Biannual Report of the Board of Directors for the first half of 2018

Prepared by in accordance with Annex 14 of Regulation no. 5/2018 issued by the Financial Supervisory Authority

Name of the trade company:	**ROMPETROL RAFINARE S.A.**
Registered office:	**215 Năvodari Blvd., Pavilion Administrativ, NĂVODARI, Constanţa County**
Telephone number:	**0241/50 61 50**
Facsimile number:	**0241/50 69 30**
Sole registration code with the Trade Register Office:	**RO1860712**
Trade Register number:	**J13/534/05.02.1991**
Subscribed and paid share capital:	**LEI 4,410,920,572.6**
Regulated market on which the securities are traded:	**Bucharest Stock Exchange**
Shares market symbol:	**RRC**

Overview and objectives:

In the first semester of the year 2018, the activity of Rompetrol Rafinare, a company of the Group KMG International, was in line with the main premises of the budget. Also, the company continued the process of streamlining of the production process, this being supported by the smooth operation of all installations in the sectors of oil Refinery and Petrochemical Plant.

The amount of raw materials processed in the first half of the year 2018 by Rompetrol Refining (Petromidia and Vega, as well as the Petrochemical Plant) was approx. 3.08 million tons, of which approx. 2.67 million tons of oil, compared with a level total of 2.43 million tons, of which approx. 1.93 million tons of crude oil, for the first half of the year 2017.

For the full year 2018 the Petromidia Refinery proposed itself to process a quantity of raw material of approximately 5.44 million tons, of which 4.84 million tons of crude oil, Vega oil Refinery approximately 0.38 million tons and the Petrochemical Plant proposed itself to process a quantity of raw material of approximately 0.262 million tons.

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➢ The objectives of Rompetrol Rafinare investment program for the first half of 2018:

The investment program of Rompetrol Refinery accomplished in the first semester of 2018 was in the amount of USD 13.06 million, as follows:

I) From the category of **compulsory investments required by environmental and safety regulations,** in the first semester of 2018:

- The project **"Expire authorization ISCIR (State Inspection for Control of Boilers, Pressure Vessels and Lifting Installations) for static equipment Refinery Platform (ISCIR PEM 2018 from 2019)"** started, a project that consists in the reauthorization of pipes and technological units equipment, according to the ISCIR requirements in force; in addition will carry out VTP (Technical Periodic Verification) activities and elaborate technical documentation for the extension of ISCIR due date to equipment due in 2019. The project will be finalized in June, 2019.

- The implementation of the project **"Fire-fighting Water Main Replacement, section A and I"** continued. The project scope is to replace and rehabilitate the fire fighting infrastructure according to the Master Plan for A and I, based on the project design. The project finished in May, 2018.

- The implementation of project "**LPG (Liquefied Petroleum Gas) recovery from DCU (Delayed Coker Unit) gases**" continued. The project goal is to reduce amount of organic sulphurs in the fuel gas before the amine scrubbing. By implementing this project Refinery will comply with environmental regulations - Law 278/2013 Art 21 (4) that is amended by Decision 738/2014 regarding the best available techniques (BAT) under Directive 2010/75 / EU of the European Parliament and of the Council on industrial emissions for the refining of mineral oil and gas that the operators have 4 years (from the publication of BAT decision-2014), to reduce the content of organic sulphur compounds in DCU gas before the amine scrubbing, below 20mg/Nm3 for all furnaces (exception SRU (Sulphur Recovery Unit), FCC (Fluid Catalytic Cracker), FH2 (Hydrogen Plant)) at stacks. Reducing total sulphur in the fuel gas will result in reduction of SO2 content in the stack. The project estimated finish date is April 2019.

- The implementation of project "**Pressurization system upgrading in control rooms at Railcar Loading Point black-white products"** (phase II) continued**.** The project scope is to replace the existing system of ventilation and pressurization with a modern system of air conditioning, ventilation and pressurization, in accordance with the specific legislation for the two control rooms at Railcar Loading Point,

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black-white products; the system contains elements that ensure a continuous operation in order to eliminate any explosion danger and a suitable working environment for the operating personnel. The project estimated finish date is September, 2018.

II) In the **Development category**, one of mainly project is **"Increase Coker severity by introducing HCGO (Heavy Coker Gasoil) recycle"**. The project scope is to replace the actual spray system with state of the art technology to allow reducing gasoil flowrate by improving material dispersion, to procure equipment (sprays) and materials. The project estimated finish date is December, 2018.

- The implementation of the project **"Maximize usage of 185 unit (Amine and Sulphur Recovery Unit) condensate thermal potential"** (phase I) continued. The project objective is to increase Refinery Energy Efficiency Index (EII), reducing EII with 0.29 points, by maximizing usage of condensate from amine unit. The estimated finish date for phase I is December 2018.

III) In the **Capital Maintenance category**, a very important place is **Refinery 2018 Units Shutdown** project, technological shut down for equipment's periodic inspections, catalysts replacement, maintenance, etc.

For Petromidia refinery, general shutdown means a scheduled and execution large-scale capital maintenance and repairing activity wherein an entire production process unit is taken off stream for an extended period for comprehensive revamping, complying and renewal.

To reach the refinery goal of having a high mechanical availability and for compliance with authorizations, the refinery must have high reliability. This can frequently be assured by performing mechanical works only in conditions of shutdown of refinery activity.
As concerns the scheduled turnaround for the refinery, Rompetrol used in the last years the same approach in order to keep the refinery reliability at its best value.
Within this project, the benefits are as follows:

- Make the plant safe to operate till the next planned shutdown;
- Improve the efficiency of the plant within high mechanical availability;
- Reduce routine maintenance costs;
- Perform the Regulatory Inspection;
- Increase reliability / availability of equipment during operation;
- Maintain the Refinery at its nominal capacity;
- Complete the corrective/preventive maintenance;
- Safety– zero incidents (human accidents or damage to equipment);
- Maximum 20 days shutdown duration
- Achieve a 96.60 % mechanical availability after restarting the plants.

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IV) A very important place is held by projects from **"Storage and logistics**" area:

- It was finalized the project **„Rehabilitation parking on entry and ADR area (Control ramp) from IPPA (Truck Loading Facilities) – Zone 1"**. The main activity was the execution of platforms with rigid pavement, rainwater collection system according to execution project and related markings for area between waiting area and entry/exit kiosk. This project aims at increasing the quality of customers satisfaction, raising the standards of service offered with impact on image in marketing aspects with and on terminal operating times.

- It was started the project **„Rehabilitation of fuel oil ramp facilities"**. The scope of this project is to rehabilitate the facilities from Fuel oil Ramp in order to have an operable railway fuel oil ramp where will be loaded vacuum residue and diesel for export. This will allow extra 15kt/month of diesel loadings on automated railway ramp and other extra 15kT/month on Railway fuel oil ramp. Main activities are:
  - Rehabilitation of the PSI system from Fuel Oil ramp
  - Rehabilitation of the Sewage system

  The estimated finish date is April 2019.

➢ The objectives of Rompetrol Rafinare regarding quality, health, labour security and environment (QHSE), set for 2018 are the following:

- Cerification/recertification of:
  - ✓ QHSE Integrated Management System, according ISO&OHSAS standards;
  - ✓ Energy Management System, according ISO 50001 standard
  - ✓ ISCC (International Sustainability & Carbon Certification) Management System in terms of the sustainability requirements of Directive 2009/28 / EC (RED)
- 100% training for QHSE auditors with the reviewed OHSAS requirements and training of internal auditors for the ISO 50001 standard
- Increasing the profitability of the refinery by processing 5.44 million tons of raw materials per year and achieving a white product yield of 85.6%
- Certification/Recertification for fuels, as well as for bitumen and CITOM (grund for protection of buried metal pipes), according to legal and regulatory requirements.
- Exclusive use of sustainable biofuels in fuel production
- Strengthen the polymer market by diversifying the value-added assortment
- Maintain customer satisfaction and increase loyalty through loyalty programs
- "Zero" accidents with fatality and "Zero" professional diseases on Petromidia & Vega Platforms, by obtaining the following values for safety indicators established by KMG

Group: 0% (FIR);1.25% (LTIF,TRIR,MVCR); 0.50%(HSE Index-50%*FIR+40%*TRIR+10%*MVCR)

- Identification of significant hazards associated with operational activities by conducting at least 2 HAZOP studies
- Increase the effectiveness of the "1.LIFE" safety project by performing at least 2000 safety audits
- Improvement of the management system by testing the implementation of the Electronic Permit and extending the LOTO project to the Petromidia platform
- Environmental Permits revision:
  - ✓ Integrated Environmental Permit and Water Permit for Petromidia site
  - ✓ Integrated Environmental Permit and GES Permit for Vega site
- Compliance with legal requirements by aligning with BAT-BREF conclusions and REACH Regulation.
- Improve waste management by reaching targets set for waste disposal
- Satisfying the expectations of internal and external stakeholders by upgrading the emission dispersion modeling software resulting from the ongoing activity
- Achieving an energy consumption for BU Refining at the planned level of 3.56 GJ / t throughput
- Increasing energy efficiency by obtaining a 98.6% energy intensity indicator for the Petromidia refinery and an energy index of 2.59 GJ / t for the Vega Refinery and 16.81 GJ / t for Petrochemicals.

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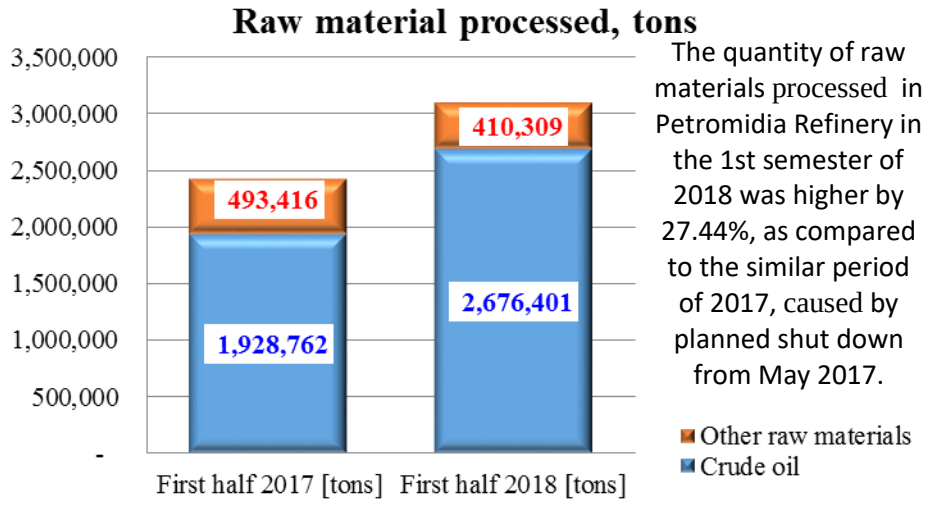
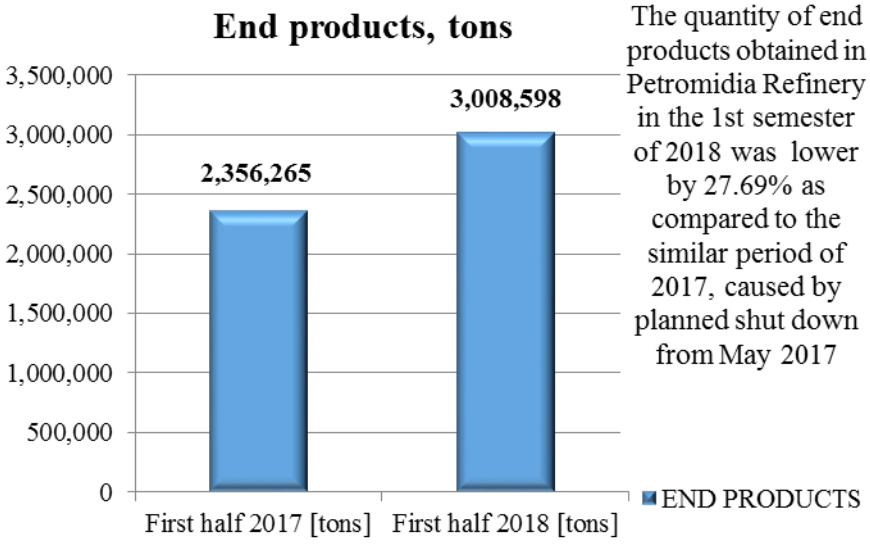
PRODUCTION ACTIVITY of Rompetrol Rafinare – Năvodari Work Point (Petromidia Refinery)



The quantity of raw materials processed in Petromidia Refinery in the 1st semester of 2018 was higher by 27.44%, as compared to the similar period of 2017, caused by planned shut down from May 2017.



The quantity of end products obtained in Petromidia Refinery in the 1st semester of 2018 was lower by 27.69% as compared to the similar period of 2017, caused by planned shut down from May 2017

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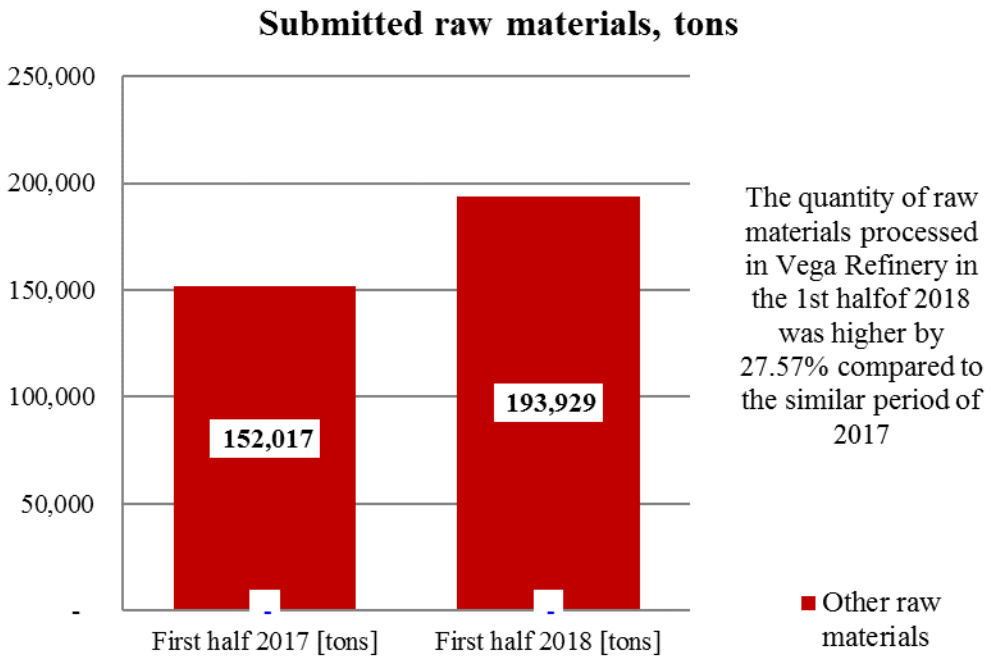
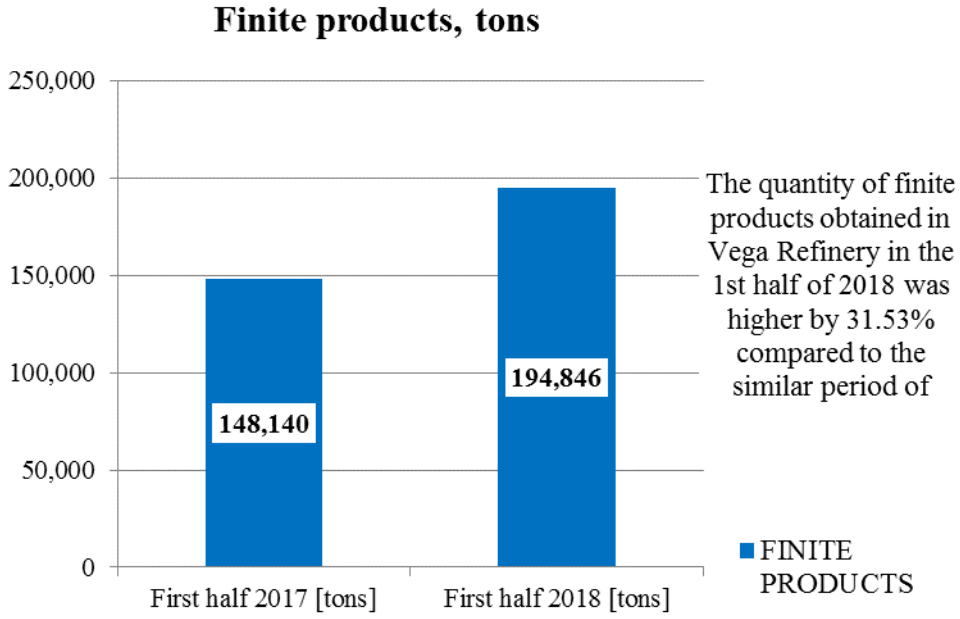
PRODUCTION ACTIVITY of Rompetrol Rafinare – Vega Refinery Work Point (located in Ploiesti)





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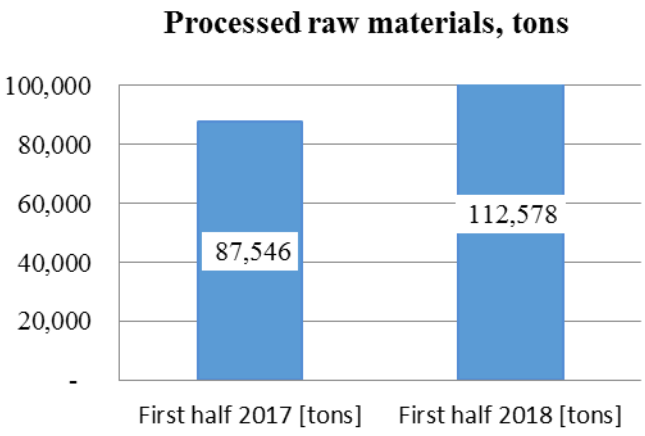
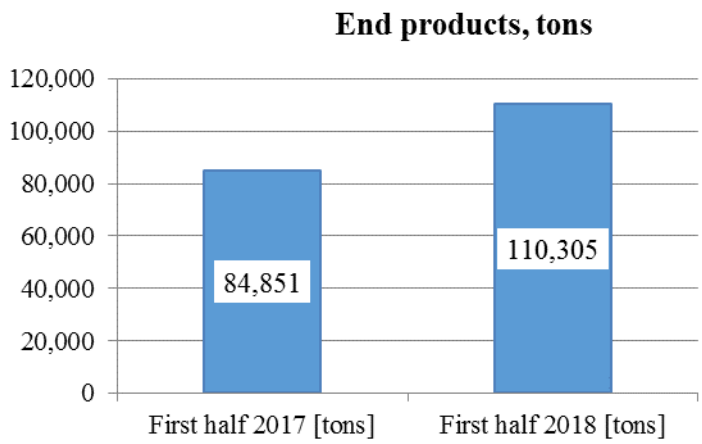
PRODUCTION ACTIVITY of Rompetrol Rafinare – Petrochemicals area



The quantity of raw materials processed in Petrochemicals in the 1st semester of 2018 was higher by 28.6 % compared to the similar period of 2017, cause by planned shutdown from May 2017 and restarted of HDPE unit in April 2018



The quantity of end products obtained in Petrochemicals in the 1st semester of 2018 was higher by 30 % compared to the similar period of 2017, cause by planned shutdown from May 2017 and restarted of HDPE unit in April 2018

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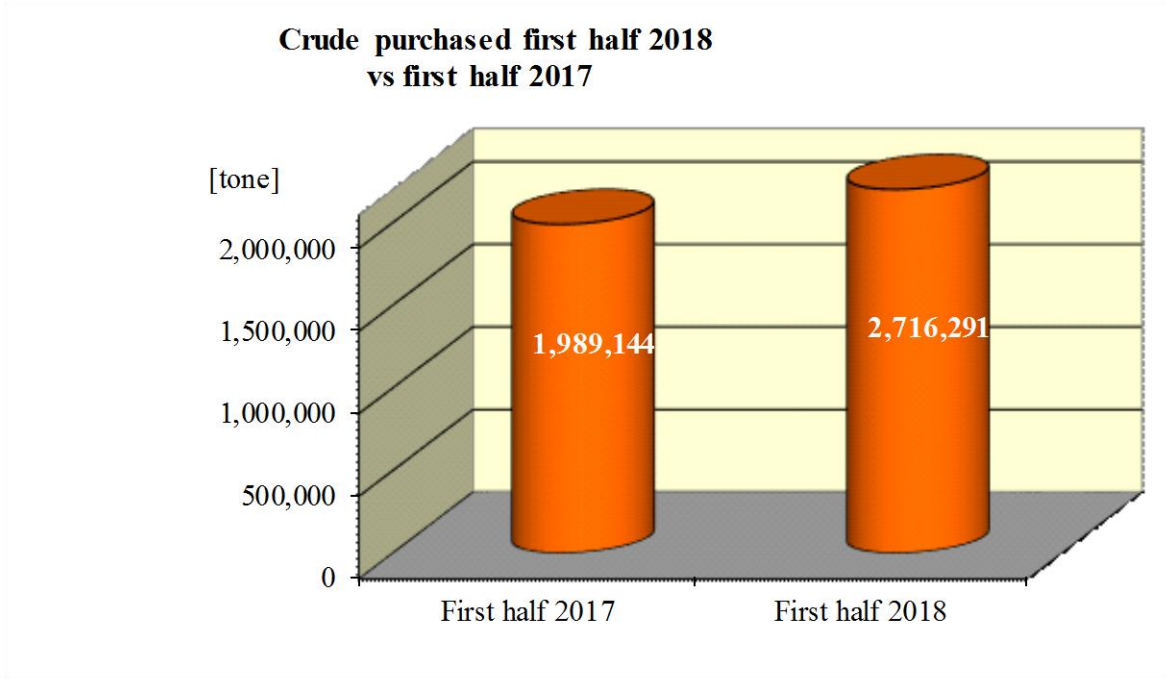
COMMERCIAL ACTIVITY carried out at Năvodari Work Point (Petromidia Refinery) in the 1st Half of 2018

A. Feedstock supply

In the first half of 2018, Rompetrol Rafinare S.A. – Petromidia Refinery purchased crude oil and other feedstock from external and domestic sources, as indicated in the table below:

Feed stock purchases	Quantity (tons)
1. Crude oil	**2,716,291**
2. Other feedstock	327,619
Total external purchases (1+2)	**3,043,910**
Total internal purchases	**50,025**

In the first half of 2018, crude oil purchases were higher than the same period of last year.



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The supplier of imported feedstock (crude) was KazMunayGas Trading AG.

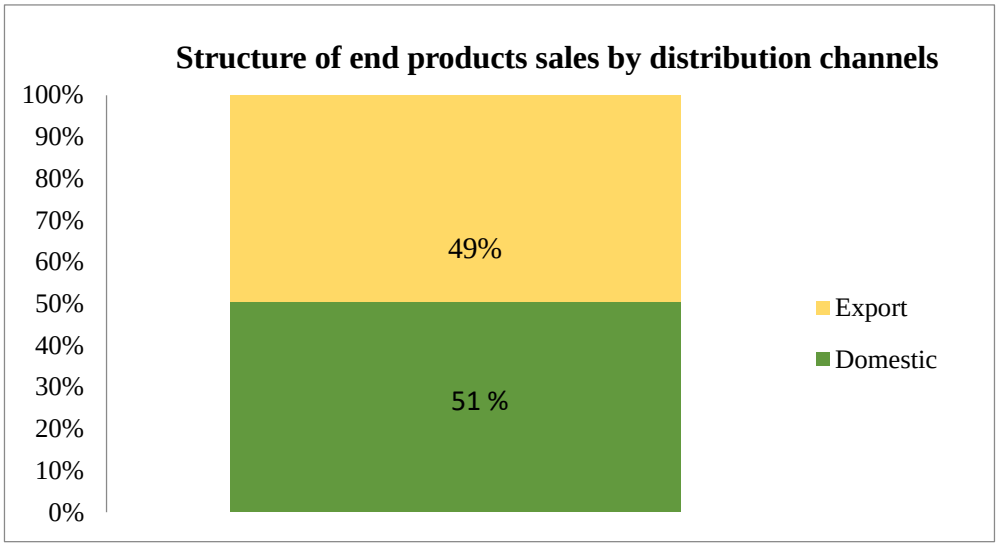
The main internal suppliers of feedstock were:

- OMV Petrom
- Prio Biocombustibil
- Expur S.A.
- Mitsubishi International

B. Sales

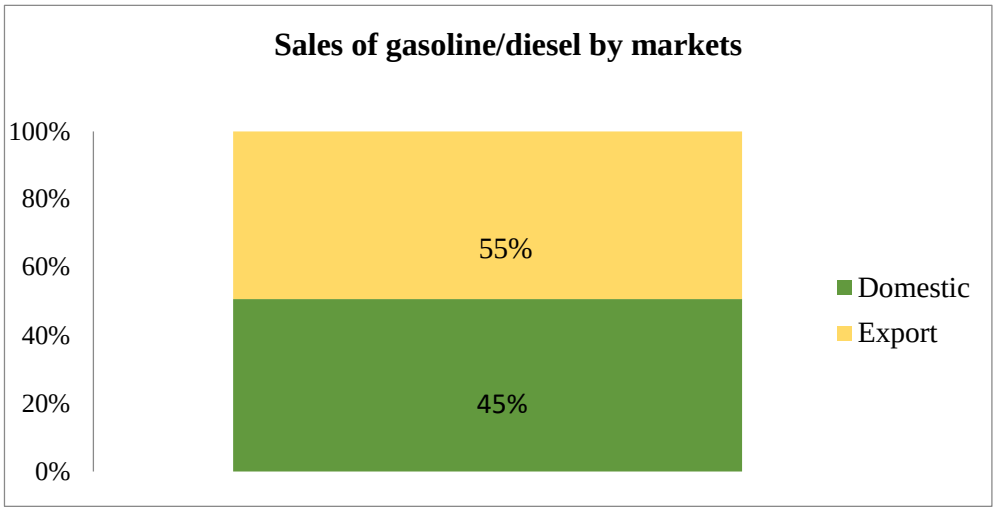
The sales in the first half of 2018 amounted to a total of 2,663,845 tons as compared to 2,096,033 tons in the same period in 2017. The net value of end product sales was 1,616,268,633 USD as compared to 978,938,424 USD in the first half of 2017, respectively 6,225,413,215 RON as compared to 4,107,695,419 RON in the first half of 2017. Volumes of sales increased by about 27% in the first half of 2018 as compared to the the same period of 2017.

In terms of sales markets, the shares were relatively the same, with a small increase (51%) for the domestic market. On the external markets, sales amounted to a total 1,315,716 tons and a net value of 792,105,817 USD.

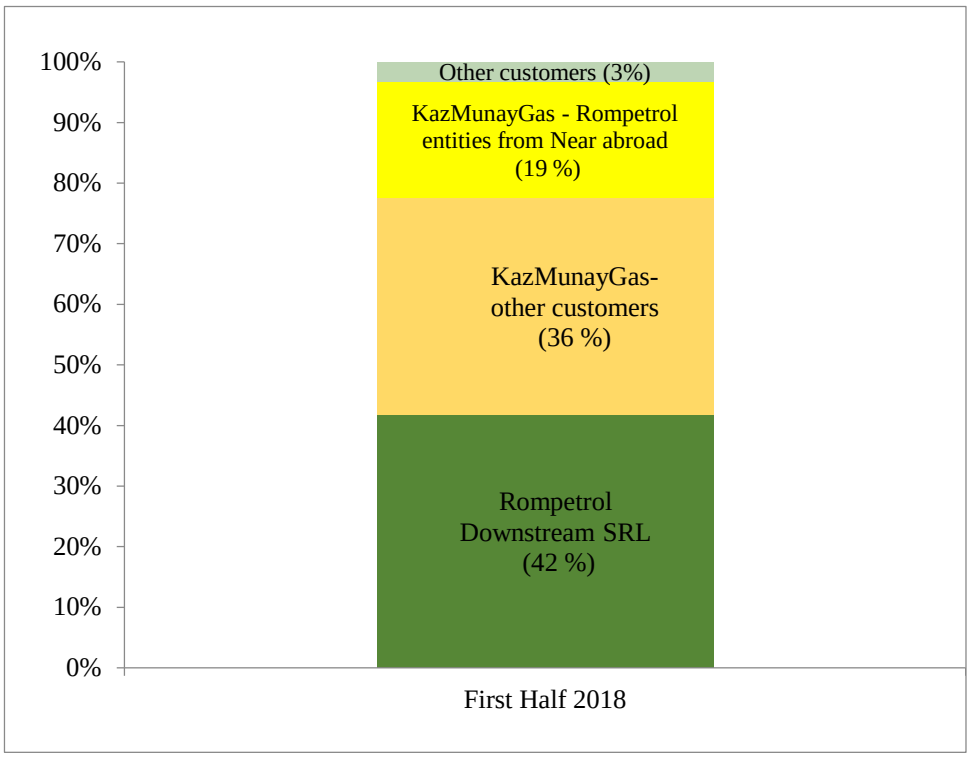


Approximately 80% of the total quantity of end products sold was represented by gasoline and diesel sales (2,138,964 tons). As concerns the distribution channels, the percentage of the sales

on the external markets was higher than that on the domestic ones (55%). 1,180,160 tons of motor fuels (gasoline and diesel) were sold on external markets.



As concerns the distribution channels, the highest volume of gasoline/diesel was sold to Rompetrol Downstream, followed by export sales made through the affiliate KazMunaiGaz Trading AG.



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Gasoline

Of the total quantity of 720,433 tons of gasoline sold, approx. 78% was sold on the external market, whereas the remaining percentage was sold on the domestic market. Approx. 75% of the total quantity of gasoline was unleaded Europlus gasoline 10 ppm sulphur.

Diesel

Between January and June 2018, 1,418,530 tons of motor diesel was sold, the percentage of domestic sales (56%) exceeding that of external sales.

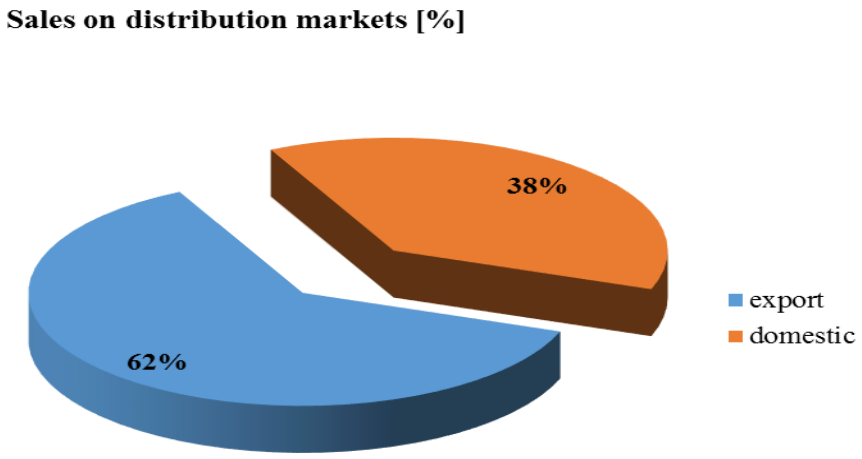
LPG

A total of 147,690 tons of liquefied petroleum gases was sold to Rompetrol Gas S.R.L..

As concerns the other groups of products, the domestic sales were higher than the external ones (jet, petcoke) and lower than the external ones (sulphur).

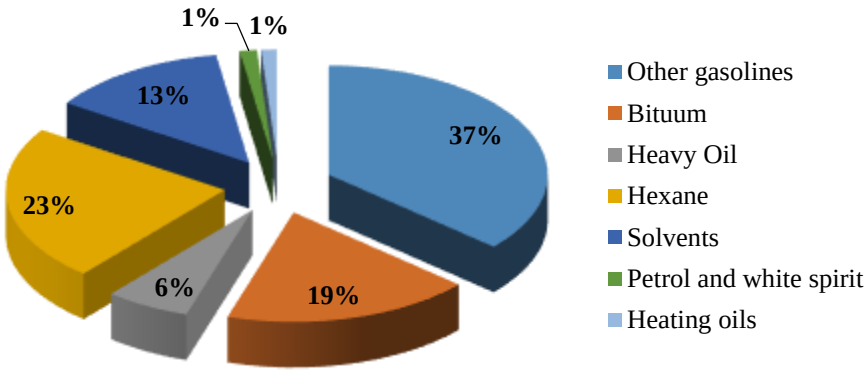
COMMERCIAL ACTIVITY carried out at Vega Refinery (in Ploieşti)

The sales of Vega Refinery in Ploieşti in the first half of 2018 amounted to a total of 185,733 tons.
By sales market, the external sales were higher (62%) than the internal ones (38%). 115,225 tons were sold on the external market.



White product sales (gasoline naphtha, ecologic solvents, n-hexane, white spirit) represented about 74% of the total sales in first half of 2018.

Sales on products [%]



The main external sales markets were: Hungary, Germany, India, Turkey, Ukraine, Bulgaria.

COMMERCIAL ACTIVITY carried out in Petrochemicals Area

Rompetrol Rafinare – Petrochimicals Area is the single producer of polypropylene (PP) and polyethylene (LDPE) in Romania.

Besides its own products, the Company is now actively selling a wide range of petrochemical products which are not currently produced by the Rompetrol Rafinare – the Petrochemical Plant, but which are in demand on the Romanian market, namely: High density polyethylene variants (HDPE pipe variants), linear low density polyethylene (LLDPE), PVC, PET and PP.

The sales of the Petrochemicals Area in the first half of 2018 amounted to a total quantity of 92,284 tones, up by 31% over the same period of last year.

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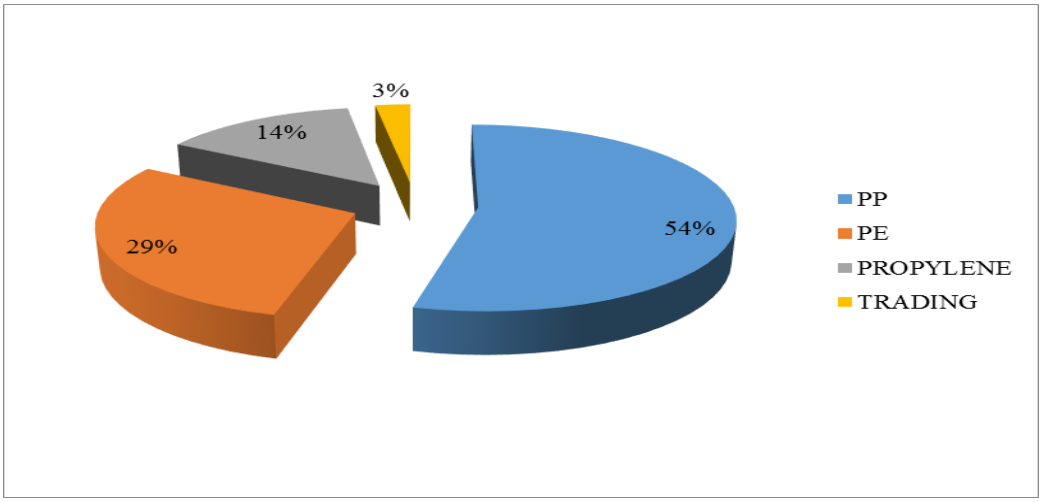
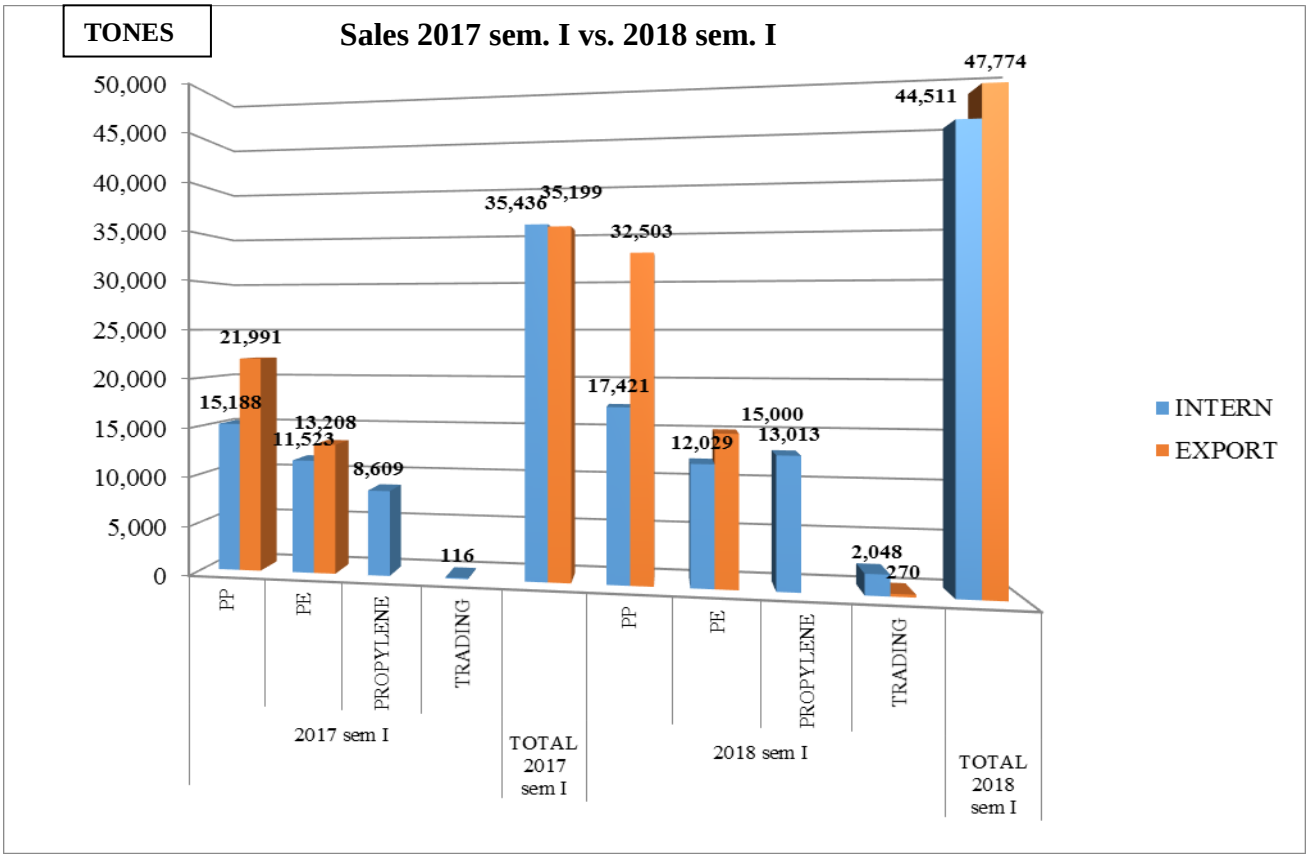
In the first half of 2018, 54% of the total sales were represented by polypropylene (PP), 29% by polyethylene (PE: LDPE and HDPE) and the remaining 17% represents the sales of propylene and trading activity.





