At 31 December 2016</b>	<b>196,004,609</b>	<b>61,669,930</b>	<b>257,674,539</b>
Charge for the year	4,326,354	1,862,900	6,189,254
Unused amounts reversed	18,348	(665,201)	(646,853)
Exchange rate differences	18,785,185	7,194,497	25,979,682
<b>At 31 December 2017</b>	<b>213,937,429</b>	<b>68,094,475</b>	<b>282,031,904</b>

Trade receivables totaling USD 127.85 million (RON 497.52 million) as at December 31, 2017 and USD 132.18 million (RON 514.38 million) as at December 31, 2016 are pledged to obtain credit facilities (see Notes 12 and 15).

**10. CASH AND CASH EQUIVALENTS**

	2017 USD	2016 USD	2017 RON	2016 RON
Cash at bank	10,040,822	14,472,800	39,073,859	56,320,901
Cash on hand	2,361,831	1,196,646	9,191,065	4,656,748
Cash equivalents	189,540	140,852	737,595	548,126
	<b>12,592,193</b>	<b>15,810,298</b>	<b>49,002,519</b>	<b>61,525,775</b>

Included in cash at bank is USD 1.77 million (RON 6.89 million) as at December 31, 2017 and USD 1.54 million (RON 5.99 million) as at December 31, 2016 representing cash collateral for certain bank facilities (see Note 12 and 15). Cash equivalents represent mainly cheques in the course of being cashed.

  
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**11.EQUITY**

As of December 31, 2017 and 2016 the share capital consisted of 44,109,205,726, authorized, issued and fully paid ordinary shares with a face value of RON 0.1 each.

Shareholders' structure as at December 31, 2017 is as follows:

**December 31, 2017**

Shareholders	Ownership	Amount per statutory documents RON	Amount under IFRS USD	Amount under IFRS RON
KMG International NV	48.11%	2,122,250,642	704,057,130	2,739,838,321
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,545,219,507
Rompotrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	368,463,841
Rompotrol Well Services S.A.	0.05%	2,198,030	729,197	2,837,670
Others (not State or KMGI Group)	0.67%	29,562,686	9,807,428	38,165,606
<b>Total</b>	<b>100%</b>	<b>4,410,920,571</b>	<b>1,463,323,897</b>	<b>5,694,524,945</b>

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

**December 31, 2016**

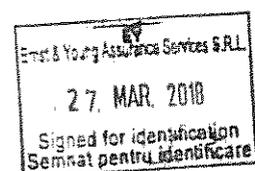
Shareholders	Ownership	Amount per statutory documents RON	Amount under IFRS USD	Amount under IFRS RON
KMG International NV	48.11%	2,122,250,642	704,057,130	2,739,838,321
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,545,219,507
Rompotrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	368,463,841
Rompotrol Well Services S.A.	0.05%	2,198,030	729,197	2,837,670
Others (not State or KMGI Group)	0.67%	29,562,686	9,807,428	38,165,606
<b>Shareholders</b>	<b>100%</b>	<b>4,410,920,571</b>	<b>1,463,323,897</b>	<b>5,694,524,945</b>

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2017 and 2016.

*Share premium and effect of transfers with equity holders*

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

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



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**11. EQUITY (continued)**

*Hybrid Loan*

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

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

In 2017 an additional USD 72.2 million related to Rompetrol Rafinare SA were converted to hybrid loan repayable after 51 years. As of December 31, 2017, the total value of the hybrid loan is amounting USD 1,072 million. The additional loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 2% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

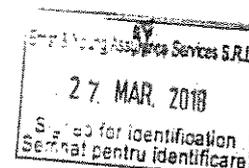
- ✓ the company records net profit after tax in the year
- ✓ the company will be able to distribute dividends as per the Romanian law requirements

Also, in 2017 management carried out an assessment on the potential hybrid loan interest liability and recorded an amount of USD 14.6 million, based on the projected profitability of the business for the upcoming period.

*Revaluation reserve*

Starting December 31, 2017, the Group changed its accounting policies regarding the recognition and measurement of its non-current assets, in respect of buildings category, from cost model to the revalued one. The Group has changed its accounting policy to measure buildings category at the revalued amount in accordance with IAS 16. IAS 16.37 defines a class of property, plant and equipment as a grouping of assets of similar nature and use in an entity's operations. The Group determined that the buildings category constitute separate class of property, plant and equipment, based on their nature, characteristics and risks.

The change from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Group's assets. Fair value of the buildings category was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices for properties of similar nature, location and condition. A gain from the revaluation of the Group buildings category of USD 146,4 million in 2017 was recognized in OCI.



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

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank</b>	-	127,850,463	-	497,530,077
Rompetroil Downstream: The entire exposure is composed by 2 different loans in USD. The loans are payable by April 23, 2018. The loans were transferred to short term debt.				
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank</b>	-	65,556,435	-	255,112,867
Rompetroil Rafinare: The exposure is composed by 4 loans in USD. The loans are payable by April 23, 2018. The loans were transferred to short term debt.				
<b>Amount payable within one year principal</b>	-	(244,093)	-	(949,888)
<b>Total</b>	-	193,162,805	-	751,693,056

	2017 USD	2016 USD	2017 RON	2016 RON
One year or less - principal	-	244,093	-	949,888
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	-	193,162,805	-	751,693,056
<b>Total</b>	-	193,406,898	-	752,642,944

The loans are secured with pledges on property plant and equipment of USD 437.9 million (2016: USD 420.29), inventories of USD 301.4 million (2016: USD 170.16) and trade receivables of USD: 127.8 million (2016: USD 132.18 million).

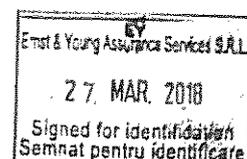
The club loan with Raiffeisen/BCR/ING/Unicredit is secured with a USD 200 million Corporate Guarantee by NC KazMunayGas JSC with a maturity of 5 years. The undrawn amount from the total facility as at December 31, 2017 is in amount of USD 24.17 million.

All the financial covenants applicable were complied with as of December 31, 2017.

**13. DEFERRED TAX ASSETS AND LIABILITIES**

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

	2017 USD	2016 USD	2017 RON	2016 RON
Deferred tax assets	(36,221,657)	(63,468,579)	(140,956,577)	(246,987,975)
Deferred tax liabilities	3,715,861	306,570	14,460,273	1,193,017
<b>Deferred tax (asset) / liability, net</b>	<b>(32,505,796)</b>	<b>(63,162,009)</b>	<b>(126,496,304)</b>	<b>(245,794,958)</b>

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

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

**USD**

2017	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
<b>Temporary differences</b>				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	125,006,263	41,141,006	174,323,544	340,470,813
Inventories	82,619	-	-	82,619
Provisions	(65,525,531)	(6,784,469)	-	(72,310,000)
Tax losses	(454,374,481)	(17,078,750)	-	(471,453,231)
Other	(663)	-	-	(663)
<b>Total temporary differences (asset)/liability</b>	<b>(394,762,555)</b>	<b>17,277,787</b>	<b>174,323,544</b>	<b>(203,161,224)</b>
<b>Deferred tax effect</b>				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	20,001,002	6,582,561	27,891,767	54,475,330
Inventories	13,219	-	-	13,219
Provisions	(10,484,085)	(1,085,515)	-	(11,569,600)
Tax losses	(72,699,917)	(2,732,600)	-	(75,432,517)
Other	(106)	-	-	(106)
<b>Deferred tax (asset)/liability recognized</b>	<b>(63,162,009)</b>	<b>2,764,446</b>	<b>27,891,767</b>	<b>(32,505,796)</b>

**RON**

2017	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
<b>Temporary differences</b>				
Intangible assets	191,610	-	-	191,610
Property, plant and equipment	486,461,872	160,100,225	678,380,071	1,324,942,168
Inventories	321,512	-	-	321,512
Provisions	(254,992,604)	(26,401,761)	-	(281,394,365)
Tax losses	(1,768,198,293)	(66,461,956)	-	(1,834,660,249)
Other	(2,580)	-	-	(2,580)
<b>Total temporary differences (asset)/liability</b>	<b>(1,536,218,483)</b>	<b>67,236,508</b>	<b>678,380,071</b>	<b>(790,601,904)</b>
<b>Deferred tax effect</b>				
Intangible assets	30,657	-	-	30,657
Property, plant and equipment	77,833,899	25,616,037	108,540,812	211,990,748
Inventories	51,442	-	-	51,442
Provisions	(40,798,817)	(4,224,282)	-	(45,023,099)
Tax losses	(282,911,727)	(10,633,913)	-	(293,545,640)
Other	(412)	-	-	(412)
<b>Deferred tax (asset)/liability recognized</b>	<b>(245,794,958)</b>	<b>10,757,842</b>	<b>108,540,812</b>	<b>(126,496,304)</b>

The deferred tax (assets) /liabilities recognized at each company level is presented below:

**USD**

Deferred tax (asset)/liability recognized	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Rompelrol Rafinare SA	(60,704,133)	-	24,482,476	(36,221,657)
Rompelrol Downstream S.R.L.	(2,764,446)	2,764,446	1,898,858	1,898,858
Rom Oil S.A.	-	-	1,474,011	1,474,011
Rompelrol Gas S.R.L.	306,570	-	36,422	342,992
<b>Deferred tax (asset)/liability recognized</b>	<b>(63,162,009)</b>	<b>2,764,446</b>	<b>27,891,767</b>	<b>(32,505,796)</b>

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

**RON**

Deferred tax (asset)/liability recognized	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Rompelrol Rafinare SA	(236,230,134)	-	95,273,555	(140,956,578)
Rompelrol Downstream S.R.L.	(10,757,842)	10,757,842	7,389,406	7,389,406
Rom Oil S.A.	-	-	5,736,114	5,736,114
Rompelrol Gas S.R.L.	1,193,017	-	141,736	1,334,753
<b>Deferred tax (asset)/liability recognized</b>	<b>(245,794,959)</b>	<b>10,757,842</b>	<b>108,540,811</b>	<b>(126,496,305)</b>

