ROMPETROL RAFINARE S.A.

Bulevardul Navodari, nr. 215,
Pavilion Administrativ,
Navodari, Judetul Constanta,
ROMANIA

phone: + (40) 241 50 60 00
+ (40) 241 50 61 50
fax: + (40) 241 50 69 30
office.rafinare@rompetrol.com
www.rompetrol-rafinare.ro
www.rompetrol.com

ROMPETROL RAFINARE
Q3 and 9M 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

Positive results in the first 9 months of 2018

Rompetrol Rafinare S.A. (symbols, Bucharest Stock Exchange: RRC, Reuters: ROMP.BX, Bloomberg: RRC RO) has released today its third quarter and 9 months 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”).

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

		Q3 2018	Q3 2017	%	9M 2018	9M 2017	%
Financial							
Gross Revenues	USD	1,533,869,684	1,157,260,127	33%	4,138,011,919	2,875,674,702	44%
Net Revenues	USD	1,170,257,360	844,634,091	39%	3,156,305,076	2,119,057,535	49%
EBITDA	USD	72,624,962	95,361,710	-24%	158,505,541	152,900,573	4%
EBITDA margin	%	6.2%	11.3%		5.0%	7.2%	
EBIT	USD	42,670,272	74,926,214	-43%	70,537,208	82,360,901	-14%
Net profit / (loss)	USD	30,519,163	63,144,381	-52%	33,297,905	56,114,245	-41%
Net Profit / (loss) margin	%	2.6%	7.5%		1.1%	2.6%	

The results in Q3 2018 and the first 9 months of 2018 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 production processes, energy, logistics and distribution.

Rompetrol Rafinare consolidated gross revenues reached USD over 1.5 billion in the third quarter of 2018 and over 4.1 billion in first 9 months of 2018, higher by 33%, respectively by 44 % as against the same periods in 2017 influenced by the increase of international quotations for petroleum products and by the increase in the volume of products sold.

The consolidated net result in Q3 and in the first 9 months of 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.

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

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www.rompetrol.com

ECONOMIC ENVIRONMENT

		Q3 2018	Q3 2017	%	9M 2018	9M 2017	%
Brent Dated	USD/bbl	75	52	44%	72	52	39%
Ural Med	USD/bbl	74	51	44%	71	51	39%
Brent-Ural Differential	USD/bbl	1.0	0.7	39%	1.4	1.1	28%
Premium Unleaded 10 ppm FOB Med	USD/tonne	712	545	31%	683	536	28%
Diesel ULSD 10 ppm FOB Med	USD/tonne	668	485	38%	638	471	35%
RON/USD Average exchange rate		3.99	3.90	2%	3.90	4.09	-5%
RON/USD Closing exchange rate		4.02	3.90	3%	4.02	3.90	3%
RON/EURO Average exchange rate		4.65	4.58	1%	4.65	4.55	2%
RON/EURO Closing exchange rate		4.66	4.60	1%	4.66	4.60	1%
USD/EURO Closing rate		1.16	1.18	-2%	1.16	1.18	-2%
Inflation in Romania*		0.27%	0.62%	-57%	2.70%	1.02%	164%

*Source: Platts, * INSSE*

Dated Brent increased by +20.3$/bbl. (+39.1%) in 9M 2018 as against 9M 2017 and settled to an average of 72.1$/bbl., with the highest level since November 2014 registered on 28th of September – 83.6$/bbl.

OPEC and its allies appear to have accomplished their mission of reducing global oil stocks to desired levels, according to International Energy Agency (IEA), 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.

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 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.

Additional downside pressure on crude price came after U.S. crude oil production in the 9-13 July week hit 11 million barrels per day (bpd) for the first time in the nation's history (Energy Department), as the ongoing boom in shale production continues to drive output.

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ROMPETROL RAFINARE
Q3 and 9M 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

In September the Dated Brent increased sharply to the highest level since November 2014 (83.6$/bbl.) as investors focused on the prospect of tighter markets due to U.S. sanctions against major crude exporter Iran, which are set to be implemented in November.

Oil prices could rise towards 100$/bbl. towards the end of the year or by early 2019 as sanctions against Iran bite, commodity merchants Trafigura and Mercuria said on 24th of September at the Asia Pacific Petroleum Conference (APPEC) in Singapore. Almost 2 million barrels per day of crude could be taken out of the market as a result of the U.S. sanctions against Iran by the end of Q4 this year, said Daniel Jaeggi, president of commodity merchant Mercuria Energy Trading, making a crude price spike to 100$/bbl. possible.

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 FCC 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.

Europe remains the main source of global middle distillate cracks strength. During Q3 the Gas oil/diesel cracks hit record highs, spiking to almost $17 per barrel.

But in last part of Q3, the European gasoline cracks decreased from 11.3$/bbl. to 6.4$/bbl. (-43%). The European gasoline market saw a lack of demand, as buying interest from the US was lackluster despite the looming hurricane season. The main aspect is a weak overall gasoline market that has too much production versus demand. Global stocks were up around 8% y-o-y, and European gasoline balances are about to lengthen considerably, with the European Q4-2018 balance averaging around 11% above Q4 2017. Also, with the US looking very well-supplied, it's expected exports to North America to fall. September's figures put European gasoline outflows to North America at just 293,000 b/d, down 39% y-o-y (Reuters).

The European refinery margins decreased during 9M 2018 by-7.3$/MT (-13.1%) as against 9M 2017 and settled to an average of ~ 48.2$/MT as product prices failed to keep up with the sharp rise on the crude side.

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

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REFINING SEGMENT

		Q3 2018	Q3 2017	%	9M 2018	9M 2017	%
Financial							
Gross Revenues	USD	1,312,724,103	941,538,983	39%	3,560,653,420	2,355,470,391	51%
Net Revenues	USD	1,010,723,813	689,023,754	47%	2,724,961,594	1,735,949,398	57%
EBITDA	USD	58,999,263	68,974,986	-14%	135,739,035	111,221,191	22%
EBITDA margin	%	5.8%	10.0%		5.0%	6.4%	
EBIT	USD	39,830,618	56,822,824	-30%	76,356,388	65,216,433	17%
Net profit / (loss)	USD	30,224,109	42,034,454	-28%	47,695,112	24,824,208	92%
Net profit / (loss) margin	%	3.0%	6.1%		1.8%	1.4%	
Gross cash refinery margin/tonne (Petromidia)	USD/tonne	54.3	63.9	-15%	51.3	49.1	5%
Gross cash refinery margin/bbl (Petromidia)	USD/bbl	7.5	8.8	-15%	7.1	6.8	5%
Net cash refinery margin/tonne (Petromidia)	USD/tonne	33.9	43.5	-22%	27.5	27.0	2%
Net cash refinery margin/bbl (Petromidia)	USD/bbl	4.7	6.0	-22%	3.8	3.7	2%
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	1,651	1,560	6%	4,738	3,982	19%
Feedstock processed in Vega refinery	thousand tonnes	120	112	7%	314	264	19%
Gasoline produced	thousand tonnes	421	394	7%	1,277	1,020	25%
Diesel & jet fuel produced	thousand tonnes	879	817	8%	2,441	2,105	16%
Motor fuels sales - domestic	thousand tonnes	646	611	6%	1,731	1,561	11%
Motor fuels sales - export	thousand tonnes	618	537	15%	1,828	1,396	31%
Export	%	49%	47%		51%	47%	
Domestic	%	51%	53%		49%	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.

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ROMPETROL RAFINARE
Q3 and 9M 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

Gross revenues of refining segment reached over USD 1.3 billion in Q3 2018 and over USD 3.5 billion in the first 9 months of 2018 increase by 39%, respectively 51% as against the same periods in 2017, being mainly influenced by the increase of international quotations of petroleum products and by the increase in the volume of products sold compared to similar periods last year.

In Q3 2018 and in the first 9 months of 2018, the total throughput for Petromidia refinery was 1.65 million tonnes, respectively 4.73 million tonnes, higher by 5.84% respectively 18.98%, compared with the same periods last year when the total throughput was 1.56 million tonnes, respectively 3.98 million tonnes.

In Q3 2018 and in the first 9 months of 2018, the refining capacity utilization in Petromidia refinery was 100.6%, respectively 99.17%, higher by 1.28%, respectively higher by 19.03% compared with the same periods last year.

In Q3 2018 and in the first 9 months of 2018, the total throughput for Vega refinery was 119,870 tonnes, respectively 313,800 tonnes, higher by 7.43%, respectively higher by 19.05%, compared with the same period last year when the total throughput was 111,580 tonnes, respectively 263,597 tonnes.

In Q3 2018 and in the first 9 months of 2018 the refining capacity utilization was 145.30%, respectively 126.79%, higher by 10.05 %, respectively higher by 20.28 %, compared with the same periods last year.

In April 2018, the 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, for the first 9 months of 2018, were positively influenced by favorable market conditions (refining margin of ~ 51 $/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 441 million in Q3 2018 and over USD 1.2 billion in the first 9 months of 2018.

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Bulevardul Navodari, nr. 215,
Pavilion Administrativ,
Navodari, Judetul Constanta,
ROMANIA

phone: + (40) 241 50 60 00
+ (40) 241 50 61 50
fax: + (40) 241 50 69 30
office.rafinare@rompetrol.com
www.rompetrol-rafinare.ro
www.rompetrol.com

PETROCHEMICALS SEGMENT

		Q3 2018	Q3 2017	%	9M 2018	9M 2017	%
Financial							
Revenues	USD	50,717,970	54,213,091	-6%	165,070,378	134,197,285	23%
EBITDA	USD	(4,014,283)	(281,055)	1328%	(12,845,829)	(3,770,350)	241%
EBIT	USD	(7,951,749)	(4,048,672)	96%	(24,929,375)	(14,882,196)	68%
Net profit / (loss)	USD	(8,274,813)	(2,112,039)	292%	(27,365,090)	(7,614,875)	259%
Operational							
Propylene processed	thousand tonnes	37	35	7%	115	95	21%
Ethylene processed	thousand tonnes	14	16	-14%	48	44	11%
Total polymers production	thousand tonnes	37	38	-2%	119	103	16%
Sold from own production	thousand tonnes	48	52	-8%	153	134	14%
Sold from trading	thousand tonnes	0	1	-39%	3	1	259%
Total sold		48	53	-9%	156	135	15%
Export	%	45%	48%		48%	48%	
Domestic	%	55%	52%		52%	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 technological 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.

Overall, petrochemicals segment activity was negatively affected by unfavorable market conditions, petrochemical margins on the LDPE / HDPE segment being the lowest in the last 7 years.

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 Q3 2018, the total polymers production for Petrochemicals area was 37.2 thousand tonnes by 1.64 % lower compared with the same period of last year when the total polymers production was 37.8 thousand tonnes.

In the first 9 months of 2018, the total polymers production for Petrochemicals area was 118.8 thousand tonnes by 16 % higher compared with the same period of last year when the total polymers production was 102.5 thousand tonnes, mainly caused by planned shutdown of the PP unit in May 2017 and restarted of the HDPE unit in April 2018.

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Pavilion Administrativ,
Navodari, Judetul Constanta,
ROMANIA

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+ (40) 241 50 61 50
fax: + (40) 241 50 69 30
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www.rompetrol.com

MARKETING SEGMENT

		Q3 2018	Q3 2017	%	9M 2018	9M 2017	%
Financial							
Gross Revenues	USD	896,905,679	722,296,073	24%	2,352,458,955	1,774,311,849	33%
EBITDA	USD	18,194,519	28,093,854	-35%	37,324,728	47,268,474	-21%
EBIT	USD	12,633,250	23,413,912	-46%	20,047,416	33,252,849	-40%
Net profit / (loss)	USD	11,405,114	25,056,154	-54%	16,834,158	40,704,405	-59%
Operational							
Fuels quantities sold in retail	thousand tonnes	203	202	1%	532	520	2%
Fuels quantities sold in wholesale	thousand tonnes	364	364	0%	962	903	7%
LPG quantities sold	thousand tonnes	103	93	11%	329	264	25%

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

In Q3 and the first 9 months of 2018 the marketing segment had a turnover of over USD 896 million, respectively over USD 2.3 billion, higher by 24%, respectively by 33% compared with the same periods of 2017.

In Q3 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 37,6%, higher for diesel and by 30.8% higher for gasoline. The 2.4% depreciation of the RON against the US dollar in Q3 2018 vs. Q3 2017 led to an effective appreciation, in the national currency of the two fuel quotations to be about 25.5% for gasoline and about 29.3% for diesel. The fuel tax rate for this period was higher than in 2017, fuel excises being about 14.8% higher for gasoline and 15.9% higher for diesel.

All of these changes have put a lot of pressure on the margin, as the pump price increased by about 25.7% for diesel and 21.7% for gasoline, partially covering the quotations increase.

The net result at 9 months 2018 compared to the same period of 2017 was considerably affected by exchange rate fluctuations, mainly due to the RON / USD exchange rate fluctuation and the change in monetary positions. Net result at 9 months 2017 was impacted by forex gains of about 27%, while for the same period of 2018 the net result was impacted by forex loss of about 2%.

During January - September 2018, Rompetrol Downstream continued the implementation of important investment projects, like opening 4 new CODO station and 78 new cuves and 7 internal bases, rebranding of gas stations, LPG skids, partner stations and express stations.

As of September 2018, the Rompetrol Downstream's distribution segment contained 895 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

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Pavilion Administrativ,
Navodari, Judetul Constanta,
ROMANIA
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fax: + (40) 241 50 69 30
office.rafinare@rompetrol.com
www.rompetrol-rafinare.ro
www.rompetrol.com

APPENDIX 1 – CONSOLIDATED INCOME STATEMENT Q3 2018, UNAUDITED

Amounts in USD

	Q3 2018	Q3 2017	%	9M 2018	9M 2017	%
Gross Revenues	1,533,869,684	1,157,260,127	33%	4,138,011,919	2,875,674,702	44%
Sales taxes and discounts	(363,612,324)	(312,626,036)	16%	(981,706,843)	(756,617,167)	30%
Net revenues	**1,170,257,360**	**844,634,091**	**39%**	**3,156,305,076**	**2,119,057,535**	**49%**
Cost of sales	(1,073,599,314)	(726,741,488)	48%	(2,923,596,478)	(1,902,664,397)	54%
Gross margin	**96,658,046**	**117,892,603**	**-18%**	**232,708,598**	**216,393,138**	**8%**
Selling, general and administration	(50,939,180)	(45,755,052)	11%	(152,042,481)	(133,920,498)	14%
Other expenses, net	(3,048,594)	2,788,663	N/A	(10,128,909)	(111,739)	8965%
EBIT	**42,670,272**	**74,926,214**	**-43%**	**70,537,208**	**82,360,901**	**-14%**
Finance, net	(10,511,813)	(8,919,966)	18%	(32,687,210)	(22,589,194)	45%
Net foreign exchange gains / (losses)	(933,334)	(1,049,550)	-11%	(4,125,680)	(1,430,075)	188%
EBT	**31,225,125**	**64,956,698**	**-52%**	**33,724,318**	**58,341,632**	**-42%**
Income tax	(705,962)	(1,812,317)	-61%	(426,413)	(2,227,387)	-81%
Net result	**30,519,163**	**63,144,381**	**-52%**	**33,297,905**	**56,114,245**	**-41%**
EBITDA	**72,624,962**	**95,361,710**	**-24%**	**158,505,541**	**152,900,573**	**4%**

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

Amounts in USD

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ROMPETROL RAFINARE
Q3 and 9M 2018 IFRS CONSOLIDATED UNAUDITED RESULTS

	September 30, 2018	December 31, 2017	%
Assets			
Non-current assets			
Intangible assets	6,615,219	8,252,455	-20%
Goodwill	82,871,706	82,871,706	0%
Property, plant and equipment	1,206,666,939	1,254,559,178	-4%
Financial assets and other	39,513,943	37,839,253	4%
Total Non Current Assets	**1,335,667,807**	**1,383,522,592**	**-3%**
Current assets			
Inventories	330,953,373	342,623,825	-3%
Trade and other receivables	512,475,276	436,209,507	17%
Cash and cash equivalents	15,312,937	12,592,193	22%
Total current assets	**858,741,586**	**791,425,525**	**9%**
Total assets	**2,194,409,393**	**2,174,948,117**	**1%**
Equity and liabilities			
Total Equity	**739,752,482**	**704,345,972**	**5%**
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	4,503,437	3,923,537	15%
Total non-current liabilities	**339,825,700**	**103,611,782**	**228%**
Current Liabilities			
Trade and other payables	964,081,115	966,666,960	0%
Derivative financial instruments	4,029,800	48,387	8228%
Short-term debt	146,720,296	400,275,016	-63%
Total current liabilities	**1,114,831,211**	**1,366,990,363**	**-18%**
Total equity and liabilities	**2,194,409,393**	**2,174,948,117**	**1%**

The financial figures are extracted from Company's consolidated unaudited IFRS financial reports.

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

____
Saduokhas Meraliyev

General Manager

____
Yedil Utekov

Financial Manager

____
Vasile–Gabriel Manole

Prepared by,

Cristina Ana Dica
Financial Reporting Manager

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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 SEPTEMBER 2018

CONTENTS:	**PAGE**

	September 30, 2018	December 31, 2017
Intangible assets	13,475,899	14,618,988
Goodwill	152,720	152,720
Property, plant and equipment	3,534,301,333	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	**5,333,911,484**	**5,480,958,590**
Inventories, net	961,040,561	1,014,258,927
Receivables and prepayments, net	1,793,434,869	1,577,627,271
Cash and cash equivalents	27,715,301	22,863,280
Total current assets	**2,782,190,731**	**2,614,749,478**
TOTAL ASSETS	**8,116,102,215**	**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, net of deferred tax impact	570,560,797	600,663,192
Other reserves	3,408,403,445	3,424,144,892
Accumulated losses	(6,059,141,510)	(6,507,244,042)
Current year result	30,428,112	418,336,728
Total equity	**2,593,808,524**	**2,579,458,450**
Hybrid loan - long-term portion	57,155,251	57,155,251
Long-term borrowings from banks	547,007,531	-
Provisions	313,475,981	327,130,219
Total non-current liabilities	**917,638,763**	**384,285,470**
Trade and other payables	4,001,070,087	3,981,167,078
Derivatives	16,288,142	515,760
Short-term borrowings from affiliates	508,809,878	683,141,317
Short-term borrowings from banks	78,486,821	467,139,993
Total current liabilities	**4,604,654,928**	**5,131,964,148**
TOTAL LIABILITIES AND EQUITY	**8,116,102,215**	**8,095,708,068**

SADUOKHAS MERALIYEV
President of the Board of Directors

VASILE-GABRIEL MANOLE
Financial Manager

YEDIL UTEKOV
General Manager

Prepared by (Chief Accountant)
Alexandru Cornel Anton

	January - September 2018	**January - September 2017**
Net revenues	11,280,623,295	7,627,353,408
Cost of sales	(10,780,554,886)	(7,276,614,290)
Gross profit	**500,068,409**	**350,739,118**
Selling, general and administrative expenses	(219,604,403)	(193,738,489)
Other operating expenses	(43,999,404)	(34,319,360)
Other operating income	28,037,313	17,528,484
Operating profit/ (loss)	**264,501,915**	**140,209,753**
Financial expenses	(118,464,254)	(118,353,396)
Financial revenues	10,249,815	43,464,569
Rezultatul financiar,net		
Net foreign exchange gains / (losses)	(125,859,364)	309,510,923
Profit before income tax	**30,428,112**	**374,831,849**
Deferred tax	-	-
Net Profit	**30,428,112**	**374,831,849**
Earnings per share *(bani/share)*	0.07	0.85

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	January - September 2018	**January - September 2017**
Net Profit / (Loss)	**30,428,112**	**374,831,849**
Other comprehensive income		
Other comprehensive income to be reclassified income statement in subsequent periods (net of tax):		
Gains / (losses) from derivatives	(15,741,447)	(1,766,579)
Total comprehensive income to be reclassified income statement in subsequent periods (net of tax):	**(15,741,447)**	**(1,766,579)**
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	(30,102,394)	-
The retained earnings representing the surplus from revaluation reserves	30,102,394	-
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	**(15,741,447)**	**(1,766,579)**
Total comprehensive income for the year, net of tax	**14,686,665**	**373,065,270**

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	September 30, 2018	September 30, 2017
Net result before income tax	**30,428,112**	**374,831,849**
Adjustments for:		
Depreciation and amortisation	236,529,256	198,831,508
Provisions for receivables and inventories (incl write-off)	29,987,214	(235,293)
Provision for environmental liabilities and litigations	(13,654,238)	-
Expenses with penalties	684,675	527,452
Interest expenses	118,464,254	118,353,396
Inrerest income	(10,249,815)	(41,846,404)
Losses/gains from derivatives	30,934	7,205
Unrealised foreign exchange (gain)/loss from restatement and monetary items	38,809,228	(211,391,495)
Cash generated from operations before working capital changes	**431,029,620**	**439,078,219**
Net working capital changes in:		
Receivables and prepayments	(215,970,694)	(338,350,551)
Inventories	36,958,233	(115,731,466)
Trade and other payables, including payables variation for capital expenditures	(39,115,788)	390,477,747
Change in working capital	**(218,128,249)**	**(63,604,270)**
Cash payments for derivatives, net	1,371,470	449,424
Net cash provided by/(used in) operating activities	**214,272,841**	**375,923,373**
Cash flows from investing activities		
Purchase of property, plant and equipment	(88,662,698)	(165,953,734)
Purchase of intangible assets	(819,449)	(385,697)
Net cash used in investing activities	**(89,482,147)**	**(166,339,431)**
Cash flows from financing activities		
Cash pooling	28,065,500	(13,907,560)
Short - term loans/ (repaid to) received from banks, net	(388,653,172)	108,520,343
Long - term loans repaid to banks	-	-
Short - term loans (repaid to)/ received from shareholders and related parties	(171,529,825)	(192,797,358)
Interest and bank charges paid, net	(118,464,254)	(118,353,396)
Net cash from financing activities	**(119,938,673)**	**(216,537,971)**
Increase / (Decrease) in cash and cash equivalents	**4,852,021**	**(6,954,029)**
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	**27,715,301**	**38,937,521**

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	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 Q3 2017	-	-	**374,831,849**	**-**	**-**	**-**	**374,831,849**
Gains/losses related to derivative financial instruments	-	-	-	-	-	(1,766,579)	(1,766,579)
Total other comprehensive income for Q3 2017	**-**	**-**	**-**	**-**	**-**	**(1,766,579)**	**(1,766,579)**
Total comprehensive income for Q3 2017	**-**	**-**	**374,831,849**	**-**	**-**	**(1,766,579)**	**373,065,270**
30st of September 2017	**4,410,920,573**	**232,637,107**	**(6,111,495,356)**	**-**	**-**	**3,167,903,935**	**1,699,966,259**
	-	-	-	-	-	-	-
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 profit for Q3 2018	**-**	**-**	**30,428,112**	**-**	**-**	**-**	**30,428,112**
Result carried out from application IFRS 9	-	-	(336,591)	-	-	-	(336,591)
Revaluation reserves	-	-	-	(30,102,394)	-	-	(30,102,394)
The retained earnings representing the surplus from revaluation reserves	-	-	30,102,394	-	-	-	30,102,394
Gains/losses related to derivative financial instruments	-	-	-	-	-	(15,741,447)	(15,741,447)
Total other comprehensive income for Q3 2018	**-**	**-**	**30,102,394**	**(30,102,394)**	**-**	**(15,741,447)**	**(15,741,447)**
Total comprehensive income for Q3 2018	**-**	**-**	**60,530,506**	**(30,102,394)**	**-**	**(15,741,447)**	**14,686,665**
30st of September 2018	**4,410,920,573**	**232,637,107**	**(6,028,713,398)**	**684,972,835**	**(114,412,037)**	**3,408,403,445**	**2,593,808,524**

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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 September 2018 is 1,173, 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 September 2018 and 31 December 2017, the Company reported net assets amounted to RON 2,594 million and RON 2,579 million respectively. For the exercise ended as at 30 September 2018 and 31 December 2017, the Company reported a profit of RON 30.4 million, and 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 September 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 Company adopts the new standard IFRS 9 on the required effective date and will not restate comparative information.
  Overall, the Company 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 Company 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 Company 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 Company has chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Company 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 Company's financial statements.

c) Impairment
IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Company 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 Company applies the new standard at its effective date of application, using the modified retrospective method. During 2017, the Company performed a preliminary assessment of IFRS 15 and did not identify a significant impact that will affect financial statements.
  The Company is involved in refining and petrochemicals, wholesale and retail of petroleum products and related services (oilfield, logistics, maintenance, quality control).
  The Company 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 Company 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 September 2018	31 December 2017
RON/USD	4.0210	3.8915
RON/EUR	4.6637	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	145,391	-	674,058	819,450
Transfers, reclassifications and adjustments*	2,502,771	-	(2,502,771)	-
Closing balance as of September 30, 2018	**48,762,333**	**150,123**	**5,023,418**	**53,935,874**
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	(1,925,009)	(37,531)	-	(1,962,539)
Closing balance as of September 30, 2018	**(40,309,853)**	**(150,123)**	**-**	**(40,459,976)**
Net book value				
As of December 31, 2017	**7,729,326**	**37,531**	**6,852,131**	**14,618,988**
As of September 30, 2018	**8,452,480**	**-**	**5,023,418**	**13,475,899**

**) 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	404,662	38,020	88,100,371	88,662,700
Transfers from CIP	-	32,062,075	84,412,917	15,274	(116,490,266)	-
Disposals	-	-	3,264	-	-	3,264
Transfers and reclassifications*	-	31,768,470	(31,768,470)	-	-	-
As of September 30, 2018	192,480,007	1,689,316,370	3,567,404,930	16,443,185	156,530,689	5,622,175,181
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	(1,242,563)	(70,460,364)	(162,153,720)	(710,068)	-	(234,566,716)
Accumulated depreciation of disposals	-	-	(3,264)	-	-	(3,264)
As of September 30, 2018	(27,143,391)	(70,502,027)	(1,979,347,300)	(7,709,646)	(3,171,485)	(2,087,873,848)
Net book value as of December 31, 2017	166,579,179	1,625,324,515	1,697,162,242	9,390,314	181,749,099	3,680,205,350
Net book value as of September 30, 2018	165,336,616	1,618,814,343	1,588,057,631	8,733,539	153,359,204	3,534,301,333

**) 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 9 months of year 2018 in 2017.

- Construction in progress

In the first 9 months 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 17.6 million), the catalyst replacement project at the plant HPM (about RON 6.3 million), project modernization tanks (approximately RON 12.8 million), project replacement of the old 6 KV swithces and the releys SRA2 (approximately RON 4.6 million), project "HDPE Unit restart" (approx. RON 5.3 million) and the Capital maintenance project "Refinery Shutdown 2018" (approximately RON 4.8 million).

5. PROPERTY, PLANT AND EQUIPMENT (continued)

At the end of October 2018 has been started the planned shutdown activity within the Petromidia refinery (refining and petrochemical units) and Vega refinery, which is scheduled to be completed by the end of November 2018. The purpose of this activity is to carry out the necessary works in order to maintain all the installations in optimal operating parameters in order to maximize the flow of the installations and the quality of the obtained products and to create the conditions for the implementation of future projects, to expand and increase the production volume, to ensure the reliability of the equipment during the operation, and to align the equipments and pipelines with the legislative requirements in force.

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 September 30, 2018 is RON 97.9 million, respectively RON 82.6 million at 31.12.2017.

- **Disposal**

No asset disposals were recorded in the first 9 months 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 9 months 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 1,122,315,871 (2017: RON 1,135,075,542), as follows:

- guarantees in favor of banks: RON 853,150,352 (2017: RON 864,851,354);
- guarantees in favor of ANAF: RON 269,165,519 (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 September 30st, 2018 no enforcement process has been made.

6. FINANCIAL ASSETS

	30 September 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 September 2018 and 31 December 2017 are as follows:

	Range of activity	Ownership at 30 September 2018	Ownership at 31 December 2017	Balance as at 30 September 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

	September 30, 2018	December 31, 2017
Crude oil and other feedstock materials	470,568,239	560,632,354
Finished products	357,773,866	294,460,794
Work in progress	117,290,514	127,069,512
Spare parts	51,920,120	52,960,693
Other consumables	22,201,480	21,541,544
Merchandises	933,660	1,254,210
Other inventories	3,816,022	3,543,028
Inventories reserve	(63,463,340)	(47,203,208)
Total	**961,040,561**	**1,014,258,927**

The inventories of finished goods comprise mainly petroleum products.

The movement of the provision for inventories in first 9 months of the year 2018 and in year 2017 is presented below:

	September 30, 2018	December 31, 2017
Reserve at the beginning of the year	**(47,203,208)**	**(44,103,284)**
Accrued provision	(28,749,869)	(29,951,519)
Write off	4,249	-
Reversal provision inventories reserve	12,485,488	26,851,595
Reserve at the end of the period	**(63,463,340)**	**(47,203,208)**

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

8. TRADE AND OTHER RECEIVABLES, NET

	September 30, 2018	December 31, 2017
Trade receivables	1,743,299,274	1,526,173,286
Advances to suppliers	16,347,753	11,392,740
Sundry debtors	52,202,714	26,811,309
VAT to be recovered	598,287	2,990,566
Other receivables	58,132,480	72,879,061
Reserve for bad and doubtful debts	(77,145,639)	(62,619,691)
Total	**1,793,434,869**	**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:

	September 30, 2018	December 31, 2017
Balance at the beginning of the year	**(62,619,691)**	**(62,290,869)**
Impairment losses recognized on receivables	(14,755,286)	(2,081,781)
Impairment losses reversed	691,613	280,233
Translation differences	(462,276)	1,472,726
Balance at the end of the period	**(77,145,639)**	**(62,619,691)**

At 30 September 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 September 2018	1,686,569,817	1,276,506,523	82,555,017	6,608,247	1,515,489	7,047,026	312,718,139	-380,623
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 September 2018, the trade receivables at the initial value of RON 56.73 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	(1,101,048)
Reversed provisions	691,613
Exchange rate difference	(462,276)
At September 30, 2018	**(56,729,458)**

9. CASH AND CASH EQUIVALENTS

	September 30, 2018	**December 31, 2017**
Cash at bank	27,242,854	22,394,325
Cash on hand	11,900	7,605
Transitory amounts	4,215	3,940
Other cash equivalents	456,332	457,410
Total	**27,715,301**	**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 September 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 September 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 September 2018 the Revaluation reserves balance (presented in net of RON 570.56 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 September 2018 the revaluation surplus transfered to retained earnings is in amount of RON 30,10 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 3,449 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

	September 30, 2018	December 31, 2017
Trade payables	3,216,540,917	3,281,800,731
Advances from customers	86,526,729	77,495,051
VAT payable	178,934,138	130,526,638
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	2,079,633	(1,180)
Employees and social obligations	8,685,949	14,343,553
Other liabilities	480,742,089	449,441,653
Total	**4,001,070,087**	**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 440,77 million (2017: RON 410.71 million) and is recognised in "other debts".

12. SHORT-TERM LOANS

Short-term loan from related parties:

	30 September 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 September 30, 2018 is in amount of USD 172 million.	313,344,057	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 - October 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 - October 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 - November 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 - November 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	18,954,721	11,966,483
	508,809,878	**683,141,317**

12. SHORT-TERM LOANS (continued)

Short-term loan from banks

	30 September 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, 2019; 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.	48,940,947	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 2019; 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.	10	0
Interest due	227,564	271,981
	49,168,521	**31,802,772**

	30 September 2018	31 December 2017
Syndicated loan – through Unicredit Bank as payer agent	-	435,337,221
Syndicated loan – auxiliary component representing overdraft loan granted by Unicredit Bank	10,684,405	-
Syndicated loan – auxiliary component representing overdraft loan granted by BCR	18,633,896	-
TOTAL	**29,318,300**	**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 September 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 30.09.2018 the term calculated to maturity (23 April 2021) is more than 1 Year.

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

13. LONG-TERM LOANS

	30 September 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.	**547,007,531**	**-**

The movement of loans in the first 9 months of year 2018 is presented below:

	At January 01, 2018	Movement	At September 30, 2018
Long-term borrowings from banks	-	547,007,531	547,007,531
Short-term borrowings from banks	466,868,013	(388,608,755)	78,259,258
Short-term borrowings from shareholders and related parties	671,174,834	(181,319,677)	489,855,157
Total	**1,138,042,847**	**(22,920,901)**	**1,115,121,945**
Interest short-term borrowings from banks	271,981	(44,417)	227,564
Interest short-term borrowings from shareholders and related parties	11,966,483	6,988,238	18,954,721
Total	**12,238,464**	**6,943,821**	**19,182,285**

14. PROVISIONS

	30 September 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 September 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 engaged 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. In this respect there were initiated technological tests with the company Ecomaster, tests completed for 100 tonnes.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 - September 2018	January - September 2017
Gross revenues from the sale of finished oil products	14,511,450,809	10,111,338,761
Revenues from other merchandise sales	14,359,359	22,168,043
Revenues from utilities sold	6,177,230	5,876,094
Revenues from the sale other products	429,413	911,079
Revenues from rents and other services	10,204,354	10,444,610
Gross Revenues	**14,542,621,165**	**10,150,738,588**
Less sales taxes	(3,261,997,869)	(2,523,385,180)
Total	**11,280,623,295**	**7,627,353,408**

16. COST OF SALES

	January - September 2018	January - September 2017
Crude oil and other raw materials	10,065,281,210	6,664,925,733
Consumables and other materials	48,939,999	43,222,104
Utilities	285,502,051	243,992,672
Staff costs	70,605,370	60,320,700
Transportation	439,569	12,440
Maintenance	82,435,729	63,400,186
Insurance	4,657,660	4,433,146
Environmental expenses	3,375,113	2,929,735
Other	35,379,059	33,095,583
Cash production cost	**10,596,615,759**	**7,116,332,299**
Depreciation and amortization	209,361,925	163,122,379
Production costs	**10,805,977,684**	**7,279,454,679**
Less: Change in inventories	(74,990,299)	(45,889,107)
Less: Own production of property, plant & equipment	(302,322)	(7,439,778)
Cost of other merchandise sales	14,028,028	23,041,355
Cost of utilities sold	4,611,305	4,486,555
Realised (gains)/losses on derivatives	31,230,490	22,960,587
Total	**10,780,554,886**	**7,276,614,290**

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

	January - September 2018	January - September 2017
Staff costs	21,210,506	19,685,759
Utilities	6,962,716	6,225,464
Transportation	33,569,281	26,773,550
Professional and consulting fees	67,476,880	45,105,023
Consumables	348,634	2,843,588
Marketing	188,336	399,124
Taxes	2,799,433	2,813,327
Communications	37,175	15,650
Insurance	407,201	1,707,208
IT related expenditures	4,585,730	4,205,933
Environmental expenses	11,501,471	8,110,749
Maintenance	9,569,055	10,927,533
Fees and penalties	15,098,051	10,453,560
Other expenses	18,682,603	18,762,895
Costs before depreciation	**192,437,072**	**158,029,361**
Depreciation and amortisation	27,167,331	35,709,128
Total	**219,604,403**	**193,738,489**

18. OTHER OPERATING (INCOME) / EXPENSES, NET

	January - September 2018	January - September 2017
Provision for receivables, expense	14,418,696	852,906
Provision for inventories and write-off, expense	28,749,870	16,440,284
Inventory write-off	748,123	-
Other provisions, expense	82,716	17,026,170
Other operating expenses	**43,999,404**	**34,319,360**
Provision for receivables, income	(691,613)	(192,540)
Provision for inventories and write-off, income	(12,489,737)	(17,335,944)
Other provisions, income	(13,654,238)	-
Other income	(1,201,724)	-
Other operating income	**(28,037,313)**	**(17,528,484)**
Total	**15,962,091**	**16,790,876**

19. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January - September 2018	January - September 2017
Finance cost		
Interest expense	19,319,751	10,742,026
Interest expense shareholders and related parties	40,602,922	56,138,041
Commission and other bank charges	58,541,580	51,473,329
	118,464,254	**118,353,396**
Finance income		
Interest income	(9,698,195)	(41,846,404)
Other financial income	(551,620)	(1,618,165)
	(10,249,815)	**(43,464,569)**
Finance income/(cost) net	**108,214,439**	**74,888,828**

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 September 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

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:

	Q3 2018	Q3 2017
Romania	5,742,596,036	4,130,855,460
Europe	5,410,639,750	3,311,462,261
Asia	119,701,433	139,652,815
America	7,686,077	45,382,872
Total	**11,280,623,295**	**7,627,353,408**

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

	Receivables and other assets	
	September 30, 2018	December 31, 2017
KazMunayGas Trading AG	605,823,518	658,908,913
Rompetrol Downstream S.R.L	730,595,897	586,070,373
Rompetrol Petrochemicals S.R.L.	1,664	1,657
KMG International N.V.	3,507,200	3,268,860
Rompetrol Gas SRL	9,047,285	10,047,709
Rompetrol Moldova ICS	44,910,073	-
Rompetrol Bulgaria JSC	7,249,886	3,111,148
Rominserv S.R.L.	7,004,525	3,672,459
Rompetrol Quality Control S.R.L.	125,259	129,968
Rompetrol Logistics S.R.L	4,273	48,853
Midia Marine Terminal S.R.L.	920,059	1,040,455
Uzina Termoelectrica Midia S.A.	6,772,259	8,467,191
KMG Rompetrol SRL	12,864,262	7,555,392
Global Security Systems S.A.	606,789	606,637
Kazmunaygas – Engineering LLP (former Rominserv Kazakhstan(RKZ))	676,200	654,422
Rompetrol Energy S.A.	601	-
Palplast S.A.	4,930,002	5,340,002
Byron Shipping Ltd.	3,368	3,924
Rompetrol Ukraina	15,226	14,736
Oilfield Exploration Business Solutions S.A.	6,811,051	1,932,419
Rompetrol Financial Group SRL	10,406	10,340
KMG Rompetrol Services Center SRL	50,749	50,516
TRG Petrol Ticaret Anonim Sirketi	15,607,356	10,521,367
Total	**1,457,537,908**	**1,301,457,341**

22. RELATED PARTIES (continued)

	Payables, loans and other liabilities	
	September 30, 2018	December 31, 2017
KazMunayGas Trading AG	2,862,200,927	2,784,983,327
Rompetrol Downstream S.R.L	32,643,061	43,115,612
Rompetrol Petrochemicals S.R.L.	7,694,583	7,685,137
KMG International N.V.- loans(note12)	313,344,057	494,663,734
KMG International N.V.-interest	4,565,736	1,830,480
KMG International N.V.-trade debts	11,980,199	13,976,078
Rompetrol Gas SRL	1,668,978	2,744,523
Rompetrol Moldova ICS	39,414,853	14,231,107
Rominserv S.R.L.	50,209,585	121,931,041
Rompetrol Quality Control S.R.L.	10,091,631	17,245,271
Rompetrol Logistics S.R.L	441,970	905,223
Midia Marine Terminal S.R.L.- loans(note12)	27,211,100	27,211,100
Midia Marine Terminal S.R.L.-interest	6,264,442	4,896,117
Midia Marine Terminal S.R.L.-trade debts	166,977,443	142,234,826
Rompetrol Well Services S.A. - loans (note 12)	34,300,000	34,300,000
Uzina Termoelectrica Midia S.A.	12,153,622	14,154,735
KMG Rompetrol SRL- debt cash pooling	451,717,162	410,707,468
KMG Rompetrol SRL-interest cash pooling	7,866,146	1,328,165
KMG Rompetrol SRL-trade debts	16,031,414	32,002,902
Global Security Systems S.A.	770,264	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	8,124,543	5,239,886
KMG Rompetrol Services Center SRL	1,839,634	1,407,558
TRG Petrol Ticaret Anonim Sirketi	10,753	565
Total	**4,182,522,169**	**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 2019.

22. RELATED PARTIES (continued)

In the first 9 months of 2018, respectively in the first 9 months of 2017, Rompetrol Rafinare had the following transactions with the related parties:

		Sales		Purchases	
Name of related party	**Nature of transaction , sales / purchases**	**Q3 2018**	**Q3 2017**	**Q3 2018**	**Q3 2017**
KazMunayGas Trading AG	Raw materials / Petroleum products	3,891,239,997	2,225,696,820	9,754,719,449	6,284,645,540
Rompetrol Downstream S.R.L	Petroleum products, rent, utilities and other	3,910,707,788	2,878,475,324	1,838,195	12,894,801
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	12,559	12,293	-	-
KMG International N.V.	Loan interest, management services	-	-	19,005,174	23,730,630
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	378,055,884	242,430,212	384,573	40,882
Rompetrol Moldova ICS	Sales intermediary services	662,044,492	529,185,823	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	41,773,987	59,049,425	-	462,673
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	1,748,941	1,835,063	169,133,104	232,691,130
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	980,820	2,583,992	18,420,864	18,225,844
Rompetrol Logistics S.R.L	Transport, rent/Rent, utilities	9,340	8,555	123,243	118,678
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, reinvoicing, loan interest ,others	1,660,957	1,182,250	61,166,984	54,569,522
Rompetrol Well Services S.A.	Loan interest	-	-	1,459,333	1,006,212
Uzina Termoelectrica Midia S.A.	Acquistion of utilities	49,964,461	47,042,659	86,375,000	82,837,782
KMG Rompetrol S.R.L.	Loan interest, management services	5,242,370	20,453,023	84,471,931	72,789,827
Global Security Systems S.A.	Security and protection services	1,050	1,099	8,347,993	7,258,603
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	27,651	27,261	2,828	17,508
Rompetrol Financial Group SRL	Loan interest	-	-	4,884,657	3,369,628
KMG Rompetrol Services Center SRL	Shared services	377,719	394,968	11,685,915	11,874,565
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	65,410,906	65,391,369	-	-
		9,009,302,411	**6,073,770,136**	**10,222,023,244**	**6,806,533,823**

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 - September 2018	January - September 2017
Net profit (+), loss (-)	30,428,112	374,831,849
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (bani/share)	0.07	0.85

24. CONTINGENT LIABILITIES

a) Related to the Company'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 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 27). 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 2.2 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 and the remaining, 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.

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 Company;

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.

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 memoir 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 Ocotber 8, 2018. The court postponed the issuance of a resolution for October 22, 2018, subsequently the Court rejected the request to forward the file to the Constitutional Court.

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.

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 filed the administrative appeal against the tax decision in order 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 a court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2,577,938 CO2 emission certificates for the entire period 2008-2012. This first decision issued by the Constanta Court of Appeal was challenged by the Ministry of Environment and The Romanian Government, but the appeals were rejected by the 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. The market value for a CO2 emission certificate was EUR 5.4 per certificate as of December 2016.

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

On April 24, 2014, the court rejected the Rompetrol' s claim on a reason that "is lack of object". Rompetrol appealed the Decision in front of the High Court of Cassation and Justice. The first hearing is set by the High Court of Cassation and Justice for June 3rd, 2016. Last hearing was on 21.10.2016, when the court admitted both appeals formulated by Rompetrol Rafinare and the Ministry of Environment and send the cause (File no. 917/36/2013*)
to the same first instance (Constanta Court of Appeal) for retrial. First hearing for retrial was set on September 7, 2017. At this hearing term, Rompetrol Rafinare has been made a request for changing the judge of the case, since he was the one who has solved the case in 2013 and has decided once on the merits of this cause. The term for settlement of the Rompetrol Rafinare request was established on September 14, 2017. The judge has been changed and a hearing term was established for October 23, 2017. On October 11th, 2017, the court joined this file with File no. 712/36/2015 (see below), and established the same term for October 23, 2017. Next term was established on May 14, 2018. The Cort has remain in pronouncement regarding the solution to our claim and postponed the solution for 18th May, 2018. At this pronouncement term, the Court of Appeal rejected the inadmissible of action exception and established the next term in the file for November 05, 2018.

2. Additionally, Rompetrol Rafinare launched a new legal enforcement procedure in front of the Constanta Court of Appeal, based on some new and much clearer provisions of law, subject to file No. 726/36/2014 at Constanta Court of Appeal.
On July 6, 2015 Constanta Court of Appeal admitted partially the claim and fined the representative of the Government and Ministry of Environment for non-performance of the enforcement of the decision by which the Company received a number of 2.577.940 CO2 emission certificates. The decision is subject to appeal. On February 14, 2018, the High Court of Cassation and Justice rejected the appeal filed by Ministry of Environment as being lack of interest.

As a consequence, on July 28th, 2015 the Government Decision no. 611/2015 was issued, providing the modification of the National Plan initially approved by Government Decision no. 60/2008 and increasing the allocation of the Company with the amount of 2.577.940 CO2 emission certificates; this decision 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 Government Decision has still not been implemented.

3. On October 27th 2015, in order to secure all its rights and the full enforcement of the above mentioned court and government decisions, Rompetrol Rafinare filed a last court enforcement procedure (File no. 712/36/2015 at Constanta Court of Appeal), having as object to oblige the defendants to pay the counter value of the 2.577.940 CO2 emission certificates (i.e. 40 million Euro in total) in case they will fail to implement in due time the initial and final court decision and the Government Decision no. 611/2015. On February 3rd2016, the Constanta Court of Appeal decided to postpone the procedure until the High Court of Cassation and Justice will pronounce a decision in another related case (Case file no. 917/36/2013),

25. LEGAL MATTERS (continued)

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

At this hearing term, the court joined this file with File no. 917/36/2013* and established the same term for October 23, 2017. Since now, this file is joined to file 917/36/2013 with the same hearing terms (see above), respectively November 05, 2018.

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

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.

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.

25. LEGAL MATTERS (continued)

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

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

a) Complaint against National Company

"Administratia Porturilor Maritime " SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.87 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. By Decision 21/2018, the Competition Council rejected the complaints formulated by Rompetrol Rafinare SA and Midia Marine Terminal SRL. Both companies will challenge this decision, by the administrative procedure, and also in court.

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 has been communicated and the recourse has been filled by Rompetrol Rafinare SA on August 6, 2018.

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.

25. LEGAL MATTERS (continued)

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 November 16, 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 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.

25. LEGAL MATTERS (continued)

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 hearing on November 29, 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, the first hearing is sheduled on December 7, 2018.

f) Request for annulment of the Finding Note no. 299/15.11.2017 issue by Environment National Guard-Prahova Commissariat, registered at Constanta court, with first hearing on November 15, 2018;

On December 20, 2017 the Company submitted to the PEPA notice for initiation of the project works (phase I- construction) and on December 21, 2017 a correspondence with details regarding the company which will execute the construction works. On January 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. The company is being drafted and deposited at the competent court of administrative appeal with the object of challenging the decision rejecting the request for revision of the existing environmental agreement.

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 September 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.

26. COMMITMENTS (continued)

At the end of March 2018 Rompetrol Rafinare SA has achieved the annual compliance with greenhouse gas (CO_2) emission regulations by returning a number of CO_2 certificates equivalent to the emission of 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 CO_2 certificates with buy back on March 2019.

From October 2017 to the present time, Rompetrol Rafinare SA is in the process of revising the integrated environmental authorization for the work performed on the Petromidia platform.

On October 2, 2018, the decision to issue the revised integrated environmental authorization was received from the Constanta Environmental Agency; Motivating the decision being: the activities carried out on the site ensure compliance with the European requirements and the legal rules on environmental protection. By the end of the year we estimate that the new integrated environmental authorization will be issued.

In September 2018 A new water management authorization was issued for Rompetrol Rafinare SA – the Petromidia platform with validity of 2 years (no specific commitments or additional measures).

Also Rompetrol Rafinare SA – Vega working point is in the process of revising the integrated environmental authorization

On the waste dump project from Vega refinery, the competent environmental authorities were notified of the implementation of phase I of the project (site preparation) and starting phase II (actual execution). In this respect there were initiated technological tests with the company Ecomaster, tests completed for 100 tonnes.

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 September 2018	31 December 2017
Long-term borrowings	604,162,782	57,155,251
Total equity	2,593,808,524	2,579,458,450
Gearing ratio	**23.29%**	**2.22%**

C. FINANCIAL INSTRUMENTS

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

	30 September 2018	31 December 2017
Financial assets		
Trade receivables and other receivables	1,718,356,349	1,490,364,904
Cash and bank accounts	27,715,301	22,863,280
TOTAL FINANCIAL ASSETS	**1,746,071,650**	**1,513,228,184**

Financial liabilities	**30 September 2018**	**31 December 2017**
Short term borrowings from shareholders and related parties	508,809,878	683,141,317
Derivatives	16,288,142	515,760
Commercial liabilities and other liabilities	3,702,220,011	3,741,224,899
Short term loans	78,486,821	467,139,993
Long term borrowings from banks	547,007,531	-
Hybrid instrument - long-term portion	57,155,251	57,155,251
TOTAL FINANCIAL LIABILITIES	**4,909,967,634**	**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 September 2018	Level 1	Level 2	Level 3
Financial assets				
Trade receivables and other receivables	1,718,356,349	1,718,356,349	-	-
Cash and bank accounts	27,715,301	27,715,301	-	-
TOTAL FINANCIAL ASSETS	**1,746,071,650**	**1,746,071,650**	**-**	**-**
Financial liabilities				
Short term borrowings from shareholders and related parties	508,809,878	508,809,878	-	-
Derivatives	16,288,142	-	16,288,142	-
Commercial liabilities and other liabilities	3,702,220,011	3,702,220,011	-	-
Short term loans	78,486,821	78,486,821	-	-
Long term borrowings from banks	547,007,531	547,007,531	-	-
Hybrid instrument - long-term portion	57,155,251	-	57,155,251	-
TOTAL FINANCIAL LIABILITIES	**4,909,967,634**	**4,836,524,241**	**73,443,393**	**-**

	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	-	-
Long term borrowings from banks	-	-	-	-
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 September 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 RON/USD of 5% and generated by a negative exchange rate RON/EUR of 5% . For a 5% weakening of the exchange rate RON against USD and an increase of the exchange rate RON against EUR there would be a negative impact in the profit, with the same value.

	USD		**EUR**	
	30 September 2018	**31 December 2017**	**30 September 2018**	**31 December 2017**
RON				
5%	(158,771,777)	(162,621,086)	4,578,434	4,110,054
-5%	158,771,777	162,621,086	(4,578,434)	(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 September 2018 would increase / decrease by RON 15.4 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 transactions (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 November 14, 2018.

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

In October 2018, The Energy Participation Management Company (SAPE) owned by the Ministry of Energy and KMG International NV, signed the documents establishing the Kazakh-Romanian Energy Investment Fund, an integrated part of the Memorandum of Understanding signed in 2014.

Rompetrol Rafinare SA
Financial ratios as at 30 September 2018
13A appendix from ASF Regulation no. 5/2018

Indicator	Result	Calculation method
1. Current liquidity	0.64	Current assets/Current liabilities
2. Gearing ratio	23.29%	Borrowed capital/Own capital x 100
3. Turnover speed for client items	33.30	Average balance for receivables/Revenues x 270
4. Turnover speed for non-current assets	2.11	Revenues/Non-current assets

*Note: Economic and financial indicators were computed based on unaudited financial statements

PRESIDENT OF THE BOARD OF DIRECTORS,
Meraliyev Saduokhas

FINANCIAL MANAGER,
Manole Vasile-Gabriel

GENERAL MANAGER,
Utekov Yedil

PREPARED BY (Chief Accountant),
Anton Alexandru Cornel