ROMPETROL RAFINARE SA

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

30 JUNE 2019

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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))

	Notes	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
		USD	**USD**	**RON**	**RON**
Intangible assets	3	7,333,586	7,606,675	30,498,184	31,633,879
Goodwill	4	82,871,706	82,871,706	344,638,564	344,638,564
Property, plant and equipment	5	1,189,956,318	1,235,103,661	4,948,671,334	5,136,425,590
Right of use assets	7	32,563,266	-	135,420,854	-
Available for sale investments	8	18,583	18,583	77,281	77,281
Long term receivable		2,133,694	3,250,669	8,873,393	13,518,557
Deferred tax asset	15	38,381,735	37,661,607	159,618,120	156,623,325
Total non current assets		**1,353,258,888**	**1,300,512,901**	**5,627,797,730**	**5,682,917,196**
Inventories, net	9	325,696,788	292,898,693	1,354,475,232	1,218,077,795
Trade and other receivables	10	480,719,274	409,254,839	1,999,167,245	1,701,968,099
Derivative financial instruments	31.5	84,146	2,608,512	349,938	10,848,019
Cash and cash equivalents	11	14,973,871	11,477,183	62,271,837	47,730,161
Total current assets		**821,474,079**	**716,239,227**	**3,416,264,252**	**2,978,624,074**
TOTAL ASSETS		**2,174,732,967**	**2,082,752,128**	**9,044,061,982**	**8,661,541,270**
Share capital	12	1,463,323,897	1,463,323,897	6,085,525,090	6,085,525,090
Share premium	12	74,050,518	74,050,518	307,953,889	307,953,889
Revaluation reserve, net	12	135,637,830	140,206,556	564,077,044	583,077,004
Other reserves	12	(9,156,421)	(9,156,421)	(38,078,809)	(38,078,808)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,405,252,667	4,405,252,666
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,482,047,979)	(2,482,047,979)
Accumulated losses		(1,471,747,570)	(1,444,804,971)	(6,120,556,619)	(6,008,510,433)
Current year result		(21,197,205)	(27,242,482)	(88,152,816)	(113,293,309)
Equity attributable to equity holders of the parent		**633,364,385**	**658,830,433**	**2,633,972,467**	**2,739,878,120**
Non-Controlling interest		18,293,244	16,534,151	76,076,111	68,760,572
Total equity		**651,657,629**	**675,364,584**	**2,710,048,578**	**2,808,638,692**
Long-term borrowings from banks	13	240,000,000	224,103,204	998,088,000	931,977,994
Hybrid loans - interest portion	12	17,009,920	17,009,920	70,739,154	70,739,154
Net obligations under finance leases	14	33,740,295	-	140,315,765	-
Deferred tax liabilities	15	4,076,853	4,149,508	16,954,409	17,256,559
Provisions	19	85,664,505	85,664,505	356,252,977	356,252,977
Other non-current liabilities		187,058	195,757	777,918	814,095
Total non-current liabilities		**380,678,631**	**331,122,894**	**1,583,128,223**	**1,377,040,779**
Trade and other payables	16	1,074,459,853	916,434,940	4,468,356,187	3,811,177,985
Contract liabilities	17	26,568,692	25,947,213	110,491,219	107,906,675
Derivative financial instruments	32.5	1,484,590	76,580	6,173,964	318,473
Net obligations under finance leases	14	3,603,800	-	14,987,123	-
Short-term borrowings from shareholders and related parties	18	24,031,905	107,551,244	99,941,484	447,273,358
Short-term borrowings from banks	18	12,247,867	26,254,673	50,935,204	109,185,308
Total current liabilities		**1,142,396,707**	**1,076,264,650**	**4,750,885,181**	**4,475,861,799**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,174,732,967**	**2,082,752,128**	**9,044,061,982**	**8,661,541,270**

SADUOKHAS MERALIYEV
PRESIDENT of the BOARD of DIRECTORS

MIRCEA-STEFAN STANESCU
FINANCE MANAGER

YEDIL UTEKOV
GENERAL MANAGER

Prepared by,
Cristina Ana Dica
Reporting Manger

ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2019
(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	June 30, 2019 USD	June 30, 2018 USD	June 30, 2019 RON	June 30, 2018 RON
Revenues from contract with customers	20	1,888,361,762	1,986,047,716	7,853,130,059	8,259,376,637
Cost of sales	21	(1,791,622,150)	(1,849,997,164)	(7,450,819,035)	(7,693,583,208)
Gross profit		96,739,612	136,050,552	402,311,024	565,793,429
Selling, general and administrative expenses, including logistic costs	22	(98,667,287)	(101,103,301)	(410,327,645)	(420,458,299)
Other operating income	23	291,431	(4,050,250)	1,211,971	(16,843,775)
Other operating expenses	23	9,342,360	(3,030,065)	38,852,073	(12,601,131)
Operating profit		7,706,116	27,866,936	32,047,423	115,890,224
Finance cost	24	(33,828,236)	(27,755,071)	(140,681,485)	(115,425,013)
Finance income	24	8,381,825	5,579,674	34,857,495	23,204,190
Foreign exchange loss, net	24	277,287	(3,192,346)	1,153,153	(13,276,009)
Profit before income tax		(17,463,008)	2,499,193	(72,623,414)	10,393,392
Income tax	25	(1,975,104)	279,549	(8,213,865)	1,162,560
Profit for the year		(19,438,112)	2,778,742	(80,837,279)	11,555,952
Attributable to:					
Equity holders of the parent		(21,197,205)	4,250,886	(88,152,816)	17,678,160
Non-Controlling interests		1,759,093	(1,472,144)	7,315,537	(6,122,208)
Earnings per share *(US cents/share)*					
Basic	28	(0.048)	0.010	(0.200)	0.042

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2019

(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))

	June 30, 2019 USD	June 30, 2018 USD	June 30, 2019 RON	June 30, 2018 RON
Net Gain for the year	(19,438,112)	2,778,742	(80,837,279)	11,555,952
Other comprehensive income				
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):				
Revaluation of buildings category in property plant and equipment	-	3,726,620	-	15,497,895
Deferred income tax related to revaluation, recognised in equity	-	(581,645)	-	(2,418,887)
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods	**-**	**3,144,975**	**-**	**13,079,008**
Total other comprehensive income/ (loss) for the year, net of tax	**-**	**3,144,975**	**-**	**13,079,008**
Total comprehensive result for the year, net of tax	**(19,438,112)**	**5,923,717**	**(80,837,279)**	**24,634,960**
Attributable to:				
Equity holders of the parent	(21,197,205)	7,395,861	(88,152,816)	30,757,168
Non-Controlling interests	1,759,093	(1,472,144)	7,315,537	(6,122,208)
Total comprehensive result for the year	**(19,438,112)**	**5,923,717**	**(80,837,279)**	**24,634,960**

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2019
(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))

	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	USD	USD	RON	RON
Result before income tax	**(17,463,008)**	**2,499,193**	**(72,623,414)**	**10,393,392**
Adjustments for:				
Depreciation and amortisation	56,579,281	52,121,545	235,296,256	216,757,869
Provisions for receivables and inventories (incl write off)	(7,884,643)	8,833,578	(32,789,864)	36,736,201
Impairment for property, plant and equipment (incl write-off)	257,237	(8,943,534)	1,069,772	(37,193,475)
Loss on revaluation of tangible assets	-	11,174,920	-	46,473,140
Provision for environmental and other liabilities	-	(3,508,734)	-	(14,591,772)
Late payment interest	163,171	257,637	678,579	1,071,435
Other financial income	(158,899)	(371,861)	(660,813)	(1,546,458)
Unwinding of discount leasing	1,070,544	-	4,452,071	-
Interest income	(8,222,926)	(5,207,813)	(34,196,682)	(21,657,732)
Interest expense and bank charges	31,189,293	26,123,053	129,706,913	108,637,941
Gain on sale or disposal of property, plant and equipment	(1,862,850)	(265,089)	(7,747,034)	(1,102,426)
Unrealised foreign exchange (gain)/loss	(1,404,262)	(3,197,434)	(5,839,904)	(13,297,169)
Cash from operations before working capital changes	**52,262,938**	**79,515,461**	**217,345,880**	**330,680,946**
Net working capital changes:				
Receivables and prepayments	(105,981,357)	(35,610,009)	(440,744,667)	(148,091,343)
Inventories	(24,882,381)	(7,581,022)	(103,478,358)	(31,527,196)
Trade and other payables and contract liabilities (including payables variation for capital expenditures)	234,536,592	(10,382,977)	975,367,326	(43,179,684)
Change in working capital	**103,672,854**	**(53,574,008)**	**431,144,301**	**(222,798,223)**
Income tax paid	-	-	-	-
Cash (paid)/received for derivatives, net	**3,932,376**	**3,421,680**	**16,353,572**	**14,229,741**
Net cash provided by/(used in) operating activities	**159,868,168**	**29,363,133**	**664,843,753**	**122,112,464**
Cash flows from investing activities				
Purchase of property, plant and equipment	(27,611,170)	(16,727,925)	(114,826,575)	(69,566,424)
Purchase of intangible assets	(292,413)	(609,774)	(1,216,058)	(2,535,867)
Proceeds from sale of property, plant and equipment	20,029,050	267,559	83,294,810	1,112,698
Net cash used in investing activities	**(7,874,533)**	**(17,070,140)**	**(32,747,823)**	**(70,989,593)**
Cash flows from financing activities				
Cash pooling movement	(41,037,072)	(5,334,994)	(170,660,871)	(22,186,640)
Long - term loans received from banks	23,772,204	285,420	98,861,465	1,186,976
Long - term loans repaid to banks	(7,875,408)	-	(32,751,459)	-
Short - term loans (repaid to) / received from related parties	(81,541,585)	(34,139,715)	(339,106,990)	(141,976,833)
Short - term loans (repaid to) / received from banks, net	(14,095,500)	49,184,587	(58,618,956)	204,543,942
Lease repayments	(2,855,460)	-	(11,875,002)	-
Interest and bank charges paid, net	(24,864,126)	(20,524,228)	(103,402,441)	(85,354,107)
Net cash from/ (used) in financing activities	**(148,496,947)**	**(10,528,930)**	**(617,554,254)**	**(43,786,662)**
Increase / (Decrease) in cash and cash equivalents	**3,496,688**	**1,764,063**	**14,541,676**	**7,336,209**
Cash and cash equivalents at the beginning of period	**11,477,183**	**12,592,193**	**47,730,161**	**52,367,152**
Cash and cash equivalents at the end of the period	**14,973,871**	**14,356,256**	**62,271,837**	**59,703,361**

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Prepared by,
Cristina Ana Dica
Reporting Manger

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements.
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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019
(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, 2017	1,463,323,897	74,050,518	(1,453,694,310)	146,431,777	-	(596,832,659)	1,055,132,327	688,411,550	15,934,422	704,345,972
Effect of applying IFRS 9	-	-	(1,036,370)	-	-	-	-	(1,036,370)	-	(1,036,370)
Restated balance at December 31, 2017	1,463,323,897	74,050,518	(1,454,730,680)	146,431,777	-	(596,832,659)	1,055,132,327	687,375,180	15,934,422	703,309,602
Net profit for 2018	-	-	4,250,886	-	-	-	-	4,250,886	(1,472,144)	2,778,742
Transfer of realised revaluation reserve to Retained Earnings	-	-	5,112,254	(5,112,254)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-		-	-	-	-	-	-
Revaluation of buildings category in property plant and equipment	-	-	-	2,497,530	-	-	-	2,497,530	1,229,090	3,726,620
Deferred income tax related to revaluation of buildings category in property plant and equipment, recognised in equity	-	-	-		(384,391)	-	-	(384,391)	(196,654)	(581,645)
Total other comprehensive income	-	-	-	2,497,530	(384,391)	-	-	2,112,539	1,032,436	3,144,975
Total comprehensive income	-	-	9,363,140	(2,614,724)	(384,391)	-	-	6,363,425	(439,708)	5,923,717
June 30, 2018	1,463,323,897	74,050,518	(1,445,367,540)	143,817,053	(384,391)	(596,832,659)	1,055,132,327	693,738,605	15,494,714	709,233,319

	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, 2018	1,463,323,897	74,050,518	(1,472,047,453)	166,895,366	(26,688,810)	(596,832,659)	1,050,129,574	658,830,433	16,534,151	675,364,584
Effect of applying IFRS 16	-		(5,061,626)					(5,061,626)		(5,061,626)
Restated balance at December 31, 2018	1,463,323,897	74,050,518	(1,477,109,079)	166,895,366	(26,688,810)	(596,832,659)	1,050,129,574	653,768,807	16,534,151	670,302,958
Net loss for 2019	-	-	(21,197,205)	-	-	-	-	(21,197,205)	1,759,093	(19,438,112)
Transfer of realised revaluation reserve to Retained Earnings	-	-	5,361,509	(5,361,509)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	792,783	-	-	792,783	-	792,783
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	(15,835,696)	(5,361,509)	-	-	-	(21,197,205)	1,759,093	(19,438,112)
June 30, 2019	1,463,323,897	74,050,518	(1,492,944,775)	161,533,857	(25,896,027)	(596,832,659)	1,050,129,574	633,364,385	18,293,244	651,657,629

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Cristina Ana Dica
Reporting Manger

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

(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
December 31, 2017	6,085,525,090	307,953,889	(6,045,478,527)	608,965,831	-	(2,482,047,979)	4,387,978,808	2,862,897,112	66,266,481	2,929,163,593
Effect of applying IFRS 9	-	-	(4,309,952)	-	-	-	-	(4,309,952)	-	(4,309,952)
Restated balance at December 31, 2017	6,085,525,090	307,953,889	(6,049,788,479)	608,965,831	-	(2,482,047,979)	4,387,978,808	2,858,587,160	66,266,481	2,924,853,641
Net profit for 2018	-	-	17,678,160	-	-	-	-	17,678,160	(6,122,205)	11,555,955
Transfer of realised revaluation reserve to Retained Earnings	-	-	21,260,331	(21,260,331)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	-	-	-	-	-	-
Revaluation of buildings category in property plant and equipment	-	-	-	10,386,478	-	-	-	10,386,478	5,111,417	15,497,895
Deferred income tax related to revaluation of buildings category in property plant and equipment, recognised in equity	-	-	-	-	(1,601,062)	-	-	(1,601,062)	(817,625)	(2,418,887)
Total other comprehensive income	-	-	-	10,386,478	(1,601,062)	-	-	8,785,416	4,293,592	13,079,008
Total comprehensive income	-	-	38,938,491	(10,873,853)	(1,601,062)	-	-	26,463,576	(1,828,613)	24,634,963
June 30, 2018	6,085,525,090	307,953,889	(6,010,849,988)	598,091,978	(1,601,062)	(2,482,047,979)	4,387,978,808	2,885,050,736	64,437,868	2,949,488,604

	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, 2018	6,085,525,090	307,953,889	(6,121,803,743)	694,067,759	(110,990,754)	(2,482,047,979)	4,367,173,858	2,739,878,120	68,760,574	2,808,638,694
Effect of applying IFRS 16	-	-	(21,049,784)	-	-	-	-	(21,049,784)	-	(21,049,784)
Restated balance at December 31, 2018	6,085,525,090	307,953,889	(6,142,853,527)	694,067,759	(110,990,754)	(2,482,047,979)	4,367,173,858	2,718,828,336	68,760,574	2,787,588,910
Net loss for 2019	-	-	(88,152,816)	-	-	-	-	(88,152,816)	7,315,537	(80,837,279)
Transfer of realised revaluation reserve to Retained Earnings	-	-	22,296,908	(22,296,908)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	3,296,947	-	-	3,296,947	-	3,296,947
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	(65,855,908)	(22,296,908)	-	-	-	(88,152,816)	7,315,537	(80,837,279)
June 30, 2019	6,085,525,090	307,953,889	(6,208,709,435)	671,770,851	(107,693,807)	(2,482,047,979)	4,367,173,858	2,633,972,467	76,076,111	2,710,048,578

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1. GENERAL

Rompetrol Rafinare SA (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 imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975-1977 and was further modernized in the early 1990's and from 2005 to 2012.