**USD**

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

**RON**

2016	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
<b>Temporary differences</b>				
Intangible assets	191,610	-	-	191,610
Property, plant and equipment	400,616,962	85,844,910	-	486,461,872
Inventories	321,512	-	-	321,512
Provisions	(254,992,604)	-	-	(254,992,604)
Tax losses	(1,597,699,859)	(170,498,437)	-	(1,768,198,296)
Other	(2,580)	-	-	(2,580)
<b>Total temporary differences (asset)/liability</b>	<b>(1,451,564,959)</b>	<b>(84,653,527)</b>	-	<b>(1,536,218,486)</b>
<b>Deferred tax effect</b>				
Intangible assets	30,657	-	-	30,657
Property, plant and equipment	64,098,714	13,735,185	-	77,833,899
Inventories	51,442	-	-	51,442
Provisions	(40,798,817)	-	-	(40,798,817)
Tax losses	(255,631,977)	(27,279,750)	-	(282,911,727)
Other	(412)	-	-	(412)
<b>Deferred tax (asset)/liability recognized</b>	<b>(232,250,393)</b>	<b>(13,544,565)</b>	-	<b>(245,794,958)</b>

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

The ability of the Group to obtain recovery of its deferred tax asset depends on the entities ability, where tax losses have arisen to generate sufficient taxable income to cover the applicable tax losses available. Management considers that future taxable income will be generated for recovery of the available tax losses where it has recognized a corresponding deferred tax asset.

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

Deferred tax assets and liabilities cannot be offset between the companies from Romania. The local fiscal law does not define the concept of "Fiscal Group", therefore the fiscal losses cannot be offset between companies within the same country either.

**14. TRADE AND OTHER PAYABLES**

	2017 USD	2016 USD	2017 RON	2016 RON
Trade payables	765,953,098	628,497,691	2,980,706,488	2,445,798,768
Advances from customers	26,318,867	21,064,941	102,419,869	81,974,218
Excise taxes	27,500	-	107,016	-
Special found tax for oil products	7,082,443	6,404,729	27,561,327	24,924,003
VAT payable	33,555,506	27,329,857	130,581,252	106,354,139
Profit tax payable	758,592	185,336	2,952,061	721,235
Other taxes payable	(25,516)	(620,103)	(99,296)	(2,413,131)
Employees and social obligations	5,275,852	2,891,425	20,530,978	11,251,980
Deferred revenues	5,579,121	5,801,965	21,711,149	22,578,347
Other liabilities	122,141,497	97,015,834	475,313,636	377,537,118
<b>Total</b>	<b>966,666,960</b>	<b>788,571,675</b>	<b>3,761,784,480</b>	<b>3,068,726,677</b>

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol S.R.L. ("Master Company"). The amounts in balance as of December 31, 2017 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 77.85 million and Romoil USD 0.47 million. Rompetrol Downstream S.R.L., Rompetrol Gas and Rompetrol Quality Control S.R.L. have a positive balance included in other receivables (see note 9) amounting to USD 92.9 million, USD 19.9 million and 0.02 million respectively.

Also in other liabilities are included short term guarantees in Rompetrol Downstream S.R.L., in amount of USD 3.92 million (2016: USD 3.45 million).

**15. SHORT-TERM DEBT**

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Bancpost</b>	8,102,477	20,644,165	31,530,788	80,336,768
Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2018. Drawings in USD/EUR/RON.				
<b>Current portion of long-term debt</b>	-	244,093	-	949,888
	<b>224,063,232</b>	<b>20,888,258</b>	<b>871,942,066</b>	<b>81,286,656</b>

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

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Borrowings from shareholders and related parties</b>				
<b>KMG International N.V.</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, for USD 50 million maturity date - December 31, 2018, for USD 200 million maturity date is on request, assignment of receivables, real movable security interest over movable assets; real movable security interest over the participations over Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA, real movable security interest over the bank accounts. The unused amounts as of December 31, 2017 is in amount of USD 122.89 million.	127,113,904	196,066,903	494,663,757	762,994,353
<b>Rompetroil Financial Group</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to USD 29.5 million, maturity date - December 31, 2018. The facility has been fully used.	29,551,587	26,723,677	115,000,001	103,995,189
<b>KMG International N.V.</b>				
Rompetroil Downstream SRL: Working capital facility for USD 39.2 million. Maturity date is December 31, 2018 with the possibility to be extended automatically with the agreement of both parties.	546,257	17,261,257	2,125,759	67,172,182
<b>Midia Marine Terminal</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of RON 27.2 million, maturity date December 31, 2018. The facility has been fully used.	6,992,445	7,000,000	27,211,100	27,240,500
<b>Rompetroil Well Services S.A</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - January 10, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	3,340,614	3,020,937	12,999,999	11,755,976
<b>Rompetroil Well Services S.A</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - February 28, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	2,878,068	2,602,654	11,200,002	10,128,228
<b>Rompetroil Well Services S.A</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - January 14, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	1,798,792	1,626,659	6,999,999	6,330,143
<b>Rompetroil Well Services S.A</b>				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date - January 3, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	796,608	720,377	3,100,000	2,803,347
<b>Accrued interest</b>	3,193,509	13,231,505	12,427,538	51,490,402
	176,211,784	268,253,969	685,728,155	1,043,910,320

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

All the financial covenants applicable were complied with as of December 31, 2017.

All loans are interest bearing and the effective weighted average interest rates per currency are the following: EUR 3.3% (2016: 2.98%), RON 4.30% (2016: 4.20%) and USD 3.20% (2016: 3.17%).

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 437.9 million (2016: USD 420.29), inventories of USD 301.4 million (2016: USD 170.16) and trade receivables of USD: 127.84 million (2016: USD 132.18 million).

The movement in loans is presented below:

USD	At 1 January 2017	Movement	At 31 December 2017
Long-term borrowings	193,406,898	(193,406,898)	-
Short-term borrowings banks	20,644,165	203,287,057	223,931,222
Short term borrowings from shareholders	255,022,464	(82,004,189)	173,018,275
Interest Short term borrowings from shareholders	13,231,505	(10,037,996)	3,193,509
Interest Short-term borrowings banks	244,093	(112,083)	132,010
<b>Total</b>	<b>482,549,125</b>	<b>(82,274,109)</b>	<b>400,275,016</b>

RON	At 1 January 2017	Movement	At 31 December 2017
Long-term borrowings	752,642,944	(752,642,944)	-
Short-term borrowings banks	80,336,768	791,091,581	871,428,349
Short term borrowings from shareholders	992,419,918	(319,119,301)	673,300,617
Interest Short term borrowings from shareholders	51,490,402	(39,062,864)	12,427,538
Interest Short-term borrowings banks	949,888	(436,171)	513,717
<b>Total</b>	<b>1,877,839,920</b>	<b>(320,169,699)</b>	<b>1,557,670,221</b>

**16. PROVISIONS**

Provisions comprise the following:

	2017 USD	2016 USD	2017 RON	2016 RON
Non-current provisions	85,001,042	76,429,343	330,781,551	297,424,788
<b>Total Provisions</b>	<b>85,001,042</b>	<b>76,429,343</b>	<b>330,781,551</b>	<b>297,424,788</b>

The movement in provisions is presented below:

USD	At 1 January 2017	Charged to equity	Arising during the year	Reclassification between balance sheet items	At 31 December 2017
Provision for retirement benefit	6,958,404	1,013,730	264,965	-	8,237,099
Provision for restructuring	13,486	-	-	-	13,486
Environmental provisions	65,595,731	-	6,788,744	-	72,384,475
Other provisions	3,861,722	-	3,508,734	(3,004,474)	4,365,982
<b>Total</b>	<b>76,429,343</b>	<b>1,013,730</b>	<b>10,562,443</b>	<b>(3,004,474)</b>	<b>85,001,042</b>

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**16. PROVISIONS (continued)**

	At 1 January 2017	Charged to equity	Arising during the year	Reclassification between balance sheet items	At 31 December 2017
RON					
Provision for retirement benefit	27,078,629	3,944,932	1,031,110	-	32,054,671
Provision for restructuring	52,481	-	-	-	52,481
Environmental provisions	255,265,787	-	26,418,394	-	281,684,181
Other provisions	15,027,891	-	13,654,238	(11,691,911)	16,990,218
<b>Total</b>	<b>297,424,788</b>	<b>3,944,932</b>	<b>41,103,742</b>	<b>(11,691,911)</b>	<b>330,781,551</b>

The movement in other provisions from 2017 is related mainly to the provision booked in relation to Competition Council case in Rompetrol Downstream (USD 3 million) and also a provision that was booked in relation to fiscal controls for the period 2011 - 2015 in relation to Rompetrol Rafinare in amount of USD 3.5 million (see note 26).

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

	At 1 January 2016	Charged to equity	Arising during the year	Reclassification between balance sheet items	At 31 December 2016
RON					
Provision for retirement benefit	25,491,411	4,006,035	(2,418,817)	-	27,078,629
Provision for restructuring	52,481	-	-	-	52,481
Environmental provisions	255,265,787	-	-	-	255,265,787
Other provisions	26,761,705	-	-	(11,733,814)	15,027,891
<b>Total</b>	<b>307,571,384</b>	<b>4,006,035</b>	<b>(2,418,817)</b>	<b>(11,733,814)</b>	<b>297,424,788</b>

An additional environmental provision for site restoration in amount of USD 6.8 million was been recognised in 2017 for Rompetrol Rafinare S.A (Vega refinery) for the cleaning of the oil sludge pools and restoration of contaminated land. During 2012 an evaluation report was issued by the third-party expert estimating the costs associated to the technical methods to realize the remediation action. Based on these preliminary cost estimates and the estimated completion over a 5-year period, a discounted cash flow cost estimate of USD 72.3 million has been provided by the Group. Currently, the prequalification stage is in progress and considering the further bidding process and final contract negotiation, works are expected to start during the second quarter of 2018.