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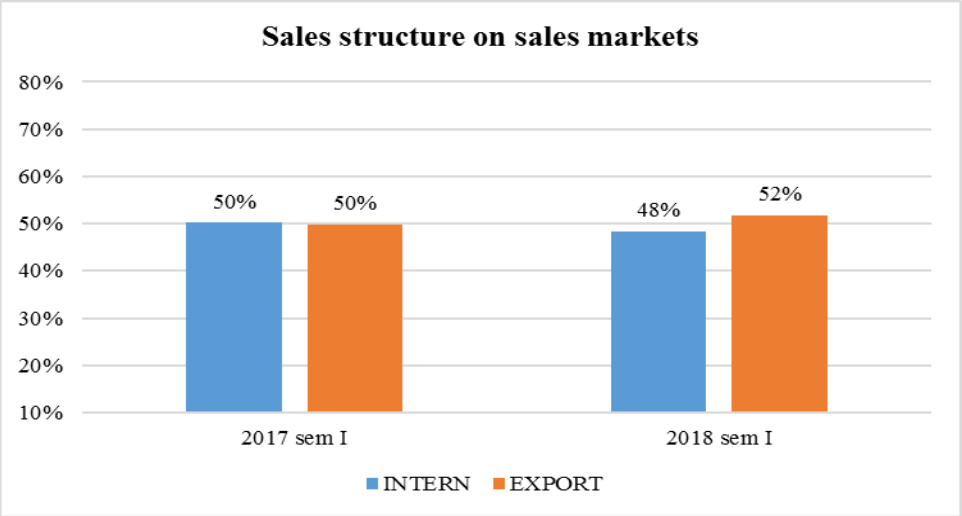
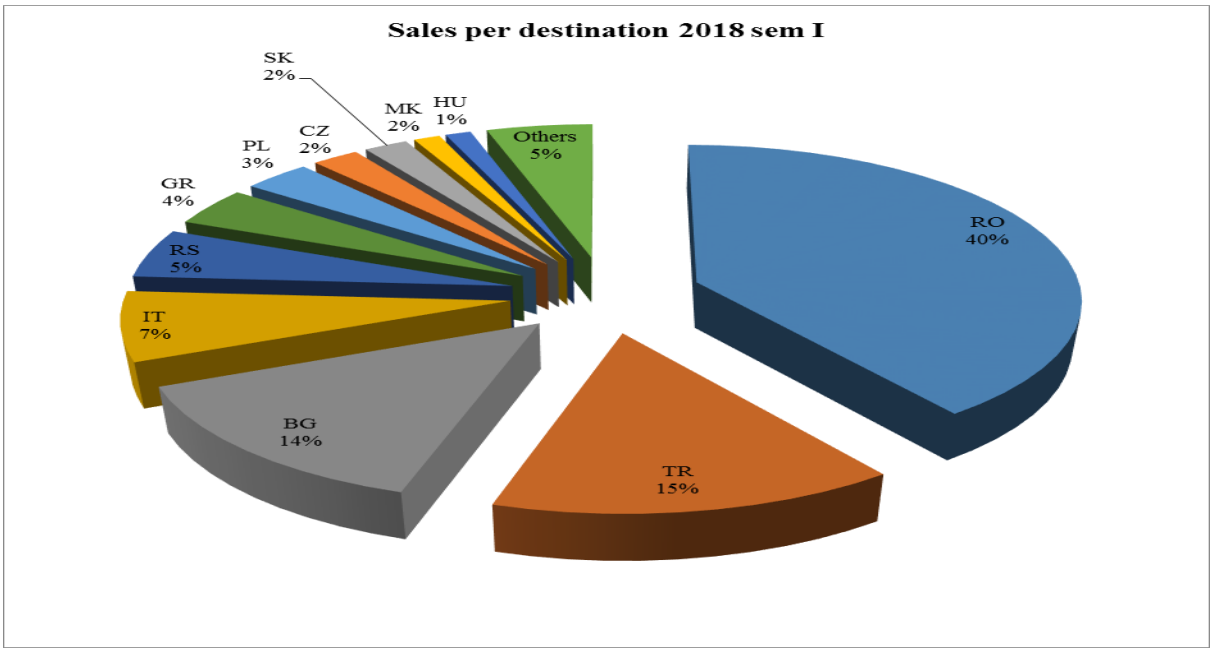
Out of total sales, 48% is the domestic market and the rest of 52% represents exports.



The most important distribution channels for polymers (PP, LDPE, HDPE, PET and PVC) are Romania, Turkey, Bulgaria, Italy.

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 62% of the total export sales of finished goods, the difference representing the export sales on the non EU markets.



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IMPORTANT EVENTS - FIRST SEMESTER 2018

1. RELATED PARTIES

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the exercise ended at 30 June 2018, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties (2017: zero). This assessment is performed every year, by analyzing the financial position of the related party and the market in which it is carrying on its activity.

A. At 30 June 2018 and 31 December 2017, Rompetrol Rafinare SA had the following balances with the related parties:

	Receivables and other assets	
	June 30, 2018	**December 31, 2017**
KazMunayGas Trading AG	586,792,429	658,908,913
Rompetrol Downstream S.R.L	643,569,438	586,070,373
Rompetrol Petrochemicals S.R.L.	1,667	1,657
KMG International N.V.	5,717,410	3,268,860
Rompetrol Gas SRL	7,898,364	10,047,709
Rompetrol Moldova ICS	29,777,615	-
Rompetrol Bulgaria JSC	1,369,141	3,111,148
Rominserv S.R.L.	7,067,015	3,672,459
Rompetrol Quality Control S.R.L.	125,163	129,968
Rompetrol Logistics S.R.L	1,371	48,853
Midia Marine Terminal S.R.L.	1,270,188	1,040,455
Uzina Termoelectrica Midia S.A.	4,335,418	8,467,191
KMG Rompetrol SRL	2,052,202	7,555,392
Global Security Systems S.A.	606,363	606,637
Kazmunaygas – Engineering LLP (former Rominserv Kazakhstan(RKZ))	673,223	654,422
Rompetrol Energy S.A.	601	-
Palplast S.A.	5,051,334	5,340,002
Byron Shipping Ltd.	3,383	3,924
Rompetrol Ukraina	15,159	14,736
Oilfield Exploration Business Solutions S.A.	6,661,808	1,932,419
Rompetrol Financial Group SRL	10,394	10,340
KMG Rompetrol Services Center SRL	51,387	50,516
TRG Petrol Ticaret Anonim Sirketi	23,807,084	10,521,367
Total	**1,326,858,157**	**1,301,457,341**

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	Payables, loans and other liabilities	
	June 30, 2018	**December 31, 2017**
KazMunayGas Trading AG	2,789,184,223	2,784,983,327
Rompetrol Downstream S.R.L	59,203,437	43,115,612
Rompetrol Petrochemicals S.R.L.	7,691,309	7,685,137
KMG International N.V.- loans(note12)	377,274,587	494,663,734
KMG International N.V.-interest	1,612,000	1,830,480
KMG International N.V.-trade debts	14,077,815	13,976,078
Rompetrol Gas SRL	2,695,553	2,744,523
Rompetrol Moldova ICS	16,907,483	14,231,107
Rominserv S.R.L.	79,849,881	121,931,041
Rompetrol Quality Control S.R.L.	9,712,992	17,245,271
Rompetrol Logistics S.R.L	393,084	905,223
Midia Marine Terminal S.R.L.- loans(note12)	27,211,100	27,211,100
Midia Marine Terminal S.R.L.-interest	5,773,192	4,896,117
Midia Marine Terminal S.R.L.-trade debts	158,516,108	142,234,826
Rompetrol Well Services S.A. - loans (note 12)	34,300,000	34,300,000
Uzina Termoelectrica Midia S.A.	11,550,751	14,154,735
KMG Rompetrol SRL- debt cash pooling	414,910,501	410,707,468
KMG Rompetrol SRL-interest cash pooling	3,410,162	1,328,165
KMG Rompetrol SRL-trade debts	13,859,796	32,002,902
Global Security Systems S.A.	617,957	1,406,484
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note12)	115,000,000	115,000,000
Rompetrol Financial Group SRL-interest	6,275,822	5,239,886
KMG Rompetrol Services Center SRL	1,841,693	1,407,558
TRG Petrol Ticaret Anonim Sirketi	1,837	565
Total	**4,151,871,349**	**4,293,201,405**

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "Coordinating company" and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2018.

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B. In the first semester of 2018, respectively in the first semester of 2017, Rompetrol Rafinare had the following transactions with the related parties:

Name of related party	Nature of transaction , sales / purchases	Sales		Purchases	
		S1 2018	S1 2017	S1 2018	S1 2017
KazMunayGas Trading AG	Raw materials / Petroleum products	2,497,575,231	1,377,375,403	5,840,991,217	3,840,751,816
Rompetrol Downstream S.R.L	Petroleum products, rent, utilities and other	2,369,567,394	1,775,110,705	1,262,880	1,257,165
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	8,377	8,169	-	-
KMG International N.V.	Loan interest, management services	-	-	12,795,174	16,757,645
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	238,074,021	150,873,327	263,566	9,418
Rompetrol Moldova ICS	Sales intermediary services	401,987,891	327,203,689	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	18,605,458	34,885,944	-	462,673
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	1,226,051	1,303,640	111,013,303	154,105,170
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	660,063	692,062	11,654,692	12,593,978
Rompetrol Logistics S.R.L	Transport, rent/Rent, utilities	6,898	6,130	82,162	77,597
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, reinvoicing, loan interest ,others	1,003,884	721,253	40,491,737	35,175,190
Rompetrol Well Services S.A.	Loan interest	-	-	906,140	665,478
Uzina Termoelectrica Midia S.A.	Acquistion of utilities	35,771,819	33,619,832	62,813,692	54,715,596
KMG Rompetrol S.R.L.	Loan interest, management services	3,010,574	18,312,146	57,804,727	50,015,866
Global Security Systems S.A.	Security and protection services	692	750	5,309,493	4,834,958
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	19,013	18,836	2,828	2,828
Rompetrol Financial Group SRL	Loan interest	-	-	3,035,936	2,229,435
KMG Rompetrol Services Center SRL	Shared services	249,040	269,318	7,786,983	7,896,474
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	61,608,315	32,975,712	-	-
		5,629,418,210	**3,753,376,916**	**6,156,218,531**	**4,181,551,288**

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, based on a

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

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

As for **the purchases in the relationship with affiliated parties amounting to RON 6,156,218,531 registered in the first half of the year 2018 compared to RON 4,181,551,288 in the first half of 2017**, their major increase is mainly due to transactions with KazMunayGas Trading AG , the main supplier of crude oil and other raw materials to Rompetrol Rafinare SA. In the context of the increase in crude oil processed by the Company and the increase of crude oil quotations on international markets in the first half of 2018 compared to the same period of 2017, the value of transactions performed with KazMunayGas Trading AG rose nearly 50% in the first six months of 2018 compared to value registered in the same period of 2017.

Regarding the **sales in the relationship with affiliated parties amounting to RON 5,629,418,210 registered in the first half of the year 2018 compared to RON 3,753,376,916 in the first half of 2017**, their major increase is mainly due to sales of petroleum products. A significant increase in the quantity of processed crude oil has generated the increase in production and the quantity of oil products sold. The main clients of Rompetrol Rafinare S.A. are represented by KazMunayGas Trading AG, Rompetrol Downstream S.R.L, Rompetrol Gas SRL and Rompetrol Moldova ICS. Thus, in the first 6 months of 2018, compared to the same period of 2017, the Company recorded total sales of oil products with the aforementioned affiliates of about 50% higher. The value of transactions was also significantly influenced by the increase in oil prices on international markets in the first 6 months of 2018.

2. LEGAL MATTERS

Litigation with the State involving criminal charges

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former shareholders directors, managers and external censors of Rompetrol Rafinare S.A. ("RRC") and other individuals; these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized

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judicial expertise), currently undergoing the criminal prosecution phase. At the present date, only one of the former director of the Company who is involved in the investigation, still works for KMG International Group („KMGI").

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 („OEBS" - 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 SA and this allows to the company to continue normally the day by day operations.
The companies submitted the challenges against the Orders within 3 days (namely on 12 and 13 of May 2016).
After two hearings in front of the Constanta Court, the case was assigned to be settled by the High Court of Justice and Cassation, who rejected in full the challenging submitted by Group's subsidiaries on June 17, 2016.
Meanwhile, the companies also challenged on May 30, 2016 the Orders to the superior prosecutor. The submission was rejected in December 2016.

Considering the nature of the allegations submitted by DIICOT, the KMGI companies applied for a motion of disjoining (*cerere de disjungere* in Romanian) in order to have two different cases which shall settle the allegations for RRC' privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by RRC (OUG 118/2003). No reply received yet from DIICOT on this topic.
Since the KMGI companies had no capacity in the file till 2016 and it seems the entire process (with minor exceptions) of gathering the evidences by DIICOT have been performed before

May 2016, the Companies submitted on April 7, 2017 their own application for, on the one hand, evidences to be attached to the file in order to defend and one the other hand to be redone some evidences (such as expertise report) performed before 2016. No reply received yet from DIICOT on this topic.
On April 12, 2017, the companies submitted also their application by which they asked the dismissals of the allegations regarding the OUG 248/200 (regarding the privatization of RRC) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which the Court settled that the legislative process, as well as the aspects regarding the opportunity and/or lawfulness of a deed issued either by the Parliament and Government cannot be subject of a criminal inquiry and the Constitution provides other leverages assigned to other public authorities to control such kind of things. No reply received yet from DIICOT on this topic.
On May 10 and June 28, 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC 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 July 17, 2017 DIICOT issued an Ordinance which generally keeps the approach of the Orders issued in 2016 but let the civil parties namely, Ministry of Energy and Ministry of Finance, to provide the figures for the alleged damage they incurred as well as the evidences for supporting any alleged damage. 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 defence against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.
On April 12, 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated July 17, 2017, September 18, 2017 and December 6, 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 submited on April 20, 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the seizure. On May 22, 2018 the Court rejected again the challenges submitted. 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 October 8, 2018.
A similar challenge against the freezing orders will be submitted to DIICOT to be settled either by the new prosecutor in-charge with the file or by the superior.

On July 22, 2016 National Company KazMunayGas („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.

1. The economic and financial situation

The turnover registered as of June 30,2018 amounts to RON 7,042,049,375, as compared to RON 4,729,016,743, reached in the first semester of 2017 (rising by 49%), under the conditions of processing a larger quantity of crude oil and other raw materials (also larger quantities of Production and major sales) than in the first semester of 2017 (approx. 27% more) at the level of the Petromidia refinery and the increase of quotations on the international markets of petroleum products sold compared to year 2017. The operational activity of the first semester of the year 2017 was affected by the planned shutdown of the refinery.

In the 1st semester of 2018, the company registered an operational profit of RON 130,268,291, compared with the first semester of 2017 when recorded a loss of RON 20,856,943.

In the first semester of 2018, the company recorded a net loss in the amount of RON 61,687,886, compared with the similar period of 2017 when Rompetrol Rafinare S.A. registered a net profit of RON 171,150,855. The net negative result of the first semester 2018 was significantly influenced by the unfavourable exchange rate differences.

During the semester I 2018 the financial expenses have exceeded the financial revenue, finally obtaining a loss of financial activity in the amount of RON 191,956,177 (the major impact coming from unfavourable exchange rates differences).

The financial indicators registered as of June 30, 2018 include the results from the activity of the Refinery and Petrochemistry Plants on the Navodari platform, as well as of the Vega Refinery in Ploiesti.

a) Balance sheet indicators:

At the end of the first semester of 2018, the Company's non-current assets amount to RON 5,383,628,574, slightly lower as compared to December 31, 2017.

As of June 30th, 2017, current assets are in amount of RON 2,685,165,784, registering an increase of approximately 3% more than the level at the end of 2017.
This is mainly due to the increase in value of the receivables (from RON 1,577,627,271 on 31.12.2017, to RON 1,675,939,234 at June 30, 2018).

The liabilities payable in a period of 1 year decreased from a value of RON 5,131,964,148 in 31.12.2017 to RON 4,647,972,432 on June 30, 2018 (approximately 9%). This decrease is mainly due to the reclassification of the short-term loan in the long-term loan of the balance relating to the use of the Syndicated Loan, given that at June 30, 2018 the term calculated until maturity (23 April 2021) is more than 1 Year.

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Balance sheet indicators

	June 30th , 2018	December 31st, 2017
Intangible assets	13,159,300	14,618,988
Goodwill	152,720	152,720
Property, plant and equipment	3,584,335,022	3,680,205,350
Financial assets	1,629,020,055	1,629,020,055
Deferred tax asset	156,961,477	156,961,477
Total non current assets	**5,383,628,574**	**5,480,958,590**
Inventories, net	982,988,880	1,014,258,927
Receivables and prepayments, net	1,675,939,234	1,577,627,271
Derivative Financial Instruments	-	-
Cash and cash equivalents	26,237,670	22,863,280
Total current assets	**2,685,165,784**	**2,614,749,478**
TOTAL ASSETS	**8,068,794,358**	**8,095,708,068**
Subscribed share capital	4,410,920,573	4,410,920,573
Share premium	232,637,107	232,637,107
Revaluation reserves	580,594,860	600,663,192
Other reserves	3,412,301,949	3,424,144,892
Accumulated losses	(6,069,175,573)	(6,507,244,042)
Current year result	(61,687,886)	418,336,728
Total equity	**2,505,591,030**	**2,579,458,450**
Hybrid loan	57,155,251	57,155,251
Long-term borrowings from banks	544,599,664	-
Provisions	313,475,981	327,130,219
Total non-current liabilities	**915,230,896**	**384,285,470**
Trade and other payables	3,933,842,572	3,981,167,078
Short-term borrowings from affiliates	567,446,701	683,141,317
Short-term borrowings from banks	134,156,061	467,139,993
Total current liabilities	**4,647,972,432**	**5,131,964,148**
TOTAL LIABILITIES AND EQUITY	**8,068,794,358**	**8,095,708,068**

On June 30, 2018, the equity level (net asset) recorded a slight decrease from the value recorded at december 31, 2017 due to the net loss recorded in the first half of the year 2018. In same time, at June 30, 2018, the value of equity (net assets) was greater than half of the value of the social capital.

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b) Financial indicators

	January - June 2018	January - June 2017
Net revenues	**7,042,049,375**	**4,729,016,743**
Gross revenues from the sale of finished oil products	9,073,642,867	6,248,530,571
Revenues from other merchandise sales	11,989,117	7,073,624
Revenues from utilities sold	4,411,695	4,080,025
Revenues from the sale other products	300,321	761,882
Revenues from rents and other services	6,696,280	7,084,350
Gross Revenues	**9,097,040,280**	**6,267,530,452**
Less sales taxes	(2,054,990,905)	(1,538,513,709)
Total	**7,042,049,375**	**4,729,016,743**
Cost of Sales	**(6,753,284,460)**	**(4,589,342,718)**
out of which		
Crude oil and other raw materials	6,318,058,378	4,202,246,667
Utilities	204,062,085	162,530,968
Gross profit/(loss)	**288,764,915**	**139,674,025**
Selling, general and administrative expenses	(148,336,813)	(135,456,052)
Other operating expenses	(33,252,613)	(28,013,754)
Other operating income	23,092,802	2,938,838
Operating profit/ (loss)	**130,268,291**	**(20,856,943)**
Financial expenses	(78,522,932)	(83,461,563)
Financial revenues	6,355,816	38,090,988
Net foreign exchange gains / (losses)	(119,789,061)	237,378,373
Profit before income tax	**(61,687,886)**	**171,150,855**
Deferred tax	-	-
Net Profit/(Loss)	**(61,687,886)**	**171,150,855**

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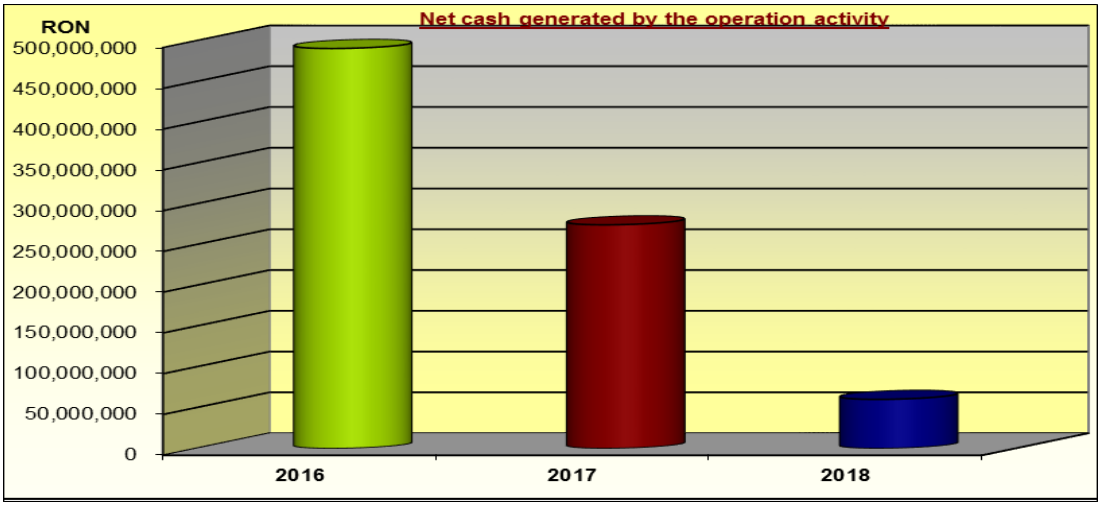
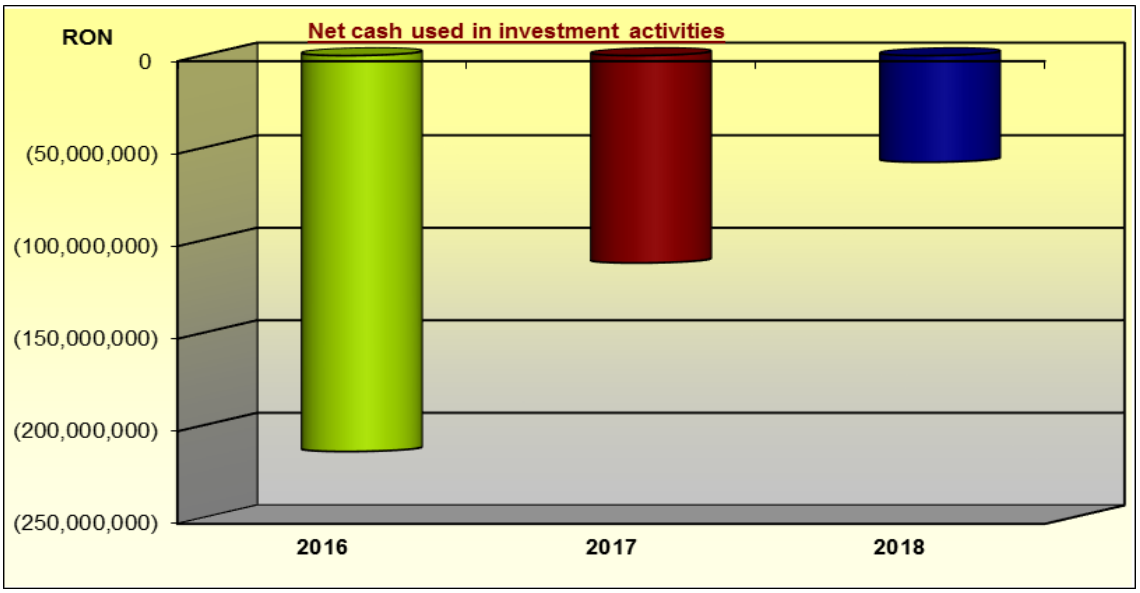
c) cash flow: all the changes occurred at the cash level within the basic business, financial investments and operations, the cash level at the beginning and at the end of the period

In 2018, the net situation of cash flows reflects the company's effort to harmonize efficiently the cash needs from the operating activity with a balanced funding policy.
Cash flows from the operating activity have been influenced by both the increase of trade receivables and by the decrease of inventories and of trade payables. At the end of the first semester of 2018, the Brent quote of crude oil has reached USD 77.9/barrel, as compared to the end of the first semester of 2017 when it amounted to USD 47.39/barrel.

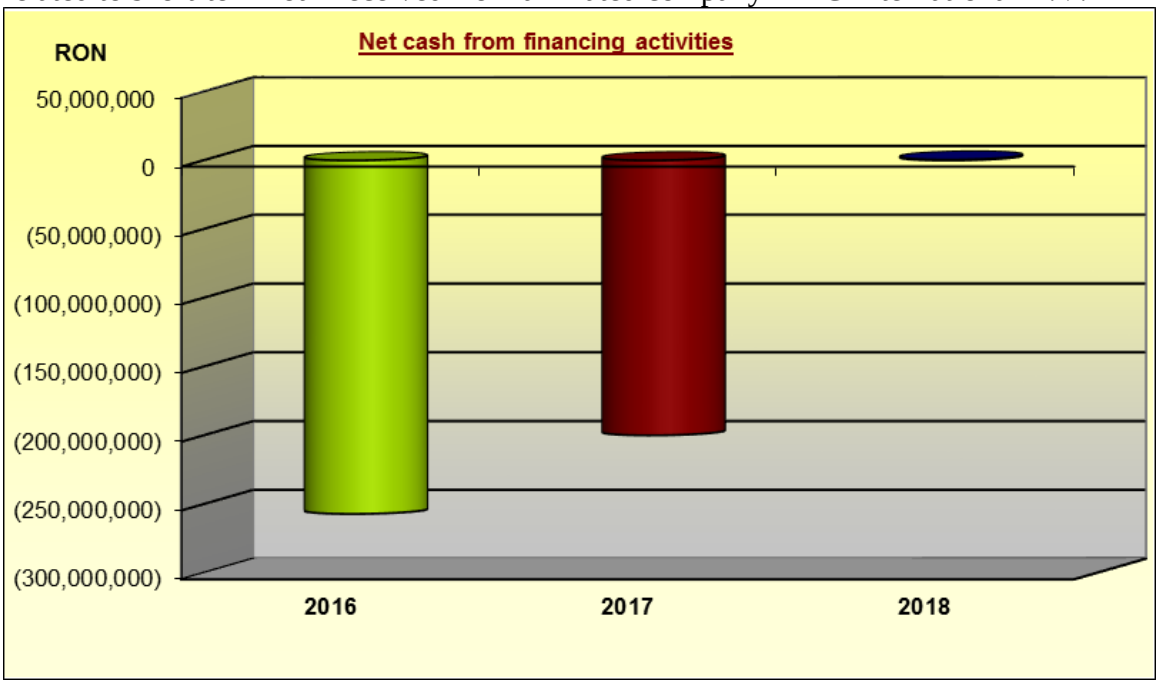


In the first semester of 2018 Rompetrol Rafinare SA continued implementing new technologies allowing processing of various types of crude and obtaining new products at the quality imposed by the European standards, as well as the increase yield in white products. A permanent concern was the aligning with the requirements of the European Union and compliance with the requirements of the EU Directives regarding the promotion and use of bio-fuels and of the environment regulations in force, especially aiming to reduce the emissions of nitric oxides, volatile organic compounds and carbon dioxide and of depositing dangerous waste.

Major investment projects from the first semester of 2018 concerned the authorisation/reauthorization of equipment from ISCIR point of view, the restarting of the HDPE plant, the rehabilitation of tanks, the replacement of catalysts at the HPM installation and planned shutdown of the refineries for the capital maintenance works.



In the first semester of 2018, the Company has continued to benefit from a cash pooling contract – a system to optimize the cash balances, in order to support both the needs generated by the exploitation and investment activity, as well as from a syndicated loan facility granted by a consortium of banks.
In addition, the cash from the funding activity was also influenced by the high exposure on the short-term loan facility from Bancpost and the by the reimbursements made by the Company related to short-term loan received from affiliated company KMG International N.V.



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2. Analysis of the company's activity

In the first semester of 2018, the Company has registered a net loss amounting to RON 61,687,886 and, compared with the similar period of 2017, when Rompetrol Rafinare SA registered a net profit amounting to RON 171,150,855. The net negative result registered in the first semester of 2018 was significantly influenced by the unfavourable foreign exchange differences.

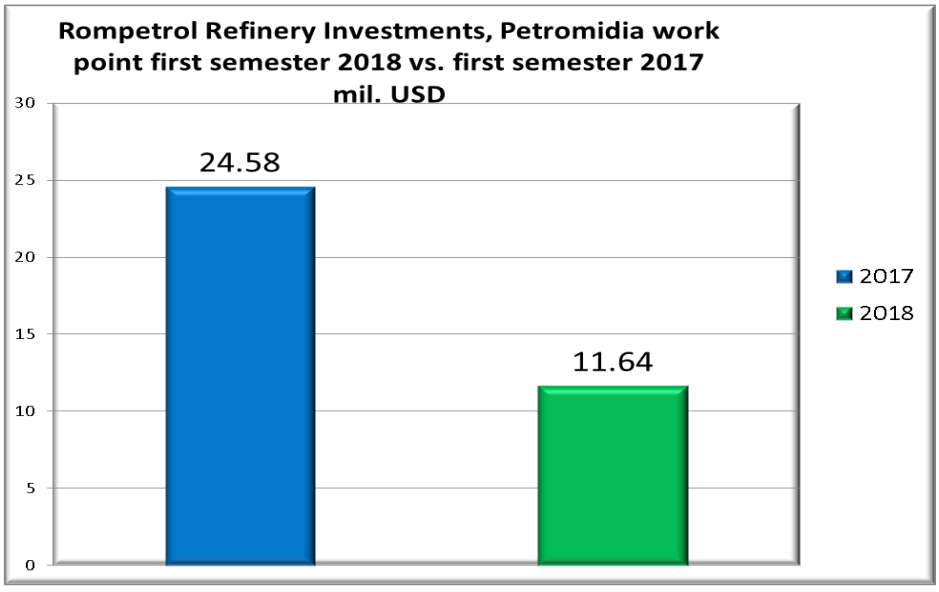
2.1. From the liquidities point of view, the Company has made efforts to maintain the capacity to cover all current liabilities from the current assets, the current ratio registering an improvement as compared to the same period of the prior year, namely of 0.61 in the first semester of 2018 as compared to 0.44 in the first semester of 2017.

Impact factors on the company's liquidity refer to current assets and liabilities that are directly influenced by the specificity of activity and fluctuation in oil purchase prices and petroleum products sale prices.

2.2. Between January and June 2018, the company has made investments in a total amount of approx. **USD 13.06 million**.

Out of this amount, **USD 11.64 million** was used by Petromidia Refinery in its investment projects described in the "Objectives of the Investment Program" Section.

A comparative analysis of the investments in the first half of 2018 vs. the first half of 2017 for both the Petromidia and VEGA Refineries is shown in the diagrams below:



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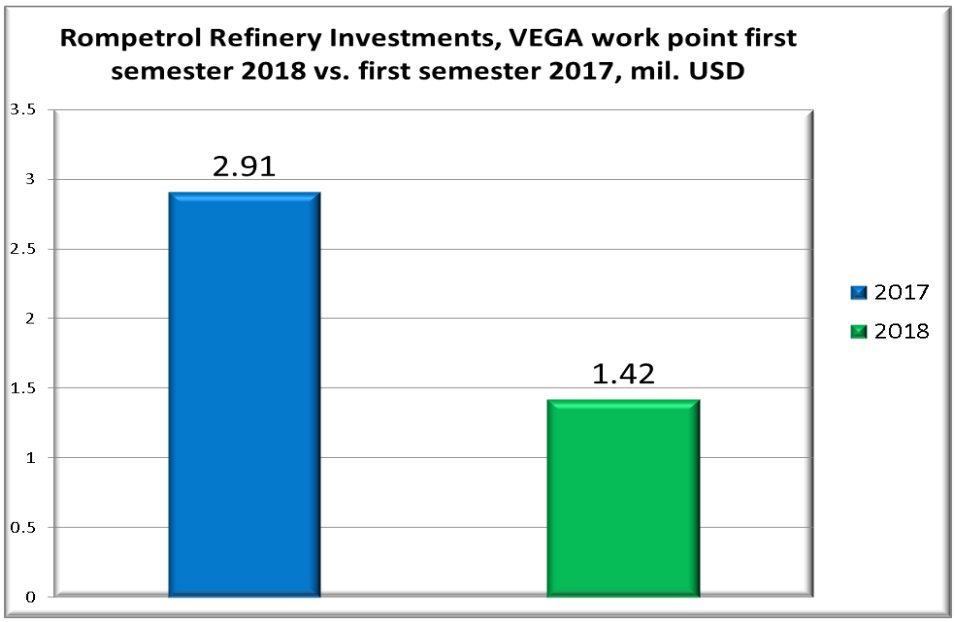

2.3. In the first semester of 2018, the net turnover has increased by 49% as compared to the similar period of the previous year, under the conditions of processing a larger quantity of crude oil and other raw materials (also larger quantities of Production and major sales) than in the first semester of 2017 (approx. 27% more) at the level of the Petromidia refinery and as a result of the increase of the finished products (diesel fuel and gasoline) average sales prices compared to 2017. The operational activity of the first semester of the year 2017 was affected by the planned shutdown of the refinery.

The quantity of processed crude oil in the first semester of 2018 was higher by 748 thousand tons than in the first semester of 2017.

3. Changes affecting the capital and the Company management

3.1. During the analysed period, there were no situations in which the company could not meet its financial obligations.

3.2. During the analysed period, there were no changes that could influence the Company share capital value.
On June 30, 2018, the Company share capital, as recorded with *Depozitarul Central S.A.* consisted in 44,109,205,726 shares, with a nominal value of Lei 0.10 /share, reaching a total amount of Lei 4,410,920,572.60.

The synthetic consolidated structure of the shareholders of ROMPETROL RAFINARE S.A., as per the Consolidated Shareholders' Register issued by *Depozitarul Central S.A.* on 30 June 2018 is the following:

SHAREHOLDER (on 30 June 2018)	**SHARE NUMBER** (on 30 June 2018)	**% OF PARTICIPATION TO THE SHARE CAPITAL** (on 30 June 2018)
KMG INTERNATIONAL N.V.	21,222,506,422	48.1136%
THE ROMANIAN STATE, represented by the Ministry of Energy	19,715,009,053	44.6959%
Shareholders - Legal entities - each holding less than 10% of the share capital and together reaching:	2,919,970,425	6.6199%
Shareholders - Natural persons - each holding less than 10% of the share capital and together reaching:	251,719,826	0.5707%
TOTAL	44,109,205,726	100%

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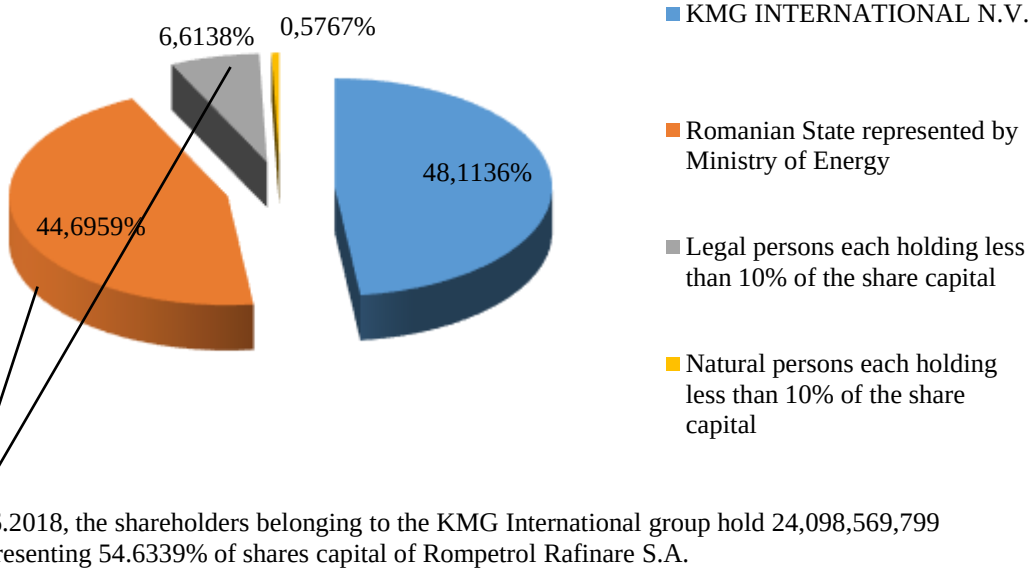
The structure consolidated by Depozitarul Central S.A. as at 30.06.2018



Note:
As at 30.06.2018, the shareholders belonging to the KMG International group hold 24,098,569,799 shares, representing 54.6339% of shares capital of Rompetrol Rafinare S.A.