Rompetrol Rafinare SA and its subsidiaries (hereinafter referred to as "the Group") are involved in refining of oil, production of petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 8). The number of employees of the Group at the end of June 2019 and December 2018 was 1,880 and 1,900 respectively.

The registered address of Rompetrol Rafinare S.A. is Bd. Navodari no. 215, Navodari, Constanta, Romania. Rompetrol Rafinare S.A. and its subsidiaries are part of KMG International N.V. group 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 30 June 2019, as endorsed by the European Union ("EU").

The consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments 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 30 June 2019 and 31 December 2018 the Group reported net assets including non-controlling interest, of USD 651.7 million and 675.4 million respectively. The Group reported for the year ended 30 June 2019 a loss of USD 21.2 million and for the year ended 30 June 2018 reported a profit of USD 4.3 million respectively.

(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)

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 amended IFRSs which have been adopted by the Group as of 1 January 2019:

- **IFRS 16: Leases**
  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

  The Group elected to apply the modified retrospective approach as a transitional method. Under this approach, the Group does not restated comparative information.

  Consequently, the date of initial application is the first day of the annual reporting period in which the Group first applies the requirements of the new standard.

  At the date of initial application of new leases standard, the Group recognized the cumulative effect of initial application as an adjustment to the opening balance of equity as of 1 January 2019.

  The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

  Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

  Following the Group detailed assessment of IFRS 16 the impact of IFRS 16 adoption in 2019 is presented, as follows:

Impact on the statement of financial position (increase / (decrease)) as at 30 June 2019:

	USD
Assets	
Property, plant and equipment (right-of-use assets)	32,563,266
Liabilities	
Lease liabilities	37,344,095
Estimated impact on equity	
of which	
impact on Retained Earnings	*(5,061,626)*
impact on Current Year Result	*280,796*

The estimated impact on the statement of profit or loss (increase / (decrease)) for 2019:

	USD
Depreciation expense (included in cost of sales)	63,743
Depreciation expense (included in Selling)	1,505,120
Depreciation expense (included in administrative expenses)	288,807
Operating lease expense (included in Cost of Sales)	(89,109)
Operating lease expense (included in Selling)	(2,398,682)
Operating lease expense (included in administrative expenses)	(367,668)
Operating profit	**997,789**
Finance costs	1,070,544
Exchange Rate Differences	(353,551)
Result for the year	**280,796**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

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

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

- **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 Amendments require entities to use updated 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 there is no material impact at Group level from application of this amendments.

- 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. These annual improvements have not yet been endorsed by the EU. Management has assessed there is no material impact at Group level from application of these amendments.

  - ***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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***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.

d) Standards issued but not yet effective

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

- **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.

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These 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.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 has 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 30 June 2019 closing exchange rate published by Romanian national Bank of RON 4.1587= USD 1, for both 2019 and 2018 amounts.

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 for the CGU to which Goodwill has been allocated. 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.

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 19.

- 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 and for those losses carried forward for which deferred tax assets has not been recognized are provided in Notes 15 and 25.

- Carrying value of trade and other receivables

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group assesses the requirement for an allowance for impairment in trade and other receivables when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

- 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 19, 23 and 30.

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 30 June 2019.

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 acquire. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer'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.

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 acquire 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 subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (r) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. 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. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

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) t he Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 its 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 (not later than 5 years) 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 31 December 2017, the Group changed its accounting policy 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

(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)

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

Following the change 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 31 December 2017. The remaining life utilization were estimated by the authorized 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 1 January 2018. Before this date (i.e 1 January 2018) the buildings category was stated at cost. The change from cost to revaluation provide a more transparent and up to date picture of the value of the Group assets.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Goodwill

Goodwill is tested for impairment annually (as at 31 December) 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:

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

n) Leases

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

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

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

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

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

o) Inventories

Inventories of 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

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

q) Cash and cash equivalents

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

r) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The normal credit term is 30 to 90 days upon delivery.

In recognizing revenue, the Group applies the five-step model based on the requirements of IFRS 15:

a) identifying the contract with the customer;
b) identifying performance obligations under the contract;
c) determining the transaction price;
d) allocating the transaction price to performance obligations;
e) recognizing revenue at (or during) performance of obligation.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of petroleum products provide customers volume rebates. The volume rebates give rise to variable consideration.

ii) Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be less than one year.

Contract liabilities

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section i) Financial instruments – initial recognition and subsequent measurement and section p) Trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Retirement benefit costs

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

Under collective 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Deferred tax liabilities are recognized 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 commodity risks of changes in fair value of crude oil and related oil products. 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.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedge

The Group 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) above BOS (basis operating 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 recognized 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 recognized in the statement of profit or loss as Cost of Sales. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss (see note 21).

Cash Flow Hedge

The Group 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 products, is transmitted to the Group's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). To reduce this volatility, the Group 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 recognized in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see note 21).

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.

z) Emission Rights

CO_2 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 2018 and the one for 2019 has been received at the end of February 2019. The Group accounts for the liability resulting from generating of these emissions using the net liability method. 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) Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
• In the principal market for the asset or liability
Or
• In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

ab) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realized or intended to be sold or consumed in the normal operating cycle
• Held primarily for the purpose of trading
• Expected to be realized within twelve months after the reporting period
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
• It is expected to be settled in the normal operating cycle
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

(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)

ac) Contingencies

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2018	**34,673,242**	**39,176,314**	**4,762,537**	**78,612,093**
Additions	159,437	3,241	2,606,529	2,769,207
Transfers from CIP	871,053	1,913	(872,966)	-
Transfers and reclassifications*	-	-	(2,089,094)	(2,089,094)
Closing balance as of December 31, 2018	**35,703,732**	**39,181,468**	**4,407,006**	**79,292,206**
Additions	-	3,757	288,656	292,413
Transfers from CIP	-	411,459	(411,459)	-
Transfers and reclassifications*	2,131	-	(53,205)	(51,074)
Closing balance as of June 30, 2019	**35,705,863**	**39,596,684**	**4,230,998**	**79,533,545**
Accumulated amortization				
Opening balance as of January 1, 2018	**(33,524,760)**	**(36,311,498)**	**(523,380)**	**(70,359,638)**
Charge for the year	(748,232)	(577,661)	-	(1,325,893)
Closing balance as of December 31, 2018	**(34,272,992)**	**(36,889,159)**	**(523,380)**	**(71,685,531)**
Charge for the year	(390,905)	(123,523)	-	(514,428)
Closing balance as of June 30, 2019	**(34,663,897)**	**(37,012,682)**	**(523,380)**	**(72,199,959)**
Net book value	-	-	-	
As of December 31, 2018	**1,430,740**	**2,292,309**	**3,883,626**	**7,606,675**
As of June 30, 2019	**1,041,966**	**2,584,002**	**3,707,618**	**7,333,586**

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

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

3. INTANGIBLE ASSETS (continued)

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

Amounts in RON

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2018	**144,195,612**	**162,922,537**	**19,805,963**	**326,924,112**
Additions	663,051	13,478	10,839,772	11,516,301
Transfers from CIP	3,622,448	7,956	(3,630,404)	
Transfers and reclassifications*	-	-	(8,687,917)	(8,687,917)
Closing balance as of December 31, 2018	**148,481,111**	**162,943,971**	**18,327,414**	**329,752,496**
Additions	-	15,624	1,200,434	1,216,058
Transfers from CIP	-	1,711,135	(1,711,135)	-
Transfers and reclassifications*	8,862	-	(221,263)	(212,401)
Closing balance as of June 30, 2019	**148,489,973**	**164,670,730**	**17,595,450**	**330,756,153**
Accumulated amortization				
Opening balance as of January 1, 2018	**(139,419,419)**	**(151,008,627)**	**(2,176,580)**	**(292,604,626)**
Charge for the year	(3,111,672)	(2,402,319)	-	(5,513,991)
Closing balance as of December 31, 2018	**(142,531,091)**	**(153,410,946)**	**(2,176,580)**	**(298,118,617)**
Charge for the year	(1,625,657)	(513,695)	-	(2,139,352)
Closing balance as of June 30, 2019	**(144,156,748)**	**(153,924,641)**	**(2,176,580)**	**(300,257,969)**
Net book value				
As of December 31, 2018	**5,950,020**	**9,533,025**	**16,150,834**	**31,633,879**
As of June 30, 2019	**4,333,225**	**10,746,089**	**15,418,870**	**30,498,184**

4. GOODWILL

The carrying value of goodwill as of 30 June 2019 and 31 December 2018 was USD 82,871,706 (RON: 344,638,564).

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 2018 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.

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

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2018	**70,158,567**	**671,288,163**	**1,230,892,081**	**118,374,156**	**122,643,786**	**2,213,356,753**
Acquisitions	(154,045)	31,625	229,795	131,222	82,800,602	83,039,199
Transfers from CIP	-	16,830,735	58,046,082	6,653,328	(81,530,145)	-
Revaluation adjustment	-	(7,448,300)	-	-	-	(7,448,300)
Disposals	(135,986)	(5,850)	(957,049)	(512,576)	-	(1,611,461)
Transfers due to revaluation adjustment		(14,589,987)				(14,589,987)
Transfers and reclassifications*	-	8,645,976	(8,679,278)	36,672	1,977,367	1,980,737
As of December 31, 2018	**69,868,536**	**674,752,362**	**1,279,531,631**	**124,682,802**	**125,891,610**	**2,274,726,941**
Additions	-	-	61,586	163,134	27,386,450	27,611,170
Transfers from CIP	4,902	10,549,885	5,704,156	6,403,426	(22,662,369)	-
Revaluation adjustment						
Disposals	(683,616)	(12,734,752)	(9,557,062)	(4,842,260)	-	(27,817,690)
Transfers and reclassifications*	-	(118,945)	118,945	-	(127,893)	(127,893)
As of June 30, 2019	**69,189,822**	**672,448,550**	**1,275,859,256**	**126,407,102**	**130,487,798**	**2,274,392,528**
Accumulated depreciation & Impairment	-	-	-	-	-	
As of January 1, 2018	**(78,373)**	**(130,030,333)**	**(707,572,527)**	**(91,619,933)**	**(29,496,409)**	**(958,797,575)**
Charge for the year	-	(36,976,889)	(62,645,721)	(6,194,578)	-	(105,817,188)
Accumulated depreciation of disposals	-	5,850	955,220	500,261	-	1,461,331
Impairment	-	8,943,533	-	-	-	8,943,533
Transfers due to revaluation adjustment		14,589,987				14,589,987
Transfers and reclassifications*	-	(523)	19,152	(21,997)	-	(3,368)
As of December 31, 2018	**(78,373)**	**(143,468,375)**	**(769,243,876)**	**(97,336,247)**	**(29,496,409)**	**(1,039,623,280)**
Charge for the year	-	(18,910,332)	(31,706,524)	(3,590,327)	-	(54,207,183)
Accumulated depreciation of disposals	-	962,642	6,644,210	1,787,401	-	9,394,253
Transfers and reclassifications*	-	25,771	(25,771)	-	-	-
As of June 30, 2019	**(78,373)**	**(161,390,294)**	**(794,331,961)**	**(99,139,173)**	**(29,496,409)**	**(1,084,436,210)**
Net book value as of December 31, 2018	**69,790,163**	**531,283,987**	**510,287,755**	**27,346,555**	**96,395,201**	**1,235,103,661**
Net book value as of June 30, 2019	**69,111,449**	**511,058,256**	**481,527,295**	**27,267,929**	**100,991,389**	**1,189,956,318**

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts in RON

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2018	**291,768,433**	**2,791,686,083**	**5,118,910,897**	**492,282,603**	**510,038,713**	**9,204,606,729**
Acquisitions	(640,627)	131,519	955,648	545,713	344,342,864	345,335,117
Transfers from CIP	-	69,993,978	241,396,241	27,669,195	(339,059,414)	-
Revaluation adjustment	-	(30,975,245)	-	-	-	(30,975,245)
Disposals	(565,525)	(24,328)	(3,980,080)	(2,131,650)	-	(6,701,583)
Transfers do to revaluation adjustment		(60,675,379)				(60,675,379)
Transfers and reclassifications*	-	35,956,020	(36,094,513)	152,508	8,223,272	8,237,287
As of December 31, 2018	**290,562,281**	**2,806,092,648**	**5,321,188,193**	**518,518,369**	**523,545,435**	**9,459,906,926**
Additions			256,118	678,425	113,892,030	114,826,573
Transfers from CIP	20,386	43,873,807	23,721,874	26,629,928	(94,245,995)	-
Revaluation adjustment	-	-				
Disposals	(2,842,954)	(52,960,013)	(39,744,954)	(20,137,507)	-	(115,685,428)
Transfers and reclassifications*	-	(494,657)	494,657	-	(531,869)	(531,869)
As of June 30, 2019	**287,739,713**	**2,796,511,785**	**5,305,915,888**	**525,689,215**	**542,659,601**	**9,458,516,202**
Accumulated depreciation & Impairment						
As of January 1, 2018	**(325,930)**	**(540,757,146)**	**(2,942,581,868)**	**(381,019,815)**	**(122,666,716)**	**(3,987,351,475)**
Charge for the year	-	(153,775,788)	(260,524,760)	(25,761,392)	-	(440,061,940)
Accumulated depreciation of disposals	-	24,328	3,972,473	2,080,435	-	6,077,236
Impairment	-	37,193,471	-	-	-	37,193,471
Transfers do to revaluation adjustment		60,675,379				60,675,379
Transfers and reclassifications*	-	(2,175)	79,647	(91,479)	-	(14,007)
As of December 31, 2018	**(325,930)**	**(596,641,931)**	**(3,199,054,508)**	**(404,792,251)**	**(122,666,716)**	**(4,323,481,336)**
Charge for the year	-	(78,642,398)	(131,857,921)	(14,931,093)	-	(225,431,412)
Accumulated depreciation of disposals	-	4,003,339	27,631,276	7,433,265	-	39,067,880
Transfers and reclassifications*	-	107,174	(107,174)	-	-	-
As of June 30, 2019	**(325,930)**	**(671,173,816)**	**(3,303,388,327)**	**(412,290,079)**	**(122,666,716)**	**(4,509,844,868)**
Net book value as of December 31, 2018	**290,236,351**	**2,209,450,717**	**2,122,133,685**	**113,726,118**	**400,878,719**	**5,136,425,590**
Net book value as of June 30, 2019	**287,413,783**	**2,125,337,969**	**2,002,527,561**	**113,399,136**	**419,992,885**	**4,948,671,334**

In 2018, Transfers and Reclassifications of USD 1.98 million (RON 8.4 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 14.6 million.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

In 2019 out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: Replacement of 122 DHT (Diesel Hydro Treater) Reactor Catalyst amounting to USD 1.6 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 2.1 million, Tank rehabilitation amounting to USD 1.7 million, Revamp fuel oil ramp, increase railway diesel loading capacity and rehabilitation of fuel oil ramp facilities USD amounting to 2.5 million, LPG recovery from Delayed Coker Unit gases amounting to USD 3.5 million, Modernization of the In Line Blending Unit and Rehabilitation and reconfiguration equipment for Line Blending System amounting to USD 2.1 million.