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

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 4.52% (2016: 3.49%), with an expected rate of long-term salary increase 3.46% (2016: 2.23%).

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**16. PROVISIONS (continued)**

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

	2017 USD	2016 USD	2017 RON	2016 RON
Interest on obligation	73,638	82,664	286,562	321,687
Service cost	362,129	337,661	1,409,225	1,314,008
Benefits paid (due to restructuring/retirement)	(170,802)	(1,041,889)	(664,676)	(4,054,511)
<b>Total</b>	<b>264,965</b>	<b>(621,564)</b>	<b>1,031,111</b>	<b>(2,418,816)</b>

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

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Opening balance</b>	<b>6,958,404</b>	<b>6,550,536</b>	<b>27,078,629</b>	<b>25,491,411</b>
Amounts recognized in income statement	264,965	(621,564)	1,031,111	(2,418,816)
Actuarial losses / (gains) recorded in the year (amounts recognized in "Other comprehensive income")	1,013,730	1,029,432	3,944,931	4,006,034
<b>Closing balance</b>	<b>8,237,099</b>	<b>6,958,404</b>	<b>32,054,671</b>	<b>27,078,629</b>

The charge for the year is included in the salaries expenses in the income statement for 2017.

It is estimated that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2018.

**17. REVENUES**

	2017 USD	2016 USD	2017 RON	2016 RON
Gross revenues from petroleum products production	3,714,045,112	3,214,137,201	14,453,206,553	12,507,814,918
Gross revenues from petroleum products trading	158,696,220	97,966,467	617,566,340	381,236,506
Revenues from petrochemicals production	189,911,561	179,453,911	739,040,840	698,344,895
Revenues from petrochemicals trading	1,414,938	817,893	5,506,231	3,182,831
Revenues from other merchandise sales	72,844,849	60,656,757	283,475,730	236,045,770
Revenues from utilities sold	1,877,216	1,785,448	7,305,186	6,948,071
Revenues from transportation fees	1,820,568	1,412,917	7,084,740	5,498,367
Revenues from rents and other services	10,477,873	10,218,792	40,774,643	39,766,429
<b>Gross Revenues</b>	<b>4,151,088,337</b>	<b>3,566,449,386</b>	<b>16,153,960,263</b>	<b>13,878,837,787</b>
Less sales taxes	(947,071,453)	(1,029,822,055)	(3,685,528,559)	(4,007,552,527)
Less commercial discounts	(111,009,556)	(96,117,303)	(431,993,687)	(374,040,485)
<b>Total</b>	<b>3,093,007,328</b>	<b>2,440,510,028</b>	<b>12,036,438,017</b>	<b>9,497,244,775</b>

Total Revenues increased mainly due to the volatility of international prices for petroleum products and by the increase in the volume of products sold compared to last year. The increased price of crude oil resulted in increased prices of refined products and corresponding revenues.

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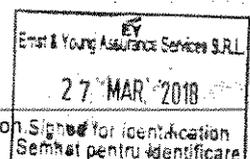
**18. COST OF SALES**

	2017 USD	2016 USD	2017 RON	2016 RON
Crude oil and other raw materials	2,421,981,270	1,852,733,541	9,425,140,113	7,209,912,578
Consumables and other materials	13,400,239	12,586,035	52,147,030	48,978,555
Utilities	68,681,881	65,359,418	267,275,540	254,346,175
Staff costs	25,456,218	24,192,390	99,062,872	94,144,686
Transportation	154,559	111,208	601,466	432,766
Maintenance and repairs	22,075,229	20,663,840	85,905,754	80,413,333
Insurance	1,421,363	1,661,830	5,531,234	6,467,011
Environmental expenses	237,943	230,111	925,955	895,477
Other expenses	10,132,264	14,288,411	39,429,705	55,603,351
<b>Cash production cost</b>	<b>2,563,540,966</b>	<b>1,991,826,784</b>	<b>9,976,019,669</b>	<b>7,751,193,932</b>
Depreciation and amortization	64,456,593	66,929,330	250,832,832	260,455,488
<b>Production costs</b>	<b>2,627,997,559</b>	<b>2,058,756,114</b>	<b>10,226,852,501</b>	<b>8,011,649,420</b>
Plus: Change in inventories	(40,397,753)	8,516,791	(157,207,856)	33,143,092
Less: Own production of property, plant & equipment	(1,900,801)	(1,422,672)	(7,396,967)	(5,536,328)
Cost of petroleum products trading	129,637,433	77,943,495	504,484,071	303,317,111
Cost of petrochemicals trading	1,593,075	887,738	6,199,451	3,454,632
Cost of merchandise sold	57,202,472	48,037,332	222,603,420	186,937,277
Cost of utilities resold	953,451	854,113	3,710,355	3,323,781
Realized (gains)/losses on derivatives	11,545,320	(2,179,570)	44,928,613	(8,481,797)
<b>Total</b>	<b>2,786,630,756</b>	<b>2,191,393,341</b>	<b>10,844,173,588</b>	<b>8,527,807,186</b>

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

	2017 USD	2016 USD	2017 RON	2016 RON
Staff costs	19,348,644	19,163,842	75,295,250	74,576,091
Utilities	4,171,180	4,370,437	16,232,147	17,007,556
Transportation	47,971,631	41,709,788	186,681,602	162,313,640
Professional and consulting fees	37,034,860	23,839,292	144,121,158	92,770,605
Royalties and rents	5,743,807	5,580,172	22,352,025	21,715,239
Consumables	296,505	578,712	1,153,849	2,252,058
Marketing	4,541,636	4,281,067	17,673,776	16,659,772
Taxes	2,371,293	3,855,649	9,227,887	15,004,258
Communications	834,292	813,677	3,246,647	3,166,424
Insurance	1,073,678	1,038,749	4,178,218	4,042,292
IT related expenditures	9,309,492	8,422,902	36,227,888	32,777,723
Environmental expenses	2,283,816	2,148,353	8,887,470	8,360,316
Maintenance and repairs	9,437,103	8,767,634	36,724,486	34,119,248
Other expenses	14,860,131	10,256,789	57,828,200	39,914,294
<b>Costs before depreciation</b>	<b>159,278,068</b>	<b>134,827,063</b>	<b>619,830,603</b>	<b>524,679,516</b>
Depreciation and amortization	31,605,401	28,848,694	122,992,418	112,264,693
<b>Total</b>	<b>190,883,469</b>	<b>163,675,757</b>	<b>742,823,021</b>	<b>636,944,209</b>

In "Professional and consulting fees" line are booked expenses for consultancy and management services from the specialized management companies of the group, namely KMG Rompetrol SRL (KMGR) and KMG International NV (KMGI). Variations of 2017 vs. 2016 are the result of adjustments to services rendered 2017 by KMGR and KMGI, borne by the company through the agreed contractual mechanism - increase in certain cost categories and wages and performance bonuses (due to improvement in activity).



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

	2017 USD	2016 USD	2017 RON	2016 RON
Net book value of non-current assets disposals	(74,421)	(65,610)	(289,609)	(255,321)
Proceeds on disposals of non-current assets	451,011	262,411	1,755,109	1,021,172
Reverse for impairment of tangible assets, net	(518,779)	(351,877)	(2,018,828)	(1,369,329)
Provision for receivables, net	94,838	701,652	369,062	2,730,479
Provision for inventories and write-off, net	(1,279,973)	2,789,003	(4,981,015)	10,853,405
Receivables write-off	(989,803)	-	(3,851,818)	-
Tangible and intangible assets write-off	(518,779)	(1,647,972)	(2,018,828)	(6,413,083)
Gain/(loss) from revaluation of non-current assets	(44,981,492)	-	(175,045,476)	-
Inventories write-off	(93,498)	(111,172)	(363,847)	(432,626)
Other provisions, net	(10,297,478)	-	(40,072,636)	-
Other, net	255,965	5,440,533	996,086	21,171,834
<b>Total</b>	<b>(57,952,409)</b>	<b>7,016,968</b>	<b>(225,521,800)</b>	<b>27,306,531</b>

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

In 2017, "Other provisions" include an amount of USD 3.5 million that was booked in relation to fiscal controls for the period 2011 - 2015 in relation to Rompetrol Rafinare and USD 6.8 million in respect of environmental provision for Vega refinery.

Also in 2017, following the change in accounting policies for non - current assets (see notes Notes 2, and 5) a loss of USD 44.9 million resulted from buildings category revaluation.

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

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Finance cost</b>				
Late payment interest	(99,212)	(6,753)	(386,083)	(26,279)
Interest expense	(23,136,264)	(20,394,342)	(90,034,770)	(79,364,582)
Interest expense shareholders	(8,988,097)	(9,359,179)	(34,977,179)	(36,421,245)
Unwinding of discount on hybrid	(1,756,732)	-	(6,836,323)	-
Commission and other bank charges	(19,247,232)	(14,835,757)	(74,900,603)	(57,733,348)
Collection discounts expenses	-	104	-	404
	<b>(53,227,537)</b>	<b>(44,595,927)</b>	<b>(207,134,958)</b>	<b>(173,545,050)</b>
<b>Finance income</b>				
Interest income	20,041,076	11,480,874	77,989,847	44,677,821
Other financial income	486,529	386,785	1,893,328	1,505,174
	<b>20,527,605</b>	<b>11,867,659</b>	<b>79,883,175</b>	<b>46,182,995</b>
<b>Finance income/(cost) net</b>	<b>(32,699,932)</b>	<b>(32,728,268)</b>	<b>(127,251,783)</b>	<b>(127,362,055)</b>
Unrealized net foreign exchange (losses)/gains	(903,766)	1,020,605	(3,517,004)	3,971,684
Realized net foreign exchange (losses)/gains	319,217	(6,166,624)	1,242,233	(23,997,417)
Foreign exchange gain/(loss), net	<b>(584,549)</b>	<b>(5,146,019)</b>	<b>(2,274,771)</b>	<b>(20,025,733)</b>
<b>Total</b>	<b>(33,284,481)</b>	<b>(37,874,287)</b>	<b>(129,526,554)</b>	<b>(147,387,788)</b>

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**22. INCOME TAX**

a) The current income tax rate in 2017 was 16%, the same as in 2016.