We specify that Rompetrol Rafinare S.A. (a part if the KMG International Group) operates the Petromidia and Vega Refineries and has a controlling position in the following companies:

Directly:

- Rompetrol Downstream S.R.L. (holding 99.994688898%)
- ROM OIL S.A. (holding 99.9998505%);
- Rompetrol Quality Control S.R.L. (70.91%)
- Rompetrol Logistics S.R.L (holding 66.1911%)
- Rompetrol Petrochemicals S.R.L. (holding 100%)

Indirectly:

- Global Security Sistem S.A. (by Rompetrol Logistics S.R.L.);
- Rompetrol Gas S.R.L. (by Rompetrol Logistics S.R.L.).

Therefore, the holdings of the shareholders of Rompetrol Rafinare S.A. are automatically affecting the companies in which Rompetrol Rafinare has a controlling position, directly or indirectly. Rompetrol Rafinare operates the Petromidia and Vega refineries, Rompetrol Downstream operates the Rompetrol fuel station network and Rom Oil operates the company warehouse network.

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In relation to the changes in the Company management:

- **Changes in the Board of Directors' structure**

- By **Resolution no. 1/2018 adopted by the Ordinary General Meeting of Shareholders on 15 January 2018,** the discharge of Mr. Marius Mitruş from the position of Member in the Company Board of Directors was approved as from 15 January 2018 and Mrs. Nicoleta Viorica Soisun was elected as Member of the Board of Directors of Rompetrol Rafinare S.A., for a mandate starting with 15 January 2018, until 30 April 2018 (when the mandate of the entire Board of Directors expires)

- By **Resolution no. 3/2018 adopted by the Ordinary General Meeting of Shareholders ("OGMS") on 27 April 2018,** the election of the whole Board of Directors was approved, consisting in 5 members holding a 4 year-mandate, as from 1 May 2018, as a result of mandate expiry for the Board Members.

During the abovementioned mandate, the Board of Directors will include the following persons:
- Mr. Cătălin Dumitru, a Romanian citizen residing in Bucharest, Romania;
- Mr. Alexey Golovin, a Kazakh citizen residing in Bucharest, Romania;
- Mr. Yedil Utekov, a Kazakh citizen residing in Constanta, Romania;
- Mr. Mihai-Liviu Mihalache, a Romanian citizen residing in Ramnicu Valcea, Romania;
- Mr. Nicolae Bogdan Codruţ Stănescu, a Romanian citizen residing in Bucharest, Romania;

By Decision no. 1 adopted by the Board of Directors on 3 May 2018, the election of Mr. Catalin Dumitru as Chairman of the Board of Directors was approved, for a 4 year-mandate, from 1 May 2018 to 30 April 2022.

The Company Directors, in office as at 30 June 2018 are the following:

- Mr. Cătălin Dumitru – Chairman of the Board of Directors;
- Mr. Alexey Golovin - Member of the Board of Directors;
- Mr. Yedil Utekov - Member of the Board of Directors;
- Mr. Mihai-Liviu Mihalache - Member of the Board of Directors;
- Mr. Nicolae Bogdan Codruţ Stănescu - Member of the Board of Directors;

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• Establishment of the Audit Committee

The Board of Directors of ROMPETROL RAFINARE S.A. approved, on 13 April 2018, the establishment of an Audit Committee, made up of 3 members.

- Alexey Golovin, Non-Executive Director;
- Independent member who was going to be appointed by the Ordinary General Shareholders' Meeting on 27 (30) April 2018 according to the provisions of art. 65 para (2) of the Audit Law no. 162/2017;
- Independent non-executive director who was to be propossed by the company's significant shareholder, the Romanian State, by means of the Ministry of Energy.

The shareholders attending the Ordinary General Shareholders' Meeting of 27 April 2018 approved the appointing of Mr. Dan Alexandru Iancu as Independent Member in the Audit Committee, for a mandate equal to the mandate of the Board of Directors.

On 3 May 2018, the Board of Directors approved the appointing of Mr. Alexey Golovin as non-executive member of the Audit Committee established by Decision no. 2 of 13 April 2018, for a 4-year mandate, from 1 May 2018 until 30 April 2022.

The same Decision, no. 2 of the Board of Directors of 3 May 2018, approved the appointing of Mr. Nicolae Bogdan Codruţ Stănescu as independent non-executive member of the Audit Committee, for a 4-year mandate, from 1 May 2018 until 30 April 2022.

Therefore, on 30 June 2018, the Audit Committee consisted in the following members:

- **Mr. Dan Alexandru Iancu,** a financial auditor registered in the Chamber of Financial Auditors of Romania, **acting as independent member of the Audit Committee, elected based on Resolution no. 5 of the OGMS of 27 April 2018,** for a mandate equal to the one of the Board of Directors, i.e. from 1 May 2018 until 30 April 2022;

- **Mr. Alexey Golovin, Non-Executive Director, re-elected by Decision no. 3 adopted by the Board of Directors on 3 May 2018,** for a 4-year mandate, from 1 May 2018 until 30 April 2022.

- **Mr. Nicolae Bogdan Codruţ Stănescu, Non-Executive Independent Director, re-elected by Decision no. 3 adopted by the Board of Directors on 3 May 2018,** for a mandate equal to the one of the Board of Directors, i.e. from 1 May 2018 until 30 April 2022.

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• Changes in the Company Executive Management

Whereas, by Resolution no. 3/2018 adopted by the Ordinary General Meeting of Shareholders, the election of a new Company Board of Directors was approved, consisting in 5 members with a 4 year-mandate, as from 1 May 2018,

Whereas on 30 April 2018 the mandate of the CEO and that of the Finance Manager expired, as well as the mandate of the Directors who appointed the persons holding these positions,

By Decision no. 2 adopted by the Board of Directors on 3 May 2018, the election of Mr. Yedil Utekov as Chief Executive Officer of the Company was approved, for a mandate which started on 1 May 2018 and is going to expire on 30 April 2022 (along with the mandate of the directors who appointed him).

By the same Decision no. 2 adopted by the Board of Directors on 3 May 2018, the election of Mr. Vasile-Gabriel Manole as Finance Manager of the Company was approved, for a mandate which started on 1 May 2018 and is going to expire on 30 April 2022 (along with the mandate of the directors who appointed him).

According to the provisions of the Company's Articles of Incorporation, the only positions who are delegated the company management under art. 143 of the Companies Law no. 31/1991 are the Chief Executive Officer and the Finance Manager. Any other position as manager within the company (Human Resource Manager, Marketing Manager, Administrative Manager, IT Manager, etc.), regardless of it name, does not imply managing the company.

Therefore, as at 30 June 2018, the two managers who have been entrusted with the company management, in the abovementioned sense, were the following persons:

Name and Forename	Position
Yedil Utekov	Chief Executive Officer
Vasile Gabriel Manole	Finance Manager

The Members of the executive management exercise the functions for a mandate expiring on 30 April 2022 (along with the directors who have appointed them).

- **Changes in the Company Financial Auditor**

During the analysed period, the Ordinary General Meeting of Shareholders as of 27 April 2018 passed Resolution no. 4/2018, which approved the appointment of ERNST & YOUNG ASSURANCE SERVICES S.R.L. (a Romanian legal entity, with registered office in Bucharest, 15-17 Ion Mihalache Blvd., Bucharest Tower Center, 21st floor, Sector 1, registered with the Trade Register Office opened with the Bucharest Court under no. J40/5964/1999, Sole Registration Code 11909783 and authorization no. 77 of 15.08.2001 issued by the Chamber of Financial Auditors or Romania), represented by Mr. **LUPEA ALEXANDRU,** as Director, a Romanian citizen residing in Bucharest, **as Financial Auditor of the Company for the 2018 financial year, under a one-year audit agreement.**

4. Considerable transactions

Rompetrol Rafinare reported the legal documents concluded throughout semester I 2018 by the Company, in conformity with art. 82 of Law 24/2017 and art. 144 letter B of A.S.F. (Financial Supervisory Authoryty) Regulation no. 5/2018, by the current Reports recorded at the Company under no. 2086 of March 2nd, 2018, no. 5306 of June 15, 2018, no. 6191 of July 13, 2018 and no. 6590 of July 27, 2018. The reports have been transmitted to the market operator (respectively to the Bucharest Stock Exchange), posted on the company's website in section Relations with Investors www.rompetrol-rafinare.ro subsection Current reports and on ASF website (www.asfromania.ro) in section: Supervision/ Capital markets/ Electronic reports.

Moreover, the primary transactions concluded by the Company with persons acting concertedly or the transactions involving these persons within the reported period were the transactions subject to approval by the Board of Directors, in conformity with the legal provisions and dispositions of the Articles of Incorporation, as follows:

- On March 22, 2018, the Board of Directors adopted the Decision no. 7 which, by unanimous votes expressed by the directors, **approved the signing and performance, and as the case may be, ratification by the Company of some addendums and documents in connection with the Loan Facility Contract in the amount of 360,000,000 USD,** governed by the English law, concluded on 23.04.2015 by entities, being members of the KMG International Group and Banca Comercială Română S.A., UniCredit Bank S.A., Raiffeisen Bank S.A., and ING Bank NV through ING Bank NV Amsterdam - Bucharest Branch as arrangers, ancillary and non-ancillary lenders (Banca Comercială Română S.A., UniCredit Bank S.A., Raiffeisen Bank S.A. and ING Bank NV through ING Bank NV Amsterdam - Bucharest Branch all

together as "Non-Ancillary Lenders" and the "Ancillary Lenders" or the "Lenders"), (ii) Unicredit Bank AG, London Branch, as facility agent of the other Finance Parties (as defined in the Facility Agreement) (the "Facility Agent") and (iii) UniCredit Bank S.A., as security agent of the Secured Parties (as defined in the Facility Agreement) (the Facility Agreement);

- In connection with the legal acts mentioned above, on 25 June 2018, the Extraordinary General Meeting of Shareholders adopted the Resolution no. 7/2018, by which the following approved:

in relation to the USD 360,000,000 facility agreement dated 23 April 2015, entered into, among others, by and between, the Company, as non-ancillary borrower, ancillary borrower and guarantor, KMG International (as such term is defined below), as guarantor, Rompetrol Downstream S.R.L., as non-ancillary borrower, ancillary borrower and guarantor, KazMunayGas Trading AG, as non-ancillary borrower and guarantor (the Company, Rompetrol Downstream S.R.L. and KazMunayGas Trading AG are collectively referred to as the ***Non-Ancillary Borrowers****), KMG Rompetrol S.R.L., as ancillary borrower and guarantor (the Company, Rompetrol Downstream S.R.L. and KMG Rompetrol S.R.L. are collectively referred to as the* ***Ancillary Borrowers****) (the Non-Ancillary Borrowers and the Ancillary Borrowers are collectively referred to as the* ***Obligors****) and Banca Comercială Română S.A., UniCredit Bank S.A., Raiffeisen Bank S.A., ING Bank NV through ING Bank Amsterdam – Bucharest Branch, as lenders (Banca Comercială Română S.A., UniCredit Bank S.A., Raiffeisen Bank S.A., ING Bank NV through ING Bank Amsterdam – Bucharest Branch are collectively referred to as the* ***Non-Ancillary Lenders*** *or the* ***Ancillary Lenders*** *or the* ***Lenders****), Unicredit Bank AG, London Branch, as facility agent and UniCredit Bank S.A., as security agent (the F****acility Agreement****), consisting of two tranches, as follows:*

> *(a)* ***Facility A****: a secured committed multicurrency revolving loan facility of up to USD 240,000,000 made available by the Non-Ancillary Lenders, as further detailed in the Facility Agreement; and*
>
> *(b)* ***Facility B****: a secured uncommitted and discretionary multicurrency revolving loan facility of up to USD 120,000,000 made available by the Ancillary Lenders, as further detailed in the Facility Agreement. Except for the general terms of the Ancillary Facilities (as defined in the Facility Agreement) contained in the Facility Agreement, the other terms and conditions for the granting of the Ancillary Facilities are detailed in separate ancillary documents entered into between each Ancillary Borrower and each Ancillary Lender (collectively, the* ***Ancillary Documents****)*

ratification and confirmation of the signing by the Company, as non-ancillary borrower, ancillary borrower and guarantor, of the supplemental agreement entered into on 20 April

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2018, to the Facility Agreement between, *among others, the Company, KMG International NV, a public limited liability company incorporated under the laws of the Netherlands, having its registered office at Amsterdam, the Netherlands, and its office address at Strawinskylaan 807, Tower A-8, 1077 XX Amsterdam, the Netherlands, and registered with the Commercial Register of the Chamber of Commerce and Industry for Amsterdam under number 24297754 (**KMG International**) and, among others, the Lenders, UniCredit Bank AG, London Branch, as facility agent and UniCredit Bank S.A., as security agent (the **Supplemental Agreement**), and which includes the form of the Facility Agreement as amended and restated (the **Amended Facility Agreement**) and including the confirmation by the Company under the Supplemental Agreement for the benefit of the Lenders and the other finance parties that the guarantee and indemnity obligations assumed by the Company pursuant to Clause 22 of the Facility Agreement continue in full force and effect on the terms of the Amended Facility Agreement and that the guarantee extends to the obligations of the Obligors (other than KMG International) **under the Finance Documents** (as such term is defined in the Facility Agreement) (including the Amended Facility Agreement) subject to any limitations set out thereunder; the object of the Supplemental Agreement is to amend and restate the provisions of the Facility Agreement so as to, among others: (i) extend the availability period for both Facility A and Facility B; (ii) amend certain terms and conditions of the Facility Agreement; (iii) extend the termination date from the Facility Agreement for both Facility A and Facility B (the **Termination Extension**).*

- approved the ratification and confirmation of the signing by the Company of all and any amendments which have been entered into in order to amend the Ancillary Documents, *concluded among others, between the Company, as ancillary borrower and each of the Ancillary Borrowers, **for the purpose of reflecting the terms and conditions of the Supplemental Agreement and of the amendment letter concluded on 22 March 2018, in relation to the amendment of the Facility Agreement (the Amendment Letter)** (the **Amendments to the Ancillary Documents**).*

- approved the ratification and confirmation of the signing of the amendment entered into on 20 April 2018 *by and between the Company, as mortgagor, and Lenders and the other finance parties, as mortgagees, **to the existing movable mortgage agreement signed on April 23, 2015 (the Existing Movable Mortgage Agreement) in order to confirm that the mortgage created under the movable mortgage agreement signed on April 23, 2015 is in full force and the lists of the mortgaged assets are updated (the Existing Movable Mortgage Agreement Amendment).***

- approved the ratification and confirmation of the signing of the new movable mortgage agreement dated 20 April 2018, *entered into, among others, the Company, as mortgagor, the Lenders and the other finance parties, as mortgagees, in order to secure any and all amounts*

*and obligations of each Obligor, as further detailed in the movable mortgage agreement concluded by the Company, other than KMG International, as are now or shall from time to time be owed or due to the Lenders and the other finance parties under the Amended Facility Agreement, the Ancillary Documents (as they may be amended to reflect the terms and conditions of the Amendment Letter and the Supplemental Agreement) or any other finance document resulting out of the Termination Extension, and any other obligations resulting out of the Amendment Letter, the Supplemental Agreement and the Amendments to the Ancillary Documents, and any other obligations resulting out of the Amendment Letter, the Supplemental Agreement and the Amendments to the Ancillary Documents, such as expenses, taxes and any costs incurred as interest costs and fees, the maximum secured amount being 132,600,000 USD over certain movable assets of the company as such assets are described in the movable mortgage agreement under which the Company creates in favour of all the secured lenders a movable mortgage over the following present and future assets: (i) inventories and receivables related to the products of the Vega refinery (working point of the Company) and related to the petrochemicals business of the Company, (ii) debts booked in accounting, receivables or other type of debts that can be due or payable to the Company by any third party arising from any commercial contracts concluded by the Company with its customers and any other contracts concluded by the Company in relation to the Company's business and based on which it can arise any right of the Company to ask and collect any amounts in exchange of the provided goods and services, (iii) bank accounts of the Company opened at any of the Lenders in Romania and any amounts of money with which these bank accounts can be credited or which can exist at any moment in time as cash balance, (iv) insurance policies or insurance contracts and all the replacing or renewed insurance policies, governed by the Romanian law delivered or which can be delivered to the Company in respect of any of its assets or properties in connection with any of its assets and properties which are or will from time to time be subject to the Transaction Security (as such term is defined in the Facility Agreement) and any rights, benefits and revenues that can arise from these, including any receivables, whatsoever nature and reimbursements of the insurance premiums, revenues, rights to ask and to collect payments, benefits of any type, and (v) any revenues, proceeds, properties and any products realised or arising from the utilization of the properties mentioned above at points (i)-(iv), as further detailed in the movable mortgage agreement concluded by the Company (the **New Movable Mortgage Agreement**).*

5. Subsequent events

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

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

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

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

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

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

Note:

I) During the period, the Company's Articles of Incorporation were not amended.

II) The individual financial statements were drafted in accordance with the International Financial Reporting Standards and have not been audited.

Chairman of the Board of Directors
of ROMPETROL RAFINARE S.A.

_____
Cătălin DUMITRU

General Manager **Financial Manager**

_____ _____
Yedil UTEKOV Vasile-Gabriel MANOLE

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REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS OF JUNE 30, 2018

The figures include consolidated financial statements for this period prepared by the company in accordance with International Financial Reporting Standards („IFRS"). Consolidated financial statements of Rompetrol Rafinare include the results of the parent company Rompetrol Rafinare S.A and its subsidiaries Rompetrol Downstream S.R.L, Rompetrol Gas S.R.L, Rompetrol Quality Control S.R.L, Rom Oil SA, Rompetrol Logistics S.R.L and Rompetrol Petrochemicals S.R.L.

HIGHLIGHTS – CONSOLIDATED

	H1 2018	H1 2017	%	H1 2018	H1 2017	%
	USD	USD		RON	RON	
Financial						
Gross Revenues	2,604,142,235	1,718,414,575	52%	10,425,162,609	6,879,329,069	52%
Net Revenues	1,986,047,716	1,274,423,444	56%	7,950,744,821	5,101,899,374	56%
EBITDA	85,880,579	57,538,863	49%	343,805,722	230,345,330	49%
EBITDA margin	4.3%	4.5%		4.3%	4.5%	
EBIT	27,866,936	7,434,687	275%	111,559,702	29,763,281	275%
Net profit / (loss)	2,778,742	(7,030,136)	N/A	11,124,138	(28,143,745)	N/A
Net Profit / (loss) margin	0.1%	-0.6%		0.1%	-0.6%	

The results have been supported by an increase in the volume of processed raw materials and of the petroleum products sold, as well as by optimizing and increasing the efficiency of the processing, logistics and distribution costs, but also by implementing programs for transformation of current activities to reduce operational expenses and increase profitability.

Rompetrol Rafinare consolidated gross revenues reached USD 2.604 billion in first semester of 2018, higher by 52 % as against the same period in 2017 influenced by the volatility of international quotations for petroleum products and by the increase in the volume of products sold.

The consolidated net result in 2018 was impacted by changes in accounting policy, from cost model to revaluation model, as at December 31, 2017 for buildings category in non-current assets.

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ECONOMIC ENVIRONMENT

		H1 2018	H1 2017	%
Brent Dated	USD/bbl	70.58	51.72	36%
Ural Med	USD/bbl	68.93	50.40	37%
Brent-Ural Differential	USD/bbl	1.65	1.32	25%
Premium Unleaded 10 ppm FOB Med	USD/t	669	531	26%
Diesel ULSD 10 ppm FOB Med	USD/t	623	464	34%
RON/USD Average exchange rate		3.84	4.19	-8%
RON/USD Closing exchange rate		4.00	3.99	0%
RON/EURO Average exchange rate		4.65	4.54	3%
RON/EURO Closing exchange rate		4.66	4.55	2%
USD/EURO Closing rate		1.16	1.14	2%
Inflation in Romania*		2.42%	0.40%	506%

*Source: Platts, * INSSE*

Dated Brent increased by +18.9$/bbl. (+36.5%) in H1 2018 vs. H1 2017 and settled to an average of 70.6$/bbl., with the highest level since November 2014 registered on 22nd of May ~ 80$/bbl.

OPEC and its allies appear to have accomplished their mission of reducing global oil stocks to desired levels, according to International Energy Agency, signaling that the market could become too tight if supply remains restrained. The IEA, which coordinates the energy policies of industrialized nations, said stocks in developed countries could fall to their 5-year average - a metric used by OPEC to measure the success of output cuts - as early as May.

In May, the market increased sharply after U.S. President Donald Trump abandoned an international nuclear deal with Iran, likely curbing the OPEC-member's crude exports in an already tight market.

Saudi Arabia is monitoring the impact of the U.S. withdrawal from the Iran nuclear deal on oil supplies and is ready to offset any shortage, but it will not act alone to fill the gap. OPEC is more focused on identifying the right level of oil inventory than the impact on supplies of new U.S. sanctions on Iran.

European oil companies are not ruling out reducing Iranian oil imports after the threat of new U.S. sanctions, with some expecting banking issues to stop trade, but there was no rush to immediately cut volumes.

During June the crude price decreased as OPEC has agreed to boost oil production, achieving a last-minute compromise that overcame Iran's threats to veto any supply hike. "We have an agreement" to make a 1 million barrel-a-day adjustment on paper to the production cuts implemented by the group in cooperation with allies including Russia, Saudi Energy Minister Khalid Al-Falih told reporters in Vienna. In reality, the accord adds

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600,000 barrels a day of oil to the market, about 0.5 percent of global supply, because several members are unable to raise output.

Oil prices look set to stay strong for the rest of this year and in 2019 thanks to supply disruptions and as extra oil from OPEC fails to meet rising demand, a Reuters poll showed on 29th of June. A survey of 35 economists and analysts forecasts Brent crude will average $72.58 a barrel in 2018, 90 cents higher than the $71.68 forecast in May's poll and compared with the $71.15 average so far this year.

The European Refinery margins decreased during H1 2018 by-5.2$/MT (-10.1%) vs. H1 2017 and settled to an average of 46.46$/MT as product prices failed to keep up with the sharp rise on the crude side.

European margins started the year at a record low level, around 30$/MT. This pressure was coming from the high run rates in US amid still elevated European runs. US refineries were pumping at maximum taking advantage of the cheaper feedstock (i.e. WTI- Dated Brent differential up to -7$/bbl.) putting pressure on Europe Margins.

But in February and March the Refinery Margins recovered consistently and even reached 62$/MT due to heavy maintenance in U.S. which helped the European cracks. Despite this increase in the last part of Q1, the average level of the margins (approx. 45.8$/MT) was 7% lower than Q1 2017.

In Q1, Jet cracks surged to high levels (16.3$/bbl.) last seen in 2014 as the European market remained tight due to low imports from other regions. European jet fuel demand should continue growing strongly (+40,000 b/d y-o-y in March), keeping the regional balance tighter y-o-y.

Gasoline cracks decreased during the first part of Q2 by -1.7$/bbl. to 10$/bbl. The fall was less pronounced in the Med as the unplanned outage of a 46,000 b/d at the Bilbao refinery in Spain (Reuters) likely provided some support.

European ULSD cracks have been on a downward trend during April, but overall remained close to the high levels reached in March (12.5$/bbl.).

In the second part of Q2 the European Refinery margins recovered as import requirements remained high with tightness in the Americas and limited Russian exports keeping European cracks supported.

Refined product futures in the Europe were the actual pricing leaders in the second part of Q2, with gasoline and ULSD futures up between 3.1% and 4.4%. Even though the reaction to the Iran nuclear deal situation has been bullish, it can be argued that the market is still somewhat confused.

**The information is based on analysis provided by JBC Energy GmbH*

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REFINING SEGMENT

		H1 2018	H1 2017	%	H1 2018	H1 2017	%
Financial		**USD**	**USD**		**RON**	**RON**	
Gross Revenues	USD/RON	2,247,929,317	1,413,931,408	59%	8,999,135,435	5,660,391,606	59%
Net Revenues	USD/RON	1,714,237,781	1,046,925,644	64%	6,862,608,109	4,191,157,431	64%
EBITDA	USD/RON	76,739,772	42,246,205	82%	307,212,329	169,124,232	82%
EBITDA margin	%	4.5%	4.0%		4.5%	4.0%	
EBIT	USD/RON	36,525,770	8,393,609	335%	146,223,616	33,602,135	335%
Net profit / (loss)	USD/RON	17,471,003	(17,210,246)	N/A	69,941,668	(68,897,779)	N/A
Net profit / (loss) margin	%	1.0%	-1.6%		1.0%	-1.6%	
Gross cash refinery margin/tone (Petromidia)	USD/(RON)/tonne	49.62	39.55	25%	198.66	158.31	25%
Gross cash refinery margin/bbl (Petromidia)	USD (RON) /bbl	6.83	5.45	25%	27.35	21.80	25%
Net cash refinery margin/tone (Petromidia)	USD/(RON) /tonne	24.07	16.49	46%	96.36	66.02	46%
Net cash refinery margin/bbl (Petromidia)	USD (RON) /bbl	3.31	2.27	46%	13.27	9.09	46%
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	3,087	2,422	27%			
Feedstock processed in Vega refinery	thousand tonnes	194	152	28%			
Gasoline produced	thousand tonnes	856	626	37%			
Diesel & jet fuel produced	thousand tonnes	1,562	1,288	21%			
Motor fuels sales - domestic	thousand tonnes	1,084	950	14%			
Motor fuels sales - export	thousand tonnes	1,210	859	41%			
Export	%	53%	47%				
Domestic	%	47%	53%				

Refining segment comprises the results of the company Rompetrol Rafinare (which operates Petromidia and Vega refineries). Rompetrol Rafinare computes Gross refinery margin as follows – (Oil Product Sales – Cost of Feedstock) / Quantity of sales. Net Refinery margin is the EBITDA of the refinery divided by quantity of sales.

Rompetrol Rafinare is a part of KMG International Group and its operates the Petromidia Refinery – the biggest entity of the kind in Romania and one of the most modern in the Black Sea region and Vega Refinery – the oldest refinery in operation (1905) and the sole producer of bitumen and hexane, as well as the Petrochemical division – sole polymer manufacturer in the country.

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The gross revenues of the refining segment reached USD 2.247 billion in H1 2018 higher by 59% compared with H1 2017, influenced by the volatility of international quotations for petroleum products and by higher volume of products sold.

In H1 2018, the total throughput for Petromidia refinery was 3.08 million tons by 27.44% higher compared with the same period last year when the total throughput was 2.42 million tons; the refining capacity utilization was 98.45% higher by 28.05% compared with the same period last year.

In respect of Vega refinery, in H1 2018, the total throughput refinery was 193.929 thousand tons by 27.57% higher compared with the same period last year when the total throughput was 152.017 thousand tons and the refining capacity utilization was 117.53% higher by 25.4% compared with the same period last year.

In April 2018, a planned slowdown activity was carried out within the Petromidia refinery aiming to keep the installations in optimal operating parameters in order to ensure the units maximum flow and the quality of the obtained products. The main revision works included the following recurrent technological operations: catalyst change in the Petrol Diesel Hydro-Fuel Plant; decoke furnace equipment in Delayed Coking Plant and catalyst regeneration in Catalytic Reforming Plant.

The company's financial results were positively influenced by favorable market conditions (refining margin of ~ 50 $/t) and by production and energy process optimization programs (increase of white products yields) and operating costs optimization, programs that started in the year 2014 and continued until present days.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 769 million in H1 2018.

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PETROCHEMICALS SEGMENT

		H1 2018	H1 2017	%	H1 2018	H1 2017	%
Financial		**USD**	**USD**		**RON**	**RON**	
Revenues	USD/RON	114,352,408	79,984,194	43%	457,786,995	320,200,724	43%
EBITDA	USD/RON	(8,831,546)	(3,489,295)	153%	(35,355,328)	(13,968,695)	153%
EBIT	USD/RON	(16,977,626)	(10,833,524)	57%	(67,966,531)	(43,369,846)	57%
Net profit / (loss)	USD/RON	(19,090,277)	(5,502,836)	247%	(76,424,107)	(22,029,502)	247%
Operational							
Propylene processed	thousand tonnes	78	60	30%			
Ethylene processed	thousand tonnes	35	28	25%			
Total polymers production	thousand tonnes	82	65	26%			
Sold from own production	thousand tonnes	106	82	28%			
Sold from trading	thousand tonnes	2	0	1907%			
Total sold		108	83	31%			
Export	%	50%	48%				
Domestic	%	50%	52%				

Petrochemicals segment comprises the petrochemicals activity from Rompetrol Rafinare and the activity of Rompetrol Petrochemicals SRL

Starting 1st of January 2014, the petrochemicals activity was transferred from Rompetrol Petrochemicals to Rompetrol Rafinare S.A., being fully integrated in the propylene, utilities and logistics flow.

The current petrochemicals activity is carried out through PP and LDPE units.

In terms of low density polyethylene unit (LDPE), the petrochemicals segment works 100% with ethylene from import, and for PP (polypropylene) unit is ensured through raw material produced and distributed entirely by Petromidia refinery.

In mid-April 2018, the HDPE plant was put into operation at optimum parameters, but due to unfavorable market conditions characterized by low petrochemicals margins, it was shut down in mid-May 2018. At company level internal analyzes are carried out on the potential measures to mitigate the negative impact of the market, the company relying on the rapid restart of the unit when the market conditions will improve.

The petrochemicals segment is the sole polypropylene and polyethylene producer in Romania and has constantly succeeded to increase its market share on secondary categories of products. Its dynamic development strategy has secured the company a competitive position on the domestic market and on the regional one – the Black Sea and Mediterranean region and the Eastern and Central Europe.

In H1 2018, the total polymers production for Petrochemicals area was 81.644 thousand tons by 26.21 % higher compared with the same period last year when the total polymers production was 64.690 thousand tons. The deviation was mainly triggered by the planned shutdown of the PP unit in May 2017 and the restart of HDPE unit in April 2018.

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MARKETING SEGMENT

		H1 2018	H1 2017	%	H1 2018	H1 2017	%
		USD	USD		RON	RON	
Financial							
Gross Revenues	USD/RON	1,455,553,276	1,052,015,776	38%	5,827,016,430	4,211,534,756	38%
EBITDA	USD/RON	19,130,209	19,174,620	0%	76,583,966	76,761,756	0%
EBIT	USD/RON	7,414,166	9,838,937	-25%	29,681,130	39,388,216	-25%
Net profit / (loss)	USD/RON	5,429,044	15,648,251	-65%	21,734,092	62,644,643	-65%
Operational							
Fuels quantities sold in retail	thousand tonnes	329	319	3%			
Fuels quantities sold in wholesale	thousand tonnes	598	539	11%			
LPG quantities sold	thousand tonnes	226	171	32%			

Marketing segment includes the results of Rompetrol Downstream, Rom Oil, Rompetrol Quality Control Rompetrol Logistics and Rompetrol Gas

In H1 2018 the marketing segment had a turnover of over USD 1.455 billion, higher by 38% compared with the same period of 2017.

In H1 2018 compared to same period in 2017, the Platts quotations (FOB Med Italy-mean), expressed in the currency of reference, USD were on average by 26% higher for gasoline and by 34% higher for diesel. The 8% appreciation of the RON against the US dollar in H1 2018 vs. H1 2017 has made the effective appreciation in the national currency of the two fuel quotes to be proportionally lower than the dollar appreciation indicates at first glance.

During H1 2018, Rompetrol Downstream continued the implementation of important investment projects, like opening 2 new station and 57 new cuves and 5 internal bases, rebranding of gas stations, LPG skids, partner stations and express stations.

As of June 2018, the Rompetrol Downstream's distribution segment contained 869 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

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APPENDIX 1 – CONSOLIDATED INCOME STATEMENT 2018, UNAUDITED

Amounts in USD/RON

	H1 2018	H1 2017	%	H1 2018	H1 2017	%
	USD	USD		RON	RON	
Gross Revenues	2,604,142,235	1,718,414,575	52%	10,425,162,609	6,879,329,069	52%
Sales taxes and discounts	(618,094,519)	(443,991,131)	39%	(2,474,417,788)	(1,777,429,695)	39%
Net revenues	**1,986,047,716**	**1,274,423,444**	**56%**	**7,950,744,821**	**5,101,899,374**	**56%**
Cost of sales	(1,849,997,164)	(1,175,922,909)	57%	(7,406,093,648)	(4,707,572,183)	57%
Gross margin	**136,050,552**	**98,500,535**	**38%**	**544,651,173**	**394,327,191**	**38%**
Selling, general and administration	(101,103,301)	(88,165,446)	15%	(404,746,846)	(352,952,730)	15%
Other expenses, net	(7,080,315)	(2,900,402)	144%	(28,344,625)	(11,611,180)	144%
EBIT	**27,866,936**	**7,434,687**	**275%**	**111,559,702**	**29,763,281**	**275%**
Finance, net	(22,175,397)	(13,669,228)	62%	(88,774,765)	(54,722,020)	62%
Net foreign exchange gains / (losses)	(3,192,346)	(380,525)	739%	(12,779,918)	(1,523,356)	739%
EBT	**2,499,193**	**(6,615,066)**	**N/A**	**10,005,019**	**(26,482,095)**	**N/A**
Income tax	279,549	(415,070)	N/A	1,119,119	(1,661,650)	N/A
Net result	**2,778,742**	**(7,030,136)**	**N/A**	**11,124,138**	**(28,143,745)**	**N/A**
EBITDA	**85,880,579**	**57,538,863**	**49%**	**343,805,722**	**230,345,330**	**49%**

Trade Registry No: J 13/534/1991
Fiscal Identification No: RO1860712
IBAN: RO22BACX0000000030500310
UniCredit Bank – Constanta

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APPENDIX 2 – CONSOLIDATED BALANCE SHEET JUNE 30, 2018, UNAUDITED

Amounts in USD/RON

	June 30, 2018	December 31, 2017	%	June 30, 2018	December 31, 2017	%
	USD	USD		RON	RON	
Assets						
Non-current assets						
Intangible assets	7,244,814	8,252,455	-12%	29,003,165	33,037,054	-12%
Goodwill	82,871,706	82,871,706	0%	331,760,302	331,760,302	0%
Property, plant and equipment	1,222,252,201	1,254,559,178	-3%	4,893,042,236	5,022,376,757	-3%
Financial assets and other	39,197,528	37,839,253	4%	156,919,463	151,481,881	4%
Total Non Current Assets	**1,351,566,249**	**1,383,522,592**	**-2%**	**5,410,725,166**	**5,538,655,994**	**-2%**
Current assets						
Inventories	345,655,881	342,623,825	1%	1,383,764,187	1,371,625,961	1%
Trade and other receivables	466,498,894	436,209,507	7%	1,867,535,023	1,746,277,520	7%
Cash and cash equivalents	14,356,256	12,592,193	14%	57,472,399	50,410,326	14%
Total current assets	**826,511,031**	**791,425,525**	**4%**	**3,308,771,609**	**3,168,313,807**	**4%**
Total assets	**2,178,077,280**	**2,174,948,117**	**0%**	**8,719,496,775**	**8,706,969,801**	**0%**
Equity and liabilities						
Total Equity	**709,233,319**	**704,345,972**	**1%**	**2,839,273,747**	**2,819,708,231**	**1%**
Non-current liabilities						
Long-term debt	240,000,000	-	N/A	960,792,000	-	N/A
Hybrid instrument - long-term portion	14,687,203	14,687,203	0%	58,797,280	58,797,280	0%
Provisions	80,635,060	85,001,042	-5%	322,806,336	340,284,672	-5%
Other	4,484,153	3,923,537	14%	17,951,410	15,707,095	14%
Total non-current liabilities	**339,806,416**	**103,611,782**	**228%**	**1,360,347,026**	**414,789,047**	**228%**
Current Liabilities						
Trade and other payables	949,550,129	966,666,960	-2%	3,801,334,033	3,869,857,842	-2%
Derivative financial instruments	3,470,067	48,387	7071%	13,891,719	193,708	7071%
Short-term debt	176,017,349	400,275,016	-56%	704,650,250	1,602,420,973	-56%
Total current liabilities	**1,129,037,545**	**1,366,990,363**	**-17%**	**4,519,876,002**	**5,472,472,523**	**-17%**
Total equity and liabilities	**2,178,077,280**	**2,174,948,117**	**0%**	**8,719,496,775**	**8,706,969,801**	**0%**

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Matters regarding related parties

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

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

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash.