In 2018 out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: Refinery and Petrochemicals annual overhaul amounting to USD 18.3 million and State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 9.5 million, Tank rehabilitation amounting to USD 4.6 million, Replacement of Convective System for CO Boiler 3.6 million. Part of these projects have been transferred to the other property, plant and equipment categories.

- *Construction in progress*

The main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 8 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 7.3 million, Replacement of 122 DHT (Diesel Hydro Treater) Reactor Catalyst amounting to USD 0.6 million, Revamp fuel oil ramp, increase railway diesel loading capacity and rehabilitation of fuel oil ramp facilities amounting to USD 4.3 million, LPG recovery from Delayed Coker Unit gases amounting to USD 4.3 million, Modernization of the In Line Blending Unit and Rehabilitation and reconfiguration equipment for Line Blending System amounting to USD 3 million, Replacement of Convective System for CO Boiler amounting to USD 3.6 million.

At the end of 2018 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 5.4 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 5.4 million and Refinery specific optimization programs amounting to USD 26.13 million and USD 26.19 million in respect of retail network development (out of witch new COCO & DODO station USD 8.9 million, rebranding the existing stations USD 7.5 million, fill & go project and loyalty program USD 2.5 million).

During 2019, Downstream continued the process of expanding the network by opening new stations and rebranding the existing ones. The value of investment was USD 4.01 million (2018: USD 7.69 million).

- *Disposals*

In 2019, out of the total USD 27.8 million disposed assets, USD 5.7 million refers to catalysts replacement in 122 DHT (Disel HydroTreater), CR (Catalytic Reforming) and MTBE (Methyl Tertiary Butyl Ether) units in Rompetrol Rafinare SA, and USD 22.1 million for Rompetrol Downstream referring to sales of 16 gas stations to Rompetrol Development as part of Kazakh – Romanian Energy Investment Found.

In 2018, out of the total USD 1.6 million disposed assets, USD 0.79 million refers to write-offs for Rompetrol Gas.

- *Borrowing costs capitalized*

The 2019 capital projects were financed from Groups' operating cash flow, therefore no borrowing cost was capitalized during 2019 (2018: USD nil).

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Disposals through sales of subsidiaries and liquidations*

During 2019 and 2018 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 2018 on the cash generating units ("CGUs") listed below in Note 6.

- 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 revaluation model. 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 gain (net of deferred tax) from the revaluation of the Group buildings category of USD 146.4 million in 2017 was recognized in OCI and a loss of USD 45 million was recognized in the income statement.

In 2018 it was recognized a gain (net of deferred tax) from the revaluation of the Group buildings category (of Rompetrol Logistics) of USD 3 million that was recognized in OCI, together with a loss of USD 2.4 million recognized in the income statement. Additionally, for Rompetrol Petrochemicals SRL the negative impact of USD 8.9 million that resulted from the revaluation of buildings category was fully offset by the reversal of impairment, leading to a nil impact at income statement level.

Reconciliation of carrying amount

	Buildings	
	mUSD	mRON
Carrying amount as at December 31, 2017	**541.26**	**2,250.94**
Revaluation gain recognised due to change in accounting policy to revaluation model	3.73	15.51
Revaluation loss recognised	(11.17)	(46.45)
Depreciation for the year	(36.98)	(153.79)
Additions/Disposals/Transfers and reclassifications	25.51	106.09
Impairment	8.94	37.18
Carrying amount and fair value as at 31 December 2018	**531.29**	**2,209.48**
Depreciation for the year	(18.91)	(78.64)
Additions/Disposals/Transfers and reclassifications	(1.32)	(5.49)
Impairment	0.00	0.00
Carrying amount and fair value as at 30 June 2019	**511.06**	**2,125.35**

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Buildings 2019		Buildings 2018	
	mUSD	mRON	mUSD	mRON
Cost	672.00	2,794.65	688.00	2,861.19
Accumulated depreciation and impairment	(161.00)	(669.55)	(149.00)	(619.65)
Net carrying amount	**511.00**	**2,125.10**	**539.00**	**2,241.54**

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment with a carrying value of USD 405 million (2018: USD 418 million) net, for securing banking facilities granted to Group entities.

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

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

According with the Memorandum of Understanding signed with the Romanian State and approved by Government Decision no. 35/2014, ANAF should remove and revoke the asset freeze established on 10 September 2010. To date ANAF has not applied the requirements of the MoU and has not lifted the asset freeze.

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (See Note 30). Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to an asset freeze.

On 22 April 2019 DIICOT issued an ordinance whereby all participations held by the company to its subsidiaries, as well as part of the movable and immovable property of the company were released from the criminal seizure.

As at 30 June 2019 no enforcement process has been made.

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

6. IMPAIRMENT TEST

Impairment tests have been performed by the Group for the carrying value of goodwill and property plant and equipment as of 31 December 2018 on the cash generating units ("CGUs") Refining, Petrochemicals and Downstream Romania. Based on the impairment tests performed, no impairment has been identified.

7. RIGHT OF USE ASSETS

Amounts in USD

	Buildings and constructions (incl Land)	Machinery and equipment	Transport	Other	TOTAL
Initial (revaluated) cost Closing balance at December 31, 2018	-	-	-	-	-
Change in the beginning balance in accordance with IFRS requirements	33,982,288	24,817	190,377	223,454	**34,420,936**
Closing balance at June 30, 2019	**33,982,288**	**24,817**	**190,377**	**223,454**	**34,420,936**
Accumulated depreciation, impairment Closing balance at December 31, 2018	-	-	-	-	-
Depreciation and amortization	(1,737,037)	(5,440)	(54,870)	(60,323)	**(1,857,670)**
Closing balance at June 30, 2019	(1,737,037)	(5,440)	(54,870)	(60,323)	**(1,857,670)**
Net Book value at June 30, 2019	**32,245,251**	**19,377**	**135,507**	**163,131**	**32,563,266**
Net Book value at December 31, 2018	-	-	-	-	-

Amounts in RON

	Buildings and constructions (incl Land)	Machinery and equipment	Transport	Other	TOTAL
Initial (revaluated) cost Closing balance at December 31, 2018	-	-	-	-	-
Change in the beginning balance in accordance with IFRS requirements	141,322,141	103,206	791,721	929,278	**143,146,347**
Closing balance at June 30, 2019	141,322,141	103,206	791,721	929,278	**143,146,347**
Accumulated depreciation, impairment Closing balance at December 31, 2018	-	-	-	-	-
Depreciation and amortization	(7,223,816)	(22,623)	(228,188)	(250,865)	**(7,725,492)**
Closing balance at June 30, 2019	(7,223,816)	(22,623)	(228,188)	(250,865)	(7,725,492)
Net Book value at June 30, 2019	**134,098,325**	**80,583**	**563,533**	**678,413**	**135,420,854**
Net Book value at December 31, 2018	-	-	-	-	-

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

8. INVESTMENTS

Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at 30 June 2019 and and 31 December 2018 are as follows.

Company name	Country of Incorporation	Range of activity	Effective ownership 30 June 2019	Control 30 June 2019	Effective ownership 31 December 2018	Control 31 December 2018
			%	%	%	%
Rompetrol Downstream SRL	Romania	Retail Trade of Fuels and Lubricants	100	100	100	100
Rom Oil S.A.	Romania	Wholesale of Fuels; fuel storage	100	100	100	100
Rompetrol Logistics SRL	Romania	Logistics operations	66.19	100	66.19	100
Rompetrol Petrochemicals SRL	Romania	Petrochemicals	100	100	100	100
Rompetrol Quality Control SRL	Romania	Quality Control Services	100	100	100	100
Rompetrol Gas SRL	Romania	LPG Sales	66.19	100	66.19	100

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

9. INVENTORIES, NET

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Crude oil and other feedstock materials	134,292,436	100,825,829	558,481,953	419,304,375
Petroleum and petrochemical products	144,680,756	153,153,760	601,683,860	636,920,542
Work in progress	29,145,158	28,075,835	121,205,969	116,758,975
Spare parts	16,114,991	16,145,767	67,017,413	67,145,401
Consumables and other raw materials	5,880,146	6,558,378	24,453,763	27,274,327
Merchandises	11,098,323	11,749,090	46,154,590	48,860,960
Other inventories	9,225,605	8,880,663	38,366,524	36,932,013
Inventories provision	(24,740,627)	(32,490,635)	(102,888,846)	(135,118,804)
	325,696,788	292,898,693	1,354,475,232	1,218,077,795

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

9. INVENTORIES, NET (continued)

The inventories provision movement in 2019 and 2018 is provided below:

Movements in inventories reserve:

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Reserve as of January 1	**(32,490,635)**	**(17,970,943)**	**(135,118,804)**	**(74,735,761)**
Accrued provision	(7,680,857)	(29,330,246)	(31,942,380)	(121,975,694)
Write off	-	1,398	-	5,814
Reversal of provision	15,430,865	14,809,156	64,172,338	61,586,837
Reserve as of December 31	**(24,740,627)**	**(32,490,635)**	**(102,888,846)**	**(135,118,804)**

The inventories provisions mainly represent the provision for net realizable value in relation to refineries and petrochemical plant inventories (such as petroleum and petrochemicals products from production and trading, raw materials) and provision of old spare parts.

The increase in 2018 is due to the sudden decrease of oil prices at the end of 2018, which resulted in a reduction of the NRV of inventories held by the Group.

The Group has pledged inventories in gross amount of USD 265 million (2018: USD 260 million) to secure banking facilities

10. 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 27.

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Trade receivables	259,641,469	211,035,171	1,079,770,978	877,631,967
Advances to suppliers	10,753,619	9,623,399	44,721,075	40,020,829
Sundry debtors	81,792,102	83,444,550	340,148,815	347,020,850
VAT to be recovered	67,814	33,164	282,018	137,919
Other receivables	176,729,259	155,195,749	734,963,969	645,412,561
Provision for expected credit losses	(48,264,989)	(50,077,194)	(200,719,610)	(208,256,027)
	480,719,274	409,254,839	1,999,167,245	1,701,968,099

Movement in the above provision is disclosed below and in Note 23.

Included in Sundry debtors in 2019 is an amount of USD 6.87 million (2018: USD 7.01 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2007-2010 and 2011-2015 period, and an additional USD 3.3 million (2018: USD 3.37 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 30). Also, included in Sundry debtors category is an amount of USD 68.65 million (2018: USD 70.08 million) relating to Rompetrol Petrochemicals SRL receivables against KMGI as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts (see note 12).

(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))

10. TRADE AND OTHER RECEIVABLES (continued)

In 2019 out of the total amount of USD 10.7 million (2018: 9.6 million) representing advances to suppliers, USD 5.4 million (2018: 4.3 million) are in respect of other raw materials, investment projects and management fees services in Rompetrol Rafinare , USD 3.5 million (2018: 3.1 million) are in respect of investment projects related to the construction of new stations, rebranding process and Loyalty project, petroleum product and rent in Rompetrol Downstream, and USD 1.8 million are in respect of inventories for Rompetrol Gas.

Out of the total balance for other receivables of USD 176.7 million (2018: USD 155.2 million), an amount of USD 152.2 million (2018: USD 115.2) million relates to cash pooling receivables for: Rompetrol Downstream USD 102 million (2018: USD 72.5 million), Rompetrol Gas USD 46.9 million (2018: USD 32.6 million), Rompetrol Quality Control USD 0.13 million (2018: USD 0.13 million) and Rom Oil S.A USD 0.49 million (2018: USD 0.01 million). Also, in other receivables an amount of USD 8.13 million (2018: USD 18.66 million) refers to excise receivables in Rompetrol Rafinare.

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Sundry debtors	81,792,102	83,444,550	340,148,815	347,020,850
Other receivables	176,729,259	155,195,749	734,963,969	645,412,561
Provision for sundry debtors and other receivables	(5,415,205)	(5,528,576)	(22,520,212)	(22,991,689)

Out of the total amount of other receivables and sundry debtors of USD 258.5 million (2018: USD 238.6 million) an amount of USD 5.4 million (2018: USD 5.5 million) is provisioned.

The movement in provision for expected credit losses for trade and other receivables is as follows:

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Balance at the beginning of the year	(50,077,194)	(105,245,948)	(208,256,027)	(437,686,324)
Charge for the year	(1,191,913)	(8,039,681)	(4,956,809)	(33,434,621)
Utilised	1,820,461	63,327,625	7,570,751	263,360,594
Unused amounts reversed	132,915	188,534	552,754	784,056
Reclassification between categories trade receivables and other receivables	-	(4,578,595)	-	(19,041,003)
IFRS 9 impact (RE adjustment)	-	(1,036,370)	-	(4,309,952)
Exchange rate differences	1,050,742	5,307,241	4,369,721	22,071,223
Balance at the end of the year	**(48,264,989)**	**(50,077,194)**	**(200,719,610)**	**(208,256,027)**

In 2018, the Group wrote off trade and other receivables in amount of USD 63.3 million for which all collection and legal actions were finalized and in accordance with statutory regulations can be derecognized. These receivables had been previously provided.