	2017 USD	2016 USD	2017 RON	2016 RON
Tax expense comprises:				
Current tax expense	786,310	918,795	3,059,925	3,575,491
Deferred tax credit relating to the origination and reversal of temporary differences	2,764,446	(3,480,551)	10,757,842	(13,544,565)
<b>Total tax expense/(income)</b>	<b>3,550,756</b>	<b>(2,561,756)</b>	<b>13,817,767</b>	<b>(9,969,074)</b>

As of December 31, 2017, the Group had the following total unused fiscal losses:

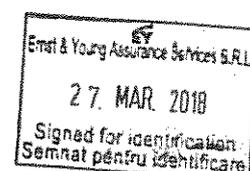
Entity	Carried forward fiscal losses 2017 USD million	Recognised Deferred Tax Asset 2017	Carry forward fiscal losses 2016 USD million	Deferred Tax Asset 2016
Romp petrol Rafinare SA	494.31	471.5	573.91	432.5
Romp petrol Petrochemicals SRL	33.53	-	30.24	-
Romp petrol Downstream SRL	-	-	19.26	21.86
Romp petrol Logistics SRL	6.04	-	5.69	-
Rom Oil SA	3.32	-	5.38	-
<b>As at December 31 2017</b>	<b>537.20</b>	<b>471.50</b>	<b>634.48</b>	<b>454.4</b>

Deferred tax assets for losses carried forward were recognized because, following completion of its modernization program, the Group has started to be profitable and reasonable forecasts indicate profitability will continue in the following years. The deferred tax asset was computed based on the schedule of losses expiry (presented below) and the Group's forecasted taxable profits. The taxable profits were derived from the Company's forecast operating profits, which were also used for impairment testing of PPE (see note 6), and adjusted to reach taxable result (e.g. adjusting for fiscal depreciation vs. accounting depreciation and average level of non-deductible expenses).

As at 31 December 2017, deferred tax asset was recognized for USD 471 million (2016: USD 454 million) of the losses carried forward, based on the future fiscal profits estimated to be registered, in Rompetrol Rafinare. No deferred tax asset has been recognized for USD 66 million (2016: USD 180 million) in relation to the tax losses for the above entities, based on the assessment made.

In 2017, Rompetrol Rafinare recorded fiscal profit, which partially offset the fiscal loss from years 2010 and 2011. Also, in 2017 the cumulative fiscal loss was diminished by USD 144 million RON, after the fiscal control.

In 2017, Downstream fully utilized the cumulative fiscal loss.

  
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**22. INCOME TAX (continued)**

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

Entity	Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
<b>Romp petrol Rafinare SA</b>			
2011	31.78	123.66	2018
2012	81.48	317.08	2019
2013	98.98	385.18	2020
2014	182.54	710.35	2021
2015	96.39	375.10	2022
2016	3.14	12.20	2023
	<b>494.31</b>	<b>1,923.59</b>	
<b>Romp petrol Petrochemicals SRL</b>			
2011	4.66	18.13	2018
2012	16.18	62.96	2019
2013	-	-	2020
2014	11.81	45.96	2021
2015	0.47	1.83	2022
2016	0.32	1.25	2023
2017	0.09	0.35	2024
	<b>33.53</b>	<b>130.48</b>	
<b>Rom Oil SA</b>			
2011	0.54	2.10	2018
2012	1.07	4.16	2019
2013	0.95	3.70	2020
2014	0.76	2.96	2021
	<b>3.32</b>	<b>12.92</b>	
<b>Romp petrol Logistics SRL</b>			
2011	1.54	5.99	2018
2012	2.26	8.79	2019
2013	0.66	2.57	2020
2014	0.61	2.37	2021
2015	0.30	1.17	2022
2016	0.32	1.25	2023
2017	0.34	1.32	2024
	<b>6.04</b>	<b>23.46</b>	
	<b>537.20</b>	<b>2,090.5</b>	

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

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

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

  
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**22. INCOME TAX (continued)**

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

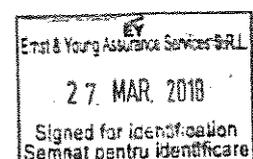
	2017 USD	2016 USD	2017 RON	2016 RON
Profit before tax	24,256,213	54,583,611	94,393,054	212,412,121
of which				
<i>Companies which recorded profit</i>	46,350,320	58,927,179	180,372,270	229,315,117
<i>Companies which recorded loss</i>	(22,094,107)	(4,343,568)	(85,979,217)	(16,902,995)
Tax at prevailing tax rate (16%)	7,416,052	9,428,348	28,859,566	36,690,416
Effect of losses carried forward	(15,295,584)	(8,038,216)	(59,522,765)	(31,280,718)
Effect of statutory items non deductible / (not taxable) for tax purposes	8,665,842	(471,337)	3,3723,124	(1,834,207)
Non-deductible expenses	9,749,166	1,673,211	37,938,879	6,511,302
Not - taxable income	(1,083,324)	(2,144,548)	(4,215,755)	(8,345,509)
<b>Income tax expense recognised in profit or loss</b>	<b>786,310</b>	<b>918,795</b>	<b>3,059,925</b>	<b>3,575,491</b>

**23. OPERATING SEGMENT INFORMATION**

**a) Business Segments**

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

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



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

**2017 Income Statement information**

USD	Amounts not allocated between Refining & Petrochemicals segments			Marketing	Consolidation adjustments	Consolidated
	Refining	Petrochemicals	Refining & Petrochemicals segments			
Net revenues "external customers"	1,511,573,524	191,326,498	-	1,390,107,306	-	3,093,007,328
Net revenues "inter segment"	1,076,569,662	-	-	6,688,543	(1,083,258,205)	-
Cost of sales	(2,429,677,743)	(203,615,366)	-	(1,257,077,649)	1,103,740,002	(2,786,630,756)
<b>Gross margin</b>	<b>158,465,443</b>	<b>(12,288,868)</b>	-	<b>139,718,200</b>	<b>20,481,797</b>	<b>306,376,572</b>
Selling, general and administrative expenses	(58,077,836)	(8,020,852)	-	(104,121,069)	(20,663,712)	(190,863,469)
Other operating income/(expenses), net	(41,638,083)	(55,520)	-	(14,503,171)	(1,755,635)	(57,952,409)
<b>Operating margin (EBIT)</b>	<b>58,749,524</b>	<b>(20,365,240)</b>	-	<b>21,093,960</b>	<b>(1,937,550)</b>	<b>57,540,694</b>
Financial expenses, net	-	-	(28,975,491)	(3,076,932)	(647,509)	(32,699,932)
Net foreign exchange result	-	-	(13,611,952)	13,027,403	-	(584,549)
<b>Profit/(loss) before income tax</b>	<b>58,749,524</b>	<b>(20,365,240)</b>	<b>(42,587,443)</b>	<b>31,044,431</b>	<b>(2,585,059)</b>	<b>24,256,213</b>
Income tax	-	-	-	(3,550,756)	-	(3,550,756)
<b>Net Profit/(Loss)</b>	<b>58,749,524</b>	<b>(20,365,240)</b>	<b>(42,587,443)</b>	<b>27,493,675</b>	<b>(2,585,059)</b>	<b>20,705,457</b>
Depreciation and amortisation	63,828,747	15,060,788	-	18,291,923	(1,119,464)	96,061,994

RON	Amounts not allocated between Refining & Petrochemicals segments			Marketing	Consolidation adjustments	Consolidated
	Refining	Petrochemicals	Petrochemicals segments			
Net revenues "external customers"	5,882,288,369	744,547,067	-	5,409,602,581	-	12,036,438,017
Net revenues "inter segment"	4,189,470,840	-	-	26,028,465	(4,215,499,305)	-
Cost of sales	(9,455,090,937)	(792,369,197)	-	(4,891,917,671)	4,295,204,217	(10,844,173,588)
<b>Gross margin</b>	<b>616,668,272</b>	<b>(47,822,130)</b>	-	<b>543,713,375</b>	<b>79,704,912</b>	<b>1,192,264,429</b>
Selling, general and administrative expenses	(226,009,899)	(31,213,146)	-	(405,187,140)	(80,412,836)	(742,823,021)
Other operating income/(expenses), net	(162,034,600)	(216,056)	-	(56,439,090)	(6,832,054)	(225,521,800)
<b>Operating margin (EBIT)</b>	<b>228,623,773</b>	<b>(79,251,332)</b>	-	<b>82,087,145</b>	<b>(7,539,978)</b>	<b>223,919,608</b>
Financial expenses, net	-	-	(112,758,123)	(11,973,881)	(2,519,779)	(127,251,783)
Net foreign exchange result	-	-	(52,970,912)	50,696,141	-	(2,274,771)
<b>Profit/(loss) before income tax</b>	<b>228,623,773</b>	<b>(79,251,332)</b>	<b>(165,729,035)</b>	<b>120,809,405</b>	<b>(10,059,757)</b>	<b>94,393,054</b>
Income tax	-	-	-	(13,817,767)	-	(13,817,767)
<b>Net Profit/(Loss)</b>	<b>228,623,773</b>	<b>(79,251,332)</b>	<b>(165,729,035)</b>	<b>106,991,638</b>	<b>(10,059,757)</b>	<b>80,575,287</b>
Depreciation and amortisation	248,389,569	58,609,057	-	71,183,018	(4,356,393)	373,825,251