For the period ended June 30, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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	Receivables and other assets			
Name of related party	**30-Jun-18**	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
	USD	**USD**	**RON**	**RON**
KazMunayGas Trading AG	4,672,505	4,711,700	18,705,439	18,862,349
Rominserv S.A.	1,917,302	1,151,215	7,675,535	4,608,659
KMG International N.V.	1,461,268	861,858	5,849,894	3,450,276
KMG Rompetrol S.R.L	1,146,609	2,479,955	4,590,220	9,928,004
KMG Rompetrol SRL - cash pooling	114,174,243	112,797,295	457,073,747	451,561,411
Oilfield Exploration Business Solutions S.A.	6,158,923	5,089,414	24,656,016	20,374,451
Rompetrol Well Services S.A.	142,712	285,401	571,319	1,142,546
KMG Rompetrol Services Center	24,085	18,150	96,419	72,660
Palplast S.A.	1,263,380	1,373,225	5,057,689	5,497,432
Rompetrol Bulgaria JSC	3,924,052	3,167,265	15,709,157	12,679,512
Rompetrol Moldova SA	7,754,288	6,303	31,042,741	25,233
KazMunayGas Engineering B.V.	3,573	3,573	14,304	14,304
Rompetrol Energy S.A.	600	617	2,402	2,470
Byron Shipping SRL	2,315	2,458	9,268	9,840
Rompetrol Albania Wholesale Sh.A.	12,708	13,069	50,874	52,319
Midia Marine Terminal S.R.L.	322,841	279,060	1,292,429	1,117,161
Rominserv Valves Iaifo SRL	30,955	22,555	123,922	90,294
Rominserv Kazakhstan LTD	168,167	168,167	673,223	673,223
Rompetrol Ukraine LLC	-	8,254	-	33,043
Uzina Termoelectrica Midia S.A.	1,085,869	2,175,925	4,347,059	8,710,881
Global Security Systems S.A.	164,692	182,644	659,311	731,179
Tengizchevroil LLP	-	562,412	-	2,251,504
TRG Petrol Anonim Sirketi	5,946,865	2,703,679	23,807,085	10,823,638
Total	**150,377,952**	**138,064,194**	**578,200,968**	**552,712,389**

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	Payables, loans and other liabilities			
Name of related party	**30-Jun-18**	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
	USD	**USD**	**RON**	**RON**
KazMunayGas Trading AG	553,367,580	550,694,435	2,215,296,433	2,204,595,032
Rominserv S.A.	24,998,164	38,048,899	100,075,150	152,321,157
KMG International N.V.	20,074,056	19,814,422	80,362,468	79,323,076
KMG International N.V.- Short term debt - principal	94,787,155	127,660,155	379,461,418	511,061,899
KMG International N.V.- Short term debt - interest	534,870	574,327	2,141,245	2,299,203
KMG Rompetrol S.R.L	8,418,932	17,646,134	33,703,510	70,642,768
KMG Rompetrol SRL - cash pooling	122,029,000	115,317,058	488,518,696	461,648,778
Oilfield Exploration Business Solutions S.A.	238,560	238,318	955,027	954,058
Rompetrol Well Services S.A.	76,508	118,864	306,284	475,848
Rompetrol Well Services S.A. - Short term debt - principal	8,567,798	8,814,072	34,299,466	35,285,374
KMG Rompetrol Services Center	1,375,148	1,075,850	5,505,130	4,306,950
Rompetrol Bulgaria JSC	114,708	108,992	459,211	436,328
Rompetrol Moldova SA	4,201,325	3,656,976	16,819,164	14,639,972
Rompetrol Financial Group SRL - Short term debt - principal	28,725,850	29,551,550	114,998,195	118,303,720
Rompetrol Financial Group SRL - Short term debt - interest	1,567,639	1,346,494	6,275,729	5,390,419
Byron Shipping Ltd.	2,256	2,321	9,031	9,292
Midia Marine Terminal S.R.L.	39,604,512	36,568,596	158,548,743	146,395,060
Midia Marine Terminal S.R.L.- Short term debt - principal	6,797,060	6,992,436	27,210,670	27,992,819
Midia Marine Terminal S.R.L. - Short term debt - interest	1,442,102	1,258,156	5,773,167	5,036,776
Rominserv Valves Iaifo SRL	26,219	16,379	104,963	65,570
Uzina Termoelectrica Midia S.A.	2,885,338	2,896,375	11,550,874	11,595,058
Rompetrol Georgia LLC	16	17	64	68
Global Security Systems S.A.	241,664	790,637	967,453	3,165,157
Tengizchevroil LLP	17,235		68,997	-
TRG Petrol Anonim Sirketi	462	145	1,850	580
Total	**920,094,157**	**963,191,608**	**3,683,412,938**	**3,855,944,962**

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Sales and other revenues

Name of related party	30-Jun-18 USD	30-Jun-17 USD	30-Jun-18 RON	30-Jun-17 RON
KazMunayGas Trading AG	649,022,467	327,463,654	2,598,231,642	1,310,935,246
Rominserv S.A.	445,004	409,171	1,781,485	1,638,034
KMG Rompetrol S.R.L	85,351	70,913	341,686	283,886
Rompetrol S.A.	2,048	2,156	8,199	8,631
Rompetrol Well Services S.A.	486,314	303,356	1,946,861	1,214,425
Palplast S.A.	7,446	6,406	29,809	25,645
Rompetrol Bulgaria JSC	22,098,554	16,626,627	88,467,141	66,561,376
Rompetrol Moldova SA	105,891,896	79,347,626	423,917,027	317,652,351
KMG Rompetrol Services Center	65,820	65,750	263,497	263,217
Midia Marine Terminal S.R.L.	283,758	192,615	1,135,968	771,096
Byron Navodari	12,727	10,094	50,950	40,409
Rominserv Valves Iaifo SRL	7,904	3,151	31,642	12,614
Uzina Termoelectrica Midia S.A.	9,337,667	8,353,430	37,381,482	33,441,286
Global Security Systems S.A.	55,271	52,809	221,266	211,410
TRG Petrol Anonim Sirketi	16,097,373	7,911,827	64,442,613	31,673,417
	803,899,600	**440,819,585**	**3,153,808,655**	**1,733,059,626**

Purchases and other costs

Name of related party	Nature of transaction	30-Jun-18 USD	30-Jun-17 USD	30-Jun-18 RON	30-Jun-17 RON
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	1,501,910,296	905,335,551	6,012,597,488	3,624,329,811
Rominserv S.A.	Acquisition and maintenance of fixed assets	31,616,382	39,791,902	126,569,862	159,298,921
KMG International N.V.	Management services	5,448,040	4,736,381	21,810,139	18,961,154
KMG Rompetrol S.R.L	Management services	23,867,161	12,618,554	95,547,406	50,515,857
Rompetrol S.A.	Management services	17,853	11,781	71,471	47,163
Rompetrol Financial Group S.R.L.	Environmental services	786,056	537,209	3,146,818	2,150,609
Rompetrol Well Services S.A.	Interest on loan	236,681	158,414	947,505	634,179
KMG Rompetrol Services Center	Shared services	3,668,310	3,167,557	14,685,345	12,680,681
Midia Marine Terminal S.R.L.	Handling services/Transit	10,498,685	8,468,358	42,029,386	33,901,378
Rominserv Valves Iaifo SRL	Valves	47,237	46,785	189,104	187,294
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	16,405,308	13,362,452	65,675,370	53,493,904
Global Security Systems S.A.	Security and protection services	1,872,915	1,565,275	7,497,841	6,266,265
Tengizchevroil LLP	Liquefied Petroleum Gas	557,265	8,112	2,230,899	32,475
		1,596,932,189	**989,808,331**	**6,392,998,634**	**3,962,499,691**

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

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Ministry of Economy Trade and Business Environment ("MECMA") until May 2013, when following MECMA reorganization the new holder became Ministry of Economy ("ME"). Later it was renamed the Ministry of Energy, Small and Medium Enterprises and Business Environment. At the moment it is named the Ministry of Energy.
As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. No entities in the Group have had any transactions during the period since MPFR, MECMA and ME became a related party or 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.

Risk Management

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.

Interest rate risk

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.

Foreign exchange risk

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

Liquidity and cash flow risks

The liquidity risk consists in not having financial resources available in order to fulfill company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfillment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.
One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. During 2018 the company enjoyed continuous financing resources at the needed levels and ensured that no cases of temporary lack of financial resources or of lack of liquidity of the company occurred, as a result of selling products guaranteed with payment instruments and negotiating receipt terms from clients and payment terms to suppliers that are advantageous, maintaining at the same time a good relation with the business partners. Rompetrol Rafinare is part of the cash pooling facility of the KMGI Group and therefore can cover unexpected cash outflows by drawing from the facility.

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.

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- *Trade receivables*

The Group is exposed to credit risk. Overdue customer receivables are regularly monitored. The requirement for impairment is analysed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of 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.

Commodity price risk

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.
According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow. Based on the expectations of crude oil price evolution, the hedge strategy was split between futures and options while a certain quantity above base operating stock left unhedged.
Trading activities are separated into physical effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective 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 based on the current position at that particular moment. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. The company also had hedge operations for refinery margins.

Operational risk

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality – environment – security.

Subsequent events

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

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

ROMPETROL RAFINARE S.A.

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

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

Facilities granted to Rompetrol Rafinare S.A. by Bancpost in amount of EUR 30, respectively EUR 27.97 million were extended until August 31, 2018.

Note:

The Board of Directors Annual Report was prepared based on the unaudited financial statements.

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.0033 as of 30 June 2018.

Chairman of the Board of Directors
of ROMPETROL RAFINARE S.A.

_____

Catalin Dumitru

General Manager

_____

Yedil Utekov

Financial Manager

_____

Vasile–Gabriel Manole

ROMPETROL RAFINARE S.A.

UNAUDITED INDIVIDUAL FINANCIAL STATEMENTS

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

30 JUNE 2018

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ROMPETROL RAFINARE S.A.
STATEMENT OF THE FINANCIAL POSITION
As at 30 June 2018
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	June 30th , 2018	December 31st, 2017
Intangible assets	13,159,300	14,618,988
Goodwill	152,720	152,720
Property, plant and equipment	3,584,335,022	3,680,205,350
Financial assets	1,629,020,055	1,629,020,055
Deferred tax asset	156,961,477	156,961,477
Total non current assets	**5,383,628,574**	**5,480,958,590**
Inventories, net	982,988,880	1,014,258,927
Receivables and prepayments, net	1,675,939,234	1,577,627,271
Cash and cash equivalents	26,237,670	22,863,280
Total current assets	**2,685,165,784**	**2,614,749,478**
TOTAL ASSETS	**8,068,794,358**	**8,095,708,068**
Subscribed share capital	4,410,920,573	4,410,920,573
Share premium	232,637,107	232,637,107
Revaluation reserves	580,594,860	600,663,192
Other reserves	3,412,301,949	3,424,144,892
Accumulated losses	(6,069,175,573)	(6,507,244,042)
Current year result	(61,687,886)	418,336,728
Total equity	**2,505,591,030**	**2,579,458,450**
Hybrid	57,155,251	57,155,251
Long-term borrowings from banks	544,599,664	-
Provisions	313,475,981	327,130,219
Total non-current liabilities	**915,230,896**	**384,285,470**
Trade and other payables	3,933,842,572	3,981,167,078
Short-term borrowings from affiliates	567,446,701	683,141,317
Short-term borrowings from banks	134,156,061	467,139,993
Total current liabilities	**4,647,972,432**	**5,131,964,148**
TOTAL LIABILITIES AND EQUITY	**8,068,794,358**	**8,095,708,068**

CATALIN DUMITRU
President of the Board of Directors

VASILE-GABRIEL MANOLE
Financial Manager

YEDIL UTEKOV
General Manager

Prepared by (Chief Accountant)
Alexandru Cornel Anton

Explanatory notes from 1 to 28 are part of these financial statements
English translation is for information purposes only. Romanian language text is the official text for submission.

	Notes	January - June 2018	January - June 2017
Net revenues	15	7,042,049,375	4,729,016,743
Cost of sales	16	(6,753,284,460)	(4,589,342,718)
Gross profit		**288,764,915**	**139,674,025**
Selling, general and administrative expenses	17	(148,336,813)	(135,456,052)
Other operating expenses	18	(33,252,613)	(28,013,754)
Other operating income	18	23,092,802	2,938,838
Operating profit/ (loss)		**130,268,291**	**(20,856,943)**
Financial expenses	19	(78,522,932)	(83,461,563)
Financial revenues	19	6,355,816	38,090,988
Net foreign exchange gains / (losses)	19	(119,789,061)	237,378,373
Profit/ (loss) before income tax		**(61,687,886)**	**171,150,855**
Deferred tax	20	-	-
Net Profit/ (loss)		**(61,687,886)**	**171,150,855**
Earnings per share *(bani/share)*	23	(0.14)	0.39

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President of the Board of Directors

VASILE-GABRIEL MANOLE
Financial Manager

YEDIL UTEKOV
General Manager

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Alexandru Cornel Anton

	1st Semester 2018	1st Semester 2017
Net Profit / (Loss)	**(61,687,886)**	**171,150,855**
Other comprehensive income		
Other comprehensive income to be reclassified income statement in subsequent periods (net of tax):		
Gains / (losses) from derivatives	(11,842,943)	1,267,646
Total comprehensive income to be reclassified income statement in subsequent periods (net of tax):	**(11,842,943)**	**1,267,646**
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	(20,068,331)	-
The retained earnings representing the surplus from revaluation reserves	20,068,331	-
Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):	**-**	**-**
Total other comprehensive income for the year, net of tax	**(11,842,943)**	**1,267,646**
Total comprehensive income for the year, net of tax	**(73,530,829)**	**172,418,501**

CATALIN DUMITRU
President of the Board of Directors

VASILE-GABRIEL MANOLE
Financial Manager

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General Manager

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Alexandru Cornel Anton

	June 30, 2018	June 30, 2017
Net result before income tax	**(61,687,886)**	**171,150,855**
Adjustments for:		
Depreciation and amortisation	154,894,982	132,853,494
Provisions for receivables and inventories (incl write-off)	24,671,928	7,903,903
Provision for environmental liabilities and litigations	(13,654,238)	-
Expenses with penalties	639,802	491,440
Interest expenses	78,522,932	83,429,793
Inrerest income	(6,355,816)	(38,070,422)
Losses/gains from derivatives	168,394	(1,655)
Unrealised foreign exchange (gain)/loss from restatement and monetary items	87,087,070	(246,723,366)
Cash generated from operations before working capital changes	**264,287,168**	**111,034,042**
Net working capital changes in:		
Receivables and prepayments	(100,942,915)	(249,641,136)
Inventories	20,297,688	84,400,441
Trade and other payables, including payables variation for capital expenditures	(123,573,212)	328,636,108
Change in working capital	**(204,218,439)**	**163,395,413**
Cash payments for derivatives, net	333,011	31,769
Net cash provided by/(used in) operating activities	**60,401,740**	**274,461,224**
Cash flows from investing activities		
Purchase of property, plant and equipment	(57,739,072)	(111,718,588)
Purchase of intangible assets	174,107	(354,096)
Net cash used in investing activities	**(57,564,965)**	**(112,072,684)**
Cash flows from financing activities		
Cash pooling	(3,960,586)	(196,007,965)
Short - term loans/ (repaid to) received from banks, net	(346,940,518)	181,480,729
Long - term loans repaid to banks	-	-
Short - term loans (repaid to)/ received from shareholders and related parties	(114,638,013)	(101,931,642)
Interest and bank charges paid, net	(78,522,932)	(83,429,793)
Net cash from financing activities	**537,615**	**(199,888,671)**
Increase / (Decrease) in cash and cash equivalents	**3,374,390**	**(37,500,131)**
Cash and cash equivalents at the beginning of period	**22,863,280**	**45,891,549**
Cash and cash equivalents at the end of the period	**26,237,670**	**8,391,419**

CATALIN DUMITRU
President of the Board of Directors

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General Manager

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Alexandru Cornel Anton

ROMPETROL RAFINARE S.A.
STATEMENT OF CHANGES IN EQUITY
As at 30 June 2018 and 30 June 2017
(All amounts expressed in Lei ("RON"), unless otherwise specified)

	Share capital	Share premium	Acumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
1st of January 2017	**4,410,920,573**	**232,637,107**	**(6,486,327,205)**	**-**	**-**	**3,169,670,514**	**1,326,900,989**
Net profit for S1 2017	**-**	**-**	**171,150,855**	**-**	**-**	**-**	**171,150,855**
Gains/losses related to derivative financial instruments	-	-	-	-	-	1,267,646	1,267,646
Total other comprehensive income for S1 2017	**-**	**-**	**-**	**-**	**-**	**1,267,646**	**1,267,646**
Total comprehensive income for S1 2017	**-**	**-**	**-**	**-**	**-**	**-**	**172,418,501**
30st of June 2017	**4,410,920,573**	**232,637,107**	**(6,315,176,350)**	**-**	**-**	**3,170,938,160**	**1,499,319,490**
	-	-	-	-	-	-	-
1st of January 2018	**4,410,920,573**	**232,637,107**	**(6,088,907,313)**	**715,075,229**	**(114,412,037)**	**3,424,144,892**	**2,579,458,450**
Net loss for S1 2018	**-**	**-**	**(61,687,886)**	**-**	**-**	**-**	**(61,687,886)**
Result carried out from application of IFRS 9	-	-	(336,591)	-	-	-	(336,591)
Revaluation reserves	-	-	-	(20,068,331)	-	-	(20,068,331)
The retained earnings representing the surplus from revaluation reserves	-	-	20,068,331	-	-	-	20,068,331
Gains/losses related to derivative financial instruments	-	-	-	-	-	(11,842,943)	(11,842,943)
Total other comprehensive income for S1 2018	**-**	**-**	**20,068,331**	**(20,068,331)**	**-**	**(11,842,943)**	**(11,842,943)**
Total comprehensive income for S1 2018	**-**	**-**	**(41,619,555)**	**(20,068,331)**	**-**	**(11,842,943)**	**(73,530,829)**
30st of June 2018	**4,410,920,573**	**232,637,107**	**(6,130,863,459)**	**695,006,897**	**(114,412,037)**	**3,412,301,949**	**2,505,591,030**

DUMITRU CATALIN
President of the Board of Directors

VASILE-GABRIEL MANOLE
Financial Manager

YEDIL UTEKOV
General Manager

Prepared by (Chief Accountant)
Alexandru Cornel Anton

Explanatory notes from 1 to 28 are part of these financial statements
English translation is for information purposes only. Romanian language text is the official text for submission.

1. GENERAL

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

Rompetrol Rafinare S.A. production facilities are located in Romania. The number of employees of the Company as at 30 June 2018 is 1,180, respectively 1,157 as at 31 December 2017.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) The going concern

The financial statements of the Company are prepared on a going concern basis. As at 30 June 2018 and 31 December 2017, the Company reported net assets amounted to RON 2,506 million and RON 2,579 million respectively. For the exercise ended as at 30 June 2018 and 31 December 2017, the Company reported a loss of RON 61,7 million, and a profit of RON 418,3 million respectively. The accumulated losses incurred in the past are due to the fact that the Company has been affected by the specific of the refining activity, characterized by a significant volatility and lower refinery margins in the past years, but considering that the massive investment trend of the last period combined with an improvement in market conditions the company has achieved and is aiming for future positive financial results which will decrease the cumulated loss recorded so far.

The strategy for the following years is a mix of projects of optimization of production and energy costs, optimum utilization of refining capacity and improvement of production yields. In order to improve the financial performance, the following measures have been taken:

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

The management claims that these developments will lead to an improvement of the Company's capacity to financially support its ongoing operations.

At 30 June 2018, respectively 31 December 2017 the Company's net assets are higher than half of the value of the subscribed share capital in compliance with Law no. 31/1990 regarding the trade companies, as amended.

Considering the Company's plans for 2018, and other aspects above mentioned, it is considered that the preparation of the financial statements is based on the ongoing activity principle.

c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective as of 1 January 2018:

- **IFRS 9 Financial Instruments: Classification and Measurement**
  The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.
  The Group adopts the new standard IFRS 9 on the required effective date and will not restate comparative information.
  Overall, the Group didn't book a significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Hedge accounting

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

c) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group applied the simplified approach and recorded the lifetime loss for trade receivables.

- **IFRS 15 Revenue from Contracts with Customers**

  The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

  The group applies the new standard at its effective date of application, using the modified retrospective method. During 2017, the Group performed a preliminary assessment of IFRS 15 and did not identify a significant impact that will affect financial statements.
  The Group is involved in refining and petrochemicals, wholesale and retail of petroleum products and related services (oilfield, logistics, maintenance, quality control).
  The Group analysed the main revenue streams which are comprised sales of crude oil, petroleum products and petrochemicals, under the main business segments: Downstream (retail and wholesale) and refinery, by applying the ''five steps'' model prescribed by IFRS 15:
  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when (or as) the entity satisfies a performance obligation

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

Revaluation of buildings category in property, plant and equipment

Rompetrol Rafinare S.A. re-assessed its accounting for property, plant and equipment with respect to measurement of a certain class of property, plant and equipment after initial recognition. The Company had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Starting December 31, 2017, the Company elected to change the method of accounting for buildings category classified as property, plant and equipment, because the Company believes that the revaluation model provides more relevant information to the users of its financial statements. The change from cost to revaluation method will provide a more transparent and up-to-date picture of the value of the Company's buildings, reflecting the economic reality upon which it operates.

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

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

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

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

- **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.

- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management has assessed that there is no significant impact from application of this standard.

- The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. None of these had a significant effect on the Company's financial statements:

  - ***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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***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.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendment require entities to use audited actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. Management has assessed that there is no material impact at Company's level from application of this standard.

e) Significant professional judgements, estimates and assumptions

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

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

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

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

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

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are tested for impairment.

If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- ***Provision for environmental liability***

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

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

- ***Deferred tax assets***

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

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

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

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

- ***Carrying value of inventories***

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

- ***Provision for litigations***

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments

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

a. Financial assets

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

Loans granted and receivables

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

Derecognition

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

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

Or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

b. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition

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

c. Offsetting of financial instruments

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

d. Impairment of financial assets

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognised the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

g) Property plant and equipment

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

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

Starting December 31, 2017, the Company changed its accounting policies regarding the recognition and measurement for buildings category, from cost model to the revalued one. The Company 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 Company 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, unless a transfer hasn't been already made during utilization period of the revaluated asset.

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

Depreciation of property, plant and equipment less land and immobilization in progress is calculated using the linear method throughout their estimated lifetime:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings and other constructions	10 - 100 years
Tanks	20 - 30 years
Tools and other technological equipment	3 - 20 years
Vehicles	5 years
Furniture and office equipment	3 - 10 years
Computers	3 years

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

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

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

h) Intangible assets

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

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

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

i) Financial assets

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

Further details on financial assets are provided in Note 6.

j) Impairment of non-financial assets

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

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 stated at revalued amount in which case the impairment loss is treated as a revaluation decrease.

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

k) Provisions

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

Provisions are not recognized for future operating losses.

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

Environmental obligations

Environmental costs relating to current or future income are recorded in the profit and loss account or capitalized as appropriate. Costs relating to an existing condition caused by past operations and which do not contribute to current or future earnings are recorded in the profit and loss account.

The company has an environmental policy in accordance with existing legislation and which respects any obligations resulting from environmental or operating permits. In order to ensure compliance with all the rules and provisions, the company has established a monitoring system in accordance with the requirements of the relevant authorities. In addition, investment plans are adjusted to reflect any future known environmental requirements. The above mentioned costs are estimated on the basis of relevant environmental studies.

Debts on environmental remediation costs are recognised when estimates of these debts are probable and associated costs can be reasonably estimated. In General, the chargeability of these provisions coincides with the commitment undertaken by a formal action plan, or, if it occurs earlier, with the disinvestment or closure of inactive locations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Inventories

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

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

m) Receivables

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

n) Cash and cash equivalents

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

o) Recognition of revenues

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

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

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

In addition:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Interest bearing loans

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

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

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

q) Retirement benefit costs

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

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

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

r) Taxes

- ***Current income tax***

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

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

- ***Deferred tax***

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

s) Dividends

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

t) Emission rights

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

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

u) Foreign Currency Transactions

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

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

Currency	30 June 2018	31 December 2017
RON/USD	4.0033	3.8915
RON/EUR	4.6611	4.6597

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

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

v) Derivative financial instruments

The Company enters into contracts to purchase and sell crude oil and oil products at future delivery dates. These contracts expose the Company primarily to commodity risks of changes in fair value of crude oil and related oil products.

The Company uses financial instruments (primarily futures, options and swaps) 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 Company's policies approved by the 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.

Fair value hedge

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge accounting is applied for the futures instruments. The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognised in the statement of profit or loss as Cost of Sales. If the hedged item is derecognized, the unamortized fair value is recognised immediately in profit or loss (see Note 16).

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

Cash Flow Hedge

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

Hedge accounting is applied for the refinery margin Swap instruments. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see Note 16).

w) Contingencies

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

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

3. INTANGIBLE ASSETS

	Software / Licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2017	**45,968,850**	**150,123**	**6,441,382**	**52,560,355**
Additions	145,321	-	410,749	556,070
Closing balance as of December 31, 2017	**46,114,171**	**150,123**	**6,852,131**	**53,116,424**
Additions	145,392	-	2,645	148,037
Transfers, reclassifications and adjustments*	2,502,771	-	(2,824,915)	(322,144)
Closing balance as of June 30, 2018	**48,762,334**	**150,123**	**4,029,861**	**52,942,318**
Accumulated amortization				
Opening balance as of January 1, 2017	**(35,772,954)**	**(62,551)**	**-**	**(35,835,505)**
Charge for the year	(2,611,891)	(50,041)	-	(2,661,932)
Closing balance as of December 31, 2017	**(38,384,844)**	**(112,592)**	**-**	**(38,497,436)**
Charge for the year	(1,260,561)	(25,020)	-	(1,285,582)
Closing balance as of June 30, 2018	**(39,645,406)**	**(137,612)**	**-**	**(39,783,018)**
Net book value				
As of December 31, 2017	**7,729,326**	**37,531**	**6,852,131**	**14,618,988**
As of June 30, 2018	**9,116,929**	**12,511**	**4,029,861**	**13,159,300**

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

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

4. GOODWILL

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
Cost or valuation						
As of January 1, 2017	**192,480,007**	**1,867,001,642**	**3,348,858,449**	**12,247,315**	**161,917,727**	**5,582,505,139**
Acquisitions	-	7,951	2,776,519	47,169	233,753,224	236,584,863
Revaluation	-	695,473,926	-	-	-	695,473,926
Transfers from CIP	-	43,931,192	162,717,589	4,095,408	(210,750,367)	(6,178)
Transfers and reclassifications*	-	(981,048,534)	-	-	-	(981,048,534)
As of December 31, 2017	**192,480,007**	**1,625,366,178**	**3,514,352,557**	**16,389,891**	**184,920,584**	**5,533,509,217**
Acquisitions	-	119,647	344,790	35,220	57,239,414	57,739,072
Transfers from CIP	-	25,629,741	57,825,304	1,347	(83,456,392)	-
Transfers and reclassifications*	-	31,768,470	(31,768,470)	-	-	-
As of June 30, 2018	**192,480,007**	**1,682,884,035**	**3,540,754,182**	**16,426,458**	**158,703,606**	**5,591,248,289**
Accumulated depreciation & Impairment						
As of January 1, 2017	**(24,060,893)**	**(927,515,686)**	**(1,603,558,648)**	**(6,144,605)**	**(3,171,485)**	**(2,564,451,316)**
Charge for the year	(1,839,934)	(53,574,511)	(213,631,668)	(854,973)	-	(269,901,085)
Transfers and reclassifications*	-	981,048,534	-	-	-	981,048,534
As of December 31, 2017	**(25,900,827)**	**(41,662)**	**(1,817,190,315)**	**(6,999,577)**	**(3,171,485)**	**(1,853,303,867)**
Charge for the year	(828,376)	(46,036,217)	(106,271,677)	(473,131)	-	(153,609,400)
As of June 30, 2018	**(26,729,203)**	**(46,077,879)**	**(1,923,461,992)**	**(7,472,708)**	**(3,171,485)**	**(2,006,913,267)**
Net book value as of December 31, 2017	**(27,557,579)**	**(92,114,095)**	**1,697,162,242**	**9,390,314**	**181,749,099**	**3,680,205,350**
Net book value as of June 30, 2018	**165,750,804**	**1,636,806,156**	**1,617,292,190**	**8,953,751**	**155,532,121**	**3,584,335,022**

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

In 2017 Transfers and reclassifications* in amount of RON 981.05 million represents the reverse of the accumulated depreciation at revaluation date for the buildings category against gross book value (GBV) of the revaluated assets.

- **Impairment**

No additional depreciation was recorded in the first 6 months of year 2018 in 2017.

- **Construction in progress**

During the first semester of the year 2018 the significant contribution in the total acquisitions of assets in progress is represented by the ISCIR projects of the two refineries (approximately RON 14.5 million), the catalyst replacement project at the plant HPM (about RON 6.3 million), project modernization tanks (approximately RON 5.4 million), project "HDPE Unit restart" (approx. RON 5 million) and the Capital maintenance project "Refinery Shutdown 2018" (approximately RON 3.8 million).

5. PROPERTY, PLANT AND EQUIPMENT (continued)

In April 2018, a planned slowdown activity was carried out within the Petromidia refinery aiming to keep the installations in optimal operating parameters in order to ensure the units maximum flow and the quality of the obtained products. The main revision works included the following recurrent technological operations: catalyst change in the Petrol Diesel Hydro-Fuel Plant; decoke furnace equipment in Delayed Coking Plant and catalyst regeneration in Catalytic Reforming Plant.

During the year 2017, the significant contribution to the total acquisitions of assets in progress is represented by the capital maintenance project "Refinery Planned Shutdown 2017" (about RON 80.2 million) carried out in order to ensure a high level of safety of the operating equipment and the ISCIR projects within of the two refineries (approximately RON 51.5 million). Besides these an important contribution is provided by "HDPE Unit restart; project (around RON 16.5 million) and tanks rehabilitation projects (around RON 20.3 million). Part of these projects have been transferred to the other property, plant and equipment categories.

In 2017 the main projects remaining in construction in progress refers to the Tank rehabilitation amounting to RON 30.3 million, ISCIR authorizations amounting to RON 31.7 million, HDPE Unit restart amounting to RON 16.5 million and Refinery specific optimization programs amounting to RON 53.3 million in respect of Rompetrol Rafinare SA. Regarding the HDPE plant, with the support and decision of the majority shareholder, the company started at the end of last year the mechanical and organizational works for bringing this plant to operation. In middle of April 2018, the HDPE plant was put into operation at optimum parameters, but due to unfavorable market conditions characterized by reduced petrochemical margins, it was stopped in mid-May. Within the company, internal analyzes are carried out on the potential measures to mitigate the negative impact of the market, the company relying on the rapid restart of the installations when the market conditions will improve. The net book value of the HDPE installation on June 30, 2018 is RON 99.5 million, respectively RON 82.6 million at 31.12.2017.

- **Disposal**

No asset disposals were recorded in the first quarter of 2018 and in year 2017.

- ***Capitalization of borrowing costs***

The Company finances its activities inclusively through loans and the cost of debt for the acquisition of assets is capitalized in the cost of the asset, when specific loans have been obtained (investment). In the first semester of 2018 and in the year ended as at December 31, 2017 the interest was not capitalized.

- **Revaluation of buildings category**

Starting December 31,2017, the Company changed its accounting policies regarding the recognition and measurement of its non-current assets, for buildings category, from cost model to the revalued one. The Company 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 Company 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 Company's assets. Fair value of the buildings category was determined using the depreciated replacement cost method. The valuations have been performed by a specialized valuer. A net gain from the revaluation of the Company's buildings category of RON 695.5 million was recognized in the building category.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying amount

	Buildings
	million RON
Carrying amount as at December 31, 2016*	**939**
Revaluation gain recognized due to change in accounting policy to revaluation model	715
Revaluation loss recognized	(20)
Depreciation for the year	(54)
Additions/Disposals/Transfers and reclassifications	44
Carrying amount and fair value as at 31 December 2017	**1,625**

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

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

	December 31, 2017
	million RON
Cost	1911
Accumulated depreciation and impairment	(981)
Net carrying amount	**930**

- ***Fixed assets pledged***

The company pledged assets net amounting to RON 1,144,915,360 (2017: RON 1,135,075,542), as follows:

- guarantees in favor of banks: RON 862,889,923 (2017: RON 864,851,354);
- guarantees in favor of ANAF: RON 282,025,437 (2017: RON 270,224,188).

In 2010 it was established by ANAF a distraint on all fixed assets and investments and on the equity as well as on the shares, amounting to RON 1,595,020,055 in 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 a distraint on the investments held by the Company in its subsidiaries and on the movable and immovable assets of the Company, except inventories. The distraint is based on article 129 of the Fiscal Procedure Code and the main result is that the Company cannot sell / transfer the assets under distraint.

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

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

On June 30st, 2018 no enforcement process has been made.

6. FINANCIAL ASSETS

	30 June 2018	31 December 2017
Investments in subsidiaries	1,629,020,055	1,629,020,055
Total	**1,629,020,055**	**1,629,020,055**

Investments in subsidiaries

Details regarding subsidiaries at 30 June 2018 and 31 December 2017 are as follows:

	Range of activity	Ownership at 30 June 2018	Ownership at 31 December 2017	Balance as at 30 June 2018	Balance as at 31 December 2017
Rompetrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067	1,090,406,067
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100,00%	100,00%	311,698,295	311,698,295
Rom Oil S.A.	Rental services	99,99%	99,99%	191,216,660	191,216,660
Rompetrol Logistics S.R.L.	Logistics operations	66,19%	66,19%	24,349,123	24,349,123
Rompetrol Quality Control S.R.L.	Quality Control Services for oil products	70.91%	70.91%	11,349,910	11,349,910
Total of equity investments				**1,629,020,055**	**1,629,020,055**

7. INVENTORIES, NET

	June 30, 2018	December 31, 2017
Crude oil and other feedstock materials	440,954,799	560,632,354
Finished products	402,509,588	294,460,794
Work in progress	119,887,628	127,069,512
Spare parts	52,055,584	52,960,693
Other consumables	20,586,578	21,541,544
Merchandises	1,236,466	1,254,210
Other inventories	3,933,803	3,543,028
Inventories reserve	(58,175,566)	(47,203,208)
Total	**982,988,880**	**1,014,258,927**

The inventories of finished goods comprise mainly petroleum products.

The movement of the provision for inventories in first 6 months of the year 2018 and in year 2017 is presented below:

	June 30, 2018	December 31, 2017
Reserve at the beginning of the year	**(47,203,208)**	**(44,103,284)**
Accrued provision	(19,080,535)	(29,951,519)
Write off	4,249	-
Reversal provision inventories reserve	8,103,928	26,851,595
Reserve at the end of the period	**(58,175,566)**	**(47,203,208)**

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

8. TRADE AND OTHER RECEIVABLES, NET

	June 30, 2018	December 31, 2017
Trade receivables	1,620,962,304	1,526,173,286
Advances to suppliers	20,718,762	11,392,740
Sundry debtors	52,202,674	26,811,309
VAT to be recovered	816,088	2,990,566
Other receivables	58,295,146	72,879,061
Reserve for bad and doubtful debts	(77,055,740)	(62,619,691)
Total	**1,675,939,234**	**1,577,627,271**

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

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

	June 30, 2018	December 31, 2017
Balance at the beginning of the year	**(62,619,691)**	**(62,290,869)**
Impairment losses recognized on receivables	(14,607,357)	(2,081,781)
Impairment losses reversed	571,198	280,233
Translation differences	(399,890)	1,472,726
Balance at the end of the period	**(77,055,740)**	**(62,619,691)**

At 30 June 2018 the analysis of receivables maturity dates is as follows:

			Past due but not impaired					
	Total	Neither past due not impaired	1-30 days	30-60 days	60-90 days	90-120 days	>120 days	Adjustment IFRS 9
30 June 2018	1,564,322,746	1,118,935,435	100,959,566	28,085,435	6,296,257	582,142	309,964,948	(501,037)
31 December 2017	1,470,315,538	1,015,680,845	151,923,166	2,521,925	-134,983	1,289,888	299,034,695	-

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

8. TRADE AND OTHER RECEIVABLES (continued)

At 30 June 2018, the trade receivables at the initial value of RON 56.64 million (2017 RON 55.86 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	Collectively impaired
At January 1, 2017	**(56,755,153)**
Value adjustments for impairment of receivables	(855,554)
Reversed provisions	280,233
Exchange rate difference	1,472,726
At December 31, 2017	**(55,857,748)**
Value adjustments for impairment of receivables	(953,119)
Reversed provisions	571,198
Exchange rate difference	(399,890)
At June 30, 2018	**(56,639,559)**

9. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017
Cash at bank	25,223,622	22,394,325
Cash on hand	3,859	7,605
Transitory amounts	679,477	3,940
Other cash equivalents	330,712	457,410
Total	**26,237,670**	**22,863,280**

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

10. OWN CAPITALS

10.1 SHARE CAPITAL

As at 30 June 2018 and 31 December 2017, the share capital consists in 44,109,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 per each share.

The shareholder structure at 30 June 2018 and 31 December 2017.

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

The total value of the Company's share capital remained unchanged in the first semester of year 2018 and in year 2017.

10. OWN CAPITALS (continued)

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

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

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

10.2 SHARE PREMIUM

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

10.3 REVALUATION RESERVES

Starting December 31,2017, the Company changed its accounting policies regarding the recognition and measurement of its non-current assets, for buildings category, from cost model to the revalued one. The Company 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 Company 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 Company's assets. Fair value of the buildings category was determined using the depreciated replacement cost method. The valuations have been performed by a specialized valuer. A gain from the revaluation of the Company's buildings category of RON 715.08 million was recognized in the Other Comprehensive Income (OCI).