Trade receivables totaling USD 165.38 million as at 30 June 2019 and USD 113.98 million as at 31 December 2018 are pledged to obtain credit facilities (see Notes 12 and 18).

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

11. CASH AND CASH EQUIVALENTS

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Cash at bank	11,737,348	10,079,541	48,812,108	41,917,787
Cash on hand	2,934,339	1,150,039	12,203,036	4,782,667
Cash equivalents	302,184	247,603	1,256,693	1,029,707
	14,973,871	**11,477,183**	**62,271,837**	**47,730,161**

Cash equivalents represent mainly cheques in the course of being cashed.

12. EQUITY

As of 30 June 2019 and 31 December 2018 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 30 June 2019 is as follows:

30 June 2019	**Ownership**	**Amount per statutory documents**	**Amount under IFRS**	**Amount under IFRS**
	%	**RON**	**USD**	**RON**
Shareholders				
KMG International NV	48.11	2,122,250,643	704,057,130	2,927,962,385
Romanian State represented by Ministry of Energy	44.70	1,971,500,905	654,045,871	2,719,980,564
Rompetrol Financial Group SRL	6.47	285,408,308	94,684,271	393,763,478
Rompetrol Well Services S.A.	0.05	2,198,030	729,197	3,032,512
Others (not State or KMGI Group)	0.67	29,562,687	9,807,428	40,786,151
Total	**100**	**4,410,920,573**	**1,463,323,897**	**6,085,525,090**

(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))

12. EQUITY (continued)

Shareholders' structure as at 31 December 2018 was as follows:

31 December 2018	Ownership	Amount per statutory documents	Amount under IFRS	Amount under IFRS
	%	RON	USD	RON
Shareholders				
KMG International NV	48.11	2,122,250,643	704,057,130	2,927,962,385
Romanian State represented by Ministry of Energy	44.70	1,971,500,905	654,045,871	2,719,980,564
Rompetrol Financial Group SRL	6.47	285,408,308	94,684,271	393,763,478
Rompetrol Well Services S.A.	0.05	2,198,030	729,197	3,032,512
Others (not State or KMGI Group)	0.67	29,562,687	9,807,428	40,786,151
Total	**100**	**4,410,920,573**	**1,463,323,897**	**6,085,525,090**

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2019 and 2018.

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 30 September 2010 in favor of the Romanian State represented by the Ministry of Finance, based on 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.

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 Dowstream), 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 31 December 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. This liability was updated in 2018 to USD 17 million.

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

12. EQUITY (continued)

Revaluation reserve

Starting 31 December 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 (net of deferred tax) from the revaluation of the Group buildings category of USD 146,4 million in 2017 was recognized in OCI.

As of 30 June 2019, the balance of the revaluation reserves is affected by the transfer in retained earnings of the difference between depreciation based on revalued carrying amount and depreciation based on the initial cost of assets in the buildings category. Under the accounting policy adopted by the Group as of 31 December 2017, the revaluation surplus included in the revaluation reserve is capitalized by the transfer in retained earnings as a result of the use of the asset or disposal, insofar as that transfer has not already been made during the use of the asset reassessed. Thus, as of 30 June 2019, the revaluation surplus transferred to retained earnings was USD 5.4 million.

13. LONG-TERM BORROWINGS FROM BANKS

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: General corporate purposes and working capital facility of USD 360 million. The facility consists of two parts: (I) USD 240 million committed line, the maturity date is April 28, 2022 and (II) USD 120 million uncommitted, maturity date is April 28, 2010. The facility is secured by: inventories, receivables, depots and stations.	96,128,164	103,977,541	399,768,196	432,411,401
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 360 million. The facility consists of two parts: (I) USD 240 million committed line, the maturity date is April 28, 2022 and (II) USD 120 million uncommitted, maturity date is April 28, 2020. The facility is secured by: Inventories, receivables, depots and stations.	143,993,351	120,158,484	598,825,148	499,703,086
Amount payable within one year principal	**(121,515)**	**(32,821)**	**(505,344)**	**(136,493)**
Total	**240,000,000**	**224,103,204**	**998,088,000**	**931,977,994**

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

13. LONG-TERM BORROWINGS FROM BANKS (continued)

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
One year or less - principal	121,515	32,821	505,344	136,493
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	240,000,000	224,103,204	998,088,000	931,977,994
Total	**240,121,515**	**224,136,025**	**998,593,344**	**932,114,487**

The loans are secured with pledges on property plant and equipment of USD 405 million (2018: USD 418), inventories of USD 265 million (2018: USD 260 million) and trade receivables of USD: 165 million (2018: USD 113 million).

At the time of extension of the credit facility the Group has paid in advance a total fee of USD 2.67 million. Starting with May 2018, part of the fee is being charged monthly to expenses as bank commission, until the maturity of the loan agreement.

All the financial covenants applicable were complied with as of 30 June 2019.

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

14. NET OBLIGATIONS UNDER FINANCE LEASES

	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
	USD	USD	RON	RON
Amounts due within 1 year	5,689,950		23,662,795	
Amounts due after more than 1 year but not later than 5 years	19,001,459		79,021,368	
Amounts due after 5 years	30,099,514	-	125,174,849	-
Total lease obligations	**54,790,923**	-	**227,859,012**	-
Less future finance charges on finance leases	(17,446,828)	-	(72,556,124)	-
Present value of finance lease liabilities	**37,344,095**	-	**155,302,888**	-
Analyzed as follows				
Maturing within one year	3,603,800	-	14,987,123	-
Amounts due after more than 1 year but not later than 5 years	12,803,248		53,244,867	
Amounts due after 5 years	20,937,047	-	87,070,898	-
Total	**37,344,095**	-	**155,302,888**	-

Amounts in USD

Analysed as follows:	Change in Opening Balance in accordance with IFRS 16	Repayment	Exchange rate difference	Unwinding of discount	Closing Balance as of June 30, 2019
Maturing within one year	6,486,310	(2,855,455)	(27,055)	-	**3,603,800**
Amounts due after more than 1 year but not later than 5 years	11,827,693	-	(94,989)	1,070,544	**12,803,248**
Amounts due after 5 years	21,168,554	-	(231,507)	-	**20,937,047**
Total	39,482,556	(2,855,455)	(353,551)	1,070,544	**37,344,095**

Amounts in RON

Analysed as follows:	Change in Opening Balance in accordance with IFRS 16	Repayment	Exchange rate difference	Unwinding of discount	Closing Balance as of June 30, 2019
Maturing within one year	26,974,616	(11,874,980)	(112,513)	-	**14,987,123**
Amounts due after more than 1 year but not later than 5 years	49,187,826	-	(395,030)	4,452,071	**53,244,867**
Amounts due after 5 years	88,033,663.76	-	(962,765.52)	-	**87,070,898**
Total	164,196,107	(11,874,980)	(1,470,309)	4,452,071	**155,302,888**

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

15. DEFERRED TAX ASSETS AND LIABILITIES

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

	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
	USD	USD	RON	RON
Deferred tax assets	(38,381,735)	(37,661,607)	(159,618,120)	(156,623,325)
Deferred tax liabilities	4,076,853	4,149,508	16,954,409	17,256,559
Deferred tax (asset) / liability, net	**(34,304,882)**	**(33,512,099)**	**(142,663,711)**	**(139,366,766)**

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

USD

2019	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	321,074,539	-	(4,954,894)	316,119,645
Inventories	82,619	-	-	82,619
Provisions	(72,310,000)	-	-	(72,310,000)
Tax losses	(458,346,350)	-	-	(458,346,350)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**(209,450,617)**	**-**	**(4,954,894)**	**(214,405,511)**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	51,371,926	-	(792,783)	50,579,143
Inventories	13,219	-	-	13,219
Provisions	(11,569,600)	-		(11,569,600)
Tax losses	(73,335,416)	-		(73,335,416)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**(33,512,099)**	**-**	**(792,783)**	**(34,304,882)**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

RON

2019	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	204,766	-	-	204,766
Property, plant and equipment	1,335,252,685		(20,605,918)	1,314,646,767
Inventories	343,588	-	-	343,588
Provisions	(300,715,597)	-	-	(300,715,597)
Tax losses	(1,906,124,966)	-	-	(1,906,124,966)
Other	(2,757)	-	-	(2,757)
Total temporary differences (asset)/liability	**(871,042,281)**	**-**	**(20,605,918)**	**(891,648,199)**
Deferred tax effect				
Intangible assets	32,762	-	-	32,762
Property, plant and equipment	213,640,429	-	(3,296,945)	210,343,484
Inventories	54,974	-	-	54,974
Provisions	(48,114,496)	-	-	(48,114,496)
Tax losses	(304,979,994)	-	-	(304,979,994)
Other	(441)	-	-	(441)
Deferred tax (asset)/liability recognized	**(139,366,766)**	**-**	**(3,296,945)**	**(142,663,711)**

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
Rompetrol Rafinare SA	(37,661,607)	-	(720,128)	(38,381,735)
Rompetrol Downstream S.R.L.	1,750,860	-	(72,655)	1,678,205
Rom Oil S.A.	1,474,011	-	-	1,474,011
Rompetrol Gas S.R.L.	342,992	-	-	342,992
Rompetrol Logistics S.R.L.	581,645	-	-	581,645
Deferred tax (asset)/liability recognized	**(33,512,099)**	**-**	**(792,783)**	**(34,304,882)**

RON

Deferred tax (asset)/liability recognized	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Rompetrol Rafinare SA	(156,623,325)	-	(2,994,795)	(159,618,120)
Rompetrol Downstream S.R.L.	7,281,301	-	(302,150)	6,979,151
Rom Oil S.A.	6,129,970	-	-	6,129,970
Rompetrol Gas S.R.L.	1,426,401	-	-	1,426,401
Rompetrol Logistics S.R.L.	2,418,887	-	-	2,418,887
Deferred tax (asset)/liability recognized	**(139,366,766)**	**-**	**(3,296,945)**	**(142,663,711)**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

2018	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	49,238			49,238
Property, plant and equipment	320,133,706	7,230,225	(6,289,394)	321,074,537
Inventories	82,619	-	-	82,619
Provizions	(72,310,000)	-	-	(72,310,000)
Tax losses	(451,116,125)	(7,230,225)	-	(458,346,350)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**(203,161,225)**	**-**	**(6,289,394)**	**(209,450,619)**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	51,221,393	1,156,836	(1,006,303)	51,371,926
Investments	-	-	-	-
Inventories	13,219	-	-	13,219
Provizions	(11,569,600)			(11,569,600)
Tax losses	(72,178,580)	(1,156,836)		(73,335,416)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**(32,505,796)**	**-**	**(1,006,303)**	**(33,512,099)**

RON

2018	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	204,766	-	-	204,766
Property, plant and equipment	1,331,340,043	30,068,337	(26,155,703)	1,335,252,677
Inventories	343,588	-	-	343,588
Provisions	(300,715,597)	-	-	(300,715,597)
Tax losses	(1,876,056,629)	(30,068,337)	-	(1,906,124,966)
Other	(2,757)	-	-	(2,757)
Total temporary differences (asset)/liability	**(844,886,586)**	**-**	**(26,155,703)**	**(871,042,289)**
Deferred tax effect				
Intangible assets	32,762	-	-	32,762
Property, plant and equipment	213,014,407	4,810,934	(4,184,912)	213,640,429
Inventories	54,974			54,974
Provisions	(48,114,496)	-	-	(48,114,496)
Tax losses	(300,169,060)	(4,810,934)	-	(304,979,994)
Other	(441)	-	-	(441)
Deferred tax (asset)/liability recognized	**(135,181,854)**	**-**	**(4,184,912)**	**(139,366,766)**

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 25 for details for the income tax rate and other related matters.

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

16. TRADE AND OTHER PAYABLES

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Trade payables	808,594,162	739,249,357	3,362,700,537	3,074,316,301
Excise taxes	(235,021)	(207,674)	(977,382)	(863,654)
Special fund tax for oil products	6,626,448	6,764,803	27,557,409	28,132,786
VAT payable	41,814,097	30,748,391	173,892,285	127,873,334
Profit tax payable	633,740	-	2,635,535	-
Other taxes payable	(22,668)	(18,009)	(94,269)	(74,894)
Employees and social obligations	4,468,833	3,577,379	18,584,536	14,877,246
Deferred revenues	4,778,826	4,707,097	19,873,704	19,575,404
Other liabilities	207,801,436	131,613,596	864,183,832	547,341,462
Total	**1,074,459,853**	**916,434,940**	**4,468,356,187**	**3,811,177,985**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL ("Master Company"). The amounts in balance as of 30 June 2019 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 181.8 million and Rompetrol Gas USD 21.8 million

Also in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 3.72 million (2018: USD 4.09 million).

As at 31 December 2018 the line "Advances from customers" does not present balance, due to reclassification of this balance sheet element into "Contract liabilities" (see note 17) as per IFRS 15. This change is applied prospectively.

17. CONTRACT LIABILITIES

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Short-term advances from wholesale customers	16,012,118	20,393,936	66,589,595	84,812,262
Short-term advances from other customers	10,556,574	5,553,277	43,901,624	23,094,413
Total short-term advances	**26,568,692**	**25,947,213**	**110,491,219**	**107,906,675**

Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Group performs under the contract.

The disclosed amounts refers to advances from customers is in respect of petroleum products sales and excises.