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

**2017 Statement of financial position information**

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,735,908,313	243,523,281	(595,909,002)	1,383,522,592
Total current assets	580,591,020	382,853,632	(172,019,127)	791,425,525
<b>TOTAL ASSETS</b>	<b>2,316,499,333</b>	<b>626,376,913</b>	<b>(767,928,129)</b>	<b>2,174,948,117</b>
Total equity	1,075,739,796	232,002,408	(603,396,232)	704,345,972
Total non-current liabilities	92,454,909	4,864,478	6,292,395	103,611,782
Total current liabilities	1,148,304,628	389,510,027	(170,824,292)	1,366,990,363
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,316,499,333</b>	<b>626,376,913</b>	<b>(767,928,129)</b>	<b>2,174,948,117</b>
Capital expenditure	60,156,694	25,293,794	(90,275)	85,360,213

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,755,287,202	947,670,849	(2,318,979,883)	5,383,978,168
Total current assets	2,259,369,953	1,489,874,909	(669,412,432)	3,079,832,430
<b>TOTAL ASSETS</b>	<b>9,014,657,155</b>	<b>2,437,545,758</b>	<b>(2,988,392,315)</b>	<b>8,463,810,598</b>
Total equity	4,186,241,417	902,837,371	(2,348,116,434)	2,740,962,354
Total non-current liabilities	359,788,279	18,930,116	24,486,850	403,205,245
Total current liabilities	4,468,627,459	1,515,778,271	(664,762,731)	5,319,642,999
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>9,014,657,155</b>	<b>2,437,545,758</b>	<b>(2,988,392,315)</b>	<b>8,463,810,598</b>
Capital expenditure	234,099,775	98,430,799	(351,305)	332,179,269

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

**2016 Income Statement information**

USD	Amounts not allocated between Refining & Petrochemicals segments				Consolidation adjustments	Consolidated
	Refining	Petrochemicals	Marketing	Consolidation adjustments		
Net revenues "external customers"	1,195,516,963	180,271,804	-	-	-	2,440,510,028
Net revenues "inter segment"	780,712,745	-	6,847,010	(787,559,755)	-	-
Cost of sales	(1,876,288,435)	(181,447,513)	(939,802,041)	806,144,648	-	(2,191,393,341)
Gross margin	99,941,273	(1,175,709)	131,766,230	18,584,893	-	249,116,687
Selling, general and administrative expenses	(45,304,794)	(7,698,183)	(93,735,984)	(16,936,796)	-	(163,675,757)
Other operating income/(expenses), net	10,476,092	8,087	(1,391,693)	(2,075,518)	-	7,016,968
Operating margin (EBIT)	65,112,571	(8,865,805)	36,638,553	(427,421)	-	92,457,898
Financial expenses, net	-	-	(4,678,648)	(825,211)	-	(32,728,268)
Net foreign exchange result	-	-	(6,171,185)	-	-	(5,146,019)
Profit/(loss) before income tax	65,112,571	(8,865,805)	25,788,720	(1,252,632)	-	54,583,611
Income tax	-	-	(1,669,437)	-	-	(2,561,756)
Net Profit/(Loss)	65,112,571	(8,865,805)	24,119,283	(1,252,632)	-	57,145,367
Depreciation and amortisation	64,636,241	15,197,899	17,410,254	(1,466,370)	-	95,778,024

**RON**

RON	Amounts not allocated between Refining & Petrochemicals segments				Consolidation adjustments	Consolidated
	Refining	Petrochemicals	Marketing	Consolidation adjustments		
Net revenues "external customers"	4,652,354,263	701,527,725	4,143,362,787	-	-	9,497,244,775
Net revenues "inter segment"	3,038,143,647	-	26,645,139	(3,064,788,787)	-	-
Cost of sales	(7,301,576,445)	(706,102,997)	(3,657,239,643)	3,137,111,897	-	(8,527,807,188)
Gross margin	388,921,466	(4,575,272)	512,768,283	72,323,110	-	969,437,587
Selling, general and administrative expenses	(176,303,606)	(29,957,479)	(364,773,582)	(65,909,542)	-	(636,944,209)
Other operating income/(expenses), net	40,767,712	31,471	(5,415,773)	(8,076,879)	-	27,306,531
Operating margin (EBIT)	253,385,572	(34,501,280)	142,578,928	(1,663,311)	-	359,799,909
Financial expenses, net	-	-	(18,206,959)	(3,211,309)	-	(127,362,055)
Net foreign exchange result	-	-	(24,015,166)	-	-	(20,025,733)
Profit/(loss) before income tax	253,385,572	(34,501,280)	100,356,803	(4,874,620)	-	212,412,121
Income tax	-	-	(6,496,614)	-	-	(9,969,074)
Net Profit/(Loss)	253,385,572	(34,501,280)	93,860,189	(4,874,620)	-	222,381,195
Depreciation and amortisation	251,531,932	59,142,624	67,782,003	(5,706,378)	-	372,720,181

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

In total net revenues are included customers that own more than 10% of total sales, their value amounting USD 894 million in 2017 and USD 748 million in 2016.

**2016 Statement of financial position information**

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

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,451,453,281	904,182,390	(2,322,943,832)	5,032,691,839
Total current assets	1,192,800,441	974,985,356	(91,730,121)	2,076,055,676
<b>TOTAL ASSETS</b>	<b>7,644,253,722</b>	<b>1,879,167,746</b>	<b>(2,414,673,953)</b>	<b>7,108,747,515</b>
Total equity	3,471,712,859	726,853,580	(2,336,000,122)	1,862,566,317
Total non-current liabilities	517,361,075	514,128,196	19,510,814	1,051,000,085
Total current liabilities	3,655,179,788	638,185,970	(98,184,645)	4,195,181,113
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>7,644,253,722</b>	<b>1,879,167,746</b>	<b>(2,414,673,953)</b>	<b>7,108,747,515</b>
Capital expenditure	144,129,920	95,577,836	(603,589)	239,104,167

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

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

**b) Geographical segments**

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

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Romania</b>	<b>1,860,214,911</b>	<b>1,423,888,059</b>	<b>7,239,026,326</b>	<b>5,541,060,382</b>
<b>Export</b>	<b>1,232,792,417</b>	<b>1,016,621,969</b>	<b>4,797,411,691</b>	<b>3,956,184,393</b>
<i>out of which</i>				
Petroleum products	1,132,266,129	909,694,651	4,406,213,641	3,540,076,735
Petrochemical products	100,526,288	106,927,318	391,198,050	416,107,658
<b>Total</b>	<b><u>3,093,007,328</u></b>	<b><u>2,440,510,028</u></b>	<b><u>12,036,438,017</u></b>	<b><u>9,497,244,775</u></b>

**24. RELATED PARTIES**

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

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

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. For the year ended December 31, 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

**24. RELATED PARTIES (continued)**

Name of related party	Receivables and other assets			
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	USD	USD	RON	RON
KazMunayGas Trading AG	4,711,700	4,628,871	18,335,581	18,013,251
Rominserv S.A.	1,151,215	4,935,299	4,479,953	19,205,716
KMG International N.V.	861,858	619,260	3,353,920	2,409,850
KMG Rompetrol S.R.L.	2,479,955	33,067,219	9,650,745	128,681,083
KMG Rompetrol SRL - cash pooling	112,797,295	1,058,954	438,950,673	4,120,919
Oilfield Exploration Business Solutions S.A.	5,089,414	5,551,511	19,805,455	21,603,705
Rompetrol Well Services S.A.	285,401	464,799	1,110,638	1,808,765
KMG Rompetrol Services Center	18,150	78,554	70,631	305,693
Palplast S.A.	1,373,225	1,241,923	5,343,905	4,832,943
Rompetrol Bulgaria JSC	3,167,265	2,222,376	12,325,412	8,648,376
Rompetrol Moldova SA	6,303	11,175	24,528	43,488
KazMunayGas Engineering B.V.	3,573	3,573	13,904	13,904
Rompetrol Energy S.A.	617	558	2,401	2,171
Byron Shipping SRL	2,458	1,582	9,565	6,156
Rompetrol Albania Wholesale Sh.A.	13,069	11,532	50,858	44,877
Midia Marine Terminal S.R.L.	279,060	327,356	1,085,962	1,273,906
Rominserv Valves Iaifo SRL	22,555	6,600	87,773	25,684
Rominserv Kazakhstan LTD	168,167	168,167	654,422	654,422
Rompetrol Ukraine LLC	8,254	7,802	32,120	30,361
Uzina Termoelectrica Midia S.A.	2,175,925	1,933,289	8,467,612	7,523,394
Global Security Systems S.A.	182,644	153,990	710,759	599,252
Tengizchevroil LLP	562,412	13,347	2,188,626	51,940
TRG Petrol Ticaret Anonim Sirketi	2,703,679	-	10,521,367	-
<b>Total</b>	<b>138,064,194</b>	<b>56,507,737</b>	<b>526,755,443</b>	<b>219,899,856</b>

Name of related party	Payables, loans and other liabilities			
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	USD	USD	RON	RON
KazMunayGas Trading AG	550,694,435	440,019,411	2,143,027,394	1,712,335,538
Rominserv S.A.	38,048,899	28,249,425	148,067,290	109,932,637
KMG International N.V.	19,814,422	2,068,929	77,107,823	8,051,237
KMG International N.V. - Short term debt - principal	127,660,155	213,328,160	496,789,493	830,166,535
KMG International N.V. - Short term debt - interest	574,327	10,381,033	2,234,994	40,397,790
KMG Rompetrol S.R.L.	17,646,134	5,174,924	68,669,930	20,138,217
KMG Rompetrol SRL - cash pooling	115,317,058	88,369,934	448,756,331	343,891,598
Oilfield Exploration Business Solutions S.A.	238,318	193,694	927,414	753,760
Rompetrol Well Services S.A.	118,864	27,816	462,559	108,246
Rompetrol Well Services S.A. - Short term debt - principal	8,814,072	7,970,635	34,299,961	31,017,726
Rompetrol Well Services S.A. - Short term debt - interest	-	22,581	-	87,874
KMG Rompetrol Services Center	1,075,850	1,080,058	4,186,670	4,203,046
Rompetrol Bulgaria JSC	108,992	603	424,142	2,347
Rompetrol Moldova SA	3,656,976	818,638	14,231,122	3,185,730
Rompetrol Financial Group SRL - Short term debt - principal	29,551,550	26,723,700	114,999,857	103,995,279
Rompetrol Financial Group SRL - Short term debt - interest	1,346,494	1,884,025	5,239,881	7,331,683
Byron Shipping Ltd.	2,321	2,045	9,032	7,958
Rompetrol Energy S.A.	-	15	-	58
Byron Shipping SRL	-	1,108	-	4,312
Midia Marine Terminal S.R.L.	36,568,596	27,513,487	142,306,691	107,068,735
Midia Marine Terminal S.R.L. - Short term debt - principal	6,992,436	7,000,000	27,211,065	27,240,500
Midia Marine Terminal S.R.L. - Short term debt - interest	1,258,156	929,338	4,896,114	3,616,519
Rominserv Valves Iaifo SRL	16,379	27,443	63,739	106,794
Uzina Termoelectrica Midia S.A.	2,896,375	2,896,375	11,271,243	11,271,243
Rompetrol Georgia LLC	17	-	66	-
Global Security Systems S.A.	790,637	514,462	3,076,764	2,002,029
TRG Petrol Ticaret Anonim Sirketi	145	-	564	-
<b>Total</b>	<b>963,191,608</b>	<b>865,197,839</b>	<b>3,748,260,139</b>	<b>3,366,917,391</b>

Ernst & Young Assurance Services S.R.L.  
**27. MAR. 2018**  
 Signed for identification  
 Semnat pentru identificare

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

**24. RELATED PARTIES (continued)**

During 2017 and 2016, Rompetrol Rafinare Group entered into the following transactions with related parties:

Name of related party	Sales and other revenues			
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	USD	USD	RON	RON
KazMunayGas Trading AG	893,975,771	748,970,396	3,478,906,713	2,914,618,296
Rominserv S.A.	823,328	824,979	3,203,981	3,210,406
KMG Rompetrol S.R.L.	149,019	139,944	579,907	544,592
Rompetrol S.A.	4,659	4,800	18,130	18,679
Rompetrol Well Services S.A.	762,747	639,390	2,968,230	2,488,186
Palplast S.A.	13,302	17,570	51,765	68,374
Rompetrol Bulgaria JSC	37,754,492	31,115,170	146,921,606	121,084,684
Rompetrol Moldova SA	183,851,238	120,124,270	715,457,093	467,463,597
KMG Rompetrol Services Center	133,623	89,656	519,994	348,896
Midia Marine Terminal S.R.L.	442,354	377,741	1,721,421	1,469,979
Byron Navodari	22,084	22,211	85,940	86,434
Rominserv Valves Iaifo SRL	9,895	10,207	38,506	39,721
Uzina Termoelectrica Midia S.A.	15,768,979	14,113,103	61,364,982	54,921,140
Global Security Systems S.A.	99,992	182,399	389,119	709,806
TRG Petrol Ticaret Anonim Sirketi	25,681,554	-	99,939,767	-
	<b>1,159,493,037</b>	<b>916,631,836</b>	<b>4,412,227,387</b>	<b>3,567,072,790</b>

Name of related party	Nature of transaction	Purchases and other costs			
		31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
		USD	USD	RON	RON
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	2,260,170,506	1,753,804,923	8,795,453,524	6,824,931,858
Rominserv S.A.	Acquisition and maintenance of fixed assets	89,982,478	57,989,331	350,166,813	225,665,482
KMG International N.V.	Management services	13,535,368	9,473,808	52,672,885	36,867,324
KMG Rompetrol S.R.L.	Management services	34,959,120	24,107,553	136,043,415	93,814,542
Rompetrol S.A.	Management services	26,294	41,233	102,323	160,458
Rompetrol Financial Group S.R.L.	Environmental services	1,194,463	1,063,727	4,648,253	4,139,494
Rompetrol Well Services S.A.	Interest on loan	356,125	29,676	1,385,860	115,484
KMG Rompetrol Services Center	Shared services	6,063,242	2,676,234	23,595,106	10,414,565
Midia Marine Terminal S.R.L.	Handling services/Transit	19,148,253	19,041,442	74,515,427	74,099,772
Byron Shipping SRL	Shipping services	-	418	-	1,627
Rominserv Valves Iaifo SRL	Valves	95,006	94,818	369,716	368,984
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	27,956,761	21,818,636	108,793,735	84,907,222
Global Security Systems S.A.	Security and protection services	3,574,568	3,142,226	13,910,431	12,227,972
Tengizchevroil LLP	Liquefied Petroleum Gas	5,015,983	5,714,889	19,519,698	22,239,491
		<b>2,462,078,167</b>	<b>1,898,998,914</b>	<b>9,581,177,186</b>	<b>7,389,954,275</b>

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

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

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

The amount of remuneration for key management personnel for 2017 was of USD 0.75 million (2016: USD 0.69 million), representing short term benefits and bonuses.

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**25.EARNINGS PER SHARE**

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

	2017 USD	2016 USD	2017 RON	2016 RON
<b>Earnings</b>				
Profit for the year attributable to ordinary equity holders of the parent entity	19,552,126	56,070,210	76,087,098	218,197,223
<b>Number of shares</b>				
Weighted average number of shares for the purpose of basic earnings per share (see Note 11)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
<b>Earnings per share (US cents/share)</b>				
Basis	<u>0.044</u>	<u>0.127</u>	<u>0.171</u>	<u>0.494</u>

**26.CONTINGENCIES**

a) Related to the Parent's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 11.08 million) to be paid by the Parent based on an inspection carried out in 2003. A suspension of the tax audit has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.). Also, the settlement of the administrative appeal has been suspended until the final sentence regarding the related criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see first case in note 27). The management is confident that the Parent is able to defend itself and the likelihood of a negative outcome is considered remote.

b) In 2001, the Parent processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Parent were challenged in front of the court by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Parent cancelled such invoices. The Parent is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Parent liable for paying such excises; the Parent appealed the tax audit, which is now being suspended as for the same reason described in the paragraph above. The amount noted in the minutes issued by D.G.F.P Constanta is RON 9.5 Million (USD 2.2 million). The management is confident that the likelihood of reversal of the earlier court decision is very low. No changes were incurred in 2017.

c) In December 2017, the National Agency for Tax Administration finalized the tax inspection in Rompetrol Rafinare (covering the period 2011-2015) for: VAT fiscal group (all entities from fiscal group were under fiscal control), income tax, withholding tax and excise.

Thorough the Assessment Decision (received in January 2018), there were imposed the following additional taxes: RON 26.1 million representing VAT (of which RON 13.1 million related to VAT of Rompetrol Rafinare SA the rest belonging to the VAT group companies), RON 6.5 million representing Rompetrol Rafinare SA withholding tax and decrease of Rafinare's fiscal loss with RON 144.4 million. The related penalties assessed are in amount of RON 16.3 million for all VAT group companies. The principal additional taxes and related penalties were partially paid and partially compensated with receivable taxes.

The tax assessment on VAT group and RRC was challenged on February 26, 2018. According to the Romanian Fiscal Procedure Code, the appeal shall be resolved within 45 days of the filing date. If the contestation is not solved within 6 months from the filing date, the contestant may address the competent administrative court for the annulment of the act.

In 2017, in respect of the above-mentioned tax inspection, a provision in amount of USD 3.5 million was booked in relation to Rompetrol Rafinare (see notes 16 and 20).

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**27.LEGAL MATTERS**

**Litigation with the State involving criminal charges**

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

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

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

Considering the above-mentioned charges, a freezing order 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.

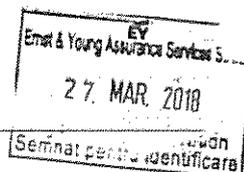
The freezing of the assets does not impact the inventories, receivables and the bank account of Rompetrol Rafinare and this allows to the company to continue normally the day by day operations.

Considering the nature of the allegations submitted by DIICOT, the companies KMG International NV, Rompetrol Rafinare SA si Oilfield Exploration Business Solutions SA filed more memories that responded to the accusations formulated by DIICOT. Up to date, no response from DIICOT regarding these memos has been received.

Since the KMG International companies mentioned above 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 248/2000 (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 instances. No reply received yet from DIICOT on this topic.

Taking into account the DIICOT considerations regarding the alleged acts committed before 2007, when the National Company JSC KazMunayGas (KMG) acquired the majority of Rompetrol Group and are subject to File no. 225/2006, KMG and KMG International N.V. (KMGi) sent to the Romanian authorities on July 22, 2016 a Comprehensive Notice formulated on the basis of the treaties on the protection of investments - based on the agreement between the Romanian Government and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania the Energy Charter Treaty.



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**27.LEGAL MATTERS (continued)**

On October 20, 2016, the Ministry of Public Finance responded briefly to the KMG and KMGI Notification mentioned above.

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. Should a settlement between KMG and Romania fail to be reached, the case will 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 respective treaties.

On May 10, June 28, 2017 and July 21 the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivable, 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.

A statement of defence against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.

**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 (equivalent of USD 15 million at historical rate), 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 by Rompetrol Rafinare. The main court case started by Rompetrol Rafinare SA against the assessment has been settled on 27<sup>th</sup> of October 2014 by Constanta Court of Appeal which partially annulled both Decision and the Assessment Decision for payment of RON 48 million (equivalent of USD 15 million at historical rate).

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

This Decision was appealed by both Rompetrol Rafinare and National Agency for Tax Administration in front of the High Court of Cassation and Justice of Justice. On October 12, 2017, the High Court of Cassation and Justice has rejected both appeals, so the decision of the first instance remained unchanged.

The re-audit was initiated in February 2018 and it is in progress at the date of the Financial Statements.

**Litigation regarding CO2 emission allowances.**

On February 28, 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2.577.938 CO2 emission certificates for the entire period 2008-2012 (Decision 69/CA/2011). 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 High Court of Cassation and Justice of Justice on October 30, 2012 and the first court decision became final.

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**27.LEGAL MATTERS (continued)**

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

Considering that the Ministry of Environment and the Romanian Government did not fulfill the Court decision according to the deadline, Rompetrol Rafinare SA started a court claim against them, having as object damages in amount of Euro 36 million. – File no. 917/36/2013.

On October 11<sup>th</sup>, 2017, the court joined this file with File no. 712/36/2015, which had the same object (damages) but amounted to Euro 40 million (in accordance with a valuation of the Ministry of Environment itself) and was based on some new entered into force legal provisions.

On July 28<sup>th</sup> 2015, the Government issued its Decision no. 611/2015, providing the modification of the National Plan initially approved by Government Decision no. 60/2008 in accordance with the final court decision of October 30 2012 and increasing the allocation of the Company with the amount of 2.577.940 CO2 emission certificates; this decision should have been 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 EC approval was not delivered yet and the Government Decision has still not been effectively implemented up to this date.

The next hearing in the reunited Files 917/36/2013 and 712/36/2015 is on April 16, 2018. An expertise report was provided to the court in respect of the counter value of the certificates and following these proceedings a court decision will have to be issued accordingly. The counter value held by this recent expertise report is EUR 38.51 million.

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

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

Even if Rompetrol Downstream to timely and fully observed its obligation to supply RATB with needed quantities of fuel during those 4 years, the related IT system was delivered gradually until September 16<sup>th</sup>, 2015, which lead to 4 court case (one per each agreement) initiated by RATB. The amounts requested by RATB concerns the enforcement of penalty clause in amount of 15% of frame contract turnover for not observing the contractual obligations relating to the implementation of the IT system;

- a) Case 1 - On October 16<sup>th</sup>, 2015 RATB submitted to Court the claim for damages in amount of RON 62.4 million (about USD 15 million) (based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-2617/25.10.2011). On October 27<sup>th</sup>, 2015, based on the tender book terms and conditions, RATB executed the bank letter guarantee provided by DWS for the amount of RON 5.7 million. Initially, Downstream managed to win the case at the first court, based on a legal procedural exception. However, both parties challenged afterwards the first court rule by way of a second appeal. The appeal was admitted by the higher court (Bucharest Court of Appeal) and the file was re-sent in 2017 for a proper judgment on the merits of the case. On January 25, 2018, the court has rejected the RATB's claim and admitted partially Downstream claim for reimbursement for the illegally enforcement by RATB of the LBG in amount of RON 5.7 million as well as the indemnity of RON 0.28 million as interests for delay payments by RATB of the fuel supplied.
- b) Case 2 - RATB claimed for RON 65.5 million (as damages conventionally assessed based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-2907/17.10.2012). On 1 November 2016, the court decided to reject the RATB's claim on the grounds of the inadmissibility exception of the summons pursuant to the non-performance of the previous procedure by RATB. By way of a final Decision no. 321/30 January 2017, the Bucharest Court of Appeal rejected the second appeal filed by RATB as unsubstantiated and the legal case was closed.

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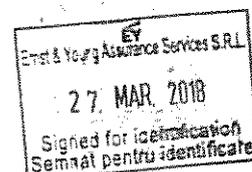
**27.LEGAL MATTERS (continued)**

- c) Case 3 - RATB claimed for RON 65.1 million (as damages conventionally assessed based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-3126/18.10.2013). On 14 November 2016, the court decided to reject the RATB' s claim on the grounds of the inadmissibility exception of the summons pursuant to the non-performance of the previous procedure by RATB. By way of a final Decision on 20 April 2017, the Bucharest Court of Appeal rejected the second appeal filed by RATB as groundless and the legal case was closed.
- d) Case 4 - RATB claimed for RON 5.7 million (as damages conventionally assessed based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-3241/17.10.2014). First hearing was scheduled for 25 October 2016. At that hearing term, the court suspended the case' judgement until Case 1 will be definitively settled. Case' judgment still suspended.

**Litigation between Rompetrol Rafinare and Navodari City Hall**

On November 19<sup>th</sup>, 2015, it was finalized the local taxes fiscal audit of the local taxes, performed 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 December 31,2009 and December 31,2011, namely that not all fixed assets accounted for in the account 212 "Construction" were revalued, and therefore it was not in accordance with the accounting regulations 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 related penalties 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)

- a) 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. Rompetrol Rafinare submitted in court the challenge against this decision. This judicial procedure was under court investigation proceedings with Constanta Court of Appeal who has completed judicial investigation into the case and delivered a sentence on March 16<sup>th</sup>, 2017, when the challenge submitted by Rompetrol Rafinare was rejected. The solution has been appealed by Rompetrol Rafinare. The appeal is in currently pending court investigation proceedings, and the first hearing term before the High Court of Cassation and Justice shall be scheduled later.
- b) Because the decision issued by Navodari City Hall of rejection the administrative complaint as being lack of object is based on Navodari Local Council Decision no.435/December 21, 2015, under which Rompetrol Rafinare has obtain the annulment of 73% of penalties, Rompetrol Rafinare submitted a second action for partial annulment of Navodari Local Council Decision no. 435/December 21<sup>st</sup>, 2015. This action was admitted by Constanta Tribunal. This solution has been appealed by Navodari Local Council on Constanta Court of Appeal, where the first hearing term was set on January 16<sup>th</sup>, 2017, when the appeal was rejected. The solution is final.
- c) 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 22<sup>nd</sup>, 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19<sup>th</sup>, 2015. The solution was appealed by Navodari City Hall. The case is currently pending court investigation proceedings with the High Court of Cassation and Justice. The first hearing term before the High Court of Cassation and Justice was scheduled on March 22, 2018.



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**27.LEGAL MATTERS (continued)**

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

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

- a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint leads to an investigation launched in April 2016 by the Competition Council. Competition Council is entitled to acknowledge the violation by Administratia Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, the obligations resting upon it as administrator of port areas and supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port.
- b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 mil USD) and for restitution of dredging expenses (USD 1.7 million). On May 19th, 2017, 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:
  - The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
  - The amount of RON 0.079 million representing legal costs.

Both parties filed for appeal against the solution pronounced by first court. On December 27, 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal. The decision is not communicated yet.

**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. Following the event, two 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. In respect of the work accident, the Prosecutor's Office of the Constanta Court of Appeal office, was notified ex officio and being open 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 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.

By the final conclusion of Preliminary Chamber procedure, communicated to Rompetrol Rafinare and Rominserv on March 27, 2017 the court ordered, 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/2016, irregularity of the indictment, prosecutor failure to respond within procedural terms. The Prosecutor's Office Court Appeal Constanta made appeal.

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**27.LEGAL MATTERS (continued)**

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. According with court decision of September 29, 2017, the file shall be sent back to the prosecutor office whereas it has been ascertained that ordinance no. 586/P/2016 and the subsequent Act of Indictment of the Prosecutor's Office by Constanta Court of Appeal are subject to relative nullity and that the object and limits of judgment cannot be established. The solution has been challenged by Prosecutor's Office, the contestation was reject and the criminal file shall be sent back to the prosecutor's office of Constanta in order to resume the criminal prosecution activities within the limits of the legality provisions.

On the other hand, it was admitted the request filed by Rominserv 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.

On January 17, 2018, the Constanta court dismissed the prosecutor appeal against the decision issued in preliminary chamber and therefore approached the companies defence reasoning. The ruling is final and the file shall be sent back to the Prosecutor's Office of Constanta to resume the criminal prosecution activities within the limits of the legality provisions.

Considering the allegations, each company is facing, a maximum exposure of approximately RON 3.6 million.

Also, on May 25, 2017 Rompetrol Rafinare and Rominserv received a reply to its challenge submitted against the Constanta Labour Inspectorate Reports by which the Labour authority maintains the same considerations challenged by the companies. On August 16<sup>th</sup>, 2017 both Rompetrol Rafinare and Rominserv have received fines set by the Constanta Territorial Labour Inspectorate (in cumulated amount of RON 0.028 million). The minutes of the fine have been appealed by both parties involved. On December 14, 2017, the court has requested to Rompetrol Rafinare and to the Territorial Labour Inspectorate to send written specifications regarding optional suspension of the case, pending resolution of the criminal file. The court suspended the case until the criminal file will be solved.

**Other litigations**

**Vega residual pools remediation project**

On November 15, 2017, Environmental National Guard (ENG) performed an inspection at Vega Refinery in order to determine the status of implementation of the Remedial Project.

Following the inspection, the Assessment Note no. 299 was issued, specifying that:

- on the same day the Company had to provide written information on the status of implementation of the Project;
- ENG would inform Prahova Environment Protection Agency (PEPA) immediately of Company's failure to comply with its obligations specified in the Environmental Integrated Authorization;
- a fine of 100.000 RON would be applied for Company's failure to send a notice to PEPA with respect to the commencement of the remedial works and to the identity of the contractor appointed in the Project (by submitting a copy of the contract concluded therewith), including for the failure to perform the works described in the remedial project and to comply with the deadlines specified in relation thereto.

On November 21, 2017, PEPA transmitted the Notice no. 149, informing that the Company must comply with the provisions of Integrated Environmental Authorization (EIA) until December 21, 2017 (related to the execution of residual pools remediation project), otherwise the EIA would be suspended until remedial of Company's failure, but, in any case, no longer than 6 (six) months, after which the EIA would be cancelled.

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**27.LEGAL MATTERS (continued)**

Against the documents received from environmental authorities, the company has brought actions in court as follows:

- a) preliminary complaint against Assessment Note no. 299, submitted to the ENG on December 14, 2017. The ENG point of view was received on January 17<sup>th</sup> 2018;
- b) preliminary complaint against Prior Notice no. 149 submitted to the PEPA on December 14, 2017. The ENG point of view was received on January 17<sup>th</sup> 2018.;
- c) suspension request of the Prior Notice no. 149, submitted on December 15, 2017 to the Constanta Court; the first hearing was not set. On February 5<sup>th</sup> 2018 the Constanta court has accepted the request for suspension of the Prior Notice no. 149/21.11.2017; to be mentioned that in according with contentious law, the request for annulment of the Prior Notice will be formulated in 60 days.
- d) complaint against the fine received from ENG, submitted to the Ploiesti court on November 29, 2017; the next hearing was set on March 19<sup>th</sup> 2018.

On December 20, 2017 the Company submitted to the PEPA notice for initiation of the project works (phase I- construction) and on December 21, 2017 a correspondence with details regarding the company which will execute the construction works. On January 17<sup>th</sup> 2018 a detail plan activities for first stage of the project (preparation activities) was sent to the PEPA.

Up to this date no written confirmation was received from the environmental authorities regarding compliance of the company with the obligations mentioned in the EIA, related the execution of the remediation project.

**28.COMMITMENTS**

**Environmental commitments**

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

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

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

At the end of March 2018 Rompetrol Rafinare SA will buy back a total of 430,000 CO2 certificates from ACT Financial Solutions BV (former ACT Commodities BV).

**Other commitments**

As of December 31, 2017, Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards at the Petromidia refinery of USD 28.89 million (2016: USD 55.03 million). As of December 31, 2017, Rompetrol Downstream S.R.L has contracted capital commitments of USD 3.9 million (2016: USD 4.27 million).

Rompetrol Downstream S.R.L. has certain concession and rental agreements with local authorities and other companies/individuals in Romania for plots of land. Usually the conditions for these agreements are the following: terms from 5 to 49 years, fixed or variable fees per year. According to these agreements, the approximate amount to be paid in 2018 is USD 5.47 million (USD 4.5 million in 2017).

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**28. COMMITMENTS (continued)**

**Sale and purchase commitments**

As of December 31, 2017, the main Group's commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 2,466.58 million (2016: USD 2,102.8 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,967.94 million (2016: USD 1,724.08 million).

**29.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**29.1. Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank debt and shareholder loans (see Note 15), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the "Consolidated Statement of Changes in the Shareholders' Equity".

**29.2. Gearing ratio**

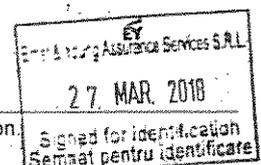
The gearing ratio at the year-end was as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Debt (excluding shareholder loans and related parties)	238,750,435	214,051,063
Cash and cash equivalents	(12,592,193)	(15,810,298)
<b>Net debt</b>	<b>226,158,242</b>	<b>198,240,765</b>
Equity (including shareholder loans and related parties)	880,557,756	746,878,231
<b>Net debt to equity ratio</b>	<b>0.26</b>	<b>0.27</b>

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

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Financial assets</b>		
Trade and other receivables	410,686,063	263,774,358
Long-term receivables	1,599,013	1,480,888
Available for sale investments	18,583	18,583
Derivative financial instruments	-	5,340
Cash and cash equivalents	12,592,193	15,810,298
<b>TOTAL FINANCIAL ASSETS</b>	<b>424,895,852</b>	<b>281,089,467</b>
<b>Financial liabilities</b>		
Long-term borrowings	-	193,162,805
Derivative financial instruments	48,387	323,130
Short term borrowings from shareholders	176,211,784	268,253,969
Other non-current liabilities	207,676	177,110
Trade and other payables	888,094,595	725,513,525
Short-term borrowings banks	224,063,232	20,888,258
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,288,625,674</b>	<b>1,208,318,797</b>



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

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

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

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

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

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

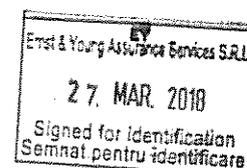
The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties. As at 31 December 2017, the marked to market value of derivative position is for financial instruments recognized at fair value.

**29.4. Fair value hierarchy**

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

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



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

	<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial assets</b>				
Trade and other receivables	410,686,063	410,686,063	-	-
Long-term receivables	1,599,013	1,599,013	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	-	-	-	-
Cash and cash equivalents	12,592,193	12,592,193	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>424,895,852</b>	<b>424,895,852</b>	-	-

<b>Financial liabilities</b>				
Long-term borrowings	-	-	-	-
Derivative financial instruments	48,387	-	48,387	-
Short term borrowings from shareholders	176,211,784	176,211,784	-	-
Other non-current liabilities	207,676	207,676	-	-
Trade and other payables	888,094,595	888,094,595	-	-
Short-term borrowings banks	224,063,232	224,063,232	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,288,625,674</b>	<b>1,288,577,287</b>	<b>48,387</b>	-

	<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial assets</b>				
Trade and other receivables	263,774,358	263,774,358	-	-
Long-term receivables	1,480,888	1,480,888	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	5,340	-	5,340	-
Cash and cash equivalents	15,810,298	15,810,298	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>281,089,467</b>	<b>281,084,127</b>	<b>5,340</b>	-

<b>Financial liabilities</b>				
Long-term borrowings	193,162,805	193,162,805	-	-
Derivative financial instruments	323,130	-	323,130	-
Short term borrowings from shareholders	268,253,969	268,253,969	-	-
Other non-current liabilities	177,110	177,110	-	-
Trade and other payables	725,513,525	725,513,525	-	-
Short-term borrowings banks	20,888,258	20,888,258	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,208,318,797</b>	<b>1,207,995,667</b>	<b>323,130</b>	-

During the reporting period ending 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

**29.5 Derivative financial instruments**

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

**Balance Sheet:**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Derivative financial asset	-	5,340
Derivative financial liability	(48,387)	(323,130)
<b>Net position - asset/(liability)</b>	<b>(48,387)</b>	<b>(317,790)</b>

The derivative instruments liability balance in respect of fair value hedge against the inventories includes an adjustment of USD 48 thousands.

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

**Income Statement:**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unrealised (gains)	-	-
<b>Net position - (gain)/loss - in Cost of sales</b>	-	-
Realised gain /(losses) - net	11,545,320	(2,179,570)
<b>Total position - loss/(gain) - in Cost of sales</b>	<u>11,545,320</u>	<u>(2,179,570)</u>

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Derivative asset/(liability) 2016</b>	<u>(317,790)</u>	<u>(626,926)</u>
Forex unrealized (hedging of forex)	-	-
Cash payments	(42,808)	1,426,383
<b>Reserves</b>	<u>312,211</u>	<u>(1,117,247)</u>
<b>Derivative asset/(liability) 2017</b>	<u>(48,387)</u>	<u>(317,790)</u>

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

**29.6 Market risk**

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

**29.7. Foreign currency risk management**

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

**29.8. Foreign currency sensitivity analysis**

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

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

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

	USD	USD	RON		EUR	
			2017	2016	2017	2016
Profit or loss		5%	916,598	(1,969,718)	(58,561)	(826,698)
		-5%	(916,598)	1,969,718	58,561	826,698

**29.9. Interest rate risk management**

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Group's borrowings, are provided in Notes 12 and 15.

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's: profit for the year ended 31 December 2017 would decrease/increase by USD 1,672 thousand (2016: decrease/increase by USD 2,796 thousand).

**29.10. Liquidity risk management**

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2017 and 31 December 2016 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Year ended December 31, 2017	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term debt	-	-	-	-	-	-
Trade and other payables	811,717,601	73,164,721	3,212,273	-	-	888,094,595
Derivative financial instruments	-	48,387	-	-	-	48,387
Short-term borrowings from related parties	176,211,784	1,598,057	4,766,109	-	-	182,575,950
Short-term debt	-	1,812,154	224,752,807	-	-	226,564,961
Other non-current liabilities	-	-	-	207,676	-	207,676
	<b>987,929,385</b>	<b>76,623,319</b>	<b>232,731,189</b>	<b>207,676</b>	-	<b>1,297,491,569</b>

Year ended December 31, 2016	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term debt	-	1,530,815	4,592,446	195,203,892	-	201,327,153
Trade and other payables	682,245,523	38,970,209	4,296,790	1,003	-	725,513,525
Derivative financial instruments	-	323,130	-	-	-	323,130
Short-term borrowings from related parties	268,253,969	7,374	-	-	-	268,261,343
Short-term debt	-	186,103	20,892,302	244,093	-	21,322,498
Other non-current liabilities	15,941	-	-	161,169	-	177,110
	<b>950,515,433</b>	<b>41,017,631</b>	<b>29,781,538</b>	<b>195,610,157</b>	-	<b>1,216,924,759</b>

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

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

**29.11. Commodity price risk**

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

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow. Based on the expectations of crude oil price increase, at the beginning of 2017, the hedge strategy for 2017 was split between futures and options.

Trading activities are separated into physical (purchase from third parties and KazmunayGas Group, and sales to third parties and Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. The company also had hedge operations for refinery margins. The European refinery margin had a good evolution during 2017 (in line with last year figures). In particular, in August, as a result of Harvey Hurricane in US, there was a temporary lack of supply in the region which pushed up European Margins to outstanding levels, being also a good moment for refiners to hedge upcoming period.

In terms of Refinery Margin Hedge, the company recorded positive result from both paper and physical sides. The net impact of the commodity hedges (physical result –gain- plus paper result –loss- for hedged stocks) was USD 8.5 million (2016: net gain of USD 10.4 million). In the same time, the company results were positively impacted by the inventory gains related to the base operating stock in refinery but considering such stock is constant in time, the gain is only on paper not on cash.

**29.12 Credit risk**

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

**Trade receivables**

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 29% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

**Financial instruments and bank deposits**

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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**30. SUBSEQUENT EVENTS**

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 13 million has been extended until April 10, 2018.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 11.2 million has been extended until May 28, 2018.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 7 million has been extended until April 14, 2018.

Facility granted Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 3.1 million has been extended until May 3, 2018.

At the end of March 2018 Rompetrol Rafinare SA is going to buy back a total of 430,000 CO2 certificates (in amount of EUR 2.6 million) from ACT Financial Solutions BV (former ACT Commodities BV).