Also the Company recognized in 2017 a debit balance of "Deferred tax" in amount of RON 114.4 million related to the temporary differences resulting from the revaluation surplus. Strictly for presentation purposes of the Financial Position (page 3) the Revaluation reserves balance is presented in net of RON 600.66 million, being affected by the deferred tax mentioned before. The debit balance of Deferred tax on the revaluation reserve in amount of RON 114.4 million was recognised in the OCI.

At 30 June 2018 the Revaluation reserves balance (presented in net of RON 580.59 million) is affected by the transfer to retained earnings of the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the assets included in the building category. In compliance with OMFP 2844/2016 and with the accounting policies adopted by the Company as of 31 December 2017 the revaluation surplus included in the revaluation reserves is capitalized by transfering it to retained earnings as the use of the asset or upon disposal of the asset, unless a transfer hasn't been already made during utilization period of the revaluated asset. Therefore at 30 June 2018 the revaluation surplus transfered to retained earnings is in amount of RON 20,7 million.

10. OWN CAPITALS (continued)

10.4 OTHER RESERVES

Hybrid Loan

The "Other reserves" item includes the value of the hybrid loan in amount of RON 3,412 million (USD 1,022 million)

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 150 million were converted, the hybrid loan amounting to USD 950 million. The loan is unsecured, subordinated to any present and future liability of the company. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

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

The contract states that the interest rate mentioned above will be adjusted if the market conditions impose it, depending on the level of market interest existing at the time of the contract execution.

In 2017 an additional USD 72.2 million were transferred to hybrid loan by conversion of a debt held in front of KMG International NV.The additional loan is unsecured, repayable after 51 years and 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 it was carried on and recognized a liability for the potential interest on the hybrid loan in amount of RON 57.2 million, based on the projected profitability of the business for the period remained until reimbursement of the hybrid loan.

11. COMMERCIAL LIABILITIES AND OTHER LIABILITIES

	June 30, 2018	December 31, 2017
Trade payables	3,206,095,642	3,281,800,731
Advances from customers	71,500,426	77,495,051
VAT payable	159,744,673	130,526,638
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	(3,358)	(1,180)
Employees and social obligations	11,871,408	14,343,553
Other liabilities	457,073,149	449,441,653
Total	**3,933,842,572**	**3,981,167,078**

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

The cash pooling debt amounts to RON 414,91 million (2017: RON 410.71 million) and is recognised in "other debts".

12. SHORT-TERM LOANS

Short-term loan from related parties:

	30 June 2018	31 December 2017
KMG International N.V. Short-term credit facility for working capital needs, amounting to a maximum of USD 250 million, USD 50 million due on December 31, 2018 and USD 200 million refunded upon request; guarantees: assignment of receivables, pledge on holdings in Rompetrol Logistics, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil; pledge on bank accounts. The undrawn amount as at June 30, 2018 is in amount of USD 92.24 million.	377.274.587	494.663.734
Rompetrol Well Services SA Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - July 10, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	13.000.000	13.000.000
Rompetrol Well Services SA Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - July 14, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	7.000.000	7.000.000
Rompetrol Well Services SA Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date - July 3, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	3.100.000	3.100.000
Rompetrol Well Services SA Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - August 28, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	11.200.000	11.200.000
Midia Marine Terminal SRL Short-term facility for working capital needs in amount of RON 27.211 million (through conversion of the loan in value of USD 7 million at NBR exchange rate communicated at July 31, 2017), maturity date December 31, 2018. The facility has been fully used.	27.211.100	27.211.100
Rompetrol Financial Group SRL Short-term facility for working capital needs in amount of USD 29.215 million, maturity date December 31, 2018. The facility has been fully used.	115.000.000	115.000.000
Interest due	13.661.014	11.966.483
	567.446.701	**683.141.317**

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

12. SHORT-TERM LOANS (continued)

Short-term loan from banks

	30 June 2018	31 December 2017
Bancpost Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2018; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.	100,013,603	31,530,791
Bancpost Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on 31 July 2018; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS =EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.	33,703,045	-
Interest due	439,413	271,981
	134,156,061	**31,802,772**

	30 June 2018	31 December 2017
Syndicated loan – through Unicredit Bank as payer agent	**-**	**435,337,221**

The Up to USD 360 Million credit facility (Syndicated Loan) concluded through Unicredit Bank AG, London Branch as facility agent, was extened until April 23, 2021 with two options for prolongation by 1 (one) year, each options could be applied in 2019 and 2020 (hence the period is of 3 years + 1 year + 1 year, making possible the availability of this facility until 2023).

Thus, at 30 June 2018, the short-term part of the Syndicated loan no longer registers balance, due to the reclassification of amounts used into long-term credit, considering that at 30.06.2018 the term calculated to maturity (23 April 2021) is more than 1 Year.

All the financial covenants applicable were complied with as of June 30, 2018.

13. LONG-TERM LOANS

	30 June 2018	31 December 2017
Syndicated loan – through Unicredit Bank as payer agent Up to USD 360 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Rompetrol Rafinare, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consist in an up to USD 240 million principal granted for a 3-year period and an auxiliary component representing overdraft loans of up to USD 120 million for a 1 year period. For the main component the maturity is on April 23, 2021 (with two options to be extended over a period of another 1 year, these extension options can be exercised in 2019 and 2020, so the period is 3 years + 1 year + 1 year there is the possibility that this facility is available until 2023). The following mortgages are set up to secure the loan: a) the credit balances of all current accounts present and future; b) the rights of insurance compensation; c) inventories (Propylene, Ethylenne, PP, LDPE, HDPE, Bitumen, Fuel Oil, Jet FOB Med, Naphtha, n-hexane, ULSD FOB Med, White Spirit); d) receivables from eligible commercial agreements - for at least 80% ofthe debts assigned to notify the clients.	**544,599,664**	**-**

The movement of loans in the first 6 months of year 2018 is presented below:

	At January 01, 2018	Movement	At June 30, 2018
Long-term borrowings from banks	-	544,599,664	544,599,664
Short-term borrowings from banks	466,868,013	(333,151,365)	133,716,648
Short-term borrowings from shareholders and related parties	671,174,834	(117,389,147)	553,785,687
Total	**1,138,042,847**	**94,059,152**	**1,232,101,999**
Interest short-term borrowings from banks	271,981	167,432	439,413
Interest short-term borrowings from shareholders and related parties	11,966,483	1,694,531	13,661,014
Total	**12,238,464**	**1,861,963**	**14,100,427**

14. PROVISIONS

	30 June 2018	31 December 2017
Non - current provision	313,475,981	327,130,219
Total	**313,475,981**	**327,130,219**

The movement of the provisions is presented below:

	As at January 1, 2018	Other comprehensive income	Arising during the year	Utilised	As at June 30, 2018
Retirement benefit provision	32,064,985	-	-	-	32,064,985
Provision fiscal	13,654,238	-	(13,654,238)	-	-
Environmental provision	281,410,996	-	-	-	281,410,996
Total	**327,130,219**	-	**(13,654,238)**	-	**313,475,981**

The environmental provision for the Vega refinery in amount of RON 281.4 million represents obligations for cleaning of the oil sludge pools and restoration of contaminated land.

During 2012, an evaluation report was issued by an independent expert, evaluation report estimating the costs associated to the technical methods to realize the remediation action. Based on these preliminary cost estimates and the estimated completion over a 5 year period, a discounted cash flow cost estimate of RON 272 million has been provided by the Company as of the end of 2016, for which the Company booked a provision.

An additional environmental provision for site restoration in amount of RON 9.06 million was recognised in 2017 for Rompetrol Rafinare S.A (Vega refinery) for the cleaning of the oil sludge pools and restoration of contaminated land. A discount factor of 4.38% (2016: 9.6%) was applied for the discounted cash flow calculation, leading to an increase in provision in 2017.

At the end of the year 2017, the value of the total registered provision for the restoration project for the Vega refinery was RON 281.4 million (calculated on the basis of estimated costs based on the independent evaluation report of 2012 and the term estimated to 5 years of completion of the works). At the time of these financial statements, the company is to engage in certain technical procedures (pilot tests) agreed with the environmental authorities in order to clarify the technological solution and support the review of the integrated environmental authorization. At the same time, the auction process of suppliers for future greening works is ongoing.

Following the ending in December 2017 of the general fiscal audit initiated and performed by ANAF - DGAMC started in October 2016 referring to the fiscal period 2011- 2015, the Company booked a fiscal provision in amount of RON 13.65 million based on the findings and additional tax charges for the period concerned. In the first quarter of 2018 the fiscal provision was reversed, as a result of paying the additional tax charges imposed and a provision for impairment of receivables of the same amount was recognised.

14. PROVISIONS (continued)

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

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

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

15. REVENUES

	January - June 2018	January - June 2017
Gross revenues from the sale of finished oil products	9,073,642,867	6,248,530,571
Revenues from other merchandise sales	11,989,117	7,073,624
Revenues from utilities sold	4,411,695	4,080,025
Revenues from the sale other products	300,321	761,882
Revenues from rents and other services	6,696,280	7,084,350
Gross Revenues	**9,097,040,280**	**6,267,530,452**
Less sales taxes	(2,054,990,905)	(1,538,513,709)
Total	**7,042,049,375**	**4,729,016,743**

16. COST OF SALES

	January - June 2018	January - June 2017
Crude oil and other raw materials	6,318,058,378	4,202,246,667
Consumables and other materials	33,408,354	28,679,184
Utilities	204,062,085	162,530,968
Staff costs	47,383,114	38,962,402
Transportation	312,829	36,899
Maintenance	57,534,600	41,355,352
Insurance	3,105,694	2,799,879
Environmental expenses	2,250,908	1,874,622
Other	22,270,055	21,509,353
Cash production cost	**6,688,386,018**	**4,499,995,326**
Depreciation and amortization	136,791,410	103,107,202
Production costs	**6,825,177,427**	**4,603,102,528**
Less: Change in inventories	(119,934,480)	(16,751,315)
Less: Own production of property, plant & equipment	4,055	(7,057,692)
Cost of other merchandise sales	11,821,200	7,972,312
Cost of utilities sold	3,310,069	3,120,480
Realised (gains)/losses on derivatives	32,906,188	(1,043,595)
Total	**6,753,284,460**	**4,589,342,718**

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

	January - June 2018	January - June 2017
Staff costs	14,526,461	14,856,617
Utilities	5,457,259	4,629,615
Transportation	22,104,876	20,566,228
Professional and consulting fees	46,838,899	26,992,256
Consumables	499,685	1,356,558
Marketing	138,471	308,211
Taxes	1,915,951	1,721,647
Communications	35,076	33,692
Insurance	35,382	1,276,704
IT related expenditures	2,892,672	3,036,830
Environmental expenses	4,706,166	5,445,358
Maintenance	7,076,331	8,659,554
Fees and penalties	11,035,952	4,175,881
Other expenses	12,970,061	12,650,609
Costs before depreciation	**130,233,241**	**105,709,760**
Depreciation and amortisation	18,103,572	29,746,292
Total	**148,336,813**	**135,456,052**

18. OTHER OPERATING (INCOME) / EXPENSES, NET

	January - June 2018	January - June 2017
Provision for receivables, expense	14,106,319	-
Provision for inventories and write-off, expense	19,080,536	10,436,158
Other expenses	65,758	17,577,596
Other operating expenses	**33,252,613**	**28,013,754**
Provision for receivables, income	(406,750)	-
Provision for inventories and write-off, income	(8,108,177)	(2,532,255)
Other provisions, income	(13,654,238)	-
Other income	(923,636)	(406,583)
Other operating income	**(23,092,802)**	**(2,938,838)**
Total	**10,159,811**	**25,074,916**

19. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January - June 2018	January - June 2017
Finance cost		
Interest expense	13,118,840	7,237,799
Interest expense shareholders and related parties	26,551,810	43,062,724
Commission and other bank charges	38,852,282	33,161,041
Collection discounts expenses	-	-
	78,522,932	**83,461,564**
Finance income		
Interest income	(2,600,704)	(38,070,422)
Other financial income	(3,755,113)	(20,566)
	(6,355,816)	**(38,090,988)**
Finance income/(cost) net	**72,167,115**	**45,370,576**
	-	-
Unrealized net foreign exchange losses/(gains)	87,255,465	(248,007,522)
Realized net foreign exchange losses/(gains)	32,533,596	10,629,149
Foreign exchange (gain)/loss, net	**119,789,061**	**(237,378,373)**
Total	**191,956,176**	**(192,007,797)**

20. INCOME TAX

The income tax rate was 16% in 2018 and 2017.

DEFERRED TAX

	Balance at January 1, 2018	Charged to Profit & loss	Charged to Equity	Balance at June 30, 2018
Temporary differences **Asset/Liability**				
Property, plant and equipment	1.223.986.947	-	-	1.223.986.947
Provisions	(281.410.996)	-	-	(281.410.996)
Fiscal loss	(1.923.585.182)	-	-	(1.923.585.182)
Total temporary differences (Asset)/Liability	**(981.009.231)**	**-**	**-**	**(981.009.231)**
Property, plant and equipment	195.837.912	-	-	195.837.912
Provisions	(45.025.759)	-	-	(45.025.759)
Fiscal loss	(307.773.629)	-	-	(307.773.629)
Deferred tax (assets)/liability recognised	**(156.961.477)**	**-**	**-**	**(156.961.477)**

20. INCOME TAX (continued)

Contingencies related to taxation

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

21. OPERATING SEGMENT INFORMATION

A) Business segments

For management purposes, the company is organized on two segments-refining and petrochemical.

June 30, 2018 Profit and loss

	Refining	Petrochemicals	Unalocated amounts between the segments	Total
Net turnover	6,603,197,512	438,851,863	-	7,042,049,375
Cost of sales	(6,334,981,553)	(418,302,907)	-	(6,753,284,460)
Gross profit	**268,215,959**	**20,548,956**	**-**	**288,764,915**
Selling, general and administrative expenses	(128,488,956)	(19,847,857)	-	(148,336,813)
Other operating expenses	(33,252,613)	-	-	(33,252,613)
Other operating revenues	(23,092,802)			(23,092,802)
Operating profit/ (loss)	**129,567,192**	**701,099**	**-**	**130,268,291**
Financial expenses	-	-	(78,522,932)	(78,522,932)
Financial revenues	-	-	6,355,816	6,355,816
Net foreign exchange gains / (losses)	-	-	(119,789,061)	(119,789,061)
Profit/(loss) before income tax	**129,567,192**	**701,099**	**(191,956,176)**	**(61,687,886)**
Deferred tax	-	-	-	-
Net Profit / (Loss)	**129,567,192**	**701,099**	**(191,956,176)**	**(61,687,886)**
out of which Depreciation and amortization	**125,472,045**	**29,422,937**	**-**	**154,894,982**

21. OPERATING SEGMENT INFORMATION (continued)

June 30, 2017 Profit and loss

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

Geographical segments

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

	S1 2018	S1 2017
Romania	3,476,747,070	2,538,620,631
Europe	3,486,526,572	2,072,598,125
Asia	71,089,655	86,929,313
America	7,686,077	30,868,674
Total	**7,042,049,375**	**4,729,016,743**

22. RELATED PARTIES

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

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

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

22. RELATED PARTIES (continued)

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the exercise ended at 30 June 2018, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties (2017: zero). This assessment is performed every year, by analyzing the financial position of the related party and the market in which it is carrying on its activity.

At 30 June 2018 and 31 December 2017, Rompetrol Rafinare had the following balances with the related parties:

	Receivables and other assets	
	June 30, 2018	**December 31, 2017**
KazMunayGas Trading AG	586,792,429	658,908,913
Rompetrol Downstream S.R.L	643,569,438	586,070,373
Rompetrol Petrochemicals S.R.L.	1,667	1,657
KMG International N.V.	5,717,410	3,268,860
Rompetrol Gas SRL	7,898,364	10,047,709
Rompetrol Moldova ICS	29,777,615	-
Rompetrol Bulgaria JSC	1,369,141	3,111,148
Rominserv S.R.L.	7,067,015	3,672,459
Rompetrol Quality Control S.R.L.	125,163	129,968
Rompetrol Logistics S.R.L	1,371	48,853
Midia Marine Terminal S.R.L.	1,270,188	1,040,455
Uzina Termoelectrica Midia S.A.	4,335,418	8,467,191
KMG Rompetrol SRL	2,052,202	7,555,392
Global Security Systems S.A.	606,363	606,637
Kazmunaygas – Engineering LLP (former Rominserv Kazakhstan(RKZ))	673,223	654,422
Rompetrol Energy S.A.	601	-
Palplast S.A.	5,051,334	5,340,002
Byron Shipping Ltd.	3,383	3,924
Rompetrol Ukraina	15,159	14,736
Oilfield Exploration Business Solutions S.A.	6,661,808	1,932,419
Rompetrol Financial Group SRL	10,394	10,340
KMG Rompetrol Services Center SRL	51,387	50,516
TRG Petrol Ticaret Anonim Sirketi	23,807,084	10,521,367
Total	**1,326,858,157**	**1,301,457,341**

22. RELATED PARTIES (continued)

	Payables, loans and other liabilities	
	June 30, 2018	**December 31, 2017**
KazMunayGas Trading AG	2,789,184,223	2,784,983,327
Rompetrol Downstream S.R.L	59,203,437	43,115,612
Rompetrol Petrochemicals S.R.L.	7,691,309	7,685,137
KMG International N.V.- loans(note12)	377,274,587	494,663,734
KMG International N.V.-interest	1,612,000	1,830,480
KMG International N.V.-trade debts	14,077,815	13,976,078
Rompetrol Gas SRL	2,695,553	2,744,523
Rompetrol Moldova ICS	16,907,483	14,231,107
Rominserv S.R.L.	79,849,881	121,931,041
Rompetrol Quality Control S.R.L.	9,712,992	17,245,271
Rompetrol Logistics S.R.L	393,084	905,223
Midia Marine Terminal S.R.L.- loans(note12)	27,211,100	27,211,100
Midia Marine Terminal S.R.L.-interest	5,773,192	4,896,117
Midia Marine Terminal S.R.L.-trade debts	158,516,108	142,234,826
Rompetrol Well Services S.A. - loans (note 12)	34,300,000	34,300,000
Uzina Termoelectrica Midia S.A.	11,550,751	14,154,735
KMG Rompetrol SRL- debt cash pooling	414,910,501	410,707,468
KMG Rompetrol SRL-interest cash pooling	3,410,162	1,328,165
KMG Rompetrol SRL-trade debts	13,859,796	32,002,902
Global Security Systems S.A.	617,957	1,406,484
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note12)	115,000,000	115,000,000
Rompetrol Financial Group SRL-interest	6,275,822	5,239,886
KMG Rompetrol Services Center SRL	1,841,693	1,407,558
TRG Petrol Ticaret Anonim Sirketi	1,837	565
Total	**4,151,871,349**	**4,293,201,405**

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "Coordinating company" and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2018.

22. RELATED PARTIES (continued)

In the first semester of 2018, respectively in the first semester of 2017, Rompetrol Rafinare had the following transactions with the related parties:

		Sales		Purchases	
Name of related party	**Nature of transaction , sales / purchases**	**S1 2018**	**S1 2017**	**S1 2018**	**S1 2017**
KazMunayGas Trading AG	Raw materials / Petroleum products	2,497,575,231	1,377,375,403	5,840,991,217	3,840,751,816
Rompetrol Downstream S.R.L	Petroleum products, rent, utilities and other	2,369,567,394	1,775,110,705	1,262,880	1,257,165
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	8,377	8,169	-	-
KMG International N.V.	Loan interest, management services	-	-	12,795,174	16,757,645
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	238,074,021	150,873,327	263,566	9,418
Rompetrol Moldova ICS	Sales intermediary services	401,987,891	327,203,689	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	18,605,458	34,885,944	-	462,673
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	1,226,051	1,303,640	111,013,303	154,105,170
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	660,063	692,062	11,654,692	12,593,978
Rompetrol Logistics S.R.L	Transport, rent/Rent, utilities	6,898	6,130	82,162	77,597
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, reinvoicing, loan interest ,others	1,003,884	721,253	40,491,737	35,175,190
Rompetrol Well Services S.A.	Loan interest	-	-	906,140	665,478
Uzina Termoelectrica Midia S.A.	Acquistion of utilities	35,771,819	33,619,832	62,813,692	54,715,596
KMG Rompetrol S.R.L.	Loan interest, management services	3,010,574	18,312,146	57,804,727	50,015,866
Global Security Systems S.A.	Security and protection services	692	750	5,309,493	4,834,958
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	19,013	18,836	2,828	2,828
Rompetrol Financial Group SRL	Loan interest	-	-	3,035,936	2,229,435
KMG Rompetrol Services Center SRL	Shared services	249,040	269,318	7,786,983	7,896,474
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	61,608,315	32,975,712	-	-
		5,629,418,210	**3,753,376,916**	**6,156,218,531**	**4,181,551,288**

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

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

23. EARNINGS PER SHARE

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

	January - June 2018	January - June 2017
Net profit (+), loss (-)	(61,687,886)	171,150,855
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (bani/share)	(0.14)	0.39

24. CONTINGENT LIABILITIES

a) Related to the Company's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed that Rompetrol Rafinare S.A. haven't recorded income, to which D.G.F.P Constanta applied excise, VAT and related penalties totaling RON 47.7 million (USD 11.08 million) to be paid by the Company 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 25). The management is confident that the Company is able to defend itself and the likelihood of a negative outcome is considered remote.

b) In 2001, the Company processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Company were challenged 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 Company cancelled such invoices. The Company is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Company liable for paying such excises; the Company appealed the tax audit, which is now being suspended as for the same reason described in the paragraph above. The amount noted in the minutes issued by D.G.F.P. Constanta is RON 9.5 million (USD 2.20 million). The management is confident that the likelihood of reversal of the earlier court decision is very little.

c) The National Agency for Tax Administration started in October 2016 a general tax inspection covering the period 2011-2015 for: income tax, VAT fiscal group set up at the level of Rompetrol Rafinare S.A. (all entities from fiscal group were under fiscal control), 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 fiscal group (out of which RON 13.1 million related to the entity Rompetrol Rafinare S.A.), withholding tax in amount of RON 6.5 million and decrease of fiscal loss with RON 144.4 million, both of the lasting related to the entity Rompetrol Rafinare S.A.. The accessories and penalties calculated to the additional charges, strictly related to the Company are in amount of RON 9 million. The principal additional taxes and related penalties were partially compensated with receivable taxes, the difference being paid in cash.

The tax inspection report and the related taxation decision were contested on February 26, 2018, and the oral support of the contest took place on 20 April 2018. Subsequently, ANAF – the General Directorate for the Resolution of the Appeals sent to the company by the address of 4 July 2018 that it requested the tax inspection bodies within the DGAMC additional information for the resolution of the appeal. According to the tax procedure Code, the dispute resolution was extended by 3 months. At the time of these financial statements, the dispute is in progress.

24. CONTINGENT LIABILITIES (continued)

In 2017, in respect of the above-mentioned tax inspection, a provision in amount of RON 13.65 million was booked in relation to Rompetrol Rafinare. In the first quarter of 2018 the fiscal provision was reversed as a result of paying the taxes imposed and a receivables provision with the same amount was recognized. (see notes 14 and 18).

25. LEGAL MATTERS

Litigation with the State involving criminal charges

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former shareholders directors, managers and external censors of Rompetrol Rafinare S.A. ("RRC") and other individuals; these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized judicial expertise), currently undergoing the criminal prosecution phase. At the present date, only one of the former director 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 („KMGI")., Rompetrol Rafinare SA and Oilfield Exploration Business Solutions SA („OEBS" - 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 SA and this allows to the company to continue normally the day by day operations.

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

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

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

Considering the nature of the allegations submitted by DIICOT, the KMGI companies applied for a motion of disjoining (*cerere de disjungere* in Romanian) in order to have 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.

25. LEGAL MATTERS (continued)

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

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

On May 10 and June 28, 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC 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 July 17, 2017 DIICOT issued an Ordinance which generally keeps the approach of the Orders issued in 2016 but let the civil parties namely, Ministry of Energy and Ministry of Finance, to provide the figures for the alleged damage they incurred as well as the evidences for supporting any alleged damage. 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 defence against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.

On April 12, 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated July 17, 2017, September 18, 2017 and December 6, 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 submited on April 20, 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the seizure. On May 22, 2018 the Court rejected again the challenges submitted. 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 Ocotber 8, 2018.
A similar challenge against the freezing orders will be submitted to DIICOT to be settled either by the new prosecutor in-charge with the file or by the superior.

On July 22, 2016 National Company KazMunayGas („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.

25. 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, out of which half represents additional principal tax liabilities and the other half represents late payment interest and penalties.

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

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

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

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

Constanta Court of Appeal held liable the National Agency for Tax Administration for paying back Rompetrol Rafinare approximately RON 21 million (equivalent USD 6.2 million) and to pursue to audit again for approximately RON 10 million (equivalent of USD 2.8 million).

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

After rejection of both appeals by the High Court of Cassation and Justice on October 12, 2017, the Decision of Constanta Court of Appeal has remained definitive, so Rompetrol Rafinare SA has recovered from National Agency for Tax Administration the amount of approximately RON 21 million (equivalent of USD 6,2 million).

The re-audit for approximately RON 10 million (equivalent of USD 2.8 million) initiated in February 2018 was completed in March 22, 2018 and another tax inspection team maintained the initial decision of National Agency for Tax Administration for this amount.

The Company challanged in May 2018 the tax decision issued following the reverification for about 10 million RON. At the time of these financial statements, the appeal is pending.

Based on the decision of the High Court of Cassation and Justice issued on October 12, 2017 requesting the completion of the transfer pricing dossier during the control period, the tax inspection bodies within the ANAF requested the Company on 19.06.2018 making available information about transactions with affiliated persons between 2007-2010.

In conclusion, from the total amount of RON 48 million (approx. USD 15 million) paid to National Agency for Tax Administration, the company recovered the amount of approximately RON 21 million (USD 6.2 million), and will contest to recover the amount of 10 mil RON (approximately USD 2.8 million).

25. LEGAL MATTERS (continued)

Litigation regarding CO2 emission allowances.

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

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

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

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

On July 28th 2015, the Government issued its Decision no. 611/2015, providing the modification of the National Plan initially approved by Government Decision no. 60/2008 in accordance with the final court decision of October 30 2012 and increasing the allocation of the Company with the amount of 2.577.940 CO2 emission certificates; this decision should have been fully and effectively implemented in the following 120 days, subject to an approval from European Commission, from the perspective of complying with state aid regulations. The EC approval was not delivered yet and the Government Decision has still not been effectively implemented up to this date.

The next hearing in the reunited Files 917/36/2013 and 712/36/2015 is on September 10, 2018. An expertise report was provided to the court in respect of the counter value of the certificates and following these proceedings a court decision will have to be issued accordingly. The counter value held by this recent expertise report is EUR 38.51 million. A second expert opinion was asked by the court and we expect that this second opinion will be provided and a first court decision will be issued until the end of this year.

Litigation between Rompetrol Rafinare and Navodari City Hall

On November 19th, 2015, it was finalized the local taxes fiscal audit of the local taxes, performed by Navodari City Hall, for the period of 2012-2014. The only non-compliant finding refers to revaluation of buildings made by the company on December 31,2009 and December 31,2011, namely that not all fixed assets accounted for in the account 212 "Construction" were revalued, and therefore it was not in accordance with the accounting regulations stipulated by OMFP 3055/2009. As a result, the inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and related penalties in total amount of 20.4 mil RON, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report).

25. LEGAL MATTERS (continued)

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 first hearing term before the High Court of Cassation and Justice shall be scheduled later.

b) Because the decision issued by Navodari City Hall of rejection the administrative complaint as being lack of object is based on Navodari Local Council Decision no.435/December 21, 2015, under which Rompetrol Rafinare has obtain the annulment of 73% of penalties, Rompetrol Rafinare submitted a second action for partial annulment of Navodari Local Council Decision no. 435/December 21st, 2015. This action was admitted by Constanta Tribunal. This solution has been appealed by Navodari Local Council on Constanta Court of Appeal, where the first hearing term was set on January 16th, 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 defence was submitted by Navodari City Hall and the first hearing term was established for February 22nd, 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19th, 2015. The solution was appealed by Navodari City Hall. The case is currently pending court investigation proceedings with the High Court of Cassation and Justice of Justice. The first hearing term before the High Court of Cassation and Justice was not yet scheduled.

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

In consideration of the violation by Compania Nationala Administratia Porturilor Maritime Constanta *(National Company of Constanta Maritime Ports Administration)* of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the 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 1.87 million - dredging expenditures; USD 3.3 million - commercial loss; the complaint is in course of analysis at the Competition Council. By means of the lodged complaint, the Competition Council was asked to acknowledge the violation by Administratia Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, inclusively in terms of cost incurrence, the obligations resting upon it as administrator of port areas and of supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port.

25. LEGAL MATTERS (continued)

b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (USD 0.85 million) and for restitution of dredging expenses (1.7 mil USD). The total amount in RON is today RON 10 million (USD 2.6 million). On May 19th, 2017 the Constanta Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff: a) The equivalent in lei, at the exchange rate euro/leu , fixed by the National Bank of Romania, on the day of payment, the amount of EUR 1.57 million representing dredging expenditures paid by Rompetrol Rafinare SA , during the period 30 April 2015 - 11 May 2015 ; b) The amount of 78.67 thousand lei - legal costs (of which 73.17 thousand lei - judicial stamp duties and 5,500 lei - the fees of experts and dismissals). Both parties filled for appeal against the solution pronounced by first court. On December 27, 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed all the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the second appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal.The decision is not communicated yet.

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

On August 22, 2016, a technical incident occurred within the DAV plant. Following the event, two persons, employees of a Group' subsidiary Rominserv SRL suffered burns and two persons passed away. The competent authorities have initiated investigations in order to establish the circumstances and the causes that generated the technical incident. In respect of the work accident, the Prosecutor's Office of the Constanta Court of Appeal office, was notified ex officio and opened file no. 586 / P / 2016, within which have been questioned employees of the 2 companies and was administered technical expertise. Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and four employees of the two companies were put on trial for: the non-observance of the legal labour health and safety measures, bodily harm by negligence, manslaughter and accidental pollution. At the same time Rompetrol Rafinare S.A. has quality as civilly liable party.

By the final conclusion of Preliminary Chamber procedure through the criminal sentence, no. 328 / 03.21.207 communicated to Rompetrol Rafinare on March 27, 2017 the court ordering, considering the fact that the prosecutor did not reply within procedural five days, to return the case to the Prosecutor's Office Court Appeal Constanta, finding relative nullity of the Ordinance no. 586 / P / 29.11.2016, irregularity of the indictment 586 / P / 12.7.2016 prosecutor failure to respond within procedural terms.. The Prosecutor's Office Court Appeal Constanta made appeal.

On June 21, 2017, the Constanta County Court admitted the prosecutor's appeal. and ordered the retrial of the case by Constanta Court with the observance of the legal dispositions on the summoning of the parties, namely the aggrieved persons and prosecutor. According with court decision of September 29, 2017, the file shall be sent back to the prosecutor office whereas it has been ascertained that ordinance no. 586/P/2016 of 29.11.2016 and the subsequent Act of Indictment no. 586/P/2016 din 07.12.2016 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 rejected, and the criminal file was 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 received a subpoena, as a defendant, for June 26, 2018, when the charges were brought to light, being the same, with changes in the legal framing of the facts.

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.

25. LEGAL MATTERS (continued)

Also, on May 25, 2017 Rompetrol Rafinare and Rominserv received a reply to its challenge submitted against the Constanta Labor Inspectorate Reports by which the Labour authority maintains the same considerations challenged by the companies. On August 16th, 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 December 14, 2017, the court has requested to Rompetrol Rafinare and to the Territorial Labour Inspectorate to send written specifications regarding optional suspension of the case, pending resolution of the criminal file. In the RRC file the Court suspended the case until the criminal file will be solved. In RIS file the court request supplementary information from Prosecutor's Office by Constanta Court of Appeal. We did not receive any feedback in this respect, the court set a new hearing, on September 21, 2018.

Other litigations

Vega residual pools remediation project

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

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

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

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

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

a) preliminary complaint against Assessment Note no. 299, submitted to the ENG on December 14,2017. The ENG point of view was received on January 17th 2018;

b) Preliminary complaint against Prior Notice no. 149 submitted to the PEPA on December 14, 2017; the legal response time, according to the contentious law is 30 days;

c) Suspension request of the Prior Notice no. 149, 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 was registered at the Constanta court on April 3rd 2018., with the first hearing on September 27, 2018.

e) Complaint against the fine (between RON 50,000-100,000) received from ENG, submitted to the Ploiesti court on November 29, 2017; the court reject the complaint. the court solution was appealed.

f) Request for annulment of the Finding Note no. 299/15.11.2017 issue by Environment National Guard-Prahova Commissariat, registered at Constanta court;

25. LEGAL MATTERS (continued)

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 which will be challenged according to the procedure governed by the law of the administrative contentious.

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.

26. COMMITMENTS

Environmental commitments

The principal activity of Rompetrol Rafinare SA of refinery petroleum products by its specificity might have direct or indirect effects on the environment in terms of effluents into land, water and air. The potential environmental effects of the Company's activities are monitored by specialized authorities and the management of the Company.

As of June 30, 2018 and 31 December 2017 Rompetrol Rafinare SA has no specific environmental commitments to conform to the Integrated Environmental Authorization, except for Vega refinery obligations, which have been provisioned.

At the end of March 2018 Rompetrol Rafinare SA has achieved the annual compliance with greenhouse gas (CO2) emission regulations by returning a number of CO2 certificates equivalent to the emission of 2017.

At the end of April 2018 Rompetrol Rafinare SA has signed a framework agreement with Vertis Environmental Finance Ltd. in order to make a repo transaction of 120,000 CO2 certificates with buy back on March 2019.

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

A. CAPITAL RISK

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

B. GEARING RATIO

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

	30 June 2018	31 December 2017
Debt (excluding shareholder and related parties loans)	678,316,312	466,868,013
Cash and cash equivalents	(26,237,670)	(22,863,280)
Net Borrowings	**652,078,642**	**444,004,733**
Equity (including shareholder and related parties loans)	3,073,037,731	3,262,599,767
Gearing ratio	**21.2%**	**13.6%**

C. FINANCIAL INSTRUMENTS

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

	30 June 2018	31 December 2017
Financial assets		
Trade receivables and other receivables	1,596,109,238	1,490,364,904
Cash and bank accounts	26,237,670	22,863,280
TOTAL FINANCIAL ASSETS	**1,622,346,908**	**1,513,228,184**

Financial liabilities	30 June 2018	31 December 2017
Short term borrowings from shareholders and related parties	567,446,701	683,141,317
Derivatives	12,527,098	515,760
Commercial liabilities and other liabilities	3,668,535,140	3,741,224,899
Short term loans	134,156,061	467,139,993
Long term borrowings from banks	544,599,664	-
Hybrid instrument - long-term portion	57,155,251	57,155,251
TOTAL FINANCIAL LIABILITIES	**4,984,419,915**	**4,949,177,221**

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

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

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

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

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

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

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

Fair value hierarchy

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

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

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

	30 June 2018	Level 1	Level 2	Level 3
Financial assets				
Trade receivables and other receivables	1,596,109,238	1,596,109,238	-	-
Cash and bank accounts	26,237,670	26,237,670	-	-
TOTAL FINANCIAL ASSETS	**1,622,346,908**	**1,622,346,908**	**-**	**-**
Financial liabilities				
Short term borrowings from shareholders and related parties	567,446,701	567,446,701	-	-
Derivatives	12,527,098	-	12,527,098	-
Commercial liabilities and other liabilities	3,668,535,140	3,668,535,140	-	-
Short term loans	134,156,061	134,156,061	-	-
Long term borrowings from banks	544,599,664	544,599,664		
Hybrid instrument - long-term portion	57,155,251	-	57,155,251	-
TOTAL FINANCIAL LIABILITIES	**4,984,419,915**	**4,914,737,566**	**69,682,349**	**-**

	31 December 2017	Level 1	Level 2	Level 3
Financial assets				
Trade receivables and other receivables	1,490,364,904	1,490,364,904	-	-
Cash and bank accounts	22,863,280	22,863,280	-	-
TOTAL FINANCIAL ASSETS	**1,513,228,184**	**1,513,228,184**	**-**	**-**
Financial liabilities				
Short term borrowings from shareholders and related parties	683,141,317	683,141,317	-	-
Derivatives	515,760	-	515,760	-
Commercial liabilities and other liabilities	3,741,224,899	3,741,224,899	-	-
Short term loans	467,139,993	467,139,993	-	-
Hybrid instrument - long-term portion	57,155,251	-	57,155,251	-
TOTAL FINANCIAL LIABILITIES	**4,949,177,221**	**4,891,506,210**	**57,671,011**	**-**

At 30 June 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

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

D. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

E. MARKET RISK

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

F. FOREIGN CURRENCY RISK MANAGEMENT

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

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

G. FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

		USD		EUR	
		30 June 2018	31 December 2017	30 June 2018	31 December 2017
RON					
	5%	(158,532,448)	(162,621,086)	(3,867,046)	(4,110,054)
	-5%	158,532,448	162,621,086	3,867,046	4,110,054

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

H. INTEREST RATE RISK MANAGEMENT

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

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

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 30 June 2018 would increase / decrease by RON 15.5 million (2017: increase / decrease by RON 15.9 million).

I. OIL PRODUCTS and RAW MATERIAL PRICE RISK

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

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

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

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

27. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

J. CREDIT RISK

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

Trade receivables

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

Financial instruments and bank deposits

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

28. SUBSEQUENT EVENTS

Rompetrol Rafinare S.A credit facility in amount of RON 7 million granted by Rompetrol Well Services S.A was prolonged until August 14, 2018.

Rompetrol Rafinare S.A credit facility in amount of RON 13 million granted by Rompetrol Well Services S.A was prolonged until August 10, 2018.

Rompetrol Rafinare S.A credit facility in amount of RON 3.1 million granted by Rompetrol Well Services S.A was prolonged until September 3, 2018.

Rompetrol Rafinare S.A credit facility in amount of EUR 30 million granted by Bancpost was extended until August 31, 2018.

Rompetrol Rafinare S.A credit facility in amount of EUR 37.96 million granted by Bancpost was extended until August 31, 2018.

ROMPETROL RAFINARE SA

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

JUNE 30, 2018

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

	Notes	June 30, 2018 USD	December 31, 2017 USD	June 30, 2018 RON	December 31, 2017 RON
Intangible assets	3	7,244,814	8,252,455	29,003,165	33,037,054
Goodwill	4	82,871,706	82,871,706	331,760,302	331,760,302
Property, plant and equipment	5	1,222,252,201	1,254,559,178	4,893,042,236	5,022,376,757
Available for sale investments	7	18,583	18,583	74,393	74,393
Long-term receivable		2,957,288	1,599,013	11,838,911	6,401,329
Deferred tax asset	13	36,221,657	36,221,657	145,006,159	145,006,159
Total non current assets		**1,351,566,249**	**1,383,522,592**	**5,410,725,166**	**5,538,655,994**
Inventories, net	8	345,655,881	342,623,825	1,383,764,187	1,371,625,961
Trade and other receivables	9	466,498,894	436,209,507	1,867,535,023	1,746,277,520
Derivative financial instruments	29.5	-	-	-	-
Cash and cash equivalents	10	14,356,256	12,592,193	57,472,399	50,410,326
Total current assets		**826,511,031**	**791,425,525**	**3,308,771,609**	**3,168,313,807**
TOTAL ASSETS		**2,178,077,280**	**2,174,948,117**	**8,719,496,775**	**8,706,969,801**
Share capital	11	1,463,323,897	1,463,323,897	5,858,124,557	5,858,124,557
Share premium	11	74,050,518	74,050,518	296,446,439	296,446,439
Revaluation reserve, net	11	143,432,063	146,431,777	574,201,578	586,210,333
Other reserves	11	(4,153,668)	(4,153,668)	(16,628,379)	(16,628,379)
Other reserves - Hybrid loan	11	1,059,285,995	1,059,285,995	4,240,639,624	4,240,639,624
Effect of transfers with equity holders	11	(596,832,659)	(596,832,659)	(2,389,300,184)	(2,389,300,184)
Accumulated losses		(1,449,618,426)	(1,473,246,436)	(5,803,257,445)	(5,897,847,458)
Current year result		4,250,886	19,552,126	17,017,572	78,273,027
Equity attributable to equity holders of the parent		**693,738,606**	**688,411,550**	**2,777,243,762**	**2,755,917,959**
Non-Controlling interest		15,494,713	15,934,422	62,029,985	63,790,272
Total equity		**709,233,319**	**704,345,972**	**2,839,273,747**	**2,819,708,231**
Long-term borrowings from banks	12	240,000,000	-	960,792,000	-
Hybrid loans - interest portion	11	14,687,203	14,687,203	58,797,280	58,797,280
Deferred tax liabilities	13	4,297,506	3,715,861	17,204,206	14,875,706
Provisions	16	80,635,060	85,001,042	322,806,336	340,284,672
Other non-current liabilities		186,647	207,676	747,204	831,389
Total non-current liabilities		**339,806,416**	**103,611,782**	**1,360,347,026**	**414,789,047**
Trade and other payables	14	949,550,129	966,666,960	3,801,334,033	3,869,857,842
Derivative financial instruments	29.5	3,470,067	48,387	13,891,719	193,708
Short-term borrowings from shareholders and related parties	15	142,422,474	176,211,784	570,159,888	705,428,636
Short-term borrowings from banks	15	33,594,875	224,063,232	134,490,362	896,992,337
Total current liabilities		**1,129,037,545**	**1,366,990,363**	**4,519,876,002**	**5,472,472,523**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,178,077,280**	**2,174,948,117**	**8,719,496,775**	**8,706,969,801**

CATALIN DUMITRU
PRESIDENT of the BOARD of DIRECTORS

YEDIL UTEKOV
GENERAL MANAGER

VASILE-GABRIEL MANOLE
FINANCIAL MANAGER

Prepared by,

Cristina Ana Dica
Financial Reporting Manager

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

ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the year ended at June 30, 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))

	Notes	June 30, 2018 USD	June 30, 2017 USD	June 30, 2018 RON	June 30, 2017 RON
Revenues	17	1,986,047,716	1,274,423,444	7,950,744,821	5,101,899,374
Cost of sales	18	(1,849,997,164)	(1,175,922,909)	(7,406,093,648)	(4,707,572,183)
Gross profit		**136,050,552**	**98,500,535**	**544,651,173**	**394,327,191**
Selling, general and administrative expenses, including logistic costs	19	(101,103,301)	(88,165,446)	(404,746,846)	(352,952,730)
Other operating income	20	12,930,653	322,475	51,765,283	1,290,963
Other operating expenses	20	(20,010,968)	(3,222,877)	(80,109,908)	(12,902,143)
Operating profit		**27,866,936**	**7,434,687**	**111,559,702**	**29,763,281**
Finance cost	21	(27,755,071)	(28,805,809)	(111,111,874)	(115,318,295)
Finance income	21	5,579,674	15,136,581	22,337,109	60,596,275
Foreign exchange loss, net	21	(3,192,346)	(380,525)	(12,779,918)	(1,523,356)
Profit/(loss) before income tax		**2,499,193**	**(6,615,066)**	**10,005,019**	**(26,482,095)**
Income tax	23	279,549	(415,070)	1,119,119	(1,661,650)
Profit/(loss) for the year		**2,778,742**	**(7,030,136)**	**11,124,138**	**(28,143,745)**
Attributable to:					
Equity holders of the parent		4,250,886	(8,087,790)	17,017,572	(32,377,850)
Non-Controlling interests		(1,472,144)	1,057,654	(5,893,434)	4,234,105
Earnings per share *(US cents/share)*					
Basic	25	0.010	(0.018)	0.040	(0.072)

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Financial Reporting manager

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended at June 30, 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))

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	RON
Net Gain/(loss) for the year	**2,778,742**	**(7,030,136)**	**11,124,138**	**(28,143,745)**
Other comprehensive income				
Other comprehensive income to be reclassified income statement in subsequent periods (net of tax):				
Hedge reserve	-	713,885	-	2,857,896
Net other comprehensive income to be reclassified to income/(loss) statement in subsequent periods	**-**	**713,885**	**-**	**2,857,896**
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	-	14,918,777	-
Deferred income tax related to revaluation, recognised in equity	(581,645)	-	(2,328,499)	-
Effect of change in accounting policies-property plant and equipment on retained earnings	(5,112,254)		(20,465,886)	
Effect of change in accounting policies-property plant and equipment on revaluation reserve	5,112,254		20,465,886	
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods	**3,144,975**	**-**	**12,590,278**	**-**
Total other comprehensive income/ (loss) for the year, net of tax	**3,144,975**	**713,885**	**12,590,278**	**2,857,896**
Total comprehensive income for the year, net of tax	**5,923,717**	**(6,316,251)**	**23,714,416**	**(25,285,849)**
Attributable to:				
Equity holders of the parent	7,395,861	(7,373,905)	29,607,850	(29,519,954)
Non-Controlling interests	(1,472,144)	1,057,654	(5,893,434)	4,234,105
Total comprehensive income for the year	**5,923,717**	**(6,316,251)**	**23,714,416**	**(25,285,849)**

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Financial Reporting Manager

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

	June 30, 2018 USD	June 30, 2017 USD	June 30, 2018 RON	June 30, 2017 RON
Profit/(loss) before income tax	**2,499,193**	**(6,615,066)**	**10,005,019**	**(26,482,095)**
Adjustments for:				
Depreciation and amortisation	52,121,545	47,129,958	208,658,181	188,675,357
Provisions for receivables and inventories (incl write-off)	8,833,578	3,195,053	35,363,462	12,790,756
Impairment for property, plant and equipment (incl write-off)	(8,943,534)		(35,803,650)	-
Loss on revaluation of tangible assets	11,174,920		44,736,557	-
Provision for environmental and other liabilities	(3,508,734)		(14,046,515)	-
Late payment interest	257,637	64,289	1,031,398	257,368
Other financial income	(371,861)	(159,562)	(1,488,671)	(638,775)
Interest income	(5,207,813)	(14,977,019)	(20,848,438)	(59,957,500)
Interest expense and bank charges	26,123,053	27,951,332	104,578,418	111,897,568
Gain on sale or disposal of property, plant and equipment	(265,089)	(219,134)	(1,061,231)	(877,259)
Unrealised foreign exchange (gain)/loss	(3,197,434)	8,508,044	(12,800,288)	34,060,254
Cash from operations before working capital changes	**79,515,461**	**64,877,895**	**318,324,242**	**259,725,675**
Net working capital changes:				
Receivables and prepayments	(35,610,009)	(318,090,528)	(142,557,548)	(1,273,411,810)
Inventories	(7,581,022)	1,069,980	(30,349,105)	4,283,451
Trade and other payables	(10,382,977)	278,328,097	(41,566,170)	1,114,230,874
Change in working capital	**(53,574,008)**	**(38,692,451)**	**(214,472,823)**	**(154,897,485)**
Income tax paid	**-**	**-**	**-**	**-**
Cash (paid)/received for derivatives, net	**3,421,680**	**(5,576)**	**13,698,012**	**(22,322)**
Net cash provided by/(used in) operating activities	**29,363,133**	**26,179,868**	**117,549,431**	**104,805,868**
Cash flows from investing activities				
Purchase of property, plant and equipment	(16,727,925)	(28,650,486)	(66,966,904)	(114,696,493)
Purchase of intangible assets	(609,774)	(74,505)	(2,441,108)	(298,266)
Proceeds from sale of property, plant and equipment	267,559	246,958	1,071,119	988,647
Net cash used in investing activities	**(17,070,140)**	**(28,478,033)**	**(68,336,893)**	**(114,006,112)**
Cash flows from financing activities				
Cash pooling movement	(5,334,994)	17,910,962	(21,357,581)	71,702,954
Long - term loans received from banks	285,420		1,142,622	-
Short - term loans (repaid to)/ received from shareholders	(34,139,715)	(26,519,206)	(136,671,521)	(106,164,337)
Short - term loans/ (repaid to) received from banks, net	49,184,587	22,879,423	196,900,657	91,593,194
Interest and bank charges paid, net	(20,524,228)	(20,975,967)	(82,164,642)	(83,973,089)
Net cash used in financing activities	**(10,528,930)**	**(6,704,788)**	**(42,150,465)**	**(26,841,278)**
Increase / (Decrease) in cash and cash equivalents	**1,764,063**	**(9,002,953)**	**7,062,073**	**(36,041,522)**
Cash and cash equivalents at the beginning of period	**12,592,193**	**15,810,298**	**50,410,326**	**63,293,366**
Cash and cash equivalents at the end of the period	**14,356,256**	**6,807,345**	**57,472,399**	**27,251,844**

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Financial Reporting Manager

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended at June 30, 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))

Amount in USD

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognized 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, 2016	**1,463,323,897**	**74,050,518**	**(1,473,246,436)**			**(596,832,659)**	**996,547,851**	**463,843,171**	**14,781,091**	**478,624,262**
Net loss for 2017	-	-	(8,087,790)			-	-	**(8,087,790)**	1,057,654	**(7,030,136)**
Other comprehensive income	-	-	-			-	713,885	**713,885**	-	**713,885**
Total comprehensive income	**-**	**-**	**(8,087,790)**			**-**	**713,885**	**(7,373,905)**	**1,057,654**	**(6,316,251)**
June 30, 2017	**1,463,323,897**	**74,050,518**	**(1,481,334,226)**	**-**	**-**	**(596,832,659)**	**997,261,736**	**456,469,266**	**15,838,745**	**472,308,011**

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognized 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**
Net profit for 2018	-	-	4,250,886	-	-	-	-	**4,250,886**	**(1,472,144)**	**2,778,742**
Other comprehensive income	-	-	5,112,254	(1,385,634)	(581,645)	-	-	**3,144,975**	**-**	**3,144,975**
Total comprehensive income	**-**	**-**	**9,363,140**	**(1,385,634)**	**(581,645)**	**-**	**-**	**7,395,861**	**(1,472,144)**	**5,923,717**
Effect of applying IFRS 9			(1,036,370)					**(1,036,370)**		**(1,036,370)**
Effect of change in accounting policies-property plant and equipment	-	-		(1,032,435)			-	**(1,032,435)**	**1,032,435**	**-**
June 30, 2018	**1,463,323,897**	**74,050,518**	**(1,445,367,540)**	**144,013,708**	**(581,645)**	**(596,832,659)**	**1,055,132,327**	**693,738,606**	**15,494,713**	**709,233,319**

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GENERAL MANAGER

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FINANCIAL MANAGER

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Cristina Ana Dica
Financial Reporting Manager

Amount in RON

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended at June 30, 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))

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognized 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, 2016	**5,858,124,557**	**296,446,439**	**(5,897,847,457)**	**-**	**-**	**(2,389,300,184)**	**3,989,480,012**	**1,856,903,367**	**59,173,142**	**1,916,076,509**
Net loss for 2017	-	-	(32,377,850)	-	-	-	-	**(32,377,850)**	4,234,105	**(28,143,745)**
Other comprehensive income	-	-	-	-	-	-	2,857,896	**2,857,896**	-	**2,857,896**
Total comprehensive income	**-**	**-**	**(32,377,850)**	**-**	**-**	**-**	**2,857,896**	**(29,519,954)**	**4,234,105**	**(25,285,849)**
June 30, 2017	**5,858,124,557**	**296,446,439**	**(5,930,225,307)**	**-**	**-**	**(2,389,300,184)**	**3,992,337,908**	**1,827,383,413**	**63,407,247**	**1,890,790,660**

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognized 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	**5,858,124,557**	**296,446,439**	**(5,819,574,431)**	**586,210,333**	**-**	**(2,389,300,184)**	**4,224,011,245**	**2,755,917,959**	**63,790,272**	**2,819,708,231**
Net profit for 2018	-	-	17,017,572	-	-		-	**17,017,572**	(5,893,434)	**11,124,138**
Other comprehensive income	-	-	20,465,886	(5,547,109)	(2,328,499)		-	**12,590,278**	-	**12,590,278**
Total comprehensive income	-	-	37,483,458	(5,547,109)	(2,328,499)		-	**29,607,850**	(5,893,434)	**23,714,416**
Effect of applying IFRS 9	-	-	(4,148,900)	-	-		-	**(4,148,900)**	-	**(4,148,900)**
Effect of change in accounting policies-property plant and equipment	-	-	-	(4,133,147)	-		-	**(4,133,147)**	4,133,147	**-**
June 30, 2018	**5,858,124,557**	**296,446,439**	**(5,786,239,873)**	**576,530,077**	**(2,328,499)**	**(2,389,300,184)**	**4,224,011,245**	**2,777,243,762**	**62,029,985**	**2,839,273,747**

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GENERAL MANAGER

VASILE-GABRIEL MANOLE
FINANCIAL MANAGER

Prepared by,

Cristina Ana Dica
Financial Reporting Manager

1. GENERAL

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

Rompetrol Rafinare S.A and its subsidiaries (hereinafter referred to as "the Group") are involved in refining, petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 7.a). The number of employees of the Group at the end of June 2018 and December 2017 was 1,906 and 1,887 respectively.

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

The Group's ultimate parent company is "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 June 30, 2018, as endorsed by the European Union ("EU").

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

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

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As at June 30, 2018 and December 31, 2017 the Group reported net assets including non-controlling interest, of USD 709.2 million and USD 704.3 million respectively. The Group reported for the year ended June 30, 2018 a profit of USD 4.2 million and for the year ended June 30, 2017 reported a loss of USD 8.1 million respectively.

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 amendments to IFRS effective as of 1 January 2018:

- **IFRS 9 Financial Instruments: Classification and Measurement**
  The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.
  The Group adopts the new standard IFRS 9 on the required effective date and will not restate comparative information.
  Overall, the Group didn't book a significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

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

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

  c) Impairment
  IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group applied the simplified approach and recorded the lifetime loss for trade receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRS 15 Revenue from Contracts with Customers**
  The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.
- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
  The group applies the new standard at its effective date of application, using the modified retrospective method. During 2017, the Group performed a preliminary assessment of IFRS 15 and did not identify a significant impact that will affect financial statements.
  The Group is involved in refining and petrochemicals, wholesale and retail of petroleum products and related services (oilfield, logistics, maintenance, quality control).
  The Group analysed the main revenue streams which are comprised sales of crude oil, petroleum products and petrochemicals, under the main business segments: Downstream (retail and wholesale) and refinery, by applying the ''five steps'' model prescribed by IFRS 15:
  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when (or as) the entity satisfies a performance obligation

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

d) Standards issued but not yet in force

The Group did not adopt the following standards / interpretations ahead of schedule:

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

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.
  These Amendments have not yet been endorsed by the EU. Management has assessed that there is no material impact at Group level from application of this standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management has assessed that there is no significant impact from application of this standard.

  The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. None of these had a significant effect on the Group's financial statements:

  ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re-measures 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 re-measure previously held interests in that business.

  ***IAS 12 Income Taxes*:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

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 primary economic environment and industry in which the Group operates.

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

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statement of income

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

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

Other matters

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

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

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 30 June 2018 closing exchange rate of RON 4.0033= USD 1, for both 2018 and 2017 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. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to undertake. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes (Note 4).

- Impairment of non- financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Provision for environmental liability

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

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

- Provision for decommissioning

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

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

- Deferred tax assets

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

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

- Carrying value of trade and other receivables

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

- Carrying value of inventories

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

- Provision for litigations

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

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

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 2018.

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

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

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

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

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

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

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

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

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

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

h) Business combinations and goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

i) Financial instruments

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

i. Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables

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

Available for sale financial assets

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

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

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

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

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

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

Derecognition

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

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

Or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition

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

iii. Offsetting of financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Property, plant and equipment

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

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

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

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

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

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

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

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

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

Buildings and other constructions	10 to 100 years
Storage tanks	20 to 30 years
Tank cars	25 years
Machinery and other equipment	3 to 20 years
Gas pumps	8 to12 years
Vehicles	5 years
Furniture and office equipment	3 to 10 years
Computers	3 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

k) Intangible assets

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

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

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

l) Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is property, plant and equipment stated at revalued amount in which case the impairment loss is treated as a revaluation decrease.
When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

m) Provisions

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

Provisions are not recognized for future operating losses.

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

Additional comments on the following specific liabilities are:

- *Decommissioning liability*

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

- *Environmental liabilities*

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Leases

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

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

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

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

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

o) Inventories

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

p) Trade receivables

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

q) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Revenue recognition

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

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

In addition:

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

s) Interest bearing loans and borrowings

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

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

t) Borrowings costs

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

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

u) Retirement benefit costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

v) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Deferred tax liabilities are 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.

x) Foreign Currency Transactions

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

y) Derivative Financial Instruments

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value hedge

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

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

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

Cash Flow Hedge

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

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

z) Emission Rights

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

aa) Contingencies

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2017	**33,458,411**	**38,771,280**	**4,022,352**	**76,252,043**
Additions	441,718	33,165	858,246	1,333,129
Transfers from CIP	37,861	96,565	(134,426)	-
Transfers and reclassifications*	735,252	275,304	16,365	1,026,921
Closing balance as of December 31, 2017	**34,673,242**	**39,176,314**	**4,762,537**	**78,612,093**
Additions	159,437	3,241	447,096	609,774
Transfers from CIP	783,576	1,913	(785,489)	-
Transfers and reclassifications*	-	-	(903,722)	(903,722)
Closing balance as of June 30, 2018	**35,616,255**	**39,181,468**	**3,520,422**	**78,318,145**
Accumulated amortization				
Opening balance as of January 1, 2017	**(32,909,484)**	**(35,553,417)**	**(523,380)**	**(68,986,281)**
Charge for the year	(615,276)	(758,081)	-	(1,373,357)
Accumulated amortization of disposals	-	-	-	-
Closing balance as of December 31, 2017	**(33,524,760)**	**(36,311,498)**	**(523,380)**	**(70,359,638)**
Charge for the year	(331,623)	(382,070)	-	(713,693)
Closing balance as of June 30, 2018	**(33,856,383)**	**(36,693,568)**	**(523,380)**	**(71,073,331)**
Net book value				
As of December 31, 2017	**1,148,482**	**2,864,816**	**4,239,157**	**8,252,455**
As of June 30, 2018	**1,759,872**	**2,487,900**	**2,997,042**	**7,244,814**

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

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

Amounts in RON

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2017	**133,944,057**	**155,213,065**	**16,102,682**	**305,259,804**
Additions	1,768,330	132,769	3,435,816	5,336,915
Transfers from CIP	151,569	386,579	(538,148)	-
Transfers and reclassifications*	2,943,434	1,102,125	65,514	4,111,073
Closing balance as of December 31, 2017	**138,807,390**	**156,834,538**	**19,065,864**	**314,707,792**
Additions	638,274	12,975	1,789,859	2,441,108
Transfers from CIP	3,136,890	7,658	(3,144,548)	-
Transfers and reclassifications*	-	-	(3,617,870)	(3,617,870)
Closing balance as of June 30, 2018	**142,582,554**	**156,855,171**	**14,093,305**	**313,531,030**
Accumulated amortization				
Opening balance as of January 1, 2017	**(131,746,537)**	**(142,330,994)**	**(2,095,247)**	**(276,172,778)**
Charge for the year	(2,463,134)	(3,034,826)	-	(5,497,960)
Accumulated amortization of disposals	-	-	-	-
Closing balance as of December 31, 2017	**(134,209,671)**	**(145,365,820)**	**(2,095,247)**	**(281,670,738)**
Charge for the year	(1,327,586)	(1,529,541)	-	(2,857,127)
Closing balance as of June 30, 2018	**(135,537,257)**	**(146,895,361)**	**(2,095,247)**	**(284,527,865)**
Net book value				
As of December 31, 2017	**4,597,719**	**11,468,718**	**16,970,617**	**33,037,054**
As of June 30, 2018	**7,045,297**	**9,959,810**	**11,998,058**	**29,003,165**

4. GOODWILL

The carrying value of goodwill as of 30 June 2018 and 31 December 2017 was USD 82,871,706 (RON: 331,760,302).

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

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

Impairment test

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

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2017	**70,158,567**	**908,285,818**	**1,192,084,752**	**125,139,685**	**103,305,396**	**2,398,974,218**
Acquisitions	-	2,077	416,670	470,497	83,137,840	84,027,084
Transfers from CIP	-	16,370,701	42,382,143	4,930,107	(63,682,951)	-
Revaluation adjustment	-	129,342,052	-	-	-	129,342,052
Disposals	-	(605,372)	(2,349,942)	(10,727,083)	(836)	(13,683,233)
Transfers and reclassifications*	-	(382,107,113)	(1,641,542)	(1,439,050)	(115,663)	(385,303,368)
As of December 31, 2017	**70,158,567**	**671,288,163**	**1,230,892,081**	**118,374,156**	**122,643,786**	**2,213,356,753**
Additions	-	31,625	112,715	24,901	16,558,684	16,727,925
Transfers from CIP	-	6,700,623	16,580,543	4,395,770	(27,676,936)	-
Revaluation adjustment	-	(7,448,300)	-	-	-	(7,448,300)
Disposals	-	-	(247,483)	(290,213)	-	(537,696)
Transfers and reclassifications*	-	(5,967,855)	(8,622,132)	76,474	803,712	(13,709,801)
As of June 30, 2018	**70,158,567**	**664,604,256**	**1,238,715,724**	**122,581,088**	**112,329,246**	**2,208,388,881**
Accumulated depreciation & Impairment						
As of January 1, 2017	**(78,373)**	**(485,043,631)**	**(648,121,975)**	**(98,307,717)**	**(29,275,609)**	**(1,260,827,305)**
Charge for the year	-	(27,057,742)	(61,735,456)	(5,895,439)	-	(94,688,637)
Accumulated depreciation of disposals	-	261,906	2,284,904	10,543,223	-	13,090,033
Impairment	-	(297,979)	-	-	(220,800)	(518,779)
Transfers and reclassifications*	-	382,107,113	-	2,040,000	-	384,147,113
As of December 31, 2017	**(78,373)**	**(130,030,333)**	**(707,572,527)**	**(91,619,933)**	**(29,496,409)**	**(958,797,575)**
Charge for the year	-	(18,043,323)	(30,322,881)	(3,041,648)	-	(51,407,852)
Accumulated depreciation of disposals	-	-	247,483	287,743	-	535,226
Impairment	-	8,943,534	-	-	-	8,943,534
Transfers and reclassifications*	-	14,589,987	-	-	-	14,589,987
As of June 30, 2018	**(78,373)**	**(124,540,135)**	**(737,647,925)**	**(94,373,838)**	**(29,496,409)**	**(986,136,680)**
Net book value as of December 31, 2017	**70,080,194**	**541,257,830**	**523,319,554**	**26,754,223**	**93,147,377**	**1,254,559,178**
Net book value as of June 30, 2018	**70,080,194**	**540,064,121**	**501,067,799**	**28,207,250**	**82,832,837**	**1,222,252,201**

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

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, 2017	**280,865,791**	**3,636,140,615**	**4,772,272,888**	**500,971,701**	**413,562,492**	**9,603,813,487**
Acquisitions	-	8,315	1,668,055	1,883,541	332,825,715	336,385,626
Transfers from CIP	-	65,536,827	169,668,433	19,736,697	(254,941,957)	-
Revaluation adjustment	-	517,795,037	-	-	-	517,795,037
Disposals	-	(2,423,486)	(9,407,523)	(42,943,731)	(3,347)	(54,778,087)
Transfers and reclassifications*	-	(1,529,689,405)	(6,571,585)	(5,760,949)	(463,034)	(1,542,484,973)
As of December 31, 2017	**280,865,791**	**2,687,367,903**	**4,927,630,268**	**473,887,259**	**490,979,869**	**8,860,731,090**
Additions	-	126,604	451,232	99,686	66,289,380	66,966,902
Transfers from CIP	-	26,824,604	66,376,888	17,597,586	(110,799,078)	-
Revaluation adjustment	-	(29,817,779)	-	-	-	(29,817,779)
Disposals	-	-	(990,749)	(1,161,810)	-	(2,152,559)
Transfers and reclassifications*	-	(23,891,114)	(34,516,981)	306,148	3,217,500	(54,884,447)
As of June 30, 2018	**280,865,791**	**2,660,610,218**	**4,958,950,658**	**490,728,869**	**449,687,671**	**8,840,843,207**
Accumulated depreciation & Impairment						
As of January 1, 2017	**(313,751)**	**(1,941,775,168)**	**(2,594,626,703)**	**(393,555,283)**	**(117,199,046)**	**(5,047,469,951)**
Charge for the year	-	(108,320,259)	(247,145,551)	(23,601,210)	-	(379,067,020)
Accumulated depreciation of disposals	-	1,048,488	9,147,156	42,207,685	-	52,403,329
Impairment	-	(1,192,899)	-	-	(883,929)	(2,076,828)
Transfers and reclassifications*	-	1,529,689,405	-	8,166,732	-	1,537,856,137
As of December 31, 2017	**(313,751)**	**(520,550,433)**	**(2,832,625,098)**	**(366,782,076)**	**(118,082,975)**	**(3,838,354,333)**
Charge for the year	-	(72,232,835)	(121,391,590)	(12,176,629)	-	(205,801,054)
Accumulated depreciation of disposals	-	-	990,749	1,151,922	-	2,142,671
Impairment	-	35,803,650	-	-	-	35,803,650
Transfers and reclassifications*	-	58,408,095	-	-	-	58,408,095
As of June 30, 2018	**(313,751)**	**(498,571,523)**	**(2,953,025,939)**	**(377,806,783)**	**(118,082,975)**	**(3,947,800,971)**
Net book value as of December 31, 2017	**280,552,040**	**2,166,817,470**	**2,095,005,170**	**107,105,183**	**372,896,894**	**5,022,376,757**
Net book value as of June 30, 2018	**280.552.040**	**2,162,038,695**	**2,005,924,719**	**112,922,086**	**331,604,696**	**4,893,042,236**

In 2018, Transfers and Reclassifications of USD 0.8 million (RON 3.52 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 14.59 million.

In 2017, Transfers and Reclassifications of USD 1.15 million (RON 4.6 million) represent transfer to intangibles, reclassifications between categories and other adjustments. Also, an additional transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset in amount of USD 382.1 million.

- *Construction in progress*

In 2018 out of the total acquisitions in construction in progress the most significant refers to the following projects of Rompetrol Rafinare SA: HDPE* Unit restart USD 1.2 million, State Inspecting for Control of Boilers, Pressure Vessel and Hoisting authorizations (ISCIR) amounting to USD 3.5 million, Tank rehabilitation amounting to USD 1.4 million Rehabilitation of the electrical system SRA2 USD 1.2 million and refinery catalyst replacement HPM USD 1.7 million. Part of these projects have been transferred to the other property, plant and equipment categories.

In 2018 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 2.8 million, State Inspecting for Control of Boilers, Pressure Vessel and Hoisting authorizations (ISCIR) amounting to USD 9.7 million, Rehabilitation of the electrical system SRA2 USD

5. PROPERTY, PLANT AND EQUIPMENT (continued)

1.2 million and Refinery specific optimisation programs amounting to USD 6.2 million in respect of Rompetrol Rafinare SA.

* On 30 June 2018 and 31 December 2017, the net book value of the HDPE plant was USD 27.8 million, respectively USD 23 million.

With the support and decision of the majority shareholder, the company started at the end of 2017 the mechanical and organizational works for bringing the HDPE plant into operation. In mid-April 2018, the HDPE plant was put into function at optimum parameters, but due to unfavourable market conditions characterized by low petrochemical margins, it was stopped in mid-May. Within the Group, internal analyses are carried out on potential measures to mitigate the negative impact of the market, with the Group relying on the rapid restart of the unit when market conditions improve.

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

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

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

- *Disposals*

In 2018, out of the total USD 0.54 million disposed assets, USD 0.29 million refers to sales for Rompetrol Downstream S.A. and USD 0.25 million refers to write-offs for Rompetrol Gas.

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

- *Borrowing costs capitalized*

The Group is financing part of its operations from borrowings and hence the cost of these borrowings related to acquisition of qualifying assets is capitalized as part of the cost of those qualifying assets. For the periods ended at 30 June 2018 and 31 December 2017 no loans were taken specifically for investments and - no borrowing costs were capitalized.

- *Disposals through sales of subsidiaries and liquidations*

During 2018 and 2017 there was no disposal of companies.

- *Impairment*

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Revaluation of buildings category*

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

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

Reconciliation of carrying amount

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

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

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

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

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment of approximately USD 434.6 million (2017: USD 437.9 million) net, for securing banking facilities granted to Group entities.

6. IMPAIRMENT TEST

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

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

Refining

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

Petrochemicals

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

Downstream Romania

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

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

Key assumptions used in fair value less costs to sell calculations

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

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

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

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

6. IMPAIRMENT TEST (continued)

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

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

Sensitivity to changes in assumptions

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

Refining

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

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

Petrochemicals

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

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

Downstream Romania

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

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

*Operating profit margins were computed based on net revenue.

7. INVESTMENTS

a) Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at June 30, 2018 and December 31, 2017 are as follows:

Company name	Range of activity	Effective ownership June 30, 2018	Control June 30, 2018	Effective ownership December 31, 2017	Control December 31, 2017
Rompetrol Downstream S.R.L.	Retail Trade of Fuels and Lubricants	100.00%	100.00%	100.00%	100.00%
Rom Oil S.A.	Wholesale of Fuels; fuel storage	100.00%	100.00%	100.00%	100.00%
Rompetrol Logistics S.R.L.	Logistics operations	66.19%	100.00%	66.19%	100.00%
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100.00%	100.00%	100.00%	100.00%
Rompetrol Quality Control S.R.L.	Quality Control Services	100.00%	100.00%	100.00%	100.00%
Rompetrol Gas S.R.L.	LPG Sales	66.19%	100.00%	66.19%	100.00%

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

b) Available for sale Investments

	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	USD	USD	RON	RON
Other	18,583	18,583	74,393	74,393
Total	**18,583**	**18,583**	**74,393**	**74,393**

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

8. INVENTORIES, NET

	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	USD	USD	RON	RON
Crude oil and other feedstock materials	118,450,149	148,316,687	474,191,481	593,756,195
Petroleum and petrochemical products	178,657,896	139,135,248	715,221,155	557,000,138
Work in progress	30,280,455	31,572,883	121,221,746	126,395,723
Spare parts	16,320,147	16,625,967	65,334,444	66,558,734
Consumables and other raw materials	5,527,664	5,743,935	22,128,897	22,994,695
Merchandises	9,848,286	10,434,929	39,425,643	41,774,151
Other inventories	8,983,409	8,765,119	35,963,281	35,089,401
Inventories provision	(22,412,125)	(17,970,943)	(89,722,460)	(71,943,076)
	345,655,881	**342,623,825**	**1,383,764,187**	**1,371,625,961**

8. INVENTORIES, NET (continued)

The inventories provision movement in 2018 and 2017 is provided below:

Movements in inventories reserve:

	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	USD	USD	RON	RON
Reserve as of January 1	**(17,970,943)**	**(16,690,970)**	**(71,943,076)**	**(66,818,960)**
Accrued provision	(8,508,856)	(3,864,942)	(34,063,504)	(15,472,523)
Write off	1,398	38,435	5,597	153,867
Reversal of provision	4,066,276	2,546,534	16,278,523	10,194,540
Reserve as of December 31	**(22,412,125)**	**(17,970,943)**	**(89,722,460)**	**(71,943,076)**

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

The Group has pledged inventories in gross amount of USD 308.8 million (2017: USD 301.4 million) to secure banking facilities.

9. TRADE AND OTHER RECEIVABLES

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

	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	USD	USD	RON	RON
Trade receivables	306,896,548	272,145,734	1,228,598,951	1,089,481,018
Advances to suppliers	9,093,081	9,061,490	36,402,331	36,275,863
Sundry debtors	87,390,240	84,011,319	349,849,348	336,322,513
VAT to be recovered	-	12,050		48,240
Other receivables	170,268,238	176,224,862	681,634,837	705,480,990
Provision for bad and doubtful debts	(107,149,213)	(105,245,948)	(428,950,444)	(421,331,104)
	466,498,894	**436,209,507**	**1,867,535,023**	**1,746,277,520**

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

Included in Sundry debtors in 2018 is an amount of USD 9.30 million (2017: USD 3.05 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 3.43 million (2017: USD 3.53 million) for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) (see Note 27). Also, included in Sundry debtors category is an amount of USD 71.3 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.

9. TRADE AND OTHER RECEIVABLES (continued)

Out of the total balance for other receivables of USD 170.3 million, an amount of USD 30.47 million (2017: USD 30.02 million) relates to Competition Council fine from Downstream and USD 114.74 million relates to cash pooling receivables for: Rompetrol Downstream USD 90.2 million (2017: USD 92.9 million), Rompetrol Gas USD 23.8 million (2017: USD 19.9 million), and Rompetrol Quality Control USD 0.11 million. Also, in other receivables an amount of USD 10.01 million (2017: USD 13.99 million) refers to excise receivables in Rompetrol Rafinare.

	June 30, 2018 USD	December 31, 2017 USD	June 30, 2018 RON	December 31, 2017 RON
Sundry debtors	87,390,240	84,011,319	349,849,348	336,322,513
Other receivables	170,268,238	176,224,862	681,634,837	705,480,990
Provision for sundry debtors and other receivables	(36,070,665)	(32,772,120)	(144,401,691)	(131,196,627)

Out of the total amount of other receivables and sundry debtors of USD 257.6 million (2017: USD 260.2 million) an amount of USD 36.07 million (2017: USD 32.77 million) is provisioned.

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

	June 30, 2018 USD	December 31, 2017 USD	June 30, 2018 RON	December 31, 2017 RON
Balance at the beginning of the year	**(105,245,948)**	**(92,735,110)**	**(421,331,104)**	**(371,246,466)**
Impairment losses recognized on receivables	(7,040,694)	(1,933,470)	(28,186,010)	(7,740,260)
Impairment losses reversed	1,939,995	2,028,308	7,766,382	8,119,925
Translation differences	3,197,434	(12,605,676)	12,800,288	(50,464,303)
Balance at the end of the year	**(107,149,213)**	**(105,245,948)**	**(428,950,444)**	**(421,331,104)**

Trade receivables totaling USD 150.8 million (RON 603.7 million) as at June 30, 2018 and USD 127.85 million (RON 511.82 million) as at December 31, 2017 are pledged to obtain credit facilities (see Notes 12 and 15).

10.CASH AND CASH EQUIVALENTS

	June 30, 2018 USD	December 31, 2017 USD	June 30, 2018 RON	December 31, 2017 RON
Cash at bank	11,371,602	10,040,822	45,523,934	40,196,423
Cash on hand	1,545,543	2,361,831	6,187,272	9,455,118
Cash equivalents	1,439,111	189,540	5,761,193	758,785
	14,356,256	**12,592,193**	**57,472,399**	**50,410,326**

Included in cash at bank is USD 1.74 million (RON 6.96 million) as at June 30, 2018 and USD 1.77 million (RON 7.08 million) as at December 31, 2017 representing cash collateral for certain bank facilities (see Note 12 and 15). Cash equivalents represent mainly cheques in the course of being cashed.

11.EQUITY

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

June 30, 2018

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	2,122,250,642	704,057,130	2,818,551,909
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,618,341,835
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	379,049,542
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,919,194
Others (not State or KMGI Group)	0.67%	29,562,686	9,807,428	39,262,077
Total	**100%**	**4,410,920,571**	**1,463,323,897**	**5,858,124,557**

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

December 31, 2017

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	2,122,250,642	704,057,130	2,818,551,909
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,618,341,835
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	379,049,542
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,919,194
Others (not State or KMGI Group)	0.67%	29,562,686	9,807,428	39,262,077
Total	**100%**	**4,410,920,571**	**1,463,323,897**	**5,858,124,557**

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2018 and 2017.

Share premium and effect of transfers with equity holders

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

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

11. EQUITY (continued)

Hybrid Loan

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into an unsecured hybrid loan, repayable after 51 years. During 2013, an additional USD 200 million were converted (USD 150 million related to Rompetrol Rafinare and USD 50 million to Rompetrol 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 December 31, 2017, the total value of the hybrid loan is amounting USD 1,072 million. The additional loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 2% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

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

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

Revaluation reserve

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

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

On June 30, 2018, 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 December 31, 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, on 30 June 2018, the revaluation surplus transferred to retained earnings was USD 5.11 million.

12. LONG-TERM BORROWINGS FROM BANKS

	June 30, 2018 USD	December 31, 2017 USD	June 30, 2018 RON	December 31, 2017 RON
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: The entire exposure is composed by 2 different loans in USD. The loans are payable by April 23, 2021.	104,046,198	-	416,528,144	-
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: The exposure is composed by 2 loans in USD. The loans are payable by April 23, 2021.	136,147,448	-	545,039,079	-
Amount payable within one year principal	**(193,646)**	**-**	**(775,223)**	**-**
Total	**240,000,000**	**-**	**960,792,000**	**-**

	June 30, 2018 USD	June 30, 2017 USD	June 30, 2018 RON	June 30, 2017 RON
One year or less - principal	193,646	-	775,223	-
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	240,000,000	-	960,792,000	-
Total	**240,193,646**	**-**	**961,567,223**	**-**

The loans are secured with pledges on property plant and equipment of USD 434.6 million (2017: USD 437.9), inventories of USD 308.8 million (2017: USD 301.4) and trade receivables of USD 150.8 million (2017: USD 127.8 million).

All the financial covenants applicable were complied with as of June 30, 2018.

13. DEFERRED TAX ASSETS AND LIABILITIES

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

	June 30, 2018 USD	December 31, 2017 USD	June 30, 2018 RON	December 31, 2017 RON
Deferred tax assets	(36,221,657)	(36,221,657)	(145,006,159)	(145,006,159)
Deferred tax liabilities	4,297,506	3,715,861	17,204,206	14,875,706
Deferred tax (asset) / liability, net	**(31,924,151)**	**(32,505,796)**	**(127,801,953)**	**(130,130,453)**

13. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

USD

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	340,470,813	-	3,635,281	344,106,094
Inventories	82,619	-	-	82,619
Provisions	(72,310,000)	-	-	(72,310,000)
Tax losses	(471,453,231)	-	-	(471,453,231)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**(203,161,224)**	**-**	**3,635,281**	**(199,525,943)**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	54,475,330	-	581,645	55,056,975
Inventories	13,219	-	-	13,219
Provisions	(11,569,600)	-		(11,569,600)
Tax losses	(75,432,517)	-		(75,432,517)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**(32,505,796)**	**-**	**581,645**	**(31,924,151)**

RON

2018	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	197,114	-	-	197,114
Property, plant and equipment	1,363,006,806	-	14,553,120	1,377,559,926
Inventories	330,749	-	-	330,749
Provisions	(289,478,623)	-	-	(289,478,623)
Tax losses	(1,887,368,720)	-	-	(1,887,368,720)
Other	(2,654)	-	-	(2,654)
Total temporary differences (asset)/liability	**(813,315,328)**	**-**	**14,553,120**	**(798,762,208)**
Deferred tax effect				
Intangible assets	31,538	-	-	31,538
Property, plant and equipment	218,081,088	-	2,328,500	220,409,588
Inventories	52,920	-	-	52,920
Provisions	(46,316,580)	-	-	(46,316,580)
Tax losses	(301,978,995)	-	-	(301,978,995)
Other	(424)	-	-	(424)
Deferred tax (asset)/liability recognized	**(130,130,453)**	**-**	**2,328,500**	**(127,801,953)**

13. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

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

RON

2017	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	197,114	-	-	197,114
Property, plant and equipment	500,437,573	164,699,789	697,869,444	1,363,006,806
Inventories	330,749	-	-	330,749
Provisions	(262,318,358)	(27,160,265)	-	(289,478,623)
Tax losses	(1,818,997,360)	(68,371,360)	-	(1,887,368,720)
Other	(2,654)	-	-	(2,654)
Total temporary differences (asset)/liability	**(1,580,352,936)**	**69,168,164**	**697,869,444**	**(813,315,328)**
Deferred tax effect				
Intangible assets	31,538	-	-	31,538
Property, plant and equipment	80,070,011	26,351,966	111,659,111	218,081,088
Inventories	52,920	-	-	52,920
Provisions	(41,970,937)	(4,345,642)	-	(46,316,579)
Tax losses	(291,039,578)	(10,939,418)	-	(301,978,996)
Other	(424)	-	-	(424)
Deferred tax (asset)/liability recognized	**(252,856,470)**	**11,066,906**	**111,659,111**	**(130,130,453)**

13. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

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

14.TRADE AND OTHER PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	USD	USD	RON	RON
Trade payables	738,484,189	765,953,098	2,956,373,756	3,066,340,039
Advances from customers	28,149,314	26,318,867	112,690,147	105,362,320
Excise taxes	1,988	27,500	7,959	110,091
Special found tax for oil products	6,884,558	7,082,443	27,560,951	28,353,144
VAT payable	40,043,280	33,555,506	160,305,263	134,332,757
Profit tax payable	150,551	758,592	602,701	3,036,871
Other taxes payable	(25,848)	(25,516)	(103,477)	(102,148)
Employees and social obligations	4,133,028	5,275,852	16,545,751	21,120,818
Deferred revenues	4,151,538	5,579,121	16,619,852	22,334,895
Other liabilities	127,577,531	122,141,497	510,731,130	488,969,055
Total	**949,550,129**	**966,666,960**	**3,801,334,033**	**3,869,857,842**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol S.R.L. (“Master Company”). The amounts in balance as of June 30, 2018 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 104.49 million, Rompetrol Gas USD 16.87 million and Romoil USD 0.65 million. Rompetrol Downstream S.R.L., Rompetrol Gas and Rompetrol Quality Control S.R.L. have a positive balance included in other receivables (see note 9) amounting to USD 90.2 million, USD 23.8 million and 0.11 million respectively.

Also in other liabilities are included short term guarantees in Rompetrol Downstream S.R.L., in amount of USD 4.27 million (2017: USD 3.92 million).

15. SHORT-TERM DEBT

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	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, 2018. Drawings in USD/EUR/RON.	33,401,229	8,102,477	133,715,139	32,436,646
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: The entire exposure is composed by 2 different loans in USD. The maturity of the loans was April 23, 2018, when they were prolonged and transferred to long term debt.	-	103,960,000	-	416,183,068
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: The exposure is composed by 2 loans in USD. The maturity of the loans was April 23, 2018, when they were prolonged and transferred to long term debt.	-	111,868,745	-	447,844,147
Accrued interest	-	132,010	-	528,476
Current portion of long-term debt	**193,646**	**-**	**775,223**	**-**
	33,594,875	**224,063,232**	**134,490,362**	**896,992,337**

15. SHORT-TERM DEBT (continued)

	June 30, 2018 USD	June 30, 2017 USD	June 30, 2018 RON	June 30, 2017 RON
Borrowings from shareholders and related parties				
KMG International N.V. Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, for USD 50 million maturity date - December 31, 2018, for USD 200 million maturity date is on request , assignment of receivables, real movable security interest over movable assets; real movable security interest over the participations over Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. The undrawn amounts as of June 30, 2018 is in amount of USD 94.24 million.	94,240,904	127,113,904	377,274,611	508,875,092
Rompetrol Financial Group Rompetrol Rafinare SA:Short-term facility for working capital needs in amount of up to USD 29.215 million, maturity date - December 31, 2018. The facility has been fully used.	28,726,301	29,551,587	115,000,001	118,303,868
KMG International N.V. 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.	546,257	546,257	2,186,831	2,186,831
Midia Marine Terminal Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of RON 27.211 million, maturity date December 31, 2018. The facility has been fully used.	6,797,167	6,992,445	27,211,099	27,992,855
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - July 10, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	3,247,321	3,340,614	13,000,000	13,373,480
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - August 28, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	2,797,692	2,878,068	11,200,000	11,521,770
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - July 14, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	1,748,557	1,798,792	6,999,998	7,201,104
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date -July 3, 2018. The loan is secured with a promissory note covering the debt. The facility has been fully used.	774,361	796,608	3,099,999	3,189,061
Accrued interest	**3,543,914**	**3,193,509**	**14,187,349**	**12,784,575**
	142,422,474	**176,211,784**	**570,159,888**	**705,428,636**

15.SHORT-TERM DEBT (continued)

All the financial covenants applicable were complied with as of June 30, 2018.

All loans are interest bearing and the effective weighted average interest rates per currency are the following: EUR 3.3% (2017: 3.3%), RON 6.5% (2017: 4.3%) and USD 3.84% (2017: 3.2%).

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 434.6 million (2017: USD 437.9), inventories of USD 308.8 million (2017: USD 301.4) and trade receivables of USD: 150.8 million (2016: USD 127.8 million).

The movement in loans is presented below:

USD	**At 1 January 2018**	**Movement**	**At 30 June 2018**
Long-term borrowings	-	240,000,000	240,000,000
Short-term borrowings banks	223,931,222	(190,529,993)	33,401,229
Short term borrowings from shareholders	173,018,275	(34,139,715)	138,878,560
Interest Short term borrowings from shareholders	3,193,509	350,405	3,543,914
Interest payable within one year related to long-term loans	132,010	61,636	193,646
Total	**400,275,016**	**15,742,333**	**416,017,349**

RON	**At 1 January 2018**	**Movement**	**At 30 June 2018**
Long-term borrowings	-	960,792,000	960,792,000
Short-term borrowings banks	896,463,862	(762,748,723)	133,715,139
Short term borrowings from shareholders	692,644,060	(136,671,521)	555,972,539
Interest Short term borrowings from shareholders	12,784,575	1,402,774	14,187,349
Interest payable within one year related to long-term loans	528,476	246,747	775,223
Total	**1,602,420,973**	**63,021,277**	**1,665,442,250**

16. PROVISIONS

Provisions comprise the following:

	2018 USD	**2017 USD**	**2018 RON**	**2017 RON**
Non-current provisions	80,635,060	85,001,042	322,806,336	340,284,672
Total Provisions	**80,635,060**	**85,001,042**	**322,806,336**	**340,284,672**

The movement in provisions is presented below:

USD	**At 1 January 2018**	**Reclassification between balance sheet items**	**At 30 June 2018**
Provision for retirement benefit	8,237,099	-	8,237,099
Provision for restructuring	13,486	-	13,486
Environmental provisions	72,384,475	-	72,384,475
Other provisions	4,365,982	(4,365,982)	0
Total	**85,001,042**	**(4,365,982)**	**80,635,060**

RON	**At 1 January 2018**	**Reclassification between balance sheet items**	**At 30 June 2018**
Provision for retirement benefit	32,975,578	-	32,975,578
Provision for restructuring	53,989	-	53,989
Environmental provisions	289,776,769	-	289,776,769
Other provisions	17,478,336	(17,478,336)	0
Total	**340,284,672**	**(17,478,336)**	**322,806,336**

16.PROVISIONS (continued)

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) and also a provision that was booked in relation to fiscal controls for the period 2011 - 2015 in relation to Rompetrol Rafinare in amount of USD 3.5 million (see note 26), which was reclassified as a provision for sundry debtors as of June 30, 2018 (see notes 9 and 26).

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

RON	At 1 January 2017	Charged to equity	Arising during the year	Reclassification between balance sheet items	At 31 December 2017
Provision for retirement benefit	27,856,579	4,058,265	1,060,734	-	32,975,578
Provision for restructuring	53,989	-	-	-	53,989
Environmental provisions	262,599,390	-	27,177,379	-	289,776,769
Other provisions	15,459,632	-	14,046,515	(12,027,811)	17,478,336
Total	**305,969,590**	**4,058,265**	**42,284,628**	**(12,027,811)**	**340,284,672**

At the end of 2017, the total amount provisioned for Vega lagoons remediation project was USD 72.4 million (calculated on the basis of estimated costs based on an assessment report issued by an independent expert and an estimated 5 years works completion). At the date of these financial statements, Rompetrol Rafinare SA will engage in certain technical procedures (pilot tests) agreed with the environmental authorities in order to clarify the technological solution and as support for the review of the integrated environmental permit. At the same time, the process of bidding for suppliers for future greening works is ongoing.

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

17.REVENUES

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	RON
Gross revenues from petroleum products production	2,366,995,806	1,451,182,561	9,475,794,310	5,809,519,146
Gross revenues from petroleum products trading	77,585,462	150,062,701	310,597,880	600,746,011
Revenues from petrochemicals production	111,440,482	79,882,304	446,129,682	319,792,828
Revenues from petrochemicals trading	2,911,925	101,890	11,657,309	407,896
Revenues from other merchandise sales	37,737,093	30,699,891	151,072,904	122,900,874
Revenues from utilities sold	1,106,258	940,839	4,428,683	3,766,461
Revenues from transportation fees	1,048,752	696,940	4,198,469	2,790,060
Revenues from rents and other services	5,316,457	4,847,449	21,283,372	19,405,793
Gross Revenues	**2,604,142,235**	**1,718,414,575**	**10,425,162,609**	**6,879,329,069**
Less sales taxes	(553,443,881)	(395,389,419)	(2,215,601,889)	(1,582,862,461)
Less commercial discounts	(64,650,638)	(48,601,712)	(258,815,899)	(194,567,234)
Total	**1,986,047,716**	**1,274,423,444**	**7,950,744,821**	**5,101,899,374**

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

18.COST OF SALES

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	RON
Crude oil and other raw materials	1,649,786,498	999,264,293	6,604,590,288	4,000,354,746
Consumables and other materials	7,574,867	6,061,473	30,324,465	24,265,895
Utilities	43,678,718	31,243,276	174,859,012	125,076,207
Staff costs	14,310,839	11,162,440	57,290,582	44,686,596
Transportation	74,537	76,438	298,394	306,004
Maintenance and repairs	14,997,436	10,012,991	60,039,236	40,085,007
Insurance	821,735	662,192	3,289,652	2,650,953
Environmental expenses	161,993	84,091	648,507	336,642
Other	5,266,425	4,356,209	21,083,079	17,439,211
Cash production cost	**1,736,673,048**	**1,062,923,403**	**6,952,423,215**	**4,255,201,261**
Depreciation and amortization	36,092,318	28,709,150	144,488,377	114,931,340
Production costs	**1,772,765,366**	**1,091,632,553**	**7,096,911,592**	**4,370,132,601**
Plus: Change in inventories	(27,939,869)	(69,552,907)	(111,851,678)	(278,441,153)
Less: Own production of property, plant & equipment	(639)	(1,763,067)	(2,558)	(7,058,086)
Cost of petroleum products trading	64,781,308	129,328,167	259,339,010	517,739,451
Cost of petrochemicals trading	2,774,875	120,916	11,108,657	484,063
Cost of merchandise sold	29,674,944	24,600,415	118,797,703	98,482,841
Cost of utilities resold	512,614	536,356	2,052,148	2,147,194
Realised (gains)/losses on derivatives	7,428,565	1,020,476	29,738,774	4,085,272
Total	**1,849,997,164**	**1,175,922,909**	**7,406,093,648**	**4,707,572,183**

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

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	RON
Staff costs	9,371,638	9,759,429	37,517,480	39,069,922
Utilities	2,652,512	2,186,155	10,618,801	8,751,834
Transportation	24,167,956	21,598,831	96,751,578	86,466,600
Professional and consulting fees	23,833,053	12,881,395	95,410,861	51,568,089
Royalties and rents	3,347,270	2,780,589	13,400,126	11,131,532
Consumables	64,124	108,807	256,708	435,587
Marketing	1,827,940	1,668,302	7,317,792	6,678,713
Taxes	965,084	1,142,496	3,863,521	4,573,754
Communications	407,590	380,460	1,631,705	1,523,096
Insurance	315,930	513,662	1,264,763	2,056,343
IT related expenditures	4,352,589	4,053,641	17,424,720	16,227,941
Environmental expenses	1,118,877	1,183,661	4,479,200	4,738,550
Maintenance and repairs	4,551,506	4,715,451	18,221,044	18,877,365
Other expenses	8,098,005	6,771,760	32,418,743	27,109,387
Costs before depreciation	**85,074,074**	**69,744,639**	**340,577,042**	**279,208,713**
Depreciation and amortisation	16,029,227	18,420,807	64,169,804	73,744,017
Total	**101,103,301**	**88,165,446**	**404,746,846**	**352,952,730**

20.OTHER OPERATING INCOME/ (EXPENSES), NET

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	RON
Net book value of non-current assets disposals	(2,470)	(27,824)	(9,888)	(111,388)
Proceeds on disposals of non-current assets	267,559	246,958	1,071,119	988,647
Reverse for impairment of tangible assets, net	8,943,534	-	35,803,650	-
Provision for receivables, net	(2,993,353)	(277,507)	(11,983,290)	(1,110,944)
Provision for inventories and write-off, net	(4,441,182)	(2,915,846)	(17,779,384)	(11,673,006)
Receivables write-off	(1,267,723)	-	(5,075,075)	-
Tangible and intangible assets write-off	-	-	-	-
Gain/(loss) from revaluation of non-current assets	(11,174,920)	-	(44,736,557)	-
Inventories write-off	(131,320)	(1,700)	(525,713)	(6,806)
Other provisions, net	3,508,734	-	14,046,515	-
Other, net	210,826	75,517	843,998	302,317
Total	**(7,080,315)**	**(2,900,402)**	**(28,344,625)**	**(11,611,180)**

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

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

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

21.FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	RON
Finance cost				
Late payment interest	(257,637)	(64,289)	(1,031,398)	(257,368)
Interest expense	(12,184,610)	(14,888,774)	(48,778,648)	(59,604,229)
Interest expense shareholders	(3,962,752)	(4,806,537)	(15,864,085)	(19,242,010)
Unwinding of discount on hybrid	-	-	-	-
Commission and other bank charges	(11,350,072)	(9,047,243)	(45,437,743)	(36,218,828)
Collection discounts expenses	-	1,034	-	4,140
	(27,755,071)	**(28,805,809)**	**(111,111,874)**	**(115,318,295)**
Finance income				
Interest income	5,207,813	14,977,019	20,848,438	59,957,500
Other financial income	371,861	159,562	1,488,671	638,775
	5,579,674	**15,136,581**	**22,337,109**	**60,596,275**
Finance income/(cost) net	**(22,175,397)**	**(13,669,228)**	**(88,774,765)**	**(54,722,020)**
Unrealized net foreign exchange (losses)/gains	(5,779,937)	(3,414,272)	(23,138,821)	(13,668,355)
Realized net foreign exchange (losses)/gains	2,587,591	3,033,747	10,358,903	12,144,999
Foreign exchange gain/(loss), net	**(3,192,346)**	**(380,525)**	**(12,779,918)**	**(1,523,356)**
Total	**(25,367,743)**	**(14,049,753)**	**(101,554,683)**	**(56,245,376)**

22.INCOME TAX

a) The current income tax rate in 2018 was 16%, the same as in 2017.

	June 30, 2018 USD	June 30, 2017 USD	June 30, 2018 RON	June 30, 2017 RON
Tax expense comprises:				
Current tax expense	(279,549)	415,070	(1,119,119)	1,661,650
Total tax expense/(income)	**(279,549)**	**415,070**	**(1,119,119)**	**1,661,650**

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

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

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

In 2017, Downstream fully utilized the cumulative fiscal loss.

22.INCOME TAX (continued)

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

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

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

23.OPERATING SEGMENT INFORMATION

a) Business Segments

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

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

23. 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"	4,157,771,414	457,786,995	-	3,335,186,412	-	7,950,744,821
Net revenues "Inter segment"	2,704,836,695	-	-	13,518,464	(2,718,355,159)	-
Cost of sales	(6,567,535,518)	(505,526,568)		(3,091,573,638)	2,758,542,076	(7,406,093,648)
Gross margin	**295,072,591**	**(47,739,573)**		**257,131,238**	**40,186,917**	**544,651,173**
Selling, general and administrative expenses	(125,588,809)	(19,948,096)		(216,232,457)	(42,977,484)	(404,746,846)
Other operating income/(expenses), net	(23,260,166)	(278,862)		(11,217,651)	6,412,054	(28,344,625)
Operating margin (EBIT)	**146,223,616**	**(67,966,531)**		**29,681,130**	**3,621,487**	**111,559,702**
Financial expenses, net			(76,609,078)	(4,416,685)	(7,749,002)	(88,774,765)
Net foreign exchange result			(8,130,446)	(4,649,472)	-	(12,779,918)
Profit/(loss) before income tax	**146,223,616**	**(67,966,531)**	**(84,739,524)**	**20,614,973**	**(4,127,515)**	**10,005,019**
Income tax			-	1,119,119	-	1,119,119
Net Profit/(Loss)	**146,223,616**	**(67,966,531)**	**(84,739,524)**	**21,734,092**	**(4,127,515)**	**11,124,138**
Depreciation and amortisation	137,059,297	32,611,286		40,832,259	(1,844,661)	208,658,181

23. OPERATING SEGMENT INFORMATION (continued)

2018 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,709,389,647	237,861,090	(595,684,488)	1,351,566,249
Total current assets	602,152,271	405,092,688	(180,733,928)	826,511,031
TOTAL ASSETS	**2,311,541,918**	**642,953,778**	**(776,418,416)**	**2,178,077,280**
Total equity	1,070,145,163	239,544,576	(600,456,420)	709,233,319
Total non-current liabilities	224,983,862	108,530,159	6,292,395	339,806,416
Total current liabilities	1,016,412,893	294,879,043	(182,254,391)	1,129,037,545
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,311,541,918**	**642,953,778**	**(776,418,416)**	**2,178,077,280**
Capital expenditure	14,882,513	2,484,044	(28,858)	**17,337,699**

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,843,199,576	952,229,303	(2,384,703,713)	5,410,725,166
Total current assets	2,410,596,185	1,621,707,558	(723,532,134)	3,308,771,609
TOTAL ASSETS	**9,253,795,761**	**2,573,936,861**	**(3,108,235,847)**	**8,719,496,775**
Total equity	4,284,112,131	958,968,801	(2,403,807,185)	2,839,273,747
Total non-current liabilities	900,677,896	434,478,786	25,190,344	1,360,347,026
Total current liabilities	4,069,005,734	1,180,489,274	(729,619,006)	4,519,876,002
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,253,795,761**	**2,573,936,861**	**(3,108,235,847)**	**8,719,496,775**
Capital expenditure	59,579,164	9,944,373	(115,527)	**69,408,010**

23. OPERATING SEGMENT INFORMATION (continued)

2017 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Consolidation adjustments	Consolidated
Net revenues "external customers"	587,857,788	79,984,194		606,581,462	-	1,274,423,444
Net revenues "Inter segment"	459,067,844	-		3,364,442	(462,432,286)	-
Cost of sales	(1,008,539,465)	(86,370,140)		(552,766,422)	471,753,118	(1,175,922,909)
Gross margin	**38,386,167**	**(6,385,946)**		**57,179,482**	**9,320,832**	**98,500,535**
Selling, general and administrative expenses	(27,648,066)	(4,445,546)		(47,094,495)	(8,977,339)	(88,165,446)
Other operating income/(expenses), net	(2,344,504)	(2,032)		(246,050)	(307,816)	(2,900,402)
Operating margin (EBIT)	**8,393,597**	**(10,833,524)**		**9,838,937**	**35,677**	**7,434,687**
Financial expenses, net			(11,323,948)	(2,344,310)	(970)	(13,669,228)
Net foreign exchange result			(8,949,219)	8,568,694	-	(380,525)
Profit/(loss) before income tax	**8,393,597**	**(10,833,524)**	**(20,273,167)**	**16,063,321**	**34,707**	**(6,615,066)**
Income tax			-	(415,070)	-	(415,070)
Net Profit/(Loss)	**8,393,597**	**(10,833,524)**	**(20,273,167)**	**15,648,251**	**34,707**	**(7,030,136)**
Depreciation and amortisation	31,420,100	7,344,228		9,098,814	(733,185)	47,129,957

RON	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Consolidation adjustments	Consolidated
Net revenues "external customers"	2,353,371,083	320,200,724	-	2,428,327,567	-	5,101,899,374
Net revenues "Inter segment"	1,837,786,348	-	-	13,468,870	(1,851,255,218)	-
Cost of sales	(4,037,486,040)	(345,765,581)		(2,212,889,817)	1,888,569,255	(4,707,572,183)
Gross margin	**153,671,391**	**(25,564,857)**		**228,906,620**	**37,314,037**	**394,327,191**
Selling, general and administrative expenses	(110,683,503)	(17,796,854)		(188,533,392)	(35,938,981)	(352,952,730)
Other operating income/(expenses), net	(9,385,753)	(8,135)		(985,012)	(1,232,280)	(11,611,180)
Operating margin (EBIT)	**33,602,135**	**(43,369,846)**		**39,388,216**	**142,776**	**29,763,281**
Financial expenses, net			(45,333,161)	(9,384,976)	(3,883)	(54,722,020)
Net foreign exchange result			(35,826,409)	34,303,053	-	(1,523,356)
Profit/(loss) before income tax	**33,602,135**	**(43,369,846)**	**(81,159,570)**	**64,306,293**	**138,893**	**(26,482,095)**
Income tax			-	(1,661,650)	-	(1,661,650)
Net Profit/(Loss)	**33,602,135**	**(43,369,846)**	**(81,159,570)**	**62,644,643**	**138,893**	**(28,143,745)**
Depreciation and amortisation	125,784,086	29,401,148		36,425,282	(2,935,159)	188,675,357

23. OPERATING SEGMENT INFORMATION (continued)

2017 Statement of financial position information

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

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,949,361,749	974,896,751	(2,385,602,506)	5,538,655,994
Total current assets	2,324,280,030	1,532,677,945	(688,644,168)	3,168,313,807
TOTAL ASSETS	**9,273,641,779**	**2,507,574,696**	**(3,074,246,674)**	**8,706,969,801**
Total equity	4,306,509,125	928,775,240	(2,415,576,134)	2,819,708,231
Total non-current liabilities	370,124,737	19,473,965	25,190,345	414,789,047
Total current liabilities	4,597,007,917	1,559,325,491	(683,860,885)	5,472,472,523
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,273,641,779**	**2,507,574,696**	**(3,074,246,674)**	**8,706,969,801**
Capital expenditure	240,825,296	101,258,642	(361,397)	**341,722,541**

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

23.OPERATING SEGMENT INFORMATION (continued)

b) Geographical segments

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

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	RON
Romania	**1,134,752,502**	**801,258,223**	**4,542,754,691**	**3,207,677,044**
Export	**851,295,214**	**473,165,221**	**3,407,990,130**	**1,894,222,330**
out of which				
Petroleum products	792,042,981	433,006,895	3,170,785,666	1,733,456,504
Petrochemical products	59,252,233	40,158,326	237,204,464	160,765,826
Total	**1,986,047,716**	**1,274,423,444**	**7,950,744,821**	**5,101,899,374**

24. RELATED PARTIES

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

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

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. For the year ended June 30, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

24.RELATED PARTIES (continued)

	Receivables and other assets			
Name of related party	**30-Jun-18**	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
	USD	**USD**	**RON**	**RON**
KazMunayGas Trading AG	4,672,505	4,711,700	18,705,439	18,862,349
Rominserv S.A.	1,917,302	1,151,215	7,675,535	4,608,659
KMG International N.V.	1,461,268	861,858	5,849,894	3,450,276
KMG Rompetrol S.R.L	1,146,609	2,479,955	4,590,220	9,928,004
KMG Rompetrol SRL - cash pooling	114,174,243	112,797,295	457,073,747	451,561,411
Oilfield Exploration Business Solutions S.A.	6,158,923	5,089,414	24,656,016	20,374,451
Rompetrol Well Services S.A.	142,712	285,401	571,319	1,142,546
KMG Rompetrol Services Center	24,085	18,150	96,419	72,660
Palplast S.A.	1,263,380	1,373,225	5,057,689	5,497,432
Rompetrol Bulgaria JSC	3,924,052	3,167,265	15,709,157	12,679,512
Rompetrol Moldova SA	7,754,288	6,303	31,042,741	25,233
KazMunayGas Engineering B.V.	3,573	3,573	14,304	14,304
Rompetrol Energy S.A.	600	617	2,402	2,470
Byron Shipping SRL	2,315	2,458	9,268	9,840
Rompetrol Albania Wholesale Sh.A.	12,708	13,069	50,874	52,319
Midia Marine Terminal S.R.L.	322,841	279,060	1,292,429	1,117,161
Rominserv Valves Iaifo SRL	30,955	22,555	123,922	90,294
Rominserv Kazakhstan LTD	168,167	168,167	673,223	673,223
Rompetrol Ukraine LLC	-	8,254	-	33,043
Uzina Termoelectrica Midia S.A.	1,085,869	2,175,925	4,347,059	8,710,881
Global Security Systems S.A.	164,692	182,644	659,311	731,179
Tengizchevroil LLP	-	562,412	-	2,251,504
TRG Petrol Anonim Sirketi	5,946,865	2,703,679	23,807,085	10,823,638
Total	**150,377,952**	**138,064,194**	**578,200,968**	**552,712,389**

	Payables, loans and other liabilities			
Name of related party	**30-Jun-18**	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
	USD	**USD**	**RON**	**RON**
KazMunayGas Trading AG	553,367,580	550,694,435	2,215,296,433	2,204,595,032
Rominserv S.A.	24,998,164	38,048,899	100,075,150	152,321,157
KMG International N.V.	20,074,056	19,814,422	80,362,468	79,323,076
KMG International N.V.- Short term debt - principal	94,787,155	127,660,155	379,461,418	511,061,899
KMG International N.V.- Short term debt - interest	534,870	574,327	2,141,245	2,299,203
KMG Rompetrol S.R.L	8,418,932	17,646,134	33,703,510	70,642,768
KMG Rompetrol SRL - cash pooling	122,029,000	115,317,058	488,518,696	461,648,778
Oilfield Exploration Business Solutions S.A.	238,560	238,318	955,027	954,058
Rompetrol Well Services S.A.	76,508	118,864	306,284	475,848
Rompetrol Well Services S.A. - Short term debt - principal	8,567,798	8,814,072	34,299,466	35,285,374
KMG Rompetrol Services Center	1,375,148	1,075,850	5,505,130	4,306,950
Rompetrol Bulgaria JSC	114,708	108,992	459,211	436,328
Rompetrol Moldova SA	4,201,325	3,656,976	16,819,164	14,639,972
Rompetrol Financial Group SRL - Short term debt - principal	28,725,850	29,551,550	114,998,195	118,303,720
Rompetrol Financial Group SRL - Short term debt - interest	1,567,639	1,346,494	6,275,729	5,390,419
Byron Shipping Ltd.	2,256	2,321	9,031	9,292
Midia Marine Terminal S.R.L.	39,604,512	36,568,596	158,548,743	146,395,060
Midia Marine Terminal S.R.L.- Short term debt - principal	6,797,060	6,992,436	27,210,670	27,992,819
Midia Marine Terminal S.R.L. - Short term debt - interest	1,442,102	1,258,156	5,773,167	5,036,776
Rominserv Valves Iaifo SRL	26,219	16,379	104,963	65,570
Uzina Termoelectrica Midia S.A.	2,885,338	2,896,375	11,550,874	11,595,058
Rompetrol Georgia LLC	16	17	64	68
Global Security Systems S.A.	241,664	790,637	967,453	3,165,157
Tengizchevroil LLP	17,235		68,997	-
TRG Petrol Anonim Sirketi	462	145	1,850	580
Total	**920,094,157**	**963,191,608**	**3,683,412,938**	**3,855,944,962**

24.RELATED PARTIES (continued)

During 2018 and 2017, Rompetrol Rafinare Group entered into the following transactions with related parties:

	Sales and other revenues			
Name of related party	**30-Jun-18 USD**	**30-Jun-17 USD**	**30-Jun-18 RON**	**30-Jun-17 RON**
KazMunayGas Trading AG	649,022,467	327,463,654	2,598,231,642	1,310,935,246
Rominserv S.A.	445,004	409,171	1,781,485	1,638,034
KMG Rompetrol S.R.L	85,351	70,913	341,686	283,886
Rompetrol S.A.	2,048	2,156	8,199	8,631
Rompetrol Well Services S.A.	486,314	303,356	1,946,861	1,214,425
Palplast S.A.	7,446	6,406	29,809	25,645
Rompetrol Bulgaria JSC	22,098,554	16,626,627	88,467,141	66,561,376
Rompetrol Moldova SA	105,891,896	79,347,626	423,917,027	317,652,351
KMG Rompetrol Services Center	65,820	65,750	263,497	263,217
Midia Marine Terminal S.R.L.	283,758	192,615	1,135,968	771,096
Byron Navodari	12,727	10,094	50,950	40,409
Rominserv Valves Iaifo SRL	7,904	3,151	31,642	12,614
Uzina Termoelectrica Midia S.A.	9,337,667	8,353,430	37,381,482	33,441,286
Global Security Systems S.A.	55,271	52,809	221,266	211,410
TRG Petrol Anonim Sirketi	16,097,373	7,911,827	64,442,613	31,673,417
	803,899,600	**440,819,585**	**3,153,808,655**	**1,733,059,626**

		Purchases and other costs			
Name of related party	**Nature of transaction**	**30-Jun-18 USD**	**30-Jun-17 USD**	**30-Jun-18 RON**	**30-Jun-17 RON**
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	1,501,910,296	905,335,551	6,012,597,488	3,624,329,811
Rominserv S.A.	Acquisition and maintenance of fixed assets	31,616,382	39,791,902	126,569,862	159,298,921
KMG International N.V.	Management services	5,448,040	4,736,381	21,810,139	18,961,154
KMG Rompetrol S.R.L	Management services	23,867,161	12,618,554	95,547,406	50,515,857
Rompetrol S.A.	Management services	17,853	11,781	71,471	47,163
Rompetrol Financial Group S.R.L.	Environmental services	786,056	537,209	3,146,818	2,150,609
Rompetrol Well Services S.A.	Interest on loan	236,681	158,414	947,505	634,179
KMG Rompetrol Services Center	Shared services	3,668,310	3,167,557	14,685,345	12,680,681
Midia Marine Terminal S.R.L.	Handling services/Transit	10,498,685	8,468,358	42,029,386	33,901,378
Rominserv Valves Iaifo SRL	Valves	47,237	46,785	189,104	187,294
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	16,405,308	13,362,452	65,675,370	53,493,904
Global Security Systems S.A.	Security and protection services	1,872,915	1,565,275	7,497,841	6,266,265
Tengizchevroil LLP	Liquefied Petroleum Gas	557,265	8,112	2,230,899	32,475
		1,596,932,189	**989,808,331**	**6,392,998,634**	**3,962,499,691**

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

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

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

25.EARNINGS PER SHARE

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

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	USD	USD	RON	RON
Earnings				
Profit for the year attributable to ordinary equity holders of the parent entity	4,250,886	(8,087,790)	17,017,572	(32,377,849)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 11)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
Earnings per share *(US cents/share)*				
Basis	**0.010**	**(0.018)**	**0.040**	**(0.072)**

26.CONTINGENCIES

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

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

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

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

The Tax Inspection Report and the related tax decision were appealed on February 26, 2018, and the oral support of the appeal was held on April 20, 2018. Subsequently, the ANAF - General Directorate for Solving Complaints sent the Company through the notice dated July 4, 2018, that it requested additional information from the DGAMC Tax Inspectorate to resolve the dispute. According to the fiscal procedure code, the settlement of the appeal was prolonged by 3 months. At the time of these financial statements, the appeal is pending.

In 2017, in respect of the above-mentioned tax inspection, a provision in amount of USD 3.5 million (RON 13.65 million) was booked in relation to Rompetrol Rafinare (see notes 16 and 20). In the first quarter of 2018, the provision was reversed as a result of paying the taxes and taxes imposed and a provision for impairment of receivables of the same amount was recognized.

27.LEGAL MATTERS

Litigation with the State involving criminal charges

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former shareholders directors, managers and external censors of Rompetrol Rafinare S.A. (”RRC”) and other individuals; these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized judicial expertise), currently undergoing the criminal prosecution phase. At the present date, only one of the former director 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.

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

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

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

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

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

On April 12, 2017, the companies submitted also their application by which they asked the dismissals of the allegations regarding the OUG 248/200 (regarding the privatization of RRC) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which

27.LEGAL MATTERS (continued)

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.

On May 10 and June 28, 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC 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 July 17, 2017 DIICOT issued an Ordinance which generally keeps the approach of the Orders issued in 2016 but let the civil parties namely, Ministry of Energy and Ministry of Finance, to provide the figures for the alleged damage they incurred as well as the evidences for supporting any alleged damage. 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 defence against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.

On April 12, 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated July 17, 2017, September 18, 2017 and December 6, 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, OEBShave submited on April 20, 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the seizure. On May 22, 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 October 8, 2018.
A similar challenge against the freezing orders will be submitted to DIICOT to be settled either by the new prosecutor in-charge with the file or by the superior.

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

The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. 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.

27.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, out of which half represents additional principal tax liabilities and the other half represents late payment interest and penalties.

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

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

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

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

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

After rejection of both appeals by the High Court of Cassation and Justice on October 12, 2017, the Decision of Constanta Court of Appeal has remained definitive, so Rompetrol Rafinare SA has recovered from National Agency for Tax Administration the amount of approximately RON 21 million (equivalent of USD 6,2 million).

The re-audit for approximately RON 9.7 million (equivalent of USD 2.8 million) initiated in February 2018 was completed in March 22, 2018 and another tax inspection team maintained the initial decision of National Agency for Tax Administration for this amount.

Rompetrol Rafinare SA challanged, in May 2018, the tax decision issued following the re-audit for the amount of approximately RON 10 million. At the time of these financial statements, the appeal is pending.

Based on the Decision of the High Court of Cassation and Justice issued on October 12, 2017, requesting the completion of the transfer price file during the control period, the fiscal inspection authority of the ANAF requested the Company on June 19, 2018 to make available the information related to transactions with affiliated parties during the period 2007 - 2010.

In conclusion, from the total amount of RON 48 million (approx. USD 15 million) paid to National Agency for Tax Administration, the company recovered the amount of approximately RON 21 million (USD 6.2 million), and will contest to recover the amount of 9.7 mil RON (approximately USD 2.8 million).

27.LEGAL MATTERS (continued)

Litigation regarding CO2 emission allowances.

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

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

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

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

On July 28th 2015, the Government issued its Decision no. 611/2015, providing the modification of the National Plan initially approved by Government Decision no. 60/2008 in accordance with the final court decision of October 30 2012 and increasing the allocation of the Company with the amount of 2.577.940 CO2 emission certificates; this decision should have been fully and effectively implemented in the following 120 days, subject to an approval from European Commission, from the perspective of complying with state aid regulations. The EC approval was not delivered yet and the Government Decision has still not been effectively implemented up to this date.

The next hearing in the reunited Files 917/36/2013 and 712/36/2015 is on September 10, 2018. An expertise report was provided to the court in respect of the counter value of the certificates and following these proceedings a court decision will have to be issued accordingly. The counter value held by this recent expertise report is EUR 38.51 million. A second expert opinion was asked by the court and we expect that this second opinion will be provided and a first court decision will be issued until the end of this year.

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

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

Even if Rompetrol Downstream to timely and fully observed its obligation to supply RATB with needed quantities of fuel during those 4 years, the related IT system was delivered gradually until September 16th, 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;

27.LEGAL MATTERS (continued)

a) Case 1 - On October 16th,2015 RATB submitted to Court the claim for damages in amount of RON 62.4 million (about USD 15 million) (based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-2617/25.10.2011). On October 27th,2015, based on the tender book terms and conditions, RATB executed the bank letter guarantee provided by Downstream for the amount of RON 5.7 million.

b) On January 25, 2018, the court has rejected the RATB's claim and admitted partially Downstream claim for reimbursement for the illegally enforcement by RATB of the LBG in amount of RON 5.7 million as well as the indemnity of RON 0.28 million as interests for delay payments by RATB of the fuel supplied.

c) Case 2 - RATB claimed for RON 65.5m (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.

d) 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.

e) Case 4 - RATB claimed for RON 5.7m (as damages conventionally assessed based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-3241/17.10.2014). First hearing was scheduled for 25 October 2016. At that hearing term, the court suspended the case' judgement until Case 1 will be definitively settled. Case' judgment still suspended.

Litigation between Rompetrol Rafinare and Navodari City Hall

On November 19th, 2015, it was finalized the local taxes fiscal audit of the local taxes, performed by Navodari City Hall, for the period of 2012-2014. The only non-compliant finding refers to revaluation of buildings made by the company on December 31,2009 and December 31,2011, namely that not all fixed assets accounted for in the account 212 "Construction" were revalued, and therefore it was not in accordance with the accounting regulations stipulated by OMFP 3055/2009. As a result, the inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and related penalties in total amount of 20.4 mil RON, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report).

a) Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by RRC was dismissed as being lack of object, without any judgment pronounced on the merits of the case. Rompetrol Rafinare submitted in court the challenge against this decision. This judicial procedure was under court investigation proceedings with Constanta Court of Appeal who has completed judicial investigation into the case and delivered a sentence on March 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 first hearing term before the High Court of Cassation and Justice shall be scheduled later.

27.LEGAL MATTERS (continued)

b) Because the decision issued by Navodari City Hall of rejection the administrative complaint as being lack of object is based on Navodari Local Council Decision no.435/December 21, 2015, under which Rompetrol Rafinare has obtain the annulment of 73% of penalties, Rompetrol Rafinare submitted a second action for partial annulment of Navodari Local Council Decision no. 435/December 21st, 2015. This action was admitted by Constanta Tribunal. This solution has been appealed by Navodari Local Council on Constanta Court of Appeal, where the first hearing term was set on January 16th, 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 defence was submitted by Navodari City Hall and the first hearing term was established for February 22nd, 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19th, 2015. The solution was appealed by Navodari City Hall. The case is currently pending court investigation proceedings with the High Court of Cassation and Justice of Justice. The first hearing term before the High Court of Cassation and Justice was not yet scheduled.

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

In consideration of the violation by Compania Nationala Administratia Porturilor Maritime Constanta *(National Company of Constanta Maritime Ports Administration)* of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the 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 1.87 million - dredging expenditures; USD 3.3 million - commercial loss; the complaint is in course of analysis at the Competition Council. By means of the lodged complaint, the Competition Council was asked to acknowledge the violation by Administratia Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, inclusively in terms of cost incurrence, the obligations resting upon it as administrator of port areas and of supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port.

b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (USD 0.85 million) and for restitution of dredging expenses (1.7 mil USD). The total amount in RON is today RON 10 million (USD 2.6 million). On May 19th, 2017 the Constanta Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff: a) The equivalent in lei, at the exchange rate euro/leu , fixed by the National Bank of Romania, on the day of payment, the amount of EUR 1.57 million representing dredging expenditures paid by Rompetrol Rafinare SA , during the period 30 April 2015 - 11 May 2015 ; b) The amount of 78.67 thousand lei - legal costs (of which 73.17 thousand lei - judicial stamp duties and 5,500 lei - the fees of experts and dismissals). Both parties filled for appeal against the solution pronounced by first court. On December 27, 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed all the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the second appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal.The decision is not communicated yet.

27.LEGAL MATTERS (continued)

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

On August 22, 2016, a technical incident occurred within the DAV plant. Following the event, two persons, employees of a Group' subsidiary Rominserv SRL suffered burns and two persons passed away. The competent authorities have initiated investigations in order to establish the circumstances and the causes that generated the technical incident. In respect of the work accident, the Prosecutor's Office of the Constanta Court of Appeal office, was notified ex officio and opened file no. 586 / P / 2016, within which have been questioned employees of the 2 companies and was administered technical expertise. Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and four employees of the two companies were put on trial for: the non-observance of the legal labour health and safety measures, bodily harm by negligence, manslaughter and accidental pollution. At the same time Rompetrol Rafinare S.A. has quality as civilly liable party.

By the final conclusion of Preliminary Chamber procedure through the criminal sentence, no. 328 / 03.21.207 communicated to Rompetrol Rafinare on March 27, 2017 the court ordering, considering the fact that the prosecutor did not reply within procedural five days, to return the case to the Prosecutor's Office Court Appeal Constanta, finding relative nullity of the Ordinance no. 586 / P / 29.11.2016, irregularity of the indictment 586 / P / 12.7.2016 prosecutor failure to respond within procedural terms. The Prosecutor's Office Court Appeal Constanta made appeal.

On June 21, 2017, the Constanta County Court admitted the prosecutor's appeal. and ordered the retrial of the case by Constanta Court with the observance of the legal dispositions on the summoning of the parties, namely the aggrieved persons and prosecutor. According with court decision of September 29, 2017, the file shall be sent back to the prosecutor office whereas it has been ascertained that ordinance no. 586/P/2016 of 29.11.2016 and the subsequent Act of Indictment no. 586/P/2016 din 07.12.2016 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 rejected, and the criminal file was sent back to the prosecutor's office of Constanta in order to resume the criminal prosecution activities within the limits of the legality provisions. RRC received a subpoena, as a defendant, for June 26, 2018, when the charges were brought to light, being the same, with changes in the legal framing of the facts.
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 May 25, 2017 Rompetrol Rafinare and Rominserv received a reply to its challenge submitted against the Constanta Labor Inspectorate Reports by which the Labour authority maintains the same considerations challenged by the companies. On August 16th, 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 December 14, 2017, the court has requested to Rompetrol Rafinare and to the Territorial Labour Inspectorate to send written specifications regarding optional suspension of the case, pending resolution of the criminal file. In the RRC file the Court suspended the case until the criminal file will be solved. In RIS file the court request supplementary information from Prosecutor's Office by Constanta Court of Appeal. We did not receive any feedback in this respect, the court set a new hearing, on September 21, 2018.

27.LEGAL MATTERS (continued)

Other litigations

Vega residual pools remediation project

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

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

- on the same day the Company had to provide written information on the status of implementation of the Project;
- ENG would inform Prahova Environment Protection Agency (PEPA) immediately of Company's failure to comply with its obligations specified in the Environmental Integrated Authorization;
- a fine of 100.000 lei 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 Prior Notice no. 149, informing that the Company must comply with the provisions of Integrated Environmental Authorization (EIA) until December 21, 2017 (related to the execution of residual pools remediation project), otherwise the EIA would be suspended until remedial of Company's failure, but, in any case, no longer than 6 (six) months, after which the EIA would be cancelled.

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

a) preliminary complaint against Assessment Note no. 299, submitted to the ENG on December 14,2017. The ENG point of view was received on January 17th 2018;

b) Preliminary complaint against Prior Notice no. 149 submitted to the PEPA on December 14, 2017; the legal response time, according to the contentious law is 30 days;

c) Suspension request of the Prior Notice no. 149, 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 was registered at the Constanta court on April 3rd 2018., with the first hearing on September 27, 2018.

e) Complaint against the fine (between RON 50,000-100,000) received from ENG, submitted to the Ploiesti court on November 29, 2017; the court reject the complaint. the court solution was appealed.

f) Request for annulment of the Finding Note no. 299/15.11.2017 issue by Environment National Guard-Prahova Commissariat, registered at Constanta court;

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 which will be challenged according to the procedure governed by the law of the administrative contentious.

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

28.COMMITMENTS

Environmental commitments

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

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

As of June 30, 2018 and December 31, 2017, 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 June 30,2018, 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 68.05 million (2017: USD 28.89 million). As of June 30, 2018, Rompetrol Downstream S.R.L has contracted capital commitments of USD 3.4 million (2017: USD 3.9 million).

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

Sale and purchase commitments

As of June 30, 2018, the main Group's commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 1,611.23 million (2017: USD 2,466.58 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,235.30 million (2017: USD 1,967.94 million).

29.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

29. 1. Capital risk management

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

29.2. Gearing ratio

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

	June 30, 2018	December 31, 2017
	USD	USD
Debt (excluding shareholder loans and related parties)	288,282,078	238,750,435
Cash and cash equivalents	(14,356,256)	(12,592,193)
Net debt	**273,925,822**	**226,158,242**
Equity (including shareholder loans and related parties)	851,655,793	880,557,756
Net debt to equity ratio	**0.32**	**0.26**

29.3. Categories of financial instruments and fair values

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

	June 30, 2018	December 31, 2017
	USD	USD
Financial assets		
Trade and other receivables	446,053,117	410,686,063
Long-term receivables	2,957,288	1,599,013
Available for sale investments	18,583	18,583
Derivative financial instruments	-	-
Cash and cash equivalents	14,356,256	12,592,193
TOTAL FINANCIAL ASSETS	**463,385,244**	**424,895,852**
Financial liabilities		
Long-term borrowings	240,000,000	-
Derivative financial instruments	3,470,067	48,387
Short term borrowings from shareholders	142,422,474	176,211,784
Other non-current liabilities	186,647	207,676
Trade and other payables	866,061,720	888,094,595
Short-term borrowings banks	33,594,875	224,063,232
TOTAL FINANCIAL LIABILITIES	**1,285,735,783**	**1,288,625,674**

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 2018, the marked to market value of derivative position is for financial instruments recognized at fair value.

29.4. Fair value hierarchy

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

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

29.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	June 30, 2018 USD	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	446,053,117	446,053,117	-	-
Long-term receivables	2,957,288	2,957,288	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	-	-	-	-
Cash and cash equivalents	14,356,256	14,356,256	-	-
TOTAL FINANCIAL ASSETS	**463,385,244**	**463,385,244**	**-**	**-**
Financial liabilities				
Long-term borrowings	240,000,000	240,000,000.00	-	
Derivative financial instruments	3,470,067	-	3,470,067	-
Short term borrowings from shareholders	142,422,474	142,422,474	-	-
Other non-current liabilities	186,647	186,647	-	-
Trade and other payables	866,061,720	866,061,720	-	-
Short-term borrowings banks	33,594,875	33,594,875	-	-
TOTAL FINANCIAL LIABILITIES	**1,285,735,783**	**1,282,265,716**	**3,470,067**	**-**

	December 31, 2017 USD	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	410,686,063	410,686,063	-	-
Long-term receivables	1,599,013	1,599,013	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	-	-	-	-
Cash and cash equivalents	12,592,193	12,592,193	-	-
TOTAL FINANCIAL ASSETS	**424,895,852**	**424,895,852**	**-**	**-**
Financial liabilities				
Long-term borrowings	-	-	-	-
Derivative financial instruments	48,387	-	48,387	-
Short term borrowings from shareholders	176,211,784	176,211,784	-	-
Other non-current liabilities	207,676	207,676	-	-
Trade and other payables	888,094,595	888,094,595	-	-
Short-term borrowings banks	224,063,232	224,063,232	-	-
TOTAL FINANCIAL LIABILITIES	**1,288,625,674**	**1,288,577,287**	**48,387**	**-**

During the reporting period ending 30 June 2018 and 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29.5 Derivative financial instruments

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

Balance Sheet:

	June 30, 2018 USD	December 31, 2017 USD
Derivative financial asset	-	-
Derivative financial liability	(3,470,067)	(48,387)
Net position - asset/(liability)	**(3,470,067)**	**(48,387)**

The derivative instruments liability balance in respect of fair value hedge against the inventories includes an adjustment of USD 3.4 million.

29.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Income Statement:

	June 30, 2018	June 30, 2017
	USD	USD
Unrealised (gains)	-	-
Net position - (gain)/loss - in Cost of sales	-	-
Realised gains/(losses) - net	7,428,565	1,020,476
Total position - loss/(gain) - in Cost of sales	**7,428,565**	**1,020,476**

	June 30, 2018	December 31, 2017
Derivative asset/(liability) 2016	**(48,387)**	**(317,790)**
Forex unrealized (hedging of forex)	-	-
Cash payments	(3,421,680)	(42,808)
Reserves	**-**	**312,211**
Derivative asset/(liability) 2017	**(3,470,067)**	**(48,387)**

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

29.6 Market risk

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

29.7. Foreign currency risk management

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

29.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

29.8. 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 12 and 15.

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

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

Trading activities are separated into physical (purchase from third parties and KazmunayGas Group, and sales to third parties and Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased).

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

The company also had hedge operations for refinery margins. In terms of Refinery Margin Hedge. In 2017, the net impact of the commodity hedges (physical result –gain- plus paper result –loss- for hedged stocks) was USD 8.5 million (2016: net gain of USD 10.4 million). In the same time, the company results were positively impacted by the inventory loss related to the base operating stock in refinery but considering such stock is constant in time, the loss is only on paper not on cash.

29.10 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 29% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

29.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

30. SUBSEQUENT EVENTS

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

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

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

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

Facilities granted to Rompetrol Rafinare S.A. by Bancpost in the amount of EUR 30 million and EUR 27.97 million respectively, were extended until August 31, 2018.

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AFFIDAVIT

The undersigned, Cătălin Dumitru, acting as Chairman of the Board of Directors, Liviu Grigore, acting as proxy of the General Manager, and Vasile-Gabriel Manole, acting as Financial Manager of Rompetrol Rafinare SA, in consideration of art. 65, alin (2) lit. c) of the Law no. 24/2017 regarding the issuers of financial instruments and market operations,

Hereby declare that, as far as we are aware, the half-year financial-accounting statements as of 30.06.2018, drafted in compliance with the applicable accounting standards, provide a correct and accurate image of the actual assets, liabilities, financial status, profit and losses account of Rompetrol Rafinare SA and, respectively, of its subsidiaries included in the financial statements' consolidation process, as well as that the Reports of the Board of Directors (on the individual financial statements drafted in compliance with the International Financial Reporting Standards ("IFRS") and on the consolidated financial statements drafted in compliance with IFRS) are presenting the information concerning the Company's activity in a correct and complete manner.

Chairman of the Board of Directors of

Rompetrol Rafinare S.A.

_____

Cătălin Dumitru

General Manager

_____

Liviu Grigore – proxy of the General Manager

Financial Manager

_____

Vasile-Gabriel Manole

Date: 13 august 2018

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ROMPETROL RAFINARE
Q2 and H1 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

Positive results in Q2 and H1 2018, higher as against the same period last year

Rompetrol Rafinare S.A. (symbols, Bucharest Stock Exchange: RRC, Reuters: ROMP.BX, Bloomberg: RRC RO) has released today its second quarter and first semester 2018 financial and operational unaudited results. The figures include unaudited consolidated financial statements for this period prepared by the company in accordance with International Financial Reporting Standards („IFRS"). The IFRS financial results differ in some respects from the Romanian Standards of Accounting.

Consolidated financial statements of Rompetrol Rafinare include the results of the parent company Rompetrol Rafinare S.A and its subsidiaries Rompetrol Downstream S.R.L, Rompetrol Gas S.R.L, Rompetrol Quality Control S.R.L, Rom Oil SA, Rompetrol Logistics S.R.L and Rompetrol Petrochemicals S.R.L.

The document is posted on our website in the Investor Relations section:

www.rompetrol-rafinare.ro

HIGHLIGHTS – CONSOLIDATED

		Q2 2018	Q2 2017	%	H1 2018	H1 2017	%
Financial							
Gross Revenues	USD	1,397,926,705	896,964,832	56%	2,604,142,235	1,718,414,575	52%
Net Revenues	USD	1,042,599,018	660,231,116	58%	1,986,047,716	1,274,423,444	56%
EBITDA	USD	51,279,759	23,015,714	123%	85,880,579	57,538,863	49%
EBITDA margin	%	4.9%	3.5%		4.3%	4.5%	
EBIT	USD	22,441,439	(2,179,652)	N/A	27,866,936	7,434,687	275%
Net profit / (loss)	USD	6,557,797	(6,966,587)	N/A	2,778,742	(7,030,136)	N/A
Net Profit / (loss) margin	%	0.6%	-1.1%		0.1%	-0.6%	

The results have been supported by an increase in the volume of processed raw materials and of the petroleum products sold, as well as by optimizing and increasing the efficiency of the processing, logistics and distribution costs, but also by implementing programs for transformation of current activities to reduce operational expenses and increase profitability.

Rompetrol Rafinare consolidated gross revenues reached USD over 1.397 billion in the second quarter of 2018 and over 2.604 billion in first semester of 2018, higher by 56%, respectively by 52 % as against the same periods in 2017 influenced by the volatility of international quotations for petroleum products and by the increase in the volume of products sold.

The consolidated net result in Q2 and H1 2018 was impacted by changes in accounting policy, from cost model to revaluation model, as at December 31, 2017 for buildings category in non-current assets.

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ROMPETROL RAFINARE
Q2 and H1 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

ECONOMIC ENVIRONMENT

		Q2 2018	Q2 2017	%	H1 2018	H1 2017	%
Brent Dated	USD/bbl	74.39	49.64	50%	70.58	51.72	36%
Ural Med	USD/bbl	72.75	48.49	50%	68.93	50.40	37%
Brent-Ural Differential	USD/bbl	1.65	1.15	43%	1.65	1.32	25%
Premium Unleaded 10 ppm FOB Med	USD/tonne	707	519	36%	669	531	26%
Diesel ULSD 10 ppm FOB Med	USD/tonne	657	449	46%	623	464	34%
RON/USD Average exchange rate		3.90	4.14	-6%	3.84	4.19	-8%
RON/USD Closing exchange rate		4.00	3.99	0%	4.00	3.99	0%
RON/EURO Average exchange rate		4.65	4.55	2%	4.65	4.54	3%
RON/EURO Closing exchange rate		4.66	4.55	2%	4.66	4.55	2%
USD/EURO Closing rate		1.16	1.14	2%	1.16	1.14	2%
Inflation in Romania*		1.03%	0.60%	72%	2.42%	0.40%	506%

*Source: Platts, * INSSE*

Dated Brent increased by +24.75$/bbl. (+50%) in Q2 2018 vs. Q2 2017 and settled to an average of 74.4$/bbl., with the highest level since November 2014 registered on 22nd of May ~ 80$/bbl.

OPEC and its allies appear to have accomplished their mission of reducing global oil stocks to desired levels, according to International Energy Agency, signaling that the market could become too tight if supply remains restrained. The IEA, which coordinates the energy policies of industrialized nations, said stocks in developed countries could fall to their 5-year average - a metric used by OPEC to measure the success of output cuts - as early as May.

Asian oil demand hit a record in April just as global crude values were lifted to levels not seen in three years by Middle East supply risks and top exporter Saudi Arabia withholding output and noisily pushing for prices at $80 to $100 per barrel.

In May, the market increased sharply after U.S. President Donald Trump abandoned an international nuclear deal with Iran, likely curbing the OPEC-member's crude exports in an already tight market.

Saudi Arabia is monitoring the impact of the U.S. withdrawal from the Iran nuclear deal on oil supplies and is ready to offset any shortage, but it will not act alone to fill the gap. OPEC is more focused on identifying the right level of oil inventory than the impact on supplies of new U.S. sanctions on Iran.

European oil companies are not ruling out reducing Iranian oil imports after the threat of new U.S. sanctions, with some expecting banking issues to stop trade, but there was no rush to immediately cut volumes.

During June the crude price decreased as OPEC has agreed to boost oil production, achieving a last-minute compromise that overcame Iran's threats to veto any supply hike. "We have an agreement" to make a 1 million barrel-a-day adjustment on paper to the production cuts implemented by the group in cooperation with allies including Russia, Saudi Energy Minister Khalid Al-Falih told reporters in Vienna. In reality, the accord adds

Trade Registry No: J 13/534/1991
Fiscal Identification No: RO1860712
IBAN: RO22BACX0000000030500310
UniCredit Bank S.A.– Constanta

600,000 barrels a day of oil to the market, about 0.5 percent of global supply, because several members are unable to raise output.

Oil prices look set to stay strong for the rest of this year and in 2019 thanks to supply disruptions and as extra oil from OPEC fails to meet rising demand, a Reuters poll showed on 29th of June. A survey of 35 economists and analysts forecasts Brent crude will average $72.58 a barrel in 2018, 90 cents higher than the $71.68 forecast in May's poll and compared with the $71.15 average so far this year.

The European Refinery margins decreased during Q2 2018 by-6.7$/MT (-12.4%) vs. Q2 2017 and settled to an average of 47.4$/MT as product prices failed to keep up with the sharp rise on the crude side.

Gasoline cracks decreased during the first part of Q2 by -1.7$/bbl. to 10$/bbl. The fall was less pronounced in the Med as the unplanned outage of a 46,000 b/d at the Bilbao refinery in Spain (Reuters) likely provided some support.

European ULSD cracks have been on a downward trend during April, but overall remained close to the high levels reached in March (12.5$/bbl.).

In the second part of Q2 the European Refinery margins recovered as import requirements remained high with tightness in the Americas and limited Russian exports keeping European cracks supported.

Refined product futures in the Europe were the actual pricing leaders in the second part of Q2, with gasoline and ULSD futures up between 3.1% and 4.4%. Even though the reaction to the Iran nuclear deal situation has been bullish, it can be argued that the market is still somewhat confused.

**The information is based on analysis provided by JBC Energy GmbH*

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ROMPETROL RAFINARE
Q2 and H1 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

REFINING SEGMENT

		Q2 2018	Q2 2017	%	H1 2018	H1 2017	%
Financial							
Gross Revenues	USD	1,199,617,246	715,911,958	68%	2,247,929,317	1,413,931,408	59%
Net Revenues	USD	895,360,702	531,987,287	68%	1,714,237,781	1,046,925,644	64%
EBITDA	USD	47,203,350	15,207,318	210%	76,739,772	42,246,205	82%
EBITDA margin	%	5.3%	2.9%		4.5%	4.0%	
EBIT	USD	26,911,107	(542,004)	N/A	36,525,770	8,393,609	335%
Net profit / (loss)	USD	19,932,084	(15,841,722)	N/A	17,471,003	(17,210,246)	N/A
Net profit / (loss) margin	%	2.2%	-3.0%		1.0%	-1.6%	
Gross cash refinery margin/tone (Petromidia)	USD/tonne	54.76	30.94	77%	49.62	39.55	25%
Gross cash refinery margin/bbl (Petromidia)	USD/bbl	7.54	4.26	77%	6.83	5.45	25%
Net cash refinery margin/tone (Petromidia)	USD/tonne	29.39	10.70	175%	24.07	16.49	46%
Net cash refinery margin/bbl (Petromidia)	USD/bbl	4.05	1.47	175%	3.31	2.27	46%
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	1,560	1,222	28%	3,087	2,422	27%
Feedstock processed in Vega refinery	thousand tonnes	117	91	29%	194	152	28%
Gasoline produced	thousand tonnes	410	308	33%	856	626	37%
Diesel & jet fuel produced	thousand tonnes	808	668	21%	1,562	1,288	21%
Motor fuels sales - domestic	thousand tonnes	630	486	30%	1,084	950	14%
Motor fuels sales - export	thousand tonnes	503	461	9%	1,210	859	41%
Export	%	44%	49%		53%	47%	
Domestic	%	56%	51%		47%	53%	

Refining segment comprises the results of the company Rompetrol Rafinare related to Petromidia and Vega refineries. Rompetrol Rafinare computes Gross refinery margin as follows = (Oil Product Sales – Cost of Feedstock) / Quantity of sales. Net Refinery margin is the EBITDA divided by quantity of sales.

Gross revenues of refining segment reached over USD 1.199 billion in Q2 2018 and over USD 2.247 billion in H1 2018 increase by 68%, respectively 59 % as against the same periods in 2017, being mainly influenced by the volatility of international quotations of petroleum products and by the increase in the volume of products sold compared to similar periods last year.

In Q2 and H1 2018, the total throughput for Petromidia refinery was 1.56 million tons, respectively 3.08 million tons, higher by 27.72% and by 27.44% as against the same periods last year when the total throughput was 1.22 million tons in Q2 2017 and 2.42 million tons in H1 2017.

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ROMPETROL RAFINARE
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In Q2 and H1 2018, the refining capacity utilization in Petromidia refinery was 98.38%, respectively 98.45%, higher by 30.93% respectively 28.05% compared with the same periods last year.

In Q2 and H1 2018, the total throughput for Vega refinery was 117,253 tons, respectively 193,929 tons, higher by 28.59%, respectively 27.57%, compared with the same periods last year, when the total throughput was 91,138 tons in Q2 2017 and 152,017 tons in H1 2017.

In Q2 and H1 2018 the refining capacity utilization in Vega was 142.12%, respectively 117.53%, higher by 31.6%, respectively 25.4% compared with the same periods last year.

In April 2018, a planned slowdown activity was carried out within the Petromidia refinery aiming to keep the installations in optimal operating parameters in order to ensure the units maximum flow and the quality of the obtained products. The main revision works included the following recurrent technological operations: catalyst change in the Petrol Diesel Hydro-Fuel Plant; decoke furnace equipment in Delayed Coking Plant and catalyst regeneration in Catalytic Reforming Plant.

The company's financial results were positively influenced by favorable market conditions (refining margin of ~ 50 $/t) and by production and energy process optimization programs (increase of white products yields) and operating costs optimization, programs that started in the year 2014 and continued until present days.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 435 million in Q2 2018 and over USD 769 million in H1 2018.

PETROCHEMICALS SEGMENT

		Q2 2018	Q2 2017	%	H1 2018	H1 2017	%
Financial							
Revenues	USD	53,159,496	39,373,835	35%	114,352,408	79,984,194	43%
EBITDA	USD	(5,102,399)	(3,044,293)	68%	(8,831,546)	(3,489,295)	153%
EBIT	USD	(9,315,634)	(6,582,363)	42%	(16,977,626)	(10,833,524)	57%
Net profit / (loss)	USD	(13,698,496)	(1,921,766)	613%	(19,090,277)	(5,502,836)	247%
Operational							
Propylene processed	thousand tonnes	38	26	46%	78	60	30%
Ethylene processed	thousand tonnes	15	16	-5%	35	28	25%
Total polymers production	thousand tonnes	39	32	22%	82	65	26%
Sold from own production	thousand tonnes	50	38	29%	106	82	28%
Sold from trading	thousand tonnes	1	0	956%	2	0	1907%
Total sold		50	38	31%	108	83	31%
Export	%	43%	49%		50%	48%	
Domestic	%	57%	51%		50%	52%	

Petrochemicals segment comprises the petrochemicals activity from Rompetrol Rafinare and the activity of Rompetrol Petrochemicals SRL

Starting 1st of January 2014, the petrochemicals activity was transferred from Rompetrol Petrochemicals to Rompetrol Rafinare S.A., being fully integrated in the propylene, utilities and logistics flow.

The current petrochemicals activity is carried out through PP and LDPE units.

In terms of low density polyethylene unit (LDPE), the petrochemicals segment works 100% with ethylene from import, and for PP (polypropylene) unit is ensured through raw material produced and distributed entirely by Petromidia refinery.

In mid-April 2018, the HDPE plant was put into operation at optimum parameters, but due to unfavorable market conditions characterized by low petrochemicals margins, it was shut down in mid-May 2018. At company level internal analyzes are carried out on the potential measures to mitigate the negative impact of the market, the company relying on the rapid restart of the unit when the market conditions will improve.

The petrochemicals segment is the sole polypropylene and polyethylene producer in Romania and has constantly succeeded to increase its market share on secondary categories of products. Its dynamic development strategy has secured the company a competitive position on the domestic market and on the regional one – the Black Sea and Mediterranean region and the Eastern and Central Europe.

In Q2 2018, the total polymers production for Petrochemicals area was 38.657 thousand tons by 22.06 % higher compared with the same period last year when the total polymers production was 31.670 thousand tons and in H1 2018, the total polymers production for Petrochemicals area was 81.644 thousand tons by 26.21 % higher compared with the same period last year when the total polymers production was 64.690 thousand tons. The deviation was mainly triggered by the planned shutdown of the PP unit in May 2017 and the restart of HDPE unit in April 2018.

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MARKETING SEGMENT

		Q2 2018	Q2 2017	%	H1 2018	H1 2017	%
Financial							
Gross Revenues	USD	853,389,364	551,419,259	55%	1,455,553,276	1,052,015,776	38%
EBITDA	USD	8,794,779	11,309,598	-22%	19,130,209	19,174,620	0%
EBIT	USD	4,000,929	6,684,078	-40%	7,414,166	9,838,937	-25%
Net profit / (loss)	USD	1,473,808	12,536,755	-88%	5,429,044	15,648,251	-65%
Operational							
Fuels quantities sold in retail	thousand tonnes	179	173	3%	329	319	3%
Fuels quantities sold in wholesale	thousand tonnes	368	282	31%	598	539	11%
LPG quantities sold	thousand tonnes	119	81	46%	226	171	32%

Marketing segment includes the results of Rompetrol Downstream, Rom Oil, Rompetrol Quality Control Rompetrol Logistics and Rompetrol Gas

In Q2 and H1 2018 the marketing segment had a turnover of over USD 853 million, respectively over USD 1.455 billion, higher by 55%, respectively by 38% compared with the same periods of 2017.

In Q2 and H1 2018 compared to same periods in 2017, the Platts quotations (FOB Med Italy-mean), expressed in the currency of reference, USD were on average by 36%, respectively 26% higher for gasoline and by 46%, respectively 34% higher for diesel. The 5.9% appreciation of the RON against the US dollar in Q2 2018 vs. Q2 2017 led to an effective increase of 27% for gasoline quotation and of 36.7% for diesel quotation. The 8% appreciation of the RON against the US dollar in H1 2018 vs H1 2017 has made the effective appreciation in the national currency of the two fuel quotes to be proportionally lower than the dollar appreciation indicates at first glance.

During Q1 and Q2 2018, Rompetrol Downstream continued the implementation of important investment projects, like opening 2 new station and 57 new cuves and 5 internal bases, rebranding of gas stations, LPG skids, partner stations and express stations.

As of June 2018, the Rompetrol Downstream's distribution segment contained 869 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

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ROMPETROL RAFINARE
Q2 and H1 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

APPENDIX 1 – CONSOLIDATED INCOME STATEMENT Q2 2018, UNAUDITED

Amounts in USD

	Q2 2018	Q2 2017	%	H1 2018	H1 2017	%
Gross Revenues	1,397,926,705	896,964,832	56%	2,604,142,235	1,718,414,575	52%
Sales taxes and discounts	(355,327,687)	(236,733,716)	50%	(618,094,519)	(443,991,131)	39%
Net revenues	**1,042,599,018**	**660,231,116**	**58%**	**1,986,047,716**	**1,274,423,444**	**56%**
Cost of sales	(961,128,269)	(613,754,687)	57%	(1,849,997,164)	(1,175,922,909)	57%
Gross margin	**81,470,749**	**46,476,429**	**75%**	**136,050,552**	**98,500,535**	**38%**
Selling, general and administration	(56,289,552)	(47,063,251)	20%	(101,103,301)	(88,165,446)	15%
Other expenses, net	(2,739,758)	(1,592,830)	72%	(7,080,315)	(2,900,402)	144%
EBIT	**22,441,439**	**(2,179,652)**	**N/A**	**27,866,936**	**7,434,687**	**275%**
Finance, net	(11,644,660)	(5,127,999)	127%	(22,175,397)	(13,669,228)	62%
Net foreign exchange gains / (losses)	(4,765,297)	701,570	N/A	(3,192,346)	(380,525)	739%
EBT	**6,031,482**	**(6,606,081)**	**N/A**	**2,499,193**	**(6,615,066)**	**N/A**
Income tax	526,315	(360,506)	N/A	279,549	(415,070)	N/A
Net result	**6,557,797**	**(6,966,587)**	**N/A**	**2,778,742**	**(7,030,136)**	**N/A**
EBITDA	**51,279,759**	**23,015,714**	**123%**	**85,880,579**	**57,538,863**	**49%**

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ROMPETROL RAFINARE
Q2 and H1 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

APPENDIX 2 – CONSOLIDATED BALANCE SHEET JUNE 30, 2018, UNAUDITED

Amounts in USD

	June 30, 2018	December 31, 2017	%
Assets			
Non-current assets			
Intangible assets	7,244,814	8,252,455	-12%
Goodwill	82,871,706	82,871,706	0%
Property, plant and equipment	1,222,252,201	1,254,559,178	-3%
Financial assets and other	39,197,528	37,839,253	4%
Total Non Current Assets	**1,351,566,249**	**1,383,522,592**	**-2%**
Current assets			
Inventories	345,655,881	342,623,825	1%
Trade and other receivables	466,498,894	436,209,507	7%
Cash and cash equivalents	14,356,256	12,592,193	14%
Total current assets	**826,511,031**	**791,425,525**	**4%**
Total assets	**2,178,077,280**	**2,174,948,117**	**0%**
Equity and liabilities			
Total Equity	**709,233,319**	**704,345,972**	**1%**
Non-current liabilities			
Long-term debt	240,000,000	-	N/A
Hybrid instrument - long-term portion	14,687,203	14,687,203	0%
Provisions	80,635,060	85,001,042	-5%
Other	4,484,153	3,923,537	14%
Total non-current liabilities	**339,806,416**	**103,611,782**	**228%**
Current Liabilities			
Trade and other payables	949,550,129	966,666,960	-2%
Derivative financial instruments	3,470,067	48,387	7071%
Short-term debt	176,017,349	400,275,016	-56%
Total current liabilities	**1,129,037,545**	**1,366,990,363**	**-17%**
Total equity and liabilities	**2,178,077,280**	**2,174,948,117**	**0%**

The financial figures are extracted from Company's consolidated unaudited IFRS financial reports.

Chairman of the Board of Directors
of ROMPETROL RAFINARE S.A.

Catalin Dumitru

General Manager

Yedil Utekov

Financial Manager

Vasile–Gabriel Manole

Prepared by,

Cristina Ana Dica
Financial Reporting Manager

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