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

18. SHORT-TERM DEBT

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Bancpost 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, 2019. Drawings in USD/EUR/RON.	-	14,125,350	-	58,743,093
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: Overdraft facility of up to EUR 2 million, for current activity.	1,779,090	1,136,247	7,398,702	4,725,310
Banca Transilvania Rompetrol Rafinare S.A.: Two revolving credit ceiling on short term credit facility, one up to EUR 30 million and the second up to EUR 27.96 million, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2019 Drawings in USD/EUR/RON	10,347,262	10,980,255	43,031,158	45,580,412
Current portion of long-term debt	**121,515**	**32,821**	**505,344**	**136,493**
	12,247,867	**26,254,673**	**50,935,204**	**109,185,308**

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

18. SHORT-TERM DEBT (continued)

	June 30, 2019 USD	December 31, 2018 USD	June 30, 2019 RON	December 31, 2018 RON
Borrowings from shareholders and related parties				
KMG International N.V.	12,655,716	59,815,349	52,631,326	248,754,092
Rompetrol Rafinare SA Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - December 31, 2019 , assignment of receivables, real movable security interest over movable assets; real movable security interest over the investments in Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. The undrawn amounts as of June 30, 2019 is in amount of USD 237.34 million.				
Rompetrol Financial Group	2,404,598	28,230,057	10,000,002	117,400,338
Rompetrol Rafinare SA:Short-term facility for working capital needs in amount of up to USD 29.5 million, maturity date - December 31, 2019. The undrawn amounts as of June 30, 2019 is in amount of RON 105 million. Rompetrol 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.				
Midia Marine Terminal	6,543,175	6,679,746	27,211,102	27,779,060
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of USD 7 million, maturity date December 31, 2019. The facility has been fully used.				
Rompetrol Well Services S.A	-	3,191,131	-	13,270,956
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - January 10, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully repaid on May 10, 2019.				
Rompetrol Well Services S.A	-	2,749,411	-	11,433,976
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - February 28, 2019. The loan is secured with a promissory note covering the debt The facility has been fully repaid on May 28, 2019.				
Rompetrol Well Services S.A	-	1,718,382	-	7,146,235
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - January 14, 2019. The loan is secured with a promissory note covering the debt The facility has been fully repaid on May 14, 2019.				
Rompetrol Well Services S.A	-	760,998	-	3,164,762
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date -January 3, 2019. The loan is secured with a promissory note covering the debt. The facility has been fuly repaid on May 3, 2019.				
Accrued interest	2,428,416	4,406,170	10,099,054	18,323,939
	24,031,905	**107,551,244**	**99,941,484**	**447,273,358**

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

18. SHORT-TERM DEBT (continued)

All the financial covenants applicable were complied with as of 30 June 2019.

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 405 million (2018: USD 418), inventories of USD 265 million (2018: USD 260) and trade receivables of USD: 165.38 million (2018: USD 113.98 million).

The movement in loans is presented below:

USD	At 1 January 2019	Drawings	Repayment	Interest accrual	Reclassification between ST and LT	Exchange rate impact	At 30 June 2019
Long-term borrowings from banks	224,103,204	23,772,203	(7,875,407)	-	-	-	240,000,000
Short-term borrowings from banks	26,221,852	62,863,854	(76,044,970)	-	-	(914,384)	12,126,352
Short term borrowings from related parties	103,145,074	-	(83,791,067)	-	-	2,249,482	21,603,489
Interest Long-term borrowings banks	-	-	(6,137,463)	6,226,158	(88,695)	-	-
Interest Short term borrowings from related parties	4,406,170	-	(4,180,869)	2,226,290	-	(23,176)	2,428,415
Interest Short-term borrowings from banks	32,821	-	(526,607)	526,607	88,695	-	121,516
Total	**357,909,121**	**86,636,057**	**(178,556,383)**	**8,979,055**	**-**	**1,311,922**	**276,279,772**

RON	At 1 January 2019	Drawings	Repayment	Interest accrual	Reclassification between ST and LT	Exchange rate impact	At 30 June 2019
Long-term borrowings from banks	931,977,994	98,861,461	(32,751,455)	-	-	-	998,088,000
Short-term borrowings from banks	109,046,816	261,431,910	(316,248,217)	-	-	(3,802,649)	50,429,860
Short term borrowings from related parties	428,949,419	-	(348,461,910)	-	-	9,354,921	89,842,430
Interest Long-term borrowings banks	-	-	(25,523,867)	25,892,723	(368,856)	-	-
Interest Short term borrowings from related parties	18,323,939	-	(17,386,980)	9,258,472	-	(96,382)	10,099,049
Interest Short-term borrowings from banks	136,493	-	(2,190,001)	2,190,001	368,856	-	505,349
Total	**1,488,436,661**	**360,293,371**	**(742,562,430)**	**37,341,196**	**-**	**5,455,890**	**1,148,964,688**

(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))

19. PROVISIONS

Provisions comprise the following:

	2019 USD	2018 USD	2019 RON	2018 RON
Non-current provisions	85,664,505	85,664,505	356,252,977	356,252,977
Total Provisions	**85,664,505**	**85,664,505**	**356,252,977**	**356,252,977**

The movement in provisions is presented below:

USD	At 1 January 2019	At 30 June 2019
Provision for retirement benefit	13,266,544	13,266,544
Provision for restructuring	13,486	13,486
Environmental provisions	72,384,475	72,384,475
Total	**85,664,505**	**85,664,505**

RON	At 1 January 2019	At 30 June 2019
Provision for retirement benefit	55,171,577	55,171,577
Provision for restructuring	56,084	56,084
Environmental provisions	301,025,316	301,025,316
Total	**356,252,977**	**356,252,977**

USD	At 1 January 2018	Charged to equity	Arising during the year	Reclassification between balance sheet items	At 31 December 2018
Provision for retirement benefit	8,237,099	5,002,753	26,692	-	13,266,544
Provision for restructuring	13,486	-	-	-	13,486
Environmental provisions	72,384,475	-	-	-	72,384,475
Other provisions	4,365,982	-	-	(4,365,982)	-
Total	**85,001,042**	**5,002,753**	**26,692**	**(4,365,982)**	**85,664,505**

RON	At 1 January 2018	Charged to equity	Arising during the year	Reclassification between balance sheet items	At 31 December 2018
Provision for retirement benefit	34,255,624	20,804,949	111,004	-	55,171,577
Provision for restructuring	56,084	-	-	-	56,084
Environmental provisions	301,025,316	-	-	-	301,025,316
Other provisions	18,156,809	-	-	(18,156,809)	-
Total	**353,493,833**	**20,804,949**	**111,004**	**(18,156,809)**	**356,252,977**

The movement in other provisions from 2018 is related mainly to the provision booked in relation to Competition Council case in Rompetrol Downstream (USD 0.9 million - according to the Decision 1049073/24 from April 2013 issued by the General Directorate of Public Finance, in April 2018 the last installment was paid according to the mentioned decision, thus the provision created for this purpose was reversed) 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 30), which was reclassified as a provision for sundry debtors as of 31 December 2018 (see notes 10 and 30).

(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))

19. PROVISIONS (continued)

Environmental provision

At the end of 2018, a re-assessment of the provision was performed by considering the update variable indicators (e.g. exchange rate and discount rate). The results of the reassessment sustained the value of the provision in balance and no impact should be recognized in 2018. The balance of the provision for Vega lagoons remediation projects is USD 72.4 million (using a discount factor of 4.6%). At the date of these financial statements, Rompetrol Rafinare SA has contracted technical services (laboratory tests based on which the optimal and sustainable remediation technology should be established and agreed with the environmental authorities, in order to review the environmental agreement. Based on the results of the previous mentioned services, on February 15, 2019 was requested from Ploiesti Environmental Protection Agency a point of view in respect of documented proves. According with the environmental authority point of view, the rehabilitation works will be carried out according to the environmental agreement and the technical documentation provided. The selection of tenders was initiated and finalized, has been designated the contractor for execution of the rehabilitation works of the lagoon no. 18. Also, procurement process in progress for work execution to Lagoon no. 16&17 (assumed to be accomplished this year).

Retirement benefit provision

Under the collective labor agreements that certain of the Group's entities have in force, employees are entitled to specific retirement benefits that are payable upon 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. For the computation an actuarial valuation is involved making various assumptions that may differ from actual developments in the future. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2019

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	2,240,707,669	-	-	60,765,353	2,301,473,022
Gross revenues from petroleum products trading	9,048,568	-	1,379,936,829	(1,328,367,099)	60,618,298
Revenues from petrochemicals production	-	90,054,990	-	-	90,054,990
Revenues from petrochemicals trading	-	595,365	-	-	595,365
Revenues from merchandise sales	214,678	-	41,334,702	(94)	41,549,286
Revenues from utilities sold	1,127,541	-	-	(62,694)	1,064,847
Revenues from transportation fees	-	-	1,191,548	(64)	1,191,484
Revenues from rents and other services	1,547,179	-	9,369,455	(6,076,134)	4,840,500
Gross Revenues	**2,252,645,635**	**90,650,355**	**1,431,832,534**	**(1,273,740,732)**	**2,501,387,792**
Less sales taxes	(520,320,904)		(531,227,701)	509,194,899	(542,353,706)
Less commercial discounts	-		(74,135,355)	3,463,031	(70,672,324)
Total	**1,732,324,731**	**90,650,355**	**826,469,478**	**(761,082,802)**	**1,888,361,762**

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	9,318,430,983	-	-	252,704,874	9,571,135,857
Gross revenues from petroleum products trading	37,630,280	-	5,738,743,291	(5,524,280,255)	252,093,316
Revenues from petrochemicals production	-	374,511,687	-	-	374,511,687
Revenues from petrochemicals trading		2,475,944			2,475,944
Revenues from merchandise sales	892,781	-	171,898,626	(391)	172,791,016
Revenues from utilities sold	4,689,105	-	-	(260,726)	4,428,379
Revenues from transportation fees	-	-	4,955,291	(266)	4,955,025
Revenues from rents and other services	6,434,253	-	38,964,753	(25,268,818)	20,130,187
Gross Revenues	**9,368,077,402**	**376,987,631**	**5,954,561,959**	**(5,297,105,582)**	**10,402,521,411**
Less sales taxes	(2,163,858,543)	-	(2,209,216,640)	2,117,588,825	(2,255,486,358)
Less commercial discounts			(308,306,701)	14,401,707	(293,904,994)
Total	**7,204,218,859**	**376,987,631**	**3,437,038,618**	**(3,165,115,050)**	**7,853,130,059**

2018

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	2,343,463,340	-	-	23,532,466	2,366,995,806
Gross revenues from petroleum products trading	7,994,776	-	1,413,944,389	(1,344,353,703)	77,585,462
Revenues from petrochemicals production	-	111,440,482	-	-	111,440,482
Revenues from petrochemicals trading	-	2,911,925	-	-	2,911,925
Revenues from merchandise sales	231,735	-	37,505,529	(171)	37,737,093
Revenues from utilities sold	1,166,415	-	-	(60,157)	1,106,258
Revenues from transportation fees	-	-	1,091,178	(42,426)	1,048,752
Revenues from rents and other services	1,740,424		9,968,337	(6,392,304)	5,316,457
Gross Revenues	**2,354,596,690**	**114,352,407**	**1,462,509,433**	**(1,327,316,295)**	**2,604,142,235**
Less sales taxes	(533,691,536)		(552,086,168)	532,333,823	(553,443,881)
Less commercial discounts	-		(66,980,990)	2,330,352	(64,650,638)
Total	**1,820,905,154**	**114,352,407**	**843,442,275**	**(792,652,120)**	**1,986,047,716**

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	9,745,760,992	-	-	97,864,466	9,843,625,458
Gross revenues from petroleum products trading	33,247,875		5,880,170,531	(5,590,763,745)	322,654,661
Revenues from petrochemicals production	-	463,447,532			463,447,532
Revenues from petrochemicals trading		12,109,822			12,109,822
Revenues from merchandise sales	963,716	-	155,974,243	(711)	156,937,249
Revenues from utilities sold	4,850,770	-	-	(250,175)	4,600,595
Revenues from transportation fees	-	-	4,537,882	(176,437)	4,361,445
Revenues from rents and other services	7,237,901	-	41,455,323	(26,583,675)	22,109,550
Gross Revenues	**9,792,061,255**	**475,557,355**	**6,082,137,979**	**(5,519,910,276)**	**10,829,846,312**
Less sales taxes	(2,219,462,991)	-	(2,295,960,747)	2,213,816,671	(2,301,607,067)
Less commercial discounts	-	-	(278,553,843)	9,691,235	(268,862,608)
Total	**7,572,598,264**	**475,557,355**	**3,507,623,389**	**(3,296,402,371)**	**8,259,376,637**

Total Revenues decreased mainly due to the volatility of oil and gas market environment resulting in a lower year average price for crude oil despite the similar level of volume of products sold compared to last year. The decrease price of crude oil resulted in decreased prices of refined products and corresponding revenues

21. COST OF SALES

	June 30, 2019 USD	June 30, 2018 USD	June 30, 2019 RON	June 30, 2018 RON
Crude oil and other raw materials	1,577,735,934	1,649,786,498	6,561,330,429	6,860,967,110
Consumables and other materials	7,114,225	7,574,867	29,585,928	31,501,599
Utilities	47,608,067	43,678,718	197,987,668	181,646,685
Staff costs	14,307,481	14,310,839	59,500,521	59,514,486
Transportation	100,419	74,537	417,612	309,977
Maintenance and repairs	11,277,883	14,997,436	46,901,332	62,369,837
Insurance	771,095	821,735	3,206,753	3,417,349
Environmental expenses	3,691,550	161,993	15,352,049	673,680
Other	4,564,600	5,266,425	18,982,802	21,901,482
Cash production cost	**1,667,171,254**	**1,736,673,048**	**6,933,265,094**	**7,222,302,205**
Depreciation and amortization	38,438,247	36,092,318	159,853,138	150,097,123
Production costs	**1,705,609,501**	**1,772,765,366**	**7,093,118,232**	**7,372,399,328**
Plus: Change in inventories	912,068	(27,939,869)	3,793,017	(116,193,533)
Less: Own production of property, plant & equipment	(278,808)	(639)	(1,159,479)	(2,657)
Cost of petroleum products trading	54,121,491	64,781,308	225,075,045	269,406,026
Cost of petrochemicals trading	696,729	2,774,875	2,897,487	11,539,873
Cost of merchandise sold	32,180,500	29,674,944	133,829,045	123,409,190
Cost of utilities resold	584,279	512,614	2,429,841	2,131,808
Realised (gains)/losses on derivatives	(2,203,610)	7,428,565	(9,164,153)	30,893,173
Total	**1,791,622,150**	**1,849,997,164**	**7,450,819,035**	**7,693,583,208**

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

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

	June 30, 2019 USD	June 30, 2018 USD	June 30, 2019 RON	June 30, 2018 RON
Staff costs	10,776,681	9,371,638	44,816,983	38,973,831
Utilities	2,889,466	2,652,512	12,016,422	11,031,002
Transportation	24,101,960	24,167,956	100,232,821	100,507,279
Professional and consulting fees	18,562,181	23,833,053	77,194,542	99,114,518
Royalties and rents	1,080,167	3,347,270	4,492,091	13,920,292
Consumables	165,734	64,124	689,238	266,672
Marketing	1,636,555	1,827,940	6,805,941	7,601,854
Taxes	1,198,195	965,084	4,982,934	4,013,495
Communications	539,756	407,590	2,244,683	1,695,045
Insurance	562,125	315,930	2,337,709	1,313,858
IT related expenditures	4,743,780	4,352,589	19,727,958	18,101,112
Environmental expenses	1,965,514	1,118,877	8,173,983	4,653,074
Maintenance and repairs	4,792,103	4,551,506	19,928,919	18,928,348
Other expenses	7,512,036	8,098,005	31,240,303	33,677,173
Costs before depreciation	**80,526,253**	**85,074,074**	**334,884,527**	**353,797,553**
Depreciation and amortisation	18,141,034	16,029,227	75,443,118	66,660,746
Total	**98,667,287**	**101,103,301**	**410,327,645**	**420,458,299**

23. OTHER OPERATING INCOME / (EXPENSES), NET

	June 30, 2019 USD	June 30, 2018 USD	June 30, 2019 RON	June 30, 2018 RON
Net gain /(loss) on disposal of assets	1,862,850	265,089	7,747,034	1,102,426
Reverse for impairment of tangible assets, net	-	8,943,534	-	37,193,475
Provision for receivables and write-off, net	147,896	(4,261,076)	615,055	(17,720,537)
Provision for inventories and write-off, net	7,750,009	(4,441,182)	32,229,962	(18,469,544)
Tangible and intangible assets write-off	(257,237)	-	(1,069,772)	-
Loss from revaluation of non-current assets	-	(11,174,920)	-	(46,473,140)
Inventories write-off	(13,262)	(131,320)	(55,153)	(546,120)
Other provisions, net	-	3,508,734	-	14,591,772
Other, net	143,535	210,826	596,918	876,762
Total	**9,633,791**	**(7,080,315)**	**40,064,044**	**(29,444,906)**

The movement in provisions is presented in Notes 5, 9 and 10.

(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. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	June 30, 2019 USD	June 30, 2018 USD	June 30, 2019 RON	June 30, 2018 RON
Finance cost				
Late payment interest	(163,171)	(257,637)	(678,579)	(1,071,435)
Interest expense	(15,544,832)	(12,184,610)	(64,646,293)	(50,672,138)
Interest expense shareholders	(2,223,473)	(3,962,752)	(9,246,757)	(16,479,897)
Unwinding of discount on lease	(1,070,544)	-	(4,452,071)	-
Other financial expense	(14,826,216)	(11,350,072)	(61,657,785)	(47,201,543)
	(33,828,236)	**(27,755,071)**	**(140,681,485)**	**(115,425,013)**
Finance income				
Interest income	8,222,926	5,207,813	34,196,682	21,657,732
Other financial income	158,899	371,861	660,813	1,546,458
	8,381,825	**5,579,674**	**34,857,495**	**23,204,190**
Finance income/(cost) net	**(25,446,411)**	**(22,175,397)**	**(105,823,990)**	**(92,220,823)**
Unrealized net foreign exchange (losses)/gains	(3,091,594)	(5,779,937)	(12,857,012)	(24,037,024)
Realized net foreign exchange (losses)/gains	3,368,881	2,587,591	14,010,165	10,761,015
Foreign exchange gain/(loss), net	**277,287**	**(3,192,346)**	**1,153,153**	**(13,276,009)**
Total	**(25,169,124)**	**(25,367,743)**	**(104,670,837)**	**(105,496,832)**

In 2019 out of the total of USD 14.8 million (2018: 11.3) representing other financial expenses an amount of approximately USD 12 million (2018: USD 8.7 million) represents interest and other financial expenses owed to KMG Trading for financing activities.

25. INCOME TAX

a. The current income tax rate in 2019 was 16%, the same as in 2018.

	June 30, 2019 USD	June 30, 2018 USD	June 30, 2019 RON	June 30, 2018 RON
Tax expense comprises:				
Current tax expense	1,975,104	(279,549)	8,213,865	(1,162,560)
Total tax expense/(income)	**1,975,104**	**(279,549)**	**8,213,865**	**(1,162,560)**

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 15.

26. OPERATING SEGMENT INFORMATION

a. Operating 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.

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

26. OPERATING SEGMENT INFORMATION (continued)

2019 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Consolidation adjustments	Consolidated
Net revenues "external customers"	984,892,715	90,650,355	-	812,818,692	-	1,888,361,762
Net revenues "Inter segment"	649,436,793	-	-	3,740,177	(653,176,970)	-
Cost of sales	(1,604,216,079)	(102,486,825)	-	(749,729,236)	664,809,990	(1,791,622,150)
Gross margin	**30,113,429**	**(11,836,470)**	-	**66,829,633**	**11,633,020**	**96,739,612**
Selling, general and administrative expenses	(29,591,990)	(6,259,503)	-	(51,645,283)	(11,170,511)	(98,667,287)
Other operating income/(expenses), net	10,363,034	(13,413)	-	1,634,517	(2,350,347)	9,633,791
Operating margin (EBIT)	**10,884,473**	**(18,109,386)**	-	**16,818,867**	**(1,887,838)**	**7,706,116**
Financial expenses, net	-	-	(23,083,029)	(2,216,689)	(146,693)	(25,446,411)
Net foreign exchange result	-	-	1,606,463	(1,329,176)	-	277,287
Profit/(loss) before income tax	**10,884,473**	**(18,109,386)**	**(21,476,566)**	**13,273,002**	**(2,034,531)**	**(17,463,008)**
Income tax	-	-	-	(1,975,104)	-	(1,975,104)
Net Profit/(Loss)	**10,884,473**	**(18,109,386)**	**(21,476,566)**	**11,297,898**	**(2,034,531)**	**(19,438,112)**
Depreciation and amortisation	37,143,742	8,015,753	-	11,560,883	(141,097)	56,579,281

RON	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Consolidation adjustments	Consolidated
Net revenues "external customers"	4,095,873,334	376,987,631	-	3,380,269,094	-	7,853,130,059
Net revenues "Inter segment"	2,700,812,791	-	-	15,554,274	(2,716,367,065)	-
Cost of sales	(6,671,453,408)	(426,211,959)	-	(3,117,898,974)	2,764,745,306	(7,450,819,035)
Gross margin	**125,232,717**	**(49,224,328)**	-	**277,924,394**	**48,378,241**	**402,311,024**
Selling, general and administrative expenses	(123,064,209)	(26,031,395)	-	(214,777,238)	(46,454,803)	(410,327,645)
Other operating income/(expenses), net	43,096,749	(55,781)	-	6,797,466	(9,774,390)	40,064,044
Operating margin (EBIT)	**45,265,257**	**(75,311,504)**	-	**69,944,622**	**(7,850,952)**	**32,047,423**
Financial expenses, net	-	-	(95,995,393)	(9,218,545)	(610,052)	(105,823,990)
Net foreign exchange result	-	-	6,680,797	(5,527,644)	-	1,153,153
Profit/(loss) before income tax	**45,265,257**	**(75,311,504)**	**(89,314,596)**	**55,198,433**	**(8,461,004)**	**(72,623,414)**
Income tax	-	-	-	(8,213,865)	-	(8,213,865)
Net Profit/(Loss)	**45,265,257**	**(75,311,504)**	**(89,314,596)**	**46,984,568**	**(8,461,004)**	**(80,837,279)**
Depreciation and amortisation	154,469,680	33,335,112	-	48,078,244	(586,780)	235,296,256

For additional information regarding operating segments and streams please also see Note 20 Revenues from contract with customers.

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

26. OPERATING SEGMENT INFORMATION (continued)

2019 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,696,305,687	252,408,151	(595,454,950)	1,353,258,888
Total current assets	582,156,037	390,275,547	(150,957,505)	821,474,079
TOTAL ASSETS	**2,278,461,724**	**642,683,698**	**(746,412,455)**	**2,174,732,967**
Total equity	1,005,940,305	252,451,923	(606,740,599)	651,657,629
Total non-current liabilities	236,562,768	132,794,024	11,321,839	380,678,631
Total current liabilities	1,035,952,651	257,437,751	(150,993,695)	1,142,396,707
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,278,461,724**	**642,683,698**	**(746,412,455)**	**2,174,732,967**
Capital expenditure	22,689,886	5,216,481	(2,784)	**27,903,583**

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,054,426,461	1,049,689,779	(2,476,318,510)	5,627,797,730
Total current assets	2,421,012,311	1,623,038,916	(627,786,975)	3,416,264,252
TOTAL ASSETS	**9,475,438,772**	**2,672,728,694**	**(3,104,105,484)**	**9,044,061,982**
Total equity	4,183,428,899	1,049,871,813	(2,523,252,134)	2,710,048,578
Total non-current liabilities	983,793,583	552,250,508	47,084,132	1,583,128,223
Total current liabilities	4,308,216,290	1,070,606,374	(627,937,483)	4,750,885,181
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,475,438,772**	**2,672,728,695**	**(3,104,105,485)**	**9,044,061,982**
Capital expenditure	94,360,429	21,693,780	(11,578)	**116,042,631**

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

26. OPERATING SEGMENT INFORMATION (continued)

2018 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Consolidation adjustments	Consolidated
Net revenues "external customers"	1,038,586,020	114,352,408	-	833,109,288	-	1,986,047,716
Net revenues "Inter segment"	675,651,761	-	-	3,376,830	(679,028,591)	-
Cost of sales	(1,640,530,442)	(126,277,463)	-	(772,256,298)	689,067,039	(1,849,997,164)
Gross margin	**73,707,339**	**(11,925,055)**	**-**	**64,229,820**	**10,038,448**	**136,050,552**
Selling, general and administrative expenses	(31,371,321)	(4,982,913)	-	(54,013,553)	(10,735,514)	(101,103,301)
Other operating income/(expenses), net	(5,810,248)	(69,658)	-	(2,802,101)	1,601,692	(7,080,315)
Operating margin (EBIT)	**36,525,770**	**(16,977,626)**	**-**	**7,414,166**	**904,626**	**27,866,936**
Financial expenses, net	-	-	(19,136,482)	(1,103,261)	(1,935,654)	(22,175,397)
Net foreign exchange result	-	-	(2,030,936)	(1,161,410)	-	(3,192,346)
Profit/(loss) before income tax	**36,525,770**	**(16,977,626)**	**(21,167,418)**	**5,149,495**	**(1,031,028)**	**2,499,193**
Income tax	-	-	-	279,549	-	279,549
Net Profit/(Loss)	**36,525,770**	**(16,977,626)**	**(21,167,418)**	**5,429,044**	**(1,031,028)**	**2,778,742**
Depreciation and amortisation	34,236,579	8,146,101		10,199,650	(460,785)	52,121,545

RON	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Consolidation adjustments	Consolidated
Net revenues "external customers"	4,319,167,681	475,557,359	-	3,464,651,597	-	8,259,376,637
Net revenues "Inter segment"	2,809,832,978	-	-	14,043,223	(2,823,876,201)	-
Cost of sales	(6,822,473,949)	(525,150,085)	-	(3,211,582,266)	2,865,623,092	(7,693,583,208)
Gross margin	**306,526,710**	**(49,592,726)**	**-**	**267,112,554**	**41,746,891**	**565,793,429**
Selling, general and administrative expenses	(130,463,913)	(20,722,440)	-	(224,626,163)	(44,645,783)	(420,458,299)
Other operating income/(expenses), net	(24,163,078)	(289,687)	-	(11,653,097)	6,660,956	(29,444,906)
Operating margin (EBIT)	**151,899,719**	**(70,604,853)**	**-**	**30,833,294**	**3,762,064**	**115,890,224**
Financial expenses, net	-	-	(79,582,888)	(4,588,132)	(8,049,803)	(92,220,823)
Net foreign exchange result	-	-	(8,446,053)	(4,829,956)	-	(13,276,009)
Profit/(loss) before income tax	**151,899,719**	**(70,604,853)**	**(88,028,941)**	**21,415,206**	**(4,287,739)**	**10,393,392**
Income tax	-	-	-	1,162,560	-	1,162,560
Net Profit/(Loss)	**151,899,719**	**(70,604,853)**	**(88,028,941)**	**22,577,766**	**(4,287,739)**	**11,555,952**
Depreciation and amortisation	142,379,661	33,877,190	-	42,417,284	(1,916,268)	216,757,867

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

26. OPERATING SEGMENT INFORMATION (continued)

In total net revenues are included customers that own more than 10% of total sales (i.e. KazMunayGas Trading AG), their value amounting USD 528 million in 2019 and USD 649 million in 2018.

2018 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,717,025,658	245,075,428	(595,588,185)	1,366,512,901
Total current assets	506,590,540	367,171,510	(157,522,823)	716,239,227
TOTAL ASSETS	**2,223,616,198**	**612,246,938**	**(753,111,008)**	**2,082,752,128**
Total equity	1,034,607,805	245,606,533	(604,849,754)	675,364,584
Total non-current liabilities	211,409,783	108,391,272	11,321,839	331,122,894
Total current liabilities	977,598,610	258,249,133	(159,583,093)	1,076,264,650
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,223,616,198**	**612,246,938**	**(753,111,008)**	**2,082,752,128**
Capital expenditure	66,321,027	19,533,825	(46,446)	**85,808,406**

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,140,594,604	1,019,195,182	(2,476,872,590)	5,682,917,196
Total current assets	2,106,758,079	1,526,956,159	(655,090,164)	2,978,624,074
TOTAL ASSETS	**9,247,352,683**	**2,546,151,341**	**(3,131,962,754)**	**8,661,541,270**
Total equity	4,302,623,479	1,021,403,889	(2,515,388,676)	2,808,638,692
Total non-current liabilities	879,189,865	450,766,783	47,084,131	1,377,040,779
Total current liabilities	4,065,539,339	1,073,980,669	(663,658,209)	4,475,861,799
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,247,352,683**	**2,546,151,341**	**(3,131,962,754)**	**8,661,541,270**
Capital expenditure	275,809,258	81,235,314	(193,154)	**356,851,418**

- 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 in to account the latest Crude/Refined products prices on markets adjusted by various margins / discounts taking into account quantity, quality, payment terms, transportation costs etc.

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

26. 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 (based on customers' location):

	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	USD	USD	RON	RON
Romania	**1,168,081,154**	**1,134,752,502**	**4,857,699,095**	**4,719,095,230**
Export	**720,280,608**	**851,295,214**	**2,995,430,964**	**3,540,281,407**
out of which				
Petroleum products	684,106,880	792,042,981	2,844,995,281	3,293,869,146
Petrochemical products	36,173,728	59,252,233	150,435,683	246,412,261
Total	**1,888,361,762**	**1,986,047,716**	**7,853,130,059**	**8,259,376,637**

27. 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	Company owned by KMG International Group
KMG Rompetrol Development S.R.L.	Company owned by KMG International Group
KazMunayGas –Engineering LLP	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Oilfield Exploration Business Solutions S.A.	Company owned by KMG International Group
Palplast S A	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
Rompetrol Ukraine LLC	Joint Venture of KMG International
Rompetrol Well Services S.A.	Company owned by KMG International Group
TRG Petrol Anonim Sirketi	Company owned by KMG International Group
Kazmotransflot	Company affiliated to KMG International Group
Tengizchevroil LLP	Company affiliated to KMG International Group
Dyneff SA	Associate of KMG International Group
Uzina Termoelectrica Midia S.A.	Associate of 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.

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

27. RELATED PARTIES (continued)

Name of related party	Receivables and other assets			
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
	USD	USD	RON	RON
KazMunayGas Trading AG	972,447	3,350,943	4,044,115	13,935,567
Rominserv S.A.	2,847,386	3,859,140	11,841,424	16,049,006
KMG International N V	70,616,719	72,433,050	293,673,749	301,227,326
KMG Rompetrol S.R.L	1,256,043	1,184,681	5,223,506	4,926,733
KMG Rompetrol SRL - cash pooling	152,211,130	115,219,727	633,000,426	479,164,279
Oilfield Exploration Business Solutions S.A.	1,038,207	995,514	4,317,591	4,140,044
Rompetrol Well Services S.A.	112,289	117,393	466,976	488,202
KMG Rompetrol Services Center	16,560	15,074	68,868	62,688
Palplast S.A.	1,047,558	1,204,332	4,356,470	5,008,455
Rompetrol Bulgaria JSC	3,908,471	2,930,937	16,254,158	12,188,888
Rompetrol Moldova SA	7,955,150	66,006	33,083,116	274,499
Rompetrol Financial Group S.R.L.	2,549		10,601	
KazMunayGas Engineering B.V.	3,573	3,573	14,859	14,859
Rompetrol Energy S.A.	-	589	-	2,449
Byron Shipping SRL	2,587	2,498	10,759	10,388
Rompetrol Albania Wholesale Sh.A.	16,972	17,076	70,581	71,014
Midia Marine Terminal S.R.L.	44,918	264,041	186,800	1,098,067
Rominserv Valves Iaifo SRL	5,173	40,742	21,513	169,434
Rominserv Kazakhstan LTD	168,167	168,167	699,356	699,356
Uzina Termoelectrica Midia S.A.	1,867,494	3,165,953	7,766,347	13,166,249
Global Security Systems S.A.	310,889	190,430	1,292,894	791,941
TRG Petrol Anonim Sirketi	3,095,188	3,770,408	12,871,958	15,679,996
Total	**247,499,478**	**209,000,274**	**1,029,276,076**	**869,169,439**

Name of related party	Payables, loans and other liabilities			
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
	USD	USD	RON	RON
KazMunayGas Trading AG	670,978,264	530,647,483	2,790,397,306	2,206,803,688
Rominserv S.A.	20,754,518	47,087,456	86,311,814	195,822,603
KMG International N.V.	24,492,723	23,740,294	101,857,887	98,728,761
KMG International N.V.- Short term debt - principal	12,655,710	59,815,343	52,631,301	248,754,067
KMG International N.V.- Short term debt - interest	1,012,079	2,067,004	4,208,933	8,596,050
KMG Rompetrol S.R.L	8,411,885	15,299,210	34,982,506	63,624,825
KMG Rompetrol SRL - cash pooling	203,665,837	125,704,051	846,985,116	522,765,437
Oilfield Exploration Business Solutions S.A.	235,777	241,107	980,526	1,002,692
Rompetrol Well Services S.A.	52,362	97,936	217,758	407,286
Rompetrol Well Services S.A. - Short term debt - principal	-	8,419,965	-	35,016,108
KMG Rompetrol Services Center	1,674,795	1,562,076	6,964,970	6,496,205
Rompetrol Bulgaria JSC	115,845	114,708	481,765	477,036
Rompetrol Moldova SA	7,063,858	1,681,652	29,376,466	6,993,486
Rompetrol Financial Group SRL - Short term debt - principal	2,404,600	28,230,200	10,000,010	117,400,933
Rompetrol Financial Group SRL - Short term debt - interest	1,380,315	674,156	5,740,316	2,803,613
Byron Shipping Ltd.	2,207	2,219	9,178	9,228
Midia Marine Terminal S.R.L.	3,559,431	37,262,031	14,802,606	154,961,608
Midia Marine Terminal S.R.L.- Short term debt - principal	6,543,180	6,679,780	27,211,123	27,779,201
Midia Marine Terminal S.R.L. - Short term debt - interest	36,042	1,665,039	149,888	6,924,398
Rominserv Valves Iaifo SRL	17,515	23,759	72,840	98,807
Uzina Termoelectrica Midia S.A.	3,659,075	7,808,396	15,216,995	32,472,776
Rompetrol Georgia LLC	16	16	67	67
KMG Rompetrol Development S.R.L.	236,108		981,902	-
Global Security Systems S.A.	433,487	402,278	1,802,742	1,672,954
Tengizchevroil LLP	-	17,235	-	71,675
TRG Petrol Anonim Sirketi	2,538	2,702	10,555	11,237
Total	**969,380,167**	**899,246,096**	**4,031,394,570**	**3,739,094,741**

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

27. RELATED PARTIES (continued)

During 2019 and 2018, Rompetrol Rafinare Group entered into the following transactions with related parties:

	Sales and other revenues			
Name of related party	**30-Jun-19**	**30-Jun-18**	**30-Jun-19**	**30-Jun-18**
	USD	**USD**	**RON**	**RON**
KazMunayGas Trading AG	528,203,427	649,022,467	2,196,889,114	2,699,089,734
Rominserv S.A.	436,812	445,004	1,816,570	1,850,638
KMG Rompetrol S.R.L	71,854	85,351	298,819	354,949
Rompetrol S.A	1,670	2,048	6,945	8,517
Rompetrol Well Services S.A.	548,760	486,314	2,282,128	2,022,434
Palplast S.A.	7,096	7,446	29,510	30,966
Rompetrol Bulgaria JSC	25,005,493	22,098,554	103,990,344	91,901,257
Rompetrol Moldova SA	112,135,639	105,891,896	466,338,482	440,372,628
KMG Rompetrol Services Center	66,992	65,820	278,600	273,726
Midia Marine Terminal S.R.L.	239,964	283,758	997,938	1,180,064
Byron Navodari	12,158	12,727	50,561	52,928
Rominserv Valves Iaifo SRL	8,992	7,904	37,395	32,870
Uzina Termoelectrica Midia S.A.	10,597,740	9,337,667	44,072,821	38,832,556
Rompetrol Energy S.A.	17	-	71	-
Global Security Systems S.A.	50,159	55,271	208,596	229,856
KMG Rompetrol Development S.R.L.	19,678,649	-	81,837,598	-
TRG Petrol Anonim Sirketi	7,913	16,097,373	32,908	66,944,145
Total	**697,133,335**	**803,899,600**	**2,899,168,400**	**3,343,177,268**

		Purchases and other costs			
Name of related party	**Nature of transaction**	**30-Jun-19**	**30-Jun-18**	**30-Jun-19**	**30-Jun-18**
		USD	**USD**	**RON**	**RON**
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	1,505,572,530	1,501,910,296	6,261,224,481	6,245,994,348
Rominserv S.A.	Acquisition and maintenance of fixed assets	36,292,722	31,616,382	150,930,543	131,483,048
KMG International N.V.	Management services	7,155,916	5,448,040	29,759,308	22,656,764
KMG Rompetrol S.R.L	Management services	17,734,583	23,867,161	73,752,810	99,256,362
Rompetrol S.A.	Management services	17,407	17,853	72,390	74,245
Rompetrol Financial Group S.R.L.	Environmental services	709,337	786,056	2,949,920	3,268,971
Rompetrol Well Services S.A.	Interest on loan	191,087	236,681	794,674	984,285
KMG Rompetrol Services Center	Shared services	3,652,020	3,668,310	15,187,656	15,255,401
Midia Marine Terminal S.R.L.	Handling services/Transit	7,915,352	10,498,685	32,917,574	43,660,881
Rominserv Valves Iaifo SRL	Valves	47,228	47,237	196,407	196,445
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	13,503,236	16,405,308	56,155,908	68,224,754
KMG Rompetrol Development S.R.L.	Retail	234,688	-	975,997	-
Global Security Systems S.A.	Security and protection services	1,797,651	1,872,915	7,475,891	7,788,892
Tengizchevroil LLP	Liquefied Petroleum Gas	-	557,265	-	2,317,498
		1,594,823,757	**1,596,932,189**	**6,632,393,559**	**6,641,161,894**

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.

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

27. RELATED PARTIES (continued)

As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. No entities in the Group have had any transactions during the period since MPFR, MECMA and ME became a related party or 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.

28. EARNINGS PER SHARE

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

	June 30, 2019 USD	June 30, 2018 USD	June 30, 2019 RON	June 30, 2018 RON
Earnings				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	(21,197,205)	4,250,886	(88,152,816)	17,678,160
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
Earnings per share *(US cents/share)*				
Basis	**(0.048)**	**0.010**	**(0.200)**	**0.042**

29. 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 30). 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 2.3 million). The management is confident that the likelihood of reversal of the earlier court decision is very low. No changes were incurred in 2019.

30. 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. 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.

Rompetrol Rafinare challenged the asset freeze in Court. After two hearings in front of the Constanta Court, the case was assigned to be settled by the High Court of Justice and Cassation, who rejected in full the challenging submitted by Group's subsidiaries on 17 June 2016.

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

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

Since the KMGI companies had no capacity in the file till 2016 and it seems the entire process (with minor exceptions) of gathering the evidences by DIICOT have been performed before May 2016, the Companies submitted on 7 April 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 12 April 2017, the companies submitted also their application by which they asked the dismissals of the allegations regarding the OUG 248/200 (regarding the privatization of RRC) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which the Court settled that the legislative process, as well as the aspects regarding the opportunity and/or lawfulness of a deed issued either by the Parliament and Government cannot be subject of a criminal inquiry and the Constitution provides other leverages assigned to other public authorities to control such kind of things. No reply received yet from DIICOT on this topic.

30. LEGAL MATTERS (continued)

On May 10 and 28 June 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC privatization 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 17 July 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. The only alleged damage party which requested the alleged damage is Faber Invest & Trade, by its legal representative, for an amount of USD 96.6 million.

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

On 12 April 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated 17 July 2017, 18 September 2017 and 6 December 2017 issued by the in-charge prosecutor of the file by which it was an extension of the inquiry to various individuals and/or some of the criminal offences have been approached in a worse manner for some of the defendants. Considering that those 3 ordinances cancelled have as background the April 2016 Ordinance issued by in-charge prosecutor by which the freezing orders were imposed over the assets of KMGI, the Group companies KMG International N.V., RRC, OEBS have submitted on 20 April 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the asset freeze. On 22 May 2018 the Court rejected again the challenges submitted by the Group. An appeal against this court resolution was submitted to assess from constitutional point of view if a legal provision based on which the challenges were rejected match with the Constitution principles. The first hearing of the appeal was scheduled for 8 October 2018. The court postponed the issuance of a resolution for 22 October 2018 when the Court rejected the forwarding of the case to the Constitutional Court as well.

A similar challenge was submitted on 23 November 2018. On December 04, 2018 the prosecutor agreed in principle with a partial release of the seizure provided that an expertise will be performed, and the final report will show that the value of the assets frozen exceed the alleged claims. The report was submitted to DIICOT on March 15, 2019. A new request for partial release of seizure was filled in on April 8, 2019.

A new ordinance was issued by DIICOT on 9 November 2018 which changes the legal framework for all deeds investigated in the case.

On 22 April 2019 DIICOT issued an ordinance whereby all participations held by the company to its subsidiaries, as well as part of the movable and immovable property of the company were released from the criminal seizure.

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

The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. Should a settlement between KMGI 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 treaties and with KMG companies' envisaged reliefs and measures to be obtained.

30. LEGAL MATTERS (continued)

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

In March 2012, the National Agency for Tax Administration issued to Rompetrol Rafinare SA a General Tax Audit Report covering the period 2007-2010 and an Assessment Decision for Payment of RON 48 million (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.

On 27 October 2014 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) out of which approximately RON 19 million have been refunded to Rompetrol Rafinare in August 2013 and to pursue to audit again for RON 4.6 million VAT and related interest and penalties up to March 2012 of approximately RON 5.3 million, resulting to a total of RON 9.7 million (equivalent of USD 2.8 million) to be further assessed. This Decision was appealed by both parties but on October 12, 2017, the Supreme Court rejected both appeals, so the decision of the first instance remained unchanged.

The re-audit for approximately RON 4.6 million (equivalent of USD 2.8 million) initiated in February 2018 was completed in 22 March 2018 by another tax inspection team maintaining the initial decision of National Agency for Tax Administration for the main VAT amount of RON 4.48 million, assessing a total of RON 8.6 million as related interest and penalties up to April 2018.

The company challenged tax decision for the amount of RON 13.1 million on 18 May 2018. The challenge submitted by the company was admitted and amount paid was reimbursed to the company.

Litigation on Tax Assessments received by Rompetrol Rafinare S.A.in 2017

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 and the remaining, the difference being paid in cash.

The tax assessment on VAT group and RRC was challenged on 26 February 2018. On 23 January 2019 the fiscal authority D.G.S.C. – A.N.A.F. issued the settling decision upon Company's administrative appeal by which the fiscal authority decided the followings:

i. out of RON 20 million representing VAT (out of which RON 12.8 million related to VAT of Rompetrol Rafinare SA) the fiscal authority rejects the appeal for the amount of RON 11.6 million (RON 11.07 million related to Rompetrol Rafinare SA) and cancels the imposing decision for the amount of RON 8.4 million (RON 1.75 million related to Rompetrol Rafinare SA).
ii. rejects the appeal for the amount of RON 6.5 million representing Rompetrol Rafinare SA withholding tax and the related accessories in amount of 0.2 million RON.
iii. out of RON 16.3 million representing penalties related to VAT (out of which RON 12 million related Rompetrol Rafinare SA) the fiscal authority rejects the appeal for the amount of RON 11.05 million (RON 10.6 million related to Rompetrol Rafinare SA) and cancels the imposing decision for the amount of RON 5.3 million (RON 1.4 million related to Rompetrol Rafinare SA).
iv. rejects the appeal against the decrease of The Company's fiscal loss with the amount of RON 140 million.

30. LEGAL MATTERS (continued)

Further on The Company is assessing the option to address the competent court in order to challange the amounts rejected by D.G.S.C. – A.N.A.F on the administrative appeal formulated by Rompetrol Rafinare S.A .

The Company submitted to Constanta Court of Appeal a claim by which it challenged the amounts rejected by ANAF DGSC in the Decision regarding the Company's administrative appeal.

The amounts for which ANAF - DGSC annulled the Decision and ordered a re-verification are not subject of the court claim.

The claim submitted by Rompetrol Rafinare S.A. was registered on 25.07.2019 at the Constanta Court of Appeal, forming Case file no. 393/36/2019, which at this moment is in the regularization procedure, without a court term established.

Litigation regarding CO2 emission allowances

On 28 February 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 30 October 2012 and the first court decision became final.

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

Considering that the Ministry of Environment and the Romanian Government did not fulfil 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*.

The last hearing was on 25 February 2019 and a decision was released on 19 March 2019. The court admitted Rompetrol Rafinare S.A claim and found liable both the Romanian Government and Ministry of Environmental for damages in amount of EUR 31,806,598.74 in RON at the payment date for failure to observe the final Supreme Court decision issued in October 2012.

Taking in consideration that according with the decision the court awarded a lower amount than the one requested, a final appeal was formulated within the legal time limit. The defendants also submitted final appeals against the same first court decision. All the appeals will be solved by the Supreme Court in the future, a first hearing was not set yet in this respect.

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 years 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 16 September 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:

30. LEGAL MATTERS (continued)

a) Case 1 - On 16 October 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 27 October 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 25 January 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 RATB filled in an appeal to be settled by the Bucharest Court of Appeal. Next hearing was scheduled for 27 February 2019 and the appeal was rejected. Case closed.

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.

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. Considering the case 1 was finally settled, this 4th one case was resumed, and the next hearing was scheduled for June 18, 2019 when the Court rejected the claim of RATB. The solution is subject of appeal

Litigation between Rompetrol Rafinare and Navodari City Hall

On 19 November 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 31 December 2009 and 31 December 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 16th, 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

30. LEGAL MATTERS (continued)

first hearing term before the High Court of Cassation and Justice is established for 30 January 2020.

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.435/21 December 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. 435/21 December 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 16 January 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 22 February 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 19 November 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 of Justice. The first hearing term before the High Court of Cassation and Justice was not yet scheduled. On November the 2nd 2018, the case has been suspended.

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 Administraţia Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, 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. By Decision 21/2018, the Competition Council rejected the complaints formulated by Rompetrol Rafinare SA and Midia Marine Terminal SRL. Both companies challenged this decision at Bucharest Court of Appeal, first term being scheduled for May 13, 2019, in order to communicate to the parties the statement of defense issued by National Company "Administratia Porturilor Maritime" SA. Next term was established September 23, 2019.

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 19 May 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 27 December 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the

30. LEGAL MATTERS (continued)

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 has been communicated and the recourse has been filled by Rompetrol Rafinare SA on 6 August 2018. The case is in filter proceedings, and the first hearing term will be established later. During the filter proceedings, National Company "Administratia Porturilor Maritime" SA has raised the exception of inadmissibility of our recourse, motivated by the fact that, according to art. 483 paragraph 2 of the Civil Procedure Code, the decisions regarding the civil navigation and port activity processes are exempted from the right of recourse. Rompetrol Rafinare SA has raised the exception of unconstitutionality regarding the art. 483 paragraph 2 of the Civil Procedure Code. From this reason, The High Court of Cassation and Justice has suspended the procedure until the Constitutional Court solves the exception submitted by Rompetrol Rafinare.

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 22 August 2016

On 22 August 2016 a technical incident occurred within the DAV plant. Following the event, two employees of a Group' subsidiary Rominserv SRL suffered burns and other two employees 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 labor 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 27 March 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.

On 21 June 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 29 September 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. Rompetrol Rafinare SA received a subpoena, as a defendant, for 26 June 2018, when the charges were brought to light, being the same, with changes in the legal framing of the facts.

As a result of the completion of the prosecutor activities according to the judge decision in the preliminary chamber, on 14 January 2019 the company received the prosecutor indictment from the Constanta Court (Judecatorie). Taking in consideration that the court has been notified with a new indictment, the preliminary chamber procedure is to be carried out.

30. LEGAL MATTERS (continued)

According with prosecutor second indictment, the following offenses were retained for ROMPETROL RAFINARE, ROMINSERV, STANCIU DANIEL, MARGINEAN ION and CARAMAN VASILE:

a. the non-observance by negligence of the legal labor health and safety measures, as per art 349 alin.2 of Criminal code;
b. bodily harm by negligence as per art. 196 alin. 1 and 4 of Criminal code;
c. manslaughter as per art. 192 alin. 1,2 and 3 of Criminal code;
d. accidental pollution, as per art. 98 alin.1 lit.b of EGO no 195/2005.

Within 20 days from receipt of the document will be formulated written requests and exceptions relating the legality of the procedure carried out by prosecutor.

As a result of the preliminary chamber proceedings, the requests and the exceptions invoked by the defendants were admitted in part, the relative nullity of the indictment of the Prosecutor's Office attached to the Constanta Court of Appeal was found, as well as the irregularity which leads to the impossibility of establishing the object and limits of the indictment judgment.

Relating RRC employees, Andrei Felicia and Oancea Cornel, the file has been disposed. First hearing scheduled by the court (Judecatoria Constanta) in preliminary chamber is 18 March 2019.

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.

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

Also, on 25 May 2017 Rompetrol Rafinare and Rominserv received a reply to its challenge submitted against the Constanta Labor Inspectorate Reports by which the Labor authority maintains the same considerations challenged by the companies. On 16 August 2017 both Rompetrol Rafinare and Rominserv have received fines set by the Constanta Territorial Labor Inspectorate (in cumulated amount of RON 0.028 million). The minutes of the fine have been appealed by both parties involved. On 14 December 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 acid tars lagoons remediation project

On 15 November 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 RON 100,000 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 dead-lines 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

30. LEGAL MATTERS (continued)

of Company's failure, but, in any case, no longer than 6 (six) months, after which the EIA would be cancelled.
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 14 December 2017. The ENG point of view was received on 17 January 2018;
b) preliminary complaint against Prior Notice no. 149 submitted to the PEPA on 14 December 2017; the PEPA point of view was not communicated.
c) suspension request of the Prior Notice no. 149 issued by PEPA, submitted on December 15, 2017 to the Constanta Court; On February 5th, 2018 the Constanta court has accepted the request for suspension of the Prior Notice no. 149/21.11.2017 and suspended the effects of prior notification until the request for annulment brought against the same administrative act will be solved. The Constanta court decision was appealed by PEPA, and on the hearing dated June 21, 2018, the appeal was rejected.
d) the request for annulment of the Prior Notice issued by PEPA was registered at the Constanta court on April 3rd, 2018; The action was rejected by the court, the court sentence has been communicated, was formulated appeal, will be settled the first hearing.
e) complaint against the fine received from ENG, submitted to the Ploiesti court on November 29, 2017; the court reject the complaint. the court solution was appealed; On March 5, 2019 the final court rejected the complaint.
f) Request for annulment of the Finding Note no. 299/15.11.2017 issue by Environment National Guard-Prahova Commissariat, registered at Constanta court;the file was suspended until the file mention at the above letter d) will be solved;
g) preliminary complaint against Decisions no.7156/27.06.2018 and 77/10.07.2018 issued by PEPA, relating the company request for revision of the Environmental Agreement; the preliminary complaint was rejected. was registered at the court (Tribunalul Constanta) the request for annulment of the authority decisions relating the rejection for revision of the Environmental Agreement, the next hearing is scheduled on September 6 , 2019;
h) preliminary complaint against Assessment Note of the Ploiesti Environmental Guard issued on October 16, 2018 was rejected by the authority. The complaint was rejected and the company has 6 months to challenge it before the Court The annulment action was submitted to the Constanta court, will be settled the first hearing.
i) Complaint against minute of fine issued by Environmental National Guard on November 28, 2018; next hearing is scheduled on September 20, 2019.
j) Complaint against the minute of fine issued by Environmental National Guard on February 27, 2019; the first hearing is scheduled on September 24, 2019. In the same time was formulate in front of the Ploiesti Appeal Court application for transfer of the file; next hearing is scheduled on September 25, 2019.
k) Complaint against the minute of fine issued by Environmental National Guard on March 29, 2019, next hearing was established on October 17, 2019.

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 17th, 2018 a detail plan activity for first stage of the project (preparation activities) was sent to the PEPA.

On May 8, 2018 a request was made for revision of the actual Environmental Agreement by the company, rejected by PEPA by Decision no. 77/10.07.2018. The company legal action initiated against environmental authorities' documents is detailed at the above point g) was drafted action for annulment of the PEPA decision, is to be registered to the court.

30. LEGAL MATTERS (continued)

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.
In 2018 was contracted:
- a pilot test for 200 to of waste;
- laboratory testing to identify new technologies/recipe for stabilization of the waste;
- risk analysis relating unexpected UXO, which highlighted the high probability of accidental detonation of unexploded projectiles if will be applied the technology regulated by the current environmental agreement.

Based on the results of the previous mentioned services, on February 15, 2019 was requested from Ploiesti Environmental Protection Agency a point of view in respect of documented proves. According with the environmental authority point of view, the rehabilitation works will be carried out according to the environmental agreement and the technical documentation provided.The selection of tenders was initiated and finalized, has been designated the contractor for execution of the rehabilitation works of the lagoons 18. Also, is undergoing selection procedure for designation the contractor which will execute rehabilitation works of lagoons 16 and 17.

31. 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 19.

As of 30 June 2019, and 31 December 2018 Rompetrol Rafinare S.A. has no specific environmental commitments to conform to the Integrated Environmental Authorization, except for Vega obligations, which have been provisioned.

Other commitments

As of 30 June 2019, 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 61.8 million (2018: USD 28.63 million). As of 30 June 2019, Rompetrol Downstream S.R.L has contracted capital commitments of USD 2 million (2018: USD 0.89 million).

Sale and purchase commitments

As of 31 December 2018, the Group's main commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 1,610.03 million (2018: USD 2,318.15 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,277.38 million (2018: USD 1,703.47 million).

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1. 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 18), 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".

32.2. Gearing ratio

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

	June 30, 2019	December 31, 2018
Debt (excluding shareholder loans and related parties)	306,601,882	267,367,797
Cash and cash equivalents	(14,973,871)	(11,477,183)
Net debt	**291,628,011**	**255,890,614**
Equity (including shareholder loans and related parties)	675,689,534	782,915,828
Net debt to equity ratio	**0.43**	**0.33**

32.3. Categories of financial instruments and fair values

	June 30, 2019	December 31, 2018
Financial assets		
Trade and other receivables	459,854,286	378,663,943
Long-term receivables	2,133,694	3,250,669
Available for sale investments	18,583	18,583
Derivative financial instruments	84,146	2,608,512
Cash and cash equivalents	14,973,871	11,477,183
TOTAL FINANCIAL ASSETS	**477,064,580**	**396,018,890**
Financial liabilities		
Long-term borrowings	240,000,000	224,103,204
Derivative financial instruments	1,484,590	76,580
Short term borrowings from shareholders	24,031,905	107,551,244
Other non-current liabilities	187,058	195,757
Net obligations under finance lease	37,344,095	-
Trade and other payables	1,016,395,598	870,862,953
Short-term borrowings banks	12,247,867	26,254,673
TOTAL FINANCIAL LIABILITIES	**1,331,691,113**	**1,229,044,411**

The estimated fair values of the instruments presented above approximate their carrying amounts except for derivative which are presented at fair value.

32. 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 30 June 2019, the marked to market value of derivative position is for financial instruments recognized at fair value.

32.4. 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.

(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))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	June 30, 2019	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	459,854,286	459,854,286	-	-
Long-term receivables	2,133,694	2,133,694	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	84,146	84,146	84,146	-
Cash and cash equivalents	14,973,871	14,973,871	-	-
TOTAL FINANCIAL ASSETS	**477,064,580**	**477,064,580**	**84,146**	**-**
Financial liabilities				
Long term borrowings	240,000,000			240,000,000
Derivative financial instruments	1,484,590	-	1,484,590	-
Short term borrowings from shareholders	24,031,905	24,031,905	-	-
Other non current liabilities	187,068	187,068		
Net obligations under finance lease	37,344,095	37,344,095	-	-
Trade and other payables	1,016,395,598	1,016,395,598	-	-
Short-term borrowings banks	12,247,867	12,247,867	-	-
TOTAL FINANCIAL LIABILITIES	**1,331,691,113**	**1,090,206,523**	**1,404,590**	**240,000,000**

	31 December 2018	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	378,663,943	378,663,943	-	-
Long-term receivables	3,250,669	3,250,669	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	2,608,512	2,608,512	2,608,512	-
Cash and cash equivalents	11,477,183	11,477,183	-	-
TOTAL FINANCIAL ASSETS	**396,018,890**	**396,018,890**	**2,608,512**	**-**
Financial liabilities				
Long-term borrowings	224,103,204	-	-	224,103,204
Derivative financial instruments	76,580	-	76,580	-
Short term borrowings from shareholders	107,551,244	107,551,244	-	-
Other non-current liabilities	195,757	195,757	-	-
Trade and other payables	870,862,953	870,862,953	-	-
Short-term borrowings banks	26,254,673	26,254,673	-	-
TOTAL FINANCIAL LIABILITIES	**1,229,044,411**	**1,004,864,627**	**76,580**	**224,103,204**

During the reporting period ending 30 June 2019 and 31 December 2018, 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.5 Derivative financial instruments

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

Balance Sheet:

	June 30, 2019	December 31, 2018
Derivative financial asset	84,146	2,608,512
Derivative financial liability	(1,484,590)	(76,580)
Net position - asset/(liability)	**(1,400,444)**	**2,531,932**

The derivative instruments balance in respect of fair value hedge against the inventories includes an adjustment of USD 2.23 million.

Income Statement:

	June 30, 2019	June 30, 2018
Unrealised (gains)	-	-
Net position - (gain)/loss - In Cost of sales	-	-
Realised gains/(losses) - net	(2,203,610)	7,428,565
Total position - loss/(gain) - in Cost of sales	**(2,203,610)**	**7,428,565**

	June 30, 2019	December 31, 2018
Derivative asset/(liability) 2018	**2,531,932**	**(48,387)**
Forex unrealized (hedging of forex)	-	-
Cash payments	(3,932,376)	2,580,319
Reserves	**-**	**-**
Derivative asset/(liability) 2019	**(1,400,444)**	**2,531,932**

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.

32.6 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.

32.7. 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.8. 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 13 and 18.

32.9. 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 prices, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and In 2014 it was implemented a hedging program in Rompetrol Downstream.

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

Trading activities are separated into physical (purchase from third parties 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 YTD June 2019 net impact of the commodity hedges was -3.2 million USD (2018: total net loss of USD -1.2 million).

32.10 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 28% 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.

33. SUBSEQUENT EVENTS

Facility granted to Rompetrol Rafinare SA by Banca Translivania (credit facility taken over from Bancpost) in amount of EUR 30 million has been extended until July 30, 2020.

Facility granted to Rompetrol Rafinare SA by Banca Trasilvania (credit facility taken over from Bancpost) in amount of EUR 27.96 million has been extended until July 30, 2020.