



## ROMPETROL RAFINARE Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS

### Operational performance maintaining good level trends, while financials heavy pressured by unfavorable market environment

Rompetrol Rafinare S.A. (symbols, Bucharest Stock Exchange: RRC, Reuters: ROMP.BX, Bloomberg: RRC RO) has released today its third quarter and 9 months 2019 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](http://www.rompetrol-rafinare.ro)

### HIGHLIGHTS – CONSOLIDATED

		Q3 2019	Q3 2018	%	9M 2019	9M 2018	%
<b>Financial</b>							
Gross Revenues	USD	1,041,480,755	1,533,869,684	-32%	3,906,680,039	4,138,011,919	-6%
Net Revenues	USD	1,017,865,111	1,170,257,360	-13%	2,906,226,873	3,156,305,076	-8%
EBITDA	USD	42,249,333	72,624,962	-42%	101,150,631	158,505,541	-36%
EBITDA margin	%	4.2%	6.2%		3.5%	5.0%	
EBIT	USD	9,744,868	42,670,272	-77%	17,450,984	70,537,208	-75%
Net profit / (loss)	USD	(7,481,293)	30,519,163	N/A	(26,919,405)	33,297,905	N/A
Net Profit / (loss) margin	%	-0.7%	2.6%		-0.9%	1.1%	

Rompetrol Rafinare consolidated gross revenues reached USD over 1.04 billion in Q3 2019 and over 3.9 billion in 9 months of 2019, lower by 32% as against Q3 2018 and lower by 6% as against first 9 months of 2018 being negatively affected by lower market quotation as against similar periods last year despite the similar level of sales volumes reached within the first nine months of 2019.

The company's consolidated results in terms of EBITDA and Net result were affected by the high volatility of oil and gas market environment in the period, mainly triggering significant pressure in the gross refinery margins in Q3 and 9M 2019, decreasing substantially from the comparison benchmark of 2018 similar periods (i.e. 41.1\$/t vs 54.3\$/t in Q3 2018 and 37.6\$/t vs 51.3\$/t in 9M 2018).



**ROMPETROL RAFINARE  
Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

**ECONOMIC ENVIRONMENT**

		Q3 2019	Q3 2018	%	9M 2019	9M 2018	%
Brent Dated	USD/bbl	62.00	75.16	-18%	64.59	72.13	-10%
Ural Med	USD/bbl	61.95	74.16	-16%	64.66	70.70	-9%
Brent-Ural Differential	USD/bbl	0.05	1.00	-95%	-0.07	1.43	N/A
Premium Unleaded 10 ppm FOB Med	USD/tonne	605	712	-15%	599	683	-12%
Diesel ULSD 10 ppm FOB Med	USD/tonne	578	668	-14%	588	638	-8%
RON/USD Average exchange rate		4.25	4.00	6%	4.22	3.90	8%
RON/USD Closing exchange rate		4.35	4.02	8%	4.35	4.02	8%
RON/EURO Average exchange rate		4.73	4.65	2%	4.74	4.65	2%
RON/EURO Closing exchange rate		4.75	4.66	2%	4.75	4.66	2%
USD/EURO Closing rate		1.09	1.16	-6%	1.09	1.16	-6%
Inflation in Romania*		-0.06%	0.27%	N/A	2.92%	2.70%	8%

Source: Platts, \* INSS

Dated Brent decreased by -13.16 \$/bbl. (-17.5%) in Q3 2019 against Q3 2018 and settled to an average of 62\$/bbl., and decreased by -7.54 \$/bbl. (-10.4%) in 9M 2019 against 9M 2018 and settled to an average of ~64.59 \$/bbl. mainly driven by increasing US crude inventories and pressured by an economic slowdown that has started to impact fuel consumption, following the trade conflict between US and China.

Despite this fall as against 9M 2018, crude price moved this year from 50.2\$/bbl. to 74.7\$/bbl., the highest level since October 2018, mainly as a result of the following key factors:

- OPEC oil supply decreased to a four-year low in March. The OPEC pumped 30.4 million barrels per day (bpd) in March, down 280,000 bpd from February and the lowest OPEC total since 2015;
- Russian oil output decreased at 11.34 million barrels per day (bpd) in February, down some 75,000 barrels per day from the October 2018 level, the baseline for a global deal between OPEC and Russia to reduce the crude supply;
- U.S. sanctions against Iran and Venezuela;
- Russia stopped oil flows in the Druzhba pipeline to Eastern Europe and Germany in the last week of April because of contaminated crude by chemical compounds, contributing to a rise in global oil prices to a six-month high, leaving refiners in Europe scrambling to find supplies and affecting Russia's reputation as an exporter;
- United States eliminated in May all waivers granted to eight economies. The decision, taken by President Donald Trump, has sent oil prices to their highest in 2019 – 74.7\$/bbl. on 16<sup>th</sup> of May.
- Crude price remained low in June as result of U.S. oil output expectancy from seven major shale formations to further rise the daily production within July at record levels (EIA -i.e. Energy Information Administration - reports);
- The start of June has also brought the first signs of a downwards correction and Urals differentials have experienced a period of free fall, with differentials falling to their widest discount in more than seven months. As flows via all lines of the Druzhba network have restarted, contaminated crude started being transported to the seaborne ports, especially Novorossiysk, to be blended into the seaborne crude stream. This in turn lead to higher supply of seaborne Urals, something which has already helped push Urals into a heftier discount (-1.42\$/bbl.);
- Additional pressure on crude price came after OPEC oil output has risen in August for the first month this year as higher supply from Iraq and Nigeria outweighed restraint by top exporter Saudi Arabia and

**ROMPETROL RAFINARE  
Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

losses caused by U.S. sanctions on Iran (Reuters). The OPEC has pumped 29.61 million barrels per day (bpd) in August, up 80,000 bpd from July's figure which was the lowest OPEC total since 2014;

- Crude price increased sharply on 14<sup>th</sup> of September after drone's attack struck two key oil installations inside Saudi Arabia, damaging facilities that process the vast majority of the country's crude output and raising the risk of a disruption in world oil supplies. Saudi Aramco, the kingdom's state-owned oil company, said that it had suspended production of 5.7 million barrels of crude oil. That is equivalent to roughly 60% of the kingdom's output and 6% of the world's oil production.

European margins decreased by -5.4\$/MT (-11.5%) in Q3 2019 against Q3 2018 and decreased by -12\$/MT (-27.4%) in 9M 2019 as against 9M 2018, as result of the following main factors which added significant pressure on the margins:

- Urals price strengthened as against Dated Brent from -1.43 discount to +0.07\$/bbl. premium, meaning a more expensive crude oil for the Mediterranean refineries which are designed to use this type of sour crude in their diet;
- European gasoline cracks fell during the beginning of the year into negative territory of -1.4\$/bbl. Having pressure coming from the high level of gasoline stock in Europe and in U.S.;
- European diesel cracks started to decrease in Q1 2019 due to lower demand (based on higher temperatures in Europe) and as result of refineries coming back from maintenance, especially in the Eastern Mediterranean area, which was more affected in this period;
- European diesel market is finding unexpected support in Q2 2019 from disruption in the refining sector after the shutdown of Russia's Druzhba pipeline due to contaminated oil;
- Naphtha cracks extended losses to new multi-year low levels, as result of global oversupply;
- In June however, the refinery margins recovered on the back of crude price decrease and Urals RCMB moving back to discounts of -1.42\$/bbl. against Dated Brent, while European gasoline market was pulled higher, based on continued demand out of the US;
- Moreover, gasoline exports from Europe to the Middle East and Asia increased during the second half of September after attacks on Saudi Arabia's oil facilities crippled output at the kingdom's refineries;
- Also, global middle distillate cracks showing good level increases in Q3 2019, however not enough to recuperate on the gap versus last year's similar period margins.

Refinery margins are however set to increase over Q4 2019 and further in 2020, for most refinery configurations as a result of 2020 IMO (i.e. International Maritime Organization) new regulation and triggering therefore its impact on crude and product markets, refinery operations, shipping market and trading.

Internally, the EUR/RON exchange rate witnessed a relatively abrupt increase in the last part of the first month of 2019, before remaining close to January's historical peak (i.e. 4.7648 on January 25<sup>th</sup>), on a relatively fluctuating path.

In mid-March, the EUR/RON posted, however, a renewed steeper rise, after which the currency pair stuck to levels in the immediate vicinity of the January peak.

In the first two months of Q2 2019, the EUR/RON exchange rate remained quasi-stable at the higher values recorded at the beginning of the year, before posting a relatively sharp downward correction towards the end of May and in the first days of June and at the beginning of Q3 2019, the downward trend continued and then towards the end of the third quarter an upward trend followed.

Looking at the average annual exchange rate dynamics in 9M 2019, the national currency (i.e. RON) saw its nominal depreciation accelerate versus both the EURO and particularly the US dollar (the largest nominal depreciation in the past 15 quarters; i.e. maximum USD/RON exchange rate for the year 2019 was 4.3605 on the first day of Q4 2019).

*\*The information is based on analysis provided by JBC Energy GmbH and National Bank of Romania*



**ROMPETROL RAFINARE**  
**Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

**REFINING SEGMENT**

		Q3 2019	Q3 2018	%	9M 2019	9M 2018	%
<b>Financial</b>							
Gross Revenues	USD	1,159,418,402	1,312,724,103	-12%	3,314,068,814	3,560,653,420	-7%
Net Revenues	USD	849,488,119	1,010,723,813	-16%	2,483,817,627	2,724,961,594	-9%
EBITDA	USD	34,169,377	58,999,263	-42%	71,977,831	135,739,035	-47%
EBITDA margin	%	4.0%	5.8%		2.9%	5.0%	
EBIT	USD	7,832,656	39,830,618	-80%	18,717,129	76,356,388	-75%
Net profit / (loss)	USD	(647,895)	30,224,109	N/A	(9,804,148)	47,695,112	N/A
Net profit / (loss) margin	%	-0.1%	3.0%		-0.4%	1.8%	
Gross cash refinery margin/tonne (Petromidia)	USD/tonne	41.1	54.3	-24%	37.6	51.3	-27%
Gross cash refinery margin/bbl (Petromidia)	USD/bbl	5.7	7.5	-24%	5.2	7.1	-27%
Net cash refinery margin/tonne (Petromidia)	USD/tonne	18.6	33.9	-45%	12.8	27.5	-53%
Net cash refinery margin/bbl (Petromidia)	USD/bbl	2.6	4.7	-45%	1.8	3.8	-53%
<b>Operational</b>							
Feedstock processed in Petromidia refinery	thousand tonnes	1,630	1,651	-1%	4,756	4,738	0%
Feedstock processed in Vega refinery	thousand tonnes	123	120	3%	325	314	3%
Gasoline produced	thousand tonnes	408	421	-3%	1,212	1,277	-5%
Diesel & jet fuel produced	thousand tonnes	866	879	-1%	2,499	2,441	2%
Motor fuels sales - domestic	thousand tonnes	707	646	9%	1,903	1,731	10%
Motor fuels sales - export	thousand tonnes	520	618	-16%	1,643	1,828	-10%
Export	%	42%	49%		46%	51%	
Domestic	%	58%	51%		54%	49%	

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

Gross revenues of refining segment reached over USD 1.1 billion in Q3 2019 and over USD 3.3 billion in 9M 2019 showing a 12% decrease on quarter level, and a 7% decrease as against first 9 months of 2018. Year on year variance was mainly influenced by the decrease of international oil & gas market quotation evolution of petroleum products, and also influenced by a slight decrease in the volume of products sold.

**ROMPETROL RAFINARE  
Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

In Q3 and 9M 2019, the total throughput for Petromidia refinery was 1.63 million tonnes, respectively 4.76 million tonnes, lower by 1.26% on quarter level, but higher by 0.39% on 9M level if compared with the same periods last year when the total throughput was 1.65 million tonnes in the quarter, alongside 4.74 million tonnes in 9M 2018.

In Q3 and 9M 2019, the refining capacity utilization in Petromidia refinery was 96.92%, and 97.75%, lower by 3.68%, and lower by 1.42% compared with the same periods last year.

**Petromidia refinery managed to achieve in 9M 2019 a very good operational performance, for its main technological and operational parameters such as:**

- ✓ 9M 2019 total feedstock processed of 4.756 mil tons, the highest level reached by Petromidia refinery, on 9 months period, +18 kt above previous year record;
- ✓ 9M 2019 the highest Crude Unit total throughput of 4.135 mil tons, +22 kt above previous year according with improved crude diet;
- ✓ The highest 9M 2019 Jet group production in Petromidia history (312 kt almost in line with full year 2018) as a result of production optimizations;
- ✓ White finished products yield of 86.1%wt;
- ✓ Mechanical Availability of 97.5%;
- ✓ Technological loss of 0.814%wt;
- ✓ Energy Intensity Index of 96.9%, close to previous year.

In respect of Vega refinery (the oldest processing unit operating in Romania (since 1905) and the only domestic producer of bitumen and hexane), the total throughput was 123,060 tonnes in Q3 2019, and 324,663 tonnes in 9M 2019, higher by 2.66% on the third quarter, and higher by 3.46% for the first 9 months if compared with the same periods last year when the total throughput was 119,870 tonnes in Q3 of 2018 and 313,800 tonnes in 9M of 2018.

**Vega refinery also managed to achieve in 9M 2019 very good performance results, of which the following are emphasized:**

- ✓ Total feedstock processed of 325 kt, above previous record by 11 kt;
- ✓ Record for hexane production which reached 72 kt level, above previous record by 6 kt;
- ✓ Bitumen production of 84 kt, above previous year by 9 kt according with high market demand;
- ✓ Technological loss of 0.83%;
- ✓ Energy consumption of 2.34GJ/t, slightly below previous year;
- ✓ Mechanical Availability of 98.72%.

The refining segment's financial results in Q3 and 9M 2019, were negatively affected by unfavorable market conditions, Petromidia's gross refinery margin was lower in Q3 and 9M 2019 compared with the same periods last year (i.e. 41.1\$/t vs 54.3\$/t in Q3 2018 and 37.6\$/t vs 51.3\$/t in 9M 2018).

Petromidia refinery continued its production process optimization programs (i.e. increase of processing capacity alongside increased production performance of valuable products yields; reduce technological loss, crude diet optimization; constant supply of the crude, alternative and other feedstock; downstream Units operation optimization; mitigation of slowdown/shutdown/ unplanned events) and operating costs optimization (energy efficiency and processing cost reduction), programs that started in 2014 and successfully continued until present days.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 453 million in Q3 2019 and over USD 1.18 billion in 9M 2019.





**ROMPETROL RAFINARE**  
**Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

**PETROCHEMICALS SEGMENT**

		Q3 2019	Q3 2018	%	9M 2019	9M 2018	%
<b>Financial</b>							
Revenues	USD	44,304,554	50,717,970	-13%	134,954,909	165,070,378	-18%
EBITDA	USD	(9,099,238)	(4,014,283)	127%	(19,192,523)	(12,845,829)	49%
EBIT	USD	(13,097,296)	(7,951,749)	65%	(31,206,682)	(24,929,375)	25%
Net profit / (loss)	USD	(16,192,587)	(8,274,813)	96%	(35,737,813)	(27,365,090)	31%
<b>Operational</b>							
Propylene processed	thousand tonnes	40	37	6%	116	115	1%
Ethylene processed	thousand tonnes	10	14	-29%	27	48	-45%
Total polymers production	thousand tonnes	33	37	-12%	92	119	-22%
Sold from own production	thousand tonnes	50	48	5%	144	153	-6%
Sold from trading	thousand tonnes	0	0	-95%	1	3	-75%
Total sold	thousand tonnes	50	48	4%	145	156	-7%
Export	%	41%	45%		39%	48%	
Domestic	%	59%	55%		61%	52%	

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

Starting 1<sup>st</sup> 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 Q3 2019 and 9M 2019, the total polymers production for Petrochemicals area was 32,8 thousand tons and 92.2 thousand tons, lower by 11.6% and by 22.4% as compared with the same periods last year when the total polymers production was 37.2 thousand tons for Q3 2018 and 118.8 thousand tons for 9M 2018. The decrease in polymers production was mainly driven by operation in the polyethylene's units as result of the unfavorable market conditions.

Petrochemicals division results continued to be affected by the market margin pressure, having reached in 9M 2019 the lowest level in the last decade - i.e. 9M 2019 PolyPropylene crack = 430\$/t; PolyEthylenes crack = 158 \$/ton low density grades, 167\$/ton high density grades; also, as historical key highest references reached in the last decade, was within 2010: PP crack level was 614 \$/t and LDPE crack level was 401\$/t. As such, immediate decision triggered for the Polyethylene Units was to run at most economic run-rate, thus lowering the production in 9M 2019 (i.e. LDPE Unit operational almost four months, HDPE non-operational throughout entire 9M 2019).

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 in the region – the Black Sea and Mediterranean region and the Eastern and Central Europe, aiming to keep the competitive advantage once the market stabilizes.



**ROMPETROL RAFINARE  
Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

**MARKETING SEGMENT**

		Q3 2019	Q3 2018	%	9M 2019	9M 2018	%
<b>Financial</b>							
Gross Revenues	USD	876,630,346	896,905,679	-2%	2,298,552,271	2,352,458,955	-2%
EBITDA	USD	22,630,529	18,194,519	24%	49,523,015	37,324,728	33%
EBIT	USD	16,379,899	12,633,250	30%	33,198,766	20,047,416	66%
Net profit / (loss)	USD	10,730,300	11,405,114	-6%	22,028,198	16,834,158	31%
<b>Operational</b>							
Fuels quantities sold in retail	thousand tonnes	228	203	12%	583	532	10%
Fuels quantities sold in wholesale	thousand tonnes	373	364	2%	967	962	0%
LPG quantities sold	thousand tonnes	112	103	9%	321	329	-2%

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

In Q3 and 9M 2019 the marketing segment had a turnover of over USD 876 million, and over USD 2.2 billion, lower by 2% compared with the same periods of 2018; Marketing Segment result performance for the third quarter of 2019 reached a level EBITDA of 22.6 million USD (i.e. +24%, or ~4.4 million USD above Q3 2018), while for 9M a level of 49.5 million USD (i.e. +33%, or ~12.2 million USD above 9M 2018).

In the Q3 2019, the Platts quotations (FOB Med Italy) in the reference currency (i.e. USD) averaged a decrease of ~ 14% for diesel and a decrease of ~ 15% for gasoline compared with the similar period of 2018. The USD exchange rate had a depreciation of the RON against the US dollar of ~ 6% (Q3 2019 vs. Q3 2018 on average).

The excise level was higher in 2019 compared to 2018, excise level increased with 3.2% for gasoline and for diesel. Excise duties on fuel increased starting with January 1, 2019 by 6.2 bani/liter for gasoline and by 5.8 bani/liter for diesel.

As of September 2019, the Rompetrol Downstream's distribution segment contained 944 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.



**ROMPETROL RAFINARE  
Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

**APPENDIX 1 – CONSOLIDATED INCOME STATEMENT Q3 2019 AND 9 MONTHS 2019,  
UNAUDITED**

*Amounts in USD*

	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>%</b>	<b>9M 2019</b>	<b>9M 2018</b>	<b>%</b>
Gross Revenues	1,041,480,755	1,533,869,684	-32%	3,906,680,039	4,138,011,919	-6%
Sales taxes and discounts	(23,615,644)	(363,612,324)	-94%	(1,000,453,166)	(981,706,843)	2%
<b>Net revenues</b>	<b>1,017,865,111</b>	<b>1,170,257,360</b>	<b>-13%</b>	<b>2,906,226,873</b>	<b>3,156,305,076</b>	<b>-8%</b>
Cost of sales	(948,339,510)	(1,073,599,314)	-12%	(2,739,961,660)	(2,923,596,478)	-6%
<b>Gross margin</b>	<b>69,525,601</b>	<b>96,658,046</b>	<b>-28%</b>	<b>166,265,213</b>	<b>232,708,598</b>	<b>-29%</b>
Selling, general and administration	(55,801,236)	(50,939,180)	10%	(154,468,523)	(152,042,481)	2%
Other expenses, net	(3,979,497)	(3,048,594)	31%	5,654,294	(10,128,909)	N/A
<b>EBIT</b>	<b>9,744,868</b>	<b>42,670,272</b>	<b>-77%</b>	<b>17,450,984</b>	<b>70,537,208</b>	<b>-75%</b>
Finance, net	(13,795,603)	(10,511,813)	31%	(39,242,014)	(32,687,210)	20%
Net foreign exchange gains / (losses)	(1,739,466)	(933,334)	86%	(1,462,179)	(4,125,680)	-65%
<b>EBT</b>	<b>(5,790,201)</b>	<b>31,225,125</b>	<b>N/A</b>	<b>(23,253,209)</b>	<b>33,724,318</b>	<b>N/A</b>
Income tax	(1,691,092)	(705,962)	140%	(3,666,196)	(426,413)	760%
<b>Net result</b>	<b>(7,481,293)</b>	<b>30,519,163</b>	<b>N/A</b>	<b>(26,919,405)</b>	<b>33,297,905</b>	<b>N/A</b>
<b>EBITDA</b>	<b>42,249,333</b>	<b>72,624,962</b>	<b>-42%</b>	<b>101,150,631</b>	<b>158,505,541</b>	<b>-36%</b>





**ROMPETROL RAFINARE  
Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

**APPENDIX 2 – CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2019, UNAUDITED**

Amounts in USD

	September 30, 2019	December 31, 2018	%
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	7,518,613	7,606,675	-1%
Goodwill	82,871,706	82,871,706	0%
Property, plant and equipment	1,173,049,549	1,235,103,661	-5%
Right of use assets	62,797,584	-	N/A
Financial assets and other	40,450,162	40,930,859	-1%
<b>Total Non Current Assets</b>	<b>1,366,687,614</b>	<b>1,366,512,901</b>	<b>0%</b>
<b>Current assets</b>			
Inventories	295,544,247	292,898,693	1%
Trade and other receivables	522,763,199	409,254,839	28%
Derivative financial Instruments	528,306	2,608,512	-80%
Cash and cash equivalents	13,004,698	11,477,183	13%
<b>Total current assets</b>	<b>831,840,450</b>	<b>716,239,227</b>	<b>16%</b>
<b>Total assets</b>	<b>2,198,528,064</b>	<b>2,082,752,128</b>	<b>6%</b>
<b>Equity and liabilities</b>			
<b>Total Equity</b>	<b>644,596,751</b>	<b>675,364,584</b>	<b>-5%</b>
<b>Non-current liabilities</b>			
Long-term debt	240,000,000	224,103,204	7%
Hybrid instrument - long-term portion	17,009,920	17,009,920	0%
Provisions	85,664,505	85,664,505	0%
Net obligations under finance lease	61,341,685	-	N/A
Other	4,200,519	4,345,265	-3%
<b>Total non-current liabilities</b>	<b>408,216,629</b>	<b>331,122,894</b>	<b>23%</b>
<b>Current Liabilities</b>			
Trade and other payables	1,055,807,943	916,434,940	15%
Contract liabilities	30,138,926	25,947,213	16%
Derivative financial instruments	-	76,580	-100%
Net obligations under finance lease	4,572,665	-	N/A
Short-term debt	55,195,150	133,805,917	-59%
<b>Total current liabilities</b>	<b>1,145,714,684</b>	<b>1,076,264,650</b>	<b>6%</b>
<b>Total equity and liabilities</b>	<b>2,198,528,064</b>	<b>2,082,752,128</b>	<b>6%</b>



**rompetrol**

KazMunayGas  
Group  
Member

**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](http://www.rompetrol-rafinare.ro)  
[www.kmginternational.com](http://www.kmginternational.com)

**ROMPETROL RAFINARE  
Q3 AND 9M 2019 IFRS CONSOLIDATED UNAUDITED RESULTS**

The financial figures are extracted from Company's consolidated unaudited IFRS financial report as of 30 September 2019.

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

**Saduokhas Meraliyev**

**General Manager**

**Yedil Utekov**

**Financial Manager**

**Mircea-Stefan Stanescu**

**Prepared by,**

**Cristina Ana Dica  
Financial Reporting Manager**

**ROMPETROL RAFINARE S.A.**

**UNAUDITED STANDALONE 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 2019**

**ROMPETROL RAFINARE S.A.**  
**Unaudited Standalone Financial Statements**

Prepared in compliance with the Order of the Minister of Public Finance no. 2844/2016  
**as at 30 September 2019**

---

<b>CONTENTS:</b>	<b>PAGE</b>
Statement of the financial position	3
Income Statement	4
Statement of Other Comprehensive Income	5
Statement of Cash Flows	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8 - 66

**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF THE FINANCIAL POSITION**  
**as at 30 September 2019**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	<u>Notes</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Intangible assets	3	18,831,401	17,940,585
Goodwill	4	152,720	152,720
Property, plant and equipment	5	3,506,671,157	3,622,505,369
Rights of use assets	6	5,948,897	-
Investments in subsidiaries	7	1,629,020,055	1,629,020,055
Deferred tax asset	23	163,026,035	163,026,035
<b>Total non current assets</b>		<b>5,323,650,265</b>	<b>5,432,644,764</b>
Inventories, net	8	985,825,241	816,566,125
Receivables and prepayments, net	9	1,810,635,880	1,530,215,763
Derivative Financial Instruments	30	1,446,502	6,197,265
Cash and cash equivalents	10	23,044,809	19,450,444
<b>Total current assets</b>		<b>2,820,952,432</b>	<b>2,372,429,597</b>
<b>TOTAL ASSETS</b>		<b>8,144,602,697</b>	<b>7,805,074,361</b>
Subscribed share capital	11	4,410,920,573	4,410,920,573
Share premium	11	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	11	536,862,214	566,948,566
Other reserves	11	3,402,780,981	3,408,959,991
Accumulated losses		(6,251,997,375)	(6,049,107,446)
Current year result		(319,592,063)	(230,205,630)
<b>Total equity</b>		<b>2,011,611,437</b>	<b>2,340,153,161</b>
Hybrid loan - long-term portion	11	69,291,612	69,291,612
Long-term borrowings from banks	15	625,849,256	489,405,927
Provisions	17	335,464,381	335,464,381
Long-term lease debts	16	4,969,644	-
<b>Total non-current liabilities</b>		<b>1,035,574,893</b>	<b>894,161,920</b>
Trade and other payables	12	4,756,582,999	3,936,412,324
Contract liabilities	13	97,407,520	89,334,760
Short-term lease debts	16	3,448,786	-
Short-term borrowings from related parties	14	103,850,156	438,118,914
Short-term borrowings from banks	14	136,126,905	106,893,282
<b>Total current liabilities</b>		<b>5,097,416,366</b>	<b>4,570,759,280</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,144,602,697</b>	<b>7,805,074,361</b>

**SADUOKHAS MERALIYEV**  
President of the Board of Directors

**MIRCEA-STEFAN STANESCU**  
Financial Manager

**YEDIL UTEKOV**  
General Manager

**Prepared by (Chief Accountant)**  
Alexandru Cornel Anton

**ROMPETROL RAFINARE S.A.**  
**INCOME STATEMENT**

for the financial year ended 30 September 2019

(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	January - September 2019	January - September 2018
Net revenues from contracts with customers	18	11,052,631,896	11,280,623,295
Cost of sales	19	(10,809,946,962)	(10,780,554,886)
<b>Gross profit</b>		<b>242,684,933</b>	<b>500,068,409</b>
Selling, general and administrative expenses	20	(240,860,735)	(219,604,403)
Other operating expenses	21	(41,412,591)	(43,999,404)
Other operating income	21	78,473,218	28,037,313
<b>Operating profit</b>		<b>38,884,826</b>	<b>264,501,915</b>
Financial expenses	22	(164,305,211)	(118,464,254)
Financial revenues	22	17,175,997	10,249,815
Net foreign exchange gains / (losses)	22	(211,347,675)	(125,859,364)
<b>Profit/(Loss) before income tax</b>		<b>(319,592,063)</b>	<b>30,428,112</b>
Deferred tax	23	-	-
<b>Net Profit/(Loss)</b>		<b>(319,592,063)</b>	<b>30,428,112</b>
<b>Earnings per share (bani/share)</b>	26	(0.72)	0.07

**SADUOKHAS MERALIYEV**  
President of the Board of Directors

**MIRCEA-STEFAN STANESCU**  
Financial Manager

**YEDIL UTEKOV**  
General Manager

**Prepared by (Chief Accountant)**  
Alexandru Cornel Anton



**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the financial year ended 30 September 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

	January - September 2019	January - september 2018
<b>Net Profit / (Loss)</b>	<b>(319,592,063)</b>	<b>30,428,112</b>
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):</i>		
Gains / (losses) from derivatives	(6,179,010)	(15,741,447)
<b>Total comprehensive income to be reclassified income statement in subsequent periods (net of tax):</b>	<b>(6,179,010)</b>	<b>(15,741,447)</b>
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</i>		
Revaluation of buildings category in property plant and equipment	-	(30,102,394)
The retained earnings representing the surplus from revaluation reserves	-	30,102,394
<b>Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</b>	<b>-</b>	<b>-</b>
<b>Total other comprehensive result for the year, net of tax</b>	<b>(6,179,010)</b>	<b>(15,741,447)</b>
<b>Total comprehensive result for the year, net of tax</b>	<b>(325,771,073)</b>	<b>14,686,665</b>

**SADUOKHAS MERALIYEV**  
President of the Board of Directors

**MIRCEA-STEFAN STANESCU**  
Financial Manager

**YEDIL UTEKOV**  
General Manager

**Prepared by (Chief Accountant)**  
Alexandru Cornel Anton

**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF CASH FLOWS**  
**For the financial year ended 30 September 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
<b>Net result before income tax</b>	<b>(319,592,063)</b>	<b>30,428,112</b>
<i>Adjustments for:</i>		
Depreciation and amortisation	267,552,620	236,529,256
Provisions for receivables and inventories (incl write-off)	(35,973,107)	29,987,214
Provision for environmental liabilities and litigations	-	(13,654,238)
Expenses with penalties	800,513	684,675
Interest expenses	164,305,211	118,464,254
Inerest income	(16,291,009)	(10,249,815)
Income from dividends	(437,106)	-
Losses/gains from derivatives	(17,647)	30,934
Unrealised foreign exchange (gain)/loss from restatement and monetary items	43,217,012	38,809,228
<b>Cash generated from operations before working capital changes</b>	<b>103,564,424</b>	<b>431,029,620</b>
<i>Net working capital changes in:</i>		
Receivables and prepayments	(249,659,178)	(215,970,695)
Inventories	(133,588,776)	6,958,233
Trade and other payables and contract liabilities, including payables variation for capital expenditures	221,579,491	(39,115,787)
<b>Change in working capital</b>	<b>(161,668,463)</b>	<b>(218,128,249)</b>
Cash receipt / (payments) for derivatives, net	(772,426)	1,371,470
<b>Net cash provided by/(used in) operating activities</b>	<b>(58,876,465)</b>	<b>214,272,841</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(148,408,692)	(88,662,698)
Purchase of intangible assets	(2,143,281)	(819,449)
Dividends received	(26,667)	-
<b>Net cash used in investing activities</b>	<b>(150,578,640)</b>	<b>(89,482,147)</b>
<b>Cash flows from financing activities</b>		
Cash pooling receipt / (payments), net	553,219,663	28,065,500
Short - term loans/ (repaid to) received from banks, net	29,233,803	(388,653,172)
Long - term loans received from banks	99,126,521	530,643,078
Short - term loans (repaid to)/ received from shareholders and related parties	(301,893,603)	(171,529,825)
Increase / (repayment) financial leasing	(2,331,702)	-
Interest and bank charges paid, net	(164,305,211)	(118,464,254)
<b>Net cash from / (used in) financing activities</b>	<b>213,049,471</b>	<b>(119,938,673)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>3,594,365</b>	<b>4,852,021</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>19,450,444</b>	<b>22,863,280</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>23,044,809</b>	<b>27,715,301</b>

**SADUOKHAS MERALIYEV**  
President of the Board of Directors

**MIRCEA-STEFAN STANESCU**  
Financial Manager

**YEDIL UTEKOV**  
General Manager

**Prepared by (Chief Accountant)**  
Alexandru Cornel Anton

**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the financial years ended 30 September 2019 and 30 September 2018**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

	<u>Share capital</u>	<u>Share premium</u>	<u>Acumulated losses</u>	<u>Revaluation reserves</u>	<u>Deferred tax on the revaluation reserve</u>	<u>Other reserves</u>	<u>Total equity</u>
1 <sup>st</sup> 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
Result carried out from application IFRS 9	-	-	(336,591)	-	-	-	(336,591)
<b>Restated opening balance at 1st of January 2018</b>	<b>4,410,920,573</b>	<b>232,637,107</b>	<b>(6,089,243,904)</b>	<b>715,075,229</b>	<b>(114,412,037)</b>	<b>3,424,144,892</b>	<b>2,579,121,859</b>
<b>Net profit for 9 months 2018</b>	-	-	30,428,112	-	-	-	30,428,112
Revaluation reserves	-	-	-	(30,102,394)	-	-	(30,102,394)
Revaluation reserves transferred to retained earnings	-	-	30,102,394	-	-	-	30,102,394
Gains/losses related to derivative financial instruments	-	-	-	-	-	(15,741,447)	(15,741,447)
<b>Total other comprehensive income for 9 months 2018</b>	-	-	30,102,394	(30,102,394)	-	(15,741,447)	(15,741,447)
<b>Total comprehensive income for 9 months 2018</b>	-	-	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
	<u>Share capital</u>	<u>Share premium</u>	<u>Acumulated losses</u>	<u>Revaluation reserves</u>	<u>Deferred tax on the revaluation reserve</u>	<u>Other reserves</u>	<u>Total equity</u>
1 <sup>st</sup> of January 2019	4,410,920,573	232,637,107	(6,279,313,076)	674,938,770	(107,990,204)	3,408,959,991	2,340,153,161
Result carried out from application IFRS 16	-	-	(2,770,652)	-	-	-	(2,770,652)
<b>Restated opening balance at 1st of January 2019</b>	<b>4,410,920,573</b>	<b>232,637,107</b>	<b>(6,282,083,727)</b>	<b>674,938,770</b>	<b>(107,990,204)</b>	<b>3,408,959,991</b>	<b>2,337,382,510</b>
<b>Net loss for 9 months 2019</b>	-	-	(319,592,063)	-	-	-	(319,592,063)
Revaluation reserves transferred to retained earnings	-	-	30,086,352	(30,086,352)	-	-	-
Gains/losses related to derivative financial instruments	-	-	-	-	-	(6,179,010)	(6,179,010)
<b>Total other comprehensive income for 9 months 2019</b>	-	-	30,086,352	(30,086,352)	-	(6,179,010)	(6,179,010)
<b>Total comprehensive income for 9 months 2019</b>	-	-	(289,505,711)	(30,086,352)	-	(6,179,010)	(325,771,073)
30st of September 2019	4,410,920,573	232,637,107	(6,571,589,438)	644,852,418	(107,990,204)	3,402,780,981	2,011,611,437

**SADUOKHAS MERALIYEV**  
President of the Board of Directors

**MIRCEA-STEFAN STANESCU**  
Financial Manager

**YEDIL UTEKOV**  
General Manager

**Prepared by (Chief Accountant)**  
Alexandru Cornel Anton

Explanatory notes from 1 to 31 are part of these financial statements  
English translation is for information purposes only. Romanian language text is the official text for submission.

## **1. GENERAL**

Romp petrol Rafinare S.A. (hereinafter referred to as "the Company" or "Romp petrol Rafinare") is a company incorporated under Romanian laws. The Company operates two refineries Petromidia and Vega and also a petrochemical plant. 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.

Romp petrol Rafinare S.A. production facilities are located in Romania. The number of employees of the Company as at 30 September 2019 is 1,125, respectively 1,172 as at 31 December 2018.

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

Romp petrol 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 Group. 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.romp petrol.com](http://www.romp petrol.com), at the section Relation with Investors, subsection Romp petrol 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 shares 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 2019 and 31 December 2018, the Company reported net assets amounted to RON 2,012 million, and respectively RON 2,340 million. For the exercises ended as at 30 September 2019 and 31 December 2018, the Company reported net losses of RON (319.6) million, and respectively RON (230.2) million.

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.

Considering the Company's plans for 2019, 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 2019:

- **IFRS 16: Leases**

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 elected to apply the modified retrospective approach as a transitional method. Under this approach, the Company does not restate comparative information. Consequently, the date of initial application is the first day of the annual reporting period in which the Company first applies the requirements of the new standard.

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

The Company elects to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company therefore doesn't apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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

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

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

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

	<u>RON</u>
<b>Assets</b>	
Right-of-use assets	5,948,897
<b>Liabilities</b>	
Lease liabilities	8,418,430
<b>Estimated impact on equity</b>	<u><b>(2,469,533)</b></u>
<b>out of which:</b>	
<i>impact on Retaining earnings</i>	<u><i>(2,770,652)</i></u>
<i>impact of Current year result</i>	<u><u><i>301,119</i></u></u>

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

	<u>RON</u>
Depreciation expense (included in cost of sales)	449,383
Depreciation expense (included in Selling)	44,938
Depreciation expense (included in administrative expenses)	1,562,928
Operating lease expense (included in Cost of Sales)	(588,323)
Operating lease expense (included in Selling)	(65,216)
Operating lease expense (included in administrative expenses)	(2,315,309)
<b>Operating profit</b>	<u><b>911,599</b></u>
Finance costs	362,545
Exchange rate	247,935
<b>Result for the year</b>	<u><u><b>301,119</b></u></u>

Due to the adoption of IFRS 16, the company's operational profit will improve, while expenses with interest will increase. This is due to the modification of the accounting expenses for leasing contracts that have been classified as operational leasing in accordance with IAS 17.

- IFRS 9: Prepayment features with negative compensation (Amendment)**  
The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has assessed there is no material impact at Company's level from application of this standard.
- IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**  
The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Company's level from application of this standard.



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

- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed there is no material impact at Company's level from application of this standard.

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

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

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has assessed there is no material impact at Company's level from application of these amendments.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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

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

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

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

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

- **Conceptual Framework in IFRS standards**

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

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Company's level from application of this standard.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at 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 cash flows.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that can lead to material adjustments to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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.

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

### **- 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.

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 Income statement.

Additional details on the provisions related to the environment-related obligations are set out in Note 17.

### **- 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.

Further details on deferred tax assets and for those losses carried forward for which deferred tax assets has and has not been recognized are provided in Note 23.

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

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

### **- Carrying value of inventories**

The Company considers on a regular basis the carrying value of inventories in comparison to planned 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.

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

### **- 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 17, 21, 28.

### **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*

#### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### **Subsequent measurement**

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

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

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

### **Derecognition**

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

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

Or

- 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

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

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

### **Impairment of financial assets**

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

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

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

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

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

### *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.



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

### *d. Impairment of financial assets*

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

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 charged to income 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 policy 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.

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

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:

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

Following the change in accounting policy regarding recognition of buildings category from cost to revaluation method, also the economic remaining life utilization of the buildings were revalued 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. Before this date (i.e January 1, 2018) the buildings category was stated at cost. The change from cost to revaluation provide a more transparent and up to date picture of the value of the Company's assets.

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

Assets 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.

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

### **i) Investments in subsidiaries**

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 7.

### **j) Impairment of non-financial assets, including investment in subsidiaries**

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

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

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

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

### **k) Provisions**

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

Provisions are not recognized for future operating losses.

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

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

### **Environmental obligations**

Environmental costs relating to current or future income are recorded in the income statement 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 income statement.

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.

### **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) Trade receivables**

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

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

### **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) Revenue from contracts with customers**

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

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

- a) identifying the contract with the customer;
- b) identifying performance obligations under the contract;

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

- c) determining the transaction price;
- d) allocating the transaction price to performance obligations;
- e) recognising revenue at (or during) performance of obligation.

### (i) Variable consideration

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

### (ii) Volume rebates

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

### (iii) Significant financing component

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

### Contract liabilities

#### *Contract assets*

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

#### *Trade receivables*

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

#### *Contract liabilities*

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

## **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.

### **q) Borrowings costs**

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

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

### **r) Retirement benefit costs**

Payments made to state - managed retirement plans 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 income statement. 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.

### **s) 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.

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

### **- Deferred tax**

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

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

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

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

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

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

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.

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

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

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

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

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

### **t) Dividends**

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

### **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:

<b>Currency</b>	<b><u>September 30, 2019</u></b>	<b><u>December 31, 2018</u></b>
RON/USD	4.3488	4.0736
RON/EUR	4.7511	4.6639

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 also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with fair value fluctuation relating to certain firm commitments and forecasted transactions.

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

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

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment



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

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

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

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

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

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

### *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) above BOS (basis operating stock) using futures instruments for a period that approximately matches the operating cycle.

Hedge accounting is applied for the futures instruments. The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognised in the statement of profit or loss as Cost of Sales. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss (see note 19).

### *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 products, 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.

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

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 19).

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.

### **w) Emission Rights**

CO2 emission rights quota are allocated to the Company's refining and petrochemicals operations. For the period 2013-2020 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. Company received its quota allocation for 2018 and the one for 2019 has been received at the end of February 2019. The Company accounts for the liability resulting from generating of these emissions using the net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective company. Income is recognized only when excess certificates are sold on the market.

### **x) Fair value measurement**

The Company measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

### **y) Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

### **z) 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.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**3. INTANGIBLE ASSETS**

	Software / Licenses	Other	Intangibles in progress	Total
<b>Cost</b>				
<b>Opening balance as of January 1, 2018</b>	<b>46,114,171</b>	<b>150,123</b>	<b>6,852,131</b>	<b>53,116,424</b>
Additions	145,391	-	5,292,184	5,437,575
Transfers*	2,773,078	-	(2,502,771)	270,307
<b>Closing balance as of December 31, 2018</b>	<b>49,032,640</b>	<b>150,123</b>	<b>9,641,543</b>	<b>58,824,307</b>
Additions	223,191	-	1,911,869	2,135,060
Transfers, reclassifications and adjustments*	8,223	-	-	8,223
<b>Closing balance as of September 30, 2019</b>	<b>49,264,054</b>	<b>150,123</b>	<b>11,553,413</b>	<b>60,967,589</b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2018</b>	<b>(38,384,844)</b>	<b>(112,592)</b>	<b>-</b>	<b>(38,497,436)</b>
Charge for the year	(2,348,755)	(37,531)	-	(2,386,286)
<b>Closing balance as of December 31, 2018</b>	<b>(40,733,599)</b>	<b>(150,123)</b>	<b>-</b>	<b>(40,883,722)</b>
Charge for the year	(1,252,466)	-	-	(1,252,466)
<b>Closing balance as of September 30, 2019</b>	<b>(41,986,066)</b>	<b>(150,123)</b>	<b>-</b>	<b>(42,136,188)</b>
<b>Net book value</b>				
<b>As of December 31, 2018</b>	<b>8,299,041</b>	<b>-</b>	<b>9,641,543</b>	<b>17,940,585</b>
<b>As of September 30, 2019</b>	<b>7,277,988</b>	<b>-</b>	<b>11,553,413</b>	<b>18,831,401</b>

*\*) 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 goodwill 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.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**5. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
<b>Cost or valuation</b>						
<b>As of January 1, 2018</b>	<b>192,480,007</b>	<b>1,625,366,178</b>	<b>3,514,352,557</b>	<b>16,389,891</b>	<b>184,920,584</b>	<b>5,533,509,217</b>
Acquisitions	-	119,647	593,006	81,712	260,966,825	261,761,190
Transfers from CIP	-	48,287,281	217,494,928	461,893	(266,517,638)	(273,535)
Transfers from inventory	-	-	11,496	-	-	11,496
Transfers and reclassifications*	-	31,862,410	(31,957,110)	94,700	-	-
<b>As of December 31, 2018</b>	<b>192,480,007</b>	<b>1,705,635,515</b>	<b>3,700,494,879</b>	<b>17,028,196</b>	<b>179,369,771</b>	<b>5,795,008,368</b>
Acquisitions	-	-	765,921	-	147,745,559	148,511,481
Transfers from CIP	-	4,271,580	18,935,433	-	(23,309,801)	(102,788)
Disposals	-	-	(21,544,458)	-	-	(21,544,458)
Transfers and reclassifications*	-	44,177,962	(44,177,962)	-	-	-
<b>As of September 30, 2019</b>	<b>192,480,007</b>	<b>1,754,085,057</b>	<b>3,654,473,813</b>	<b>17,028,196</b>	<b>303,805,529</b>	<b>5,921,872,602</b>
<b>Accumulated depreciation &amp; Impairment</b>						
<b>As of January 1, 2018</b>	<b>(25,900,827)</b>	<b>(41,662)</b>	<b>(1,817,190,315)</b>	<b>(6,999,577)</b>	<b>(3,171,485)</b>	<b>(1,853,303,867)</b>
Charge for the year	(1,656,751)	(97,505,201)	(219,069,182)	(956,502)	-	(319,187,635)
Accumulated depreciation of disposals	-	-	(11,496)	-	-	(11,496)
Transfers and reclassifications*	-	(2,054)	2,054	-	-	-
<b>As of December 31, 2018</b>	<b>(27,557,579)</b>	<b>(97,548,917)</b>	<b>(2,036,268,939)</b>	<b>(7,956,079)</b>	<b>(3,171,485)</b>	<b>(2,172,502,999)</b>
Charge for the year	(1,242,563)	(83,176,051)	(179,074,839)	(749,451)	-	(264,242,905)
Accumulated depreciation of disposals	-	-	21,544,458	-	-	21,544,458
Transfers and reclassifications*	-	102,407	(102,407)	-	-	-
<b>As of September 30, 2019</b>	<b>(28,800,142)</b>	<b>(180,622,561)</b>	<b>(2,193,901,727)</b>	<b>(8,705,530)</b>	<b>(3,171,485)</b>	<b>(2,415,201,445)</b>
<b>Net book value as of December 31, 2018</b>	<b>164,922,428</b>	<b>1,608,086,598</b>	<b>1,664,225,939</b>	<b>9,072,117</b>	<b>176,198,286</b>	<b>3,622,505,369</b>
<b>Net book value as of September 30, 2019</b>	<b>163,679,865</b>	<b>1,573,462,496</b>	<b>1,460,572,086</b>	<b>8,322,666</b>	<b>300,634,044</b>	<b>3,506,671,157</b>

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

**- Impairment**

No additional depreciation was recorded in the first 9 months of year 2019 and 2018.

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

### **- Construction in progress**

In the first 9 months of the year 2019 the significant contribution to the total acquisitions for construction in progress is the ISCIR projects within the two refineries (about RON 17.5 million), the modernisation projects of tanks (approximately RON 19 million), the projects of replacement catalysts (approximately RON 10.7 million), the modernization projects of products loading ramps (about RON 12.8 million), the Vapor recovery system at the point of loading CF Vega project (about RON 5.1 million), LPG recovery from DCU gases (about RON 18.9 milion) and a new boiler at heating station Vega (about RON 6.3 milion).

At the end of 2018 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to RON 21.7 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorisations amounting to around RON 23.9 million), Replacement of Convective System for CO Boiler project amounting to around RON 14.9 million, Replacement of Low NOx burnes at Reformer Catalyst unit (about RON 9.5 million), replacement of the old 6 KV swithces and the releys SRA2 (approximately RON 5.4 million) and Refinery specific optimisation programs in amount of RON 104 million.

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 was finalized 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.

### **- Disposal**

In the first 9 months of the year 2019 the amount of RON 21.5 million related to the disposed assets it referes to the replacement of the used catalysts in 122 DHT (Disel HydroTreater), CR (Catalytic Reforming) and MTBE (Methyl Tertiary Butyl Ether) units  
No asset disposals were recorded in 2018.

### **- Capitalization of borrowing costs**

The Company finances its activities including 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 the year 2019 and 2018 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 revaluation model. 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)

### - Fixed assets pledged

The company pledged assets with a net carrying amount of RON 1,047,516,687 (2018: RON 1,091,987,723), as follows:

- guarantees in favor of banks: RON 801,139,648 (2018: RON 835,638,076);
- guarantees in favor of ANAF: RON 246,377,039 (2018: RON 256,349,647).

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

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

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

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (See Note 28). Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to an asset freeze.

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

On September 30<sup>st</sup>, 2019 no enforcement process has been made.

## 6. RIGHTS OF USE ASSETS

	<b>Land</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Initial cost / revalued</u></b>				
<b>Closing balance at December 31, 2018</b>	-	-	-	-
Change in the beginning balance in accordance with IFRS 16	6,897,486	829,177	252,816	7,979,479
Additions in year 2019	26,666	-	-	26,666
<b>Closing balance as of September 30, 2019</b>	<b>6,924,152</b>	<b>829,177</b>	<b>252,816</b>	<b>8,006,145</b>
<b><u>Accumulated depreciation &amp; Impairment</u></b>				-
<b>Closing balance at December 31, 2018</b>	-	-	-	-
Charge for the year	(1,618,995)	(358,145)	(80,108)	(2,057,248)
<b>Closing balance as of September 30, 2019</b>	<b>(1,618,995)</b>	<b>(358,145)</b>	<b>(80,108)</b>	<b>(2,057,248)</b>
<b>Net book value as of December 31, 2018</b>	-	-	-	-
<b>Net book value as of September 30, 2019</b>	<b>5,305,157</b>	<b>471,032</b>	<b>172,708</b>	<b>5,948,897</b>

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**7. FINANCIAL ASSETS**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Investments in subsidiaries	1,629,020,055	1,629,020,055
<b>Total</b>	<b>1,629,020,055</b>	<b>1,629,020,055</b>

**Investments in subsidiaries**

Details regarding subsidiaries at September 30, 2019 and December 31, 2018 are as follows:

	<b>Ownership at September 30, 2019</b>	<b>Ownership at December 31, 2018</b>	<b>Balance as at September 30, 2019</b>	<b>Balance as at December 31, 2018</b>
	<b>Range of activity</b>			
Romp petrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067
Romp petrol Petrochemicals S.R.L.	Petrochemicals	100,00%	100,00%	311,698,295
Rom Oil S.A.	Rental services	99,99%	99,99%	191,216,660
Romp petrol Logistics S.R.L.	Logistics operations	66,19%	66,19%	24,349,123
Romp petrol Quality Control S.R.L.	Quality Control Services for oil products	70,91%	70,91%	11,349,910
<b>Total of equity investments</b>			<b>1,629,020,055</b>	<b>1,629,020,055</b>

\*Note: all subsidiaries are Romanian companies

**8. INVENTORIES, NET**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Crude oil and other feedstock materials	574,239,962	403,523,468
Finished products	309,288,369	327,608,425
Work in progress	105,417,301	121,361,245
Spare parts	51,344,083	51,558,131
Other consumables	22,339,692	25,260,746
Merchandises	825,185	825,262
Other inventories	3,848,753	3,577,292
Inventories reserve	(81,478,104)	(117,148,444)
<b>Total</b>	<b>985,825,241</b>	<b>816,566,125</b>

The inventories of finished products comprise mainly petroleum products.

The movement of the provision for inventories in in first 9 months of the year 2019 and 2018 is presented below:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Reserve at the beginning of the year</b>	<b>(117,148,444)</b>	<b>(47,203,208)</b>
Accrued provision	(41,078,252)	(91,102,705)
Write off	-	4,249
Reversal provision inventories reserve	76,748,592	21,153,220
<b>Reserve at the end of the period</b>	<b>(81,478,104)</b>	<b>(117,148,444)</b>

The provisions for inventories represent provisions related to crude oil and other feedstock materials, finished products and spare parts calculated as the difference between the cost value and the net realizable value.



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**9. RECEIVABLES AND PREPAYMENTS, NET**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Trade receivables	1,677,489,395	1,331,880,533
Advances to suppliers	47,621,523	16,787,625
Sundry debtors	43,586,879	43,538,082
VAT to be recovered	2,495,629	8,607,831
Other receivables	94,180,441	184,441,552
Reserve for bad and doubtful debts	(54,737,987)	(55,039,860)
<b>Total</b>	<b>1,810,635,880</b>	<b>1,530,215,763</b>

The balances with related parties are presented in Note 25. The movement of provision is presented in Note 21.

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Balance at the beginning of the year</b>	<b>(55,039,860)</b>	<b>(62,619,691)</b>
Charge for the year	(334,339)	(14,672,173)
Utilized	635,142	378,727
Unused amounts reversed	1,964	23,188,380
IFRS 9 impact (RE adjustment)	-	(336,590)
Exchange rate differences	(894)	(978,513)
<b>Balance at the end of the period</b>	<b>(54,737,987)</b>	<b>(55,039,860)</b>

As at 30 September 2019, the ageing analysis of trade receivables is as follows:

		<b>Trade receivables</b>					
		<b>Days past due</b>					
<b>30-Sep-19</b>	<b>Total</b>	<b>Current</b>	<b>1-30 zile</b>	<b>30-60 zile</b>	<b>60-90 zile</b>	<b>90-120 zile</b>	<b>&gt;120 zile</b>
Expected credit loss rate	2.05%	0.00%	0.14%	0.30%	1.65%	2.11%	9.09%
Estimated total gross carrying amount at default	1,673,099,816	1,217,314,122	75,980,470	2,545,959	710,031	725,352	375,823,882
Expected credit loss	34,323,545	-	109,954	7,534	11,701	15,306	34,179,050

		<b>Trade receivables</b>					
		<b>Days past due</b>					
<b>31-Dec-18</b>	<b>Total</b>	<b>Current</b>	<b>1-30 zile</b>	<b>30-60 zile</b>	<b>60-90 zile</b>	<b>90-120 zile</b>	<b>&gt;120 zile</b>
Expected credit loss rate	2.60%	0.02%	0.38%	0.05%	8.76%	5.24%	9.37%
Estimated total gross carrying amount at default	1,331,877,760	863,791,138	87,435,521	16,368,563	94,705	169,071	364,018,763
Expected credit loss	34,623,679	170,794	336,590	7,542	8,300	8,866	34,091,586

		<b>Past due but not impaired</b>					
	<b>Total</b>	<b>Neither past due not impaired</b>	<b>1-30 days</b>	<b>30-60 days</b>	<b>60-90 days</b>	<b>90-120 days</b>	<b>&gt;120 days</b>
<b>30-Sep-19</b>	1,638,776,274	1,217,314,122	75,870,519	2,538,425	698,330	710,046	341,644,832
<b>31-Dec-18</b>	1,297,254,081	863,620,344	87,098,930	16,361,021	86,405	160,204	329,927,176

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

## 9. RECEIVABLES AND PREPAYMENTS, NET (continued)

At 30 September 2019, the trade receivables at the initial value of RON 34.32 million (2018 RON 34.62 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	<b>Collectively impaired</b>
<b>At January 1, 2018</b>	<b>(55,857,748)</b>
Value adjustments for impairment of receivables	(1,354,525)
Reversed provisions	23,567,107
Exchange rate difference	(978,513)
<b>At December 31, 2018</b>	<b>(34,623,679)</b>
Value adjustments for impairment of receivables	(334,114)
Reversed provisions	635,142
Exchange rate difference	(894)
<b>At September 30, 2019</b>	<b>(34,323,545)</b>

## 10. CASH AND CASH EQUIVALENTS

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Cash at bank	20,841,163	14,501,037
Cash on hand	5,303	1,727
Transitory amounts	1,195,972	4,190,429
Other cash equivalents	1,002,371	757,251
<b>Total</b>	<b>23,044,809</b>	<b>19,450,444</b>

Other cash equivalents represent in the greatest part checks to be cashed.

## 11. EQUITY

### 11.1 SHARE CAPITAL

As at 30 September 2019 and 31 December 2018, 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 2019 and 31 December 2018.

<b>Shareholders</b>	<b>Percent held (%)</b>	<b>Statutory amounts in [RON]</b>
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
Romp petrol Financial Group S.R.L.	6.47%	285,408,308
Romp petrol Well Services S.A.	0.05%	2,198,030
Romp petrol Rafinare S.A.	0.01%	613,470
Others (not State or KMGI Group)	0.66%	28,949,217
<b>Total</b>	<b>100%</b>	<b>4,410,920,573</b>

The total value of the Company's share capital remained unchanged in the first 9 months of year 2019 and 2018.

### **11.1 SHARE CAPITAL (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.

### **11.2 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, bonds which were issued based on the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

### **11.3 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 OCI.

At 30 September 2019 the Revaluation reserves balance (presented in net of RON 537 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 transferring 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 2019 the revaluation surplus transferred to retained earnings is in amount of RON 30,09 million.

#### **11.4 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 converted 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 2018 and 2017 it was carried on and recognized a liability for the potential interest on the hybrid loan in total amount of RON 69.3 million, based on the projected profitability of the business for the period remaining until reimbursement of the hybrid loan.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**12. COMMERCIAL LIABILITIES AND OTHER LIABILITIES**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Trade payables	3,519,108,653	3,268,597,399
VAT payable	186,133,083	124,899,155
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	3,556	(1,180)
Employees and social obligations	11,144,096	045,899
Other liabilities	1,012,632,979	504,310,419
<b>Total</b>	<b>4,756,582,999</b>	<b>3,936,412,324</b>

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 1,003.87 million (2018: RON 392,80 million) and is recognised in "Other liabilities".

**13. CONTRACT LIABILITIES**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Short-term advances from other customers	97,407,520	89,334,760
<b>Total short-term advances</b>	<b>97,407,520</b>	<b>89,334,760</b>

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

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**14. SHORT-TERM LOANS**

**Short-term loan from related parties:**

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<b>KMG International N.V.</b>	55,037,153	243,663,781
Short-term credit facility for working capital needs, amounting to a maximum of USD 250 million due on December 31, 2019 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, 2019 is in amount of USD 237.34 million.	0	0
<b>Rompetrol Well Services SA</b>	-	13,000,000
Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - May 10, 2019. The loan was secured with a promissory note covering the debt. The facility was fully reimbursed at maturity.	0	0
	0	0
<b>Rompetrol Well Services SA</b>	-	7,000,000
Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - May 14, 2019. The loan was secured with a promissory note covering the debt. The facility was fully reimbursed at maturity.	0	0
	0	0
<b>Rompetrol Well Services SA</b>	-	3,100,000
Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date - May 3, 2019. The loan was secured with a promissory note covering the debt. The facility was fully reimbursed at maturity.	0	0
	0	0
<b>Rompetrol Well Services SA</b>	-	11,200,000
Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - May 28, 2019. The loan was secured with a promissory note covering the debt. The facility was fully reimbursed at maturity.	0	0
	0	0
<b>Midia Marine Terminal SRL</b>	27,211,100	27,211,100
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, 2019. The facility has been fully used.	0	0
	0	0
<b>Rompetrol Financial Group SRL</b>	10,000,000	115,000,000
Short-term facility for working capital needs in amount of USD 29.215 million, maturity date December 31, 2019. The undrawn amount as at September 30, 2019 is in amount of USD 27 million.		
Interest due	11,601,903	17,944,033
	<b>103,850,156</b>	<b>438,118,914</b>

**14. SHORT-TERM LOANS (continued)**

**Short-term loan from banks**

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<b>Banca Transilvania</b>	-	44,647,693
Revolving credit ceiling on short term of up to EUR 18 million, for working capital, maturity October 10, 2019, interest rate Euribor/Libor 3M+3.3% or Robor 3M +3.3%; security on the present and future creditor balance account. The facility was fully reimbursed at maturity.		
<b>Banca Transilvania (overtaken from Bancpost)</b>	59,969,609	57,541,024
Romp petrol 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, 2020; 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 m <sup>2</sup> ; assignment of rights from insurance compensation.		
<b>Banca Transilvania (overtaken from Bancpost)</b>	68,583,414	10
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 2020; 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.		
Interest due	144,817	71,676
	<b>128,697,840</b>	<b>102,260,403</b>
<b>Syndicated loan – through Unicredit Bank as payer agent</b>	-	-
<b>Syndicated loan – auxiliary component representing overdraft loan granted by Unicredit Bank</b>	7,429,065	4,628,614
<b>Syndicated loan – auxiliary component representing overdraft loan granted by BCR</b>	-	4,265
<b>TOTAL</b>	<b>136,126,905</b>	<b>106,893,282</b>

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

**15. LONG-TERM LOANS**

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<b>Syndicated loan – through Unicredit Bank as payer agent</b>		
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 (Romp petrol Rafinare, Rom petrol Downstream SRL, KazMunayGas Trading AG, KMG Rom petrol 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, first option was exercised in 2019 and the second option can be exercised in 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, Ethylene, 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% of the debts assigned to notify the clients.		
	<b>625,849,256</b>	<b>489,405,927</b>

The movement of loans in the first 9 months of year 2019 is presented below:

	<u>At January 01, 2019</u>	<u>Movement</u>	<u>At September 30, 2019</u>
Long-term borrowings from banks	489,405,927	136,443,329	625,849,256
Short-term borrowings from banks	106,821,606	29,160,481	135,982,088
Short-term borrowings from shareholders and related parties	420,174,881	(327,926,629)	92,248,253
<b>Total</b>	<b>1,016,402,415</b>	<b>(162,322,818)</b>	<b>854,079,596</b>
Interest short-term borrowings from banks	71,676	73,141	144,817
Interest short-term borrowings from shareholders and related parties	17,944,033	(6,342,130)	11,601,903
<b>Total</b>	<b>18,015,709</b>	<b>(6,268,988)</b>	<b>11,746,720</b>



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**16. LEASE DEBTS**

Analysed as follows:	Change in Opening Balance in accordance with IFRS 16	New lease agreements	Repayment	E/R difference	Unwinding of discount	Remeasurements	Other changes	Closing Balance at September 30, 2019
Maturing within one year	6,339,722	8,336	(2,968,848)	69,576	-	-	-	3,448,786
Amounts due after more than 1 year but not later than 5 years	3,837,493	18,330	-	144,940	362,545	-	-	4,363,308
Amounts due after 5 years	572,917	-	-	33,419	-	-	-	606,336
<b>Total</b>	<b>10,750,132</b>	<b>26,666</b>	<b>(2,968,848)</b>	<b>247,935</b>	<b>362,545</b>	<b>-</b>	<b>-</b>	<b>8,418,430</b>

**17. PROVISIONS**

The movement of the provisions is presented below:

	<u>As at January 1, 2019</u>	<u>Other comprehensive income</u>	<u>Arising during the year</u>	<u>Reclassification between balance sheet items</u>	<u>Sume neutilizate</u>	<u>As at September 30, 2019</u>
Retirement benefit provision	54,053,385	-	-	-	-	54,053,385
Environmental provision	281,410,996	-	-	-	-	281,410,996
<b>Total</b>	<b>335,464,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>335,464,381</b>

Environmental provision

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.

At the end of 2018, a re-assessment of the provision was performed by considering the update variable indicators (e.g. exchange rate and discount rate). The results of the reassessment sustained the value of the provision in balance and no impact should be recognized in 2018. The balance of the provision for Vega lagoons remediation projects is RON 281.4 million (using a discount factor of 4.6%), balance maintained on September 30, 2019. At the date of preparing these financial statements, Rompetrol Rafinare SA has finalized the selection procedures and the awarding of contracts for the rehabilitation of lagoons 16, 17 and 18. Regarding the contract for the rehabilitation of lagoons 16 and 17, it was elaborated as a framework contract, which will be executed in stages (one or more lagoons), the first stage being the rehabilitation of the two lagoons, the following could be assigned to the same contractor if as a result of the procurement procedures his offer will be designated as the most advantageous for the Company from financially and technically point of view.

**17. PROVISIONS (continued)**

*Retirement obligations provision*

Under the collective labor agreement in force, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with the entity at the date of their retirement. A corresponding provision has been recognized based on: the specific benefits provided in the agreement; the number of employees working within the entity; and actuarial assumptions regarding mortality, staff turnover etc. For the computation an actuarial valuation is involved making various assumptions that may differ from actual developments in the future.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

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

**18. NET REVENUES FROM CONTRACT WITH CUSTOMERS**

	January - September 2019		TOTAL Q3	January - September 2018		TOTAL Q3
	Refining	Petrochemicals	2019	Refining	Petrochemicals	2018
Gross revenues from the sale of finished oil products	13,969,029,117	565,928,183	14,534,957,300	13,882,562,667	628,888,142	14,511,450,809
Revenues from petrochemicals trading	-	2,572,908	2,572,908	-	12,679,213	12,679,213
Revenues from other merchandise sales	1,387,749	-	1,387,749	1,680,146	-	1,680,146
Revenues from utilities sold	6,832,586	-	6,832,586	6,177,230	-	6,177,230
Revenues from the sale other products	651,348	-	651,348	429,413	-	429,413
Revenues from other services	10,262,210	-	10,262,210	10,204,354	-	10,204,354
<b>Gross Revenues</b>	<b>13,988,163,010</b>	<b>568,501,092</b>	<b>14,556,664,102</b>	<b>13,901,053,810</b>	<b>641,567,354</b>	<b>14,542,621,165</b>
Less sales taxes	(3,504,032,206)	-	(3,504,032,206)	(3,261,997,869)	-	(3,261,997,869)
<b>Total</b>	<b>10,484,130,804</b>	<b>568,501,092</b>	<b>11,052,631,896</b>	<b>10,639,055,941</b>	<b>641,567,354</b>	<b>11,280,623,295</b>

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**19. COST OF SALES**

	<u>January - September 2019</u>	<u>January - September 2018</u>
Crude oil and other raw materials	9,926,782,596	10,065,281,210
Consumables and other materials	47,705,570	48,939,999
Utilities	355,255,181	285,502,051
Staff costs	78,214,377	70,605,370
Transportation	64,584	439,569
Maintenance	73,744,586	82,435,729
Insurance	4,923,197	4,657,660
Environmental expenses	26,658,240	3,375,113
Other	37,451,166	35,379,059
<b>Cash production cost</b>	<b>10,550,799,495</b>	<b>10,596,615,759</b>
Depreciation and amortization	236,458,733	209,361,925
<b>Production costs</b>	<b>10,787,258,228</b>	<b>10,805,977,684</b>
Less: Change in inventories	26,807,375	(74,990,299)
Less: Own production of property, plant & equipment	(894,520)	(302,322)
Cost of petrochemicals trading	2,790,760	12,442,817
Cost of other merchandise sales	1,475,637	1,585,211
Cost of utilities sold	5,506,619	4,611,305
Realised (gains)/losses on derivatives	(12,997,137)	31,230,490
<b>Total</b>	<b><u>10,809,946,962</u></b>	<b><u>10,780,554,886</u></b>

**20. SELLING, GENERAL AND ADMINISTRATIVE COSTS, INCLUDING LOGISTIC COSTS**

	<u>January - September 2019</u>	<u>January - September 2018</u>
Staff costs	26,146,432	21,210,506
Utilities	7,050,657	6,962,716
Transportation	36,756,248	33,569,281
Professional and consulting fees	67,025,819	67,476,880
Consumables	622,865	348,634
Marketing	122,046	188,336
Taxes	3,154,815	2,799,433
Communications	36,233	37,175
Insurance	1,268,848	407,201
IT related expenditures	6,503,418	4,585,730
Environmental expenses	17,609,093	11,501,471
Maintenance	10,336,584	9,569,055
Fees and penalties	15,101,825	15,098,051
Other expenses	18,031,966	18,682,603
<b>Costs before depreciation</b>	<b>209,766,848</b>	<b>192,437,072</b>
Depreciation and amortisation	31,093,887	27,167,331
<b>Total</b>	<b><u>240,860,735</u></b>	<b><u>219,604,403</u></b>

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

	<u>January - September 2019</u>	<u>January - September 2018</u>
Loss from receivables (including provisions and write-off), net	(302,767)	13,727,082
Loss from provision for inventories and write-off, net	(35,670,340)	16,260,133
(Gain) / Loss from other provisions	-	(13,654,238)
Other expenses / (income), net	(1,087,520)	(370,886)
<b>Total</b>	<b><u>(37,060,627)</u></b>	<b><u>15,962,091</u></b>

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

	<u>January - September 2019</u>	<u>January - September 2018</u>
<b>Finance cost</b>		
Interest expense	26,802,166	19,319,751
Interest expense shareholders and related parties	47,804,831	40,602,922
Commission and other bank charges	89,698,214	58,541,580
	<b><u>164,305,211</u></b>	<b><u>118,464,254</u></b>
<b>Finance income</b>		
Interest income	(16,291,009)	(9,698,195)
Other financial income	(884,988)	(551,620)
	<b><u>(17,175,997)</u></b>	<b><u>(10,249,815)</u></b>
<b>Finance income/(cost) net</b>	<b><u>147,129,213</u></b>	<b><u>108,214,439</u></b>
Unrealized net foreign exchange losses/(gains)	43,199,364	38,840,162
Realized net foreign exchange losses/(gains)	168,148,311	87,019,202
<b>Foreign exchange (gain)/loss, net</b>	<b><u>211,347,675</u></b>	<b><u>125,859,364</u></b>
<b>Total</b>	<b><u>358,476,888</u></b>	<b><u>234,073,804</u></b>

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**23. INCOME TAX**

The income tax rate was 16% in 2019 and 2018.

**DEFERRED TAX**

	<u>Balance at January 1, 2019</u>	<u>Charged to Profit &amp; loss</u>	<u>Charged to Equity</u>	<u>Balance at September 30, 2019</u>
<b>Temporary differences</b>				
<b>Asset/Liability</b>				
Property, plant and equipment	1,206,264,194	-	-	1,206,264,194
Provisions	(281,410,996)	-	-	(281,410,996)
Fiscal loss	(1,943,765,918)	-	-	(1,943,765,918)
<b>Total temporary differences (Asset)/Liability</b>	<b><u>(1,018,912,720)</u></b>	<b>-</b>	<b>-</b>	<b><u>(1,018,912,720)</u></b>
Property, plant and equipment	193,002,271	-	-	193,002,271
Provisions	(45,025,759)	-	-	(45,025,759)
Fiscal loss	(311,002,547)	-	-	(311,002,547)
<i>Deferred tax (assets)/liability calculated</i>	<u>(163,026,035)</u>	-	-	<u>(163,026,035)</u>
<b>Deferred tax (assets)/liability recognised</b>	<b><u>(163,026,035)</u></b>	<b>-</b>	<b>-</b>	<b><u>(163,026,035)</u></b>

**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.

## 24. OPERATING SEGMENT INFORMATION

### Geographical segments

All the production facilities of the Company are located in Romania. The following breakdown provides an analysis of the net turnover of the Company depending on the geographical market (based on customers location):

	<b>January - September 2019</b>	<b>January - September 2018</b>
Romania	6,224,247,793	5,742,596,036
Europe	4,694,888,189	5,410,639,750
Asia	115,437,344	119,701,433
America	18,058,569	7,686,077
<b>Total</b>	<b><u>11,052,631,896</u></b>	<b><u>11,280,623,295</u></b>

## 25. RELATED PARTIES

The ultimate parents of the Company are the company National Welfare Fund "Samruk-Kazyna" Joint Stock Company (90%) and National Bank of Republic of Kazakhstan (10%), companies with its headquarters in Kazakhstan, entirely owned by the Kazakh State. The related parties and the nature of relationship is presented below:

<b>Name of the affiliated entity</b>	<b>Nature of the relation</b>
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
Rompetro Well Services S.A.	Company held by KMG International N.V
Palplast S.A.	Company held by KMG International N.V
Rompetro Bulgaria JSC	Company held by KMG International N.V
Intreprinderea Mixta Rompetrol Moldova SA	Company held by KMG International N.V
Rompetro Georgia LTD	Company held by KMG International N.V
Midia Marine Terminal S.R.L.	Company held by KMG International N.V
Rompetro 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
Rompetro Albania Wholesale Sh.A.	Company held by KMG International N.V (in liquidation)
Rompetro 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%)
Rompetro Downstream S.R.L.	Company affiliated to the Company
Rompetro Petrochemicals S.R.L.	Company affiliated to the Company
Rom Oil S.A.	Company affiliated to the Company
Rompetro Logistics S.R.L.	Company affiliated to the Company
Rompetro Quality Control S.R.L.	Company affiliated to the Company

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**

*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

Romp petrol Gas S.R.L. Dyneff Espagna SLU	Company held by KMG International N.V 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%
Romp petrol 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%)
Romp petrol Albania Downstream Sh.A.	Company held by KMG International N.V (in liquidation)
Romp petrol Albania Sh.A.	Company held by KMG International N.V (in liquidation)
Romp petrol 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%)
Romp petrol Energy S.A	Company held by KMG International N.V (KMG International owns: 99%)
KazMunayGas Engineering B.V. EPPLN SAS	Company held by KMG International N.V 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
Romp petrol 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%
Fondul de Investitii in Energie Kazah-Roman S.A.	Company held by KMG International N.V
EPPLN SAS (Entrepot Petrolier de Port La Nouvelle)	A company of Rompetrol France group, where KMG International N.V. owns 49%
KMG ROMPETROL DEVELOPMENT S.R.L.	Societate a Grupului KMG International
Dyneff Retail SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
Oman JV	Societate a Grupului KMG International
Boissonnade Combustibles SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
"Paul Orriols" Combustibles de Cerdagne SA	A company of Rompetrol France group, where KMG International N.V. owns 49%

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. There have been no guarantees provided or received for any related party receivables or payables. For the exercise ended at 30 September 2019, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties (2018: 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.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**25. RELATED PARTIES (continued)**

A. At 30 September 2019 and 31 December 2018, Rompetrol Rafinare had the following balances with the related parties:

	<b><u>Receivables and other assets</u></b>	
	<b><u>September 30, 2019</u></b>	<b><u>December 31, 2018</u></b>
KazMunayGas Trading AG	643,427,082	585,840,054
Rompetrol Downstream S.R.L.	649,643,766	559,577,571
Rompetrol Petrochemicals S.R.L.	481	1,657
KMG International N.V.	6,104,680	4,734,170
Rompetrol Gas SRL	8,839,382	3,379,906
Rompetrol Moldova ICS	22,810,468	-
Rompetrol Bulgaria JSC	8,798,223	172,301
Rominserv S.R.L.	13,666,876	14,685,653
Rompetrol Quality Control S.R.L.	573,869	142,898
Rompetrol Logistics S.R.L.	16,310	8,764
Midia Marine Terminal S.R.L.	320,167	1,053,210
Uzina Termoelectrica Midia S.A.	7,421,093	12,897,191
KMG Rompetrol SRL	15,496,020	41,822,492
Global Security Systems S.A.	606,387	607,225
Kazmunaygas – Engineering LLP (former Rominserv Kazakhstan(RKZ))	731,325	685,045
Palplast S.A.	3,899,745	4,901,334
Byron Shipping Ltd.	1,927	4,302
Rompetrol Ukraina	16,467	15,425
Oilfield Exploration Business Solutions S.A.	2,942,225	2,583,952
Rompetrol Financial Group SRL	10,716	10,431
KMG Rompetrol Services Center SRL	55,472	52,139
TRG Petrol Ticaret Anonim Sirketi	13,460,354	15,359,133
<b>Total</b>	<b><u>1,398,843,035</u></b>	<b><u>1,248,534,853</u></b>



**25. RELATED PARTIES (continued)**

	<b><u>Payables, loans and other liabilities</u></b>	
	<b><u>September 30, 2019</u></b>	<b><u>December 31, 2018</u></b>
KazMunayGas Trading AG	3,195,181,121	2,738,264,220
Rompetrol Downstream S.R.L	41,881,899	124,373,373
Rompetrol Petrochemicals S.R.L.	8,440,871	8,440,871
KMG International N.V.- loans(note14)	55,037,153	243,663,781
KMG International N.V.-interest	5,112,687	8,415,029
KMG International N.V.-interest hybrid loan	69,291,612	69,291,612
KMG International N.V.-trade debts	24,370,249	18,003,466
Rompetrol Gas SRL	2,163,145	22,140,921
Rompetrol Moldova ICS	38,261,408	6,851,705
Rominserv S.R.L.	82,098,066	168,152,011
Rompetrol Quality Control S.R.L.	14,772,925	12,801,524
Rompetrol Logistics S.R.L	632,293	490,857
Midia Marine Terminal S.R.L.- loans(note14)	27,211,100	27,211,100
Midia Marine Terminal S.R.L.-interest	592,665	6,782,733
Midia Marine Terminal S.R.L.-trade debts	12,498,348	151,732,497
Rompetrol Well Services S.A. - loans (note 14)	-	34,300,000
Uzina Termoelectrica Midia S.A.	20,738,700	31,816,349
KMG Rompetrol SRL- debt cash pooling	999,820,172	433,543,620
KMG Rompetrol SRL-interest cash pooling	4,052,600	1,361,012
KMG Rompetrol SRL-trade debts	23,967,366	23,057,982
Global Security Systems S.A.	753,324	620,700
Byron Shipping Navodari	3,234,057	-
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note14)	10,000,000	115,000,000
Rompetrol Financial Group SRL-interest	5,896,551	2,746,271
KMG Rompetrol Services Center SRL	1,711,325	3,274,809
TRG Petrol Ticaret Anonim Sirketi	10,346	10,753
<b>Total</b>	<b><u>4,647,730,049</u></b>	<b><u>4,252,347,263</u></b>

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 2020.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 30 September 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**25. RELATED PARTIES (continued)**

In the first 9 months of 2019, respectively in the first 9 months of 2018, Rompetrol Rafinare had the following transactions with the related parties:

0 Name of related party	0 Nature of transaction , sales / purchases	Sales		Purchases	
		Q3 2019	Q3 2018	Q3 2019	Q3 2018
KazMunayGas Trading AG	Raw materials / Petroleum products	3,190,761,744	3,891,239,997	9,622,393,896	9,754,719,449
Rompetrol Downstream S.R.L.	Petroleum products, rent, utilities and other	4,000,514,968	3,910,707,788	1,627,280	1,838,195
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	11,387	12,559	-	-
KMG International N.V.	Loan interest, management services	-	-	13,472,276	19,005,174
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	307,686,889	378,055,884	862,709	384,573
Rompetrol Moldova ICS	Sales intermediary services	723,349,501	662,044,492	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	73,940,055	41,773,987	-	-
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	1,982,373	1,748,941	218,702,971	169,133,104
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	1,515,213	980,820	21,996,003	18,420,864
Rompetrol Logistics S.R.L.	Transport, rent/Rent, utilities	10,808	9,340	123,243	123,243
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, re-invoicing, loan interest ,others	1,522,534	1,660,957	49,934,208	61,166,984
Rompetrol Well Services S.A.	Loan interest	-	-	799,250	1,459,333
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	60,636,641	49,964,461	88,637,591	86,375,000
KMG Rompetrol S.R.L.	Loan interest, management services	8,057,618	5,242,370	100,496,520	84,471,931
Global Security Systems S.A.	Security and protection services	1,141	1,050	8,331,183	8,347,993
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	27,893	27,651	2,440	2,828
Rompetrol Financial Group SRL	Loan interest	-	-	3,150,281	4,884,657
Romoil S.A.	Reinvoicing bank loan fees	-	43,489	-	4,000
KMG Rompetrol Services Center SRL	Shared services	410,244	377,719	12,602,996	11,685,915
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	32,285	65,410,906	-	-
		<b>8,370,461,294</b>	<b>9,009,302,411</b>	<b>10,143,132,846</b>	<b>10,222,023,244</b>

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.

## 26. 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:

	<u>January - September 2019</u>	<u>January - September 2018</u>
Net profit (+), loss (-)	(319,592,063)	30,428,112
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (bani/share)	(0.72)	0.07

## 27. 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 28). 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 2.3 million). The management is confident that the likelihood of reversal of the earlier court decision is very low. No changes were incurred in 2019.

## 28. LEGAL MATTERS

### Litigation with the State involving criminal charges

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

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

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

## **28.LEGAL MATTERS (continued)**

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

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

Rompetrol Rafinare challenged the asset freeze in Court. After two hearings in front of the Constanta Court, the case was assigned to be settled by the High Court of Justice and Cassation, who rejected in full the challenging submitted by Group's subsidiaries on 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 KMG companies applied for a motion of disjoining (*cerere de disjungere* in Romanian) in order to have two different cases which shall settle the allegations for RRC' privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by RRC (OUG 118/2003). No reply received yet from DIICOT on this topic.

Since the KMG 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 on 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.

## **28. LEGAL MATTERS (continued)**

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

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

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

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

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

On 22 April 2019 DIICOT issued an ordinance whereby all the participations owned by the company to its subsidiaries, as well as part of the movable and immovable property of the company were released from the criminal seizure. Also by ordinance was lifted the previously established seizure on property and participations owned by KMGI and OEBS. A new ordinance is expected to be released until the mid of November.

## **28.LEGAL MATTERS (continued)**

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

In March 2012, the National Agency for Tax Administration issued to Rompetrol Rafinare SA a General Tax Audit Report covering the period 2007-2010 and an Assessment Decision for Payment of RON 48 million (equivalent of USD 15 million at historical rate), out of which half represents additional principal tax liabilities and the other half represents late payment interest and penalties.

On October 27 2014 Constanta Court of Appeal held liable the National Agency for Tax Administration for paying back Rompetrol Rafinare approximately RON 21 million (equivalent of USD 6.2 million at the historical rate) out of which approximately RON 19 million have been refunded to Rompetrol Rafinare in August 2013 and to pursue to audit again for RON 4.6 million VAT and related interest and penalties up to March 2012 of approximately RON 5.3 million, resulting to a total of RON 9.7 million (equivalent of USD 2.8 million) to be further assessed. This Decision was appealed by both parties but on October 12, 2017, the Supreme Court rejected both appeals, so the decision of the first instance remained unchanged.

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

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

### **Litigation regarding CO2 emission allowances.**

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

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

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

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

Taking in consideration that according with the decision the court awarded a lower amount than the one requested, a final appeal was formulated within the legal time limit. The Supreme Court set the first hearing for November 11, 2021, but the Company submitted an application at the beginning of October to ask for an earlier hearing considering that already passed 7 years since the Supreme Court decision issued in the favor of the company. It is expected the Supreme Court decision on this topic.

The defendants also submitted final appeals against the same first court decision. All the appeals will be solved by the Supreme Court in the future, a first hearing was not set yet in this respect.

## **28.LEGAL MATTERS (continued)**

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

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

- a) Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by RRC was dismissed as being lack of object, without any judgment pronounced on the merits of the case. Rompetrol Rafinare submitted in court the challenge against this decision. This judicial procedure was under court investigation proceedings with Constanta Court of Appeal who has completed judicial investigation into the case and delivered a sentence on March 16<sup>th</sup>, 2017, when the challenge submitted by Rompetrol Rafinare was rejected. The solution has been appealed by Rompetrol Rafinare. The appeal is in currently pending court investigation proceedings, and the first hearing term before the High Court of Cassation and Justice is established for January 30, 2020.
- b) Because the decision issued by Navodari City Hall of rejection the administrative complaint as being lack of object is based on Navodari Local Council Decision no.435/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 16<sup>th</sup>, 2017, when the appeal was rejected. The solution is final.
- c) Rompetrol Rafinare also filed the request for suspension the enforceable effects of the imposing decision, pursuant to the Law 554/22004 and Government Ordinance 92/2003, file no.788/36/2015. The statement of defence was submitted by Navodari City Hall and the first hearing term was established for February 22<sup>nd</sup>, 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19<sup>th</sup>, 2015. The solution was appealed by Navodari City Hall. The case is currently pending court investigation proceedings with the High Court of Cassation and Justice of Justice. The first hearing term before the High Court of Cassation and Justice was not yet scheduled. On November the 2<sup>nd</sup> 2018, the case has been suspended.

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

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

- a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint leads to an investigation launched in April 2016 by the Competition Council. Competition Council is entitled to acknowledge the violation by Administrația Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, the obligations resting upon it as administrator of port areas and supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. By Decision 21/2018, the Competition Council rejected the complaints formulated by Rompetrol Rafinare SA and Midia Marine Terminal SRL. Both companies challenged this decision at Bucharest Court of Appeal, first term being scheduled for May 13, 2019, in order to communicate to the parties the statement of defense issued by National Company "Administratia Porturilor Maritime" SA. Next term was established for October 21, 2019, when the court dismissed the complaints filed by the plaintiffs.

**28. LEGAL MATTERS (continued)**

b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 mil USD) and for restitution of dredging expenses (USD 1.7 million). On May 19th, 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff:

- The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
- The amount of RON 0.079 million representing legal costs.

Both parties filed for appeal against the solution pronounced by first court. On December 27, 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal. The decision has been communicated and the recourse has been filled by Rompetrol Rafinare SA on August 6, 2018. The case is in filter proceedings, and the first hearing term will be established later. During the filter proceedings, National Company "Administratia Porturilor Maritime" SA has raised the exception of inadmissibility of our recourse, motivated by the fact that, according to art. 483 paragraph 2 of the Civil Procedure Code, the decisions regarding the civil navigation and port activity processes are exempted from the right of recourse. Rompetrol Rafinare SA has raised the exception of unconstitutionality regarding the art. 483 paragraph 2 of the Civil Procedure Code. From this reason, The High Court of Cassation and Justice has suspended the procedure until the Constitutional Court solves the exception submitted by Rompetrol Rafinare.

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

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

The competent authorities have initiated investigations in order to establish the circumstances and the causes that generated the technical incident.

In respect of the work accident, the Prosecutor's Office of the Constanta Court of Appeal office, was notified ex officio and being open file no. 586 /P/ 2016, within which have been questioned employees of the 2 companies and was administered technical expertise.

Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and four employees were put on trial for: the non-observance of the legal labour health and safety measures, bodily harm by negligence, manslaughter and accidental pollution. At the same time Rompetrol Rafinare S.A. has quality as civilly liable party.

By the final conclusion of Preliminary Chamber procedure, communicated to Rompetrol Rafinare and Rominserv on March 27, 2017 the court ordered, considering the fact that the prosecutor did not reply within procedural five days, to return the case to the Prosecutor's Office Court Appeal Constanta, finding relative nullity of the Ordinance no. 586 /P/2016, irregularity of the indictment, prosecutor failure to respond within procedural terms. The Prosecutor's Office Court Appeal Constanta made appeal.



**28. LEGAL MATTERS (continued)**

On June 21, 2017 the Constanta County Court admitted the prosecutor's appeal and ordered the retrial of the case by Constanta Court with the observance of the legal dispositions on the summoning of the parties, namely the aggrieved persons and prosecutor. According with court decision of September 29, 2017, the file shall be sent back to the prosecutor office whereas it has been ascertained that ordinance no. 586/P/2016 and the subsequent Act of Indictment of the Prosecutor's Office by Constanta Court of Appeal are subject to relative nullity and that the object and limits of judgment cannot be established. The solution has been challenged by Prosecutor's Office, the contestation was reject and the criminal file shall be sent back to the prosecutor's office of Constanta in order to resume the criminal prosecution activities within the limits of the legality provisions. Rompetrol Rafinare SA 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.

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

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

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

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

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

On October 15, 2019 the court decided again to send back the indictment to the prosecutorial office due to the irregularities mentioned therein. The companies intend that, after the court resolution is released, to challenge it with regards to the companies exceptions noted against the indictment which have been rejected by the Court back in June 2019.

Relating RRC employees, Andrei Felicia and Oancea Cornel, the file has been disposed. 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 Labour Inspectorate Reports by which the Labour authority maintains the same considerations challenged by the companies. On August 16<sup>th</sup>, 2017 both Rompetrol Rafinare and Rominserv have received fines set by the Constanta Territorial Labour Inspectorate (in cumulated amount of RON 0.028 million).

The minutes of the fine have been appealed by both parties involved. On December 14, 2017, the court has requested to Rompetrol Rafinare and to the Territorial Labour Inspectorate to send written specifications regarding optional suspension of the case, pending resolution of the criminal file. The court suspended the case until the criminal file will be solved.

**28. LEGAL MATTERS (continued)**

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

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

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

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

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

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

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

The claim submitted by Rompetrol Rafinare S.A. was registered on 25.07.2019 at the Constanta Court of Appeal, forming Case file no. 393/36/2019, the Court set the first hearing for November 13, 2019.

**Vega residual pools remediation project**

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

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

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

**28. LEGAL MATTERS (continued)**

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

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

- a) preliminary complaint against Assessment Note no. 299, submitted to the ENG on December 14, 2017. The ENG point of view was received on January 17<sup>th</sup> 2018;
- b) preliminary complaint against Prior Notice no. 149 submitted to the PEPA on December 14, 2017; the 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 5<sup>th</sup> 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 3<sup>rd</sup> 2018. The action was rejected by the court, the court sentence has been communicated, was formulated appeal, the first hearing was set on December 12, 2019.
- 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; On March 5, 2019 the final court rejected the complaint.
- f) request for annulment of the Finding Note no. 299/15.11.2017 issued by Environment National Guard-Prahova Commissariat, registered at Constanta court; the file was suspended until the file mention at the above letter d) will be solved.
- g) preliminary complaint against Decisions no.7156/27.06.2018 and 77/10.07.2018 issued by PEPA, relating the company request for revision of the Environmental Agreement; the preliminary complaint was rejected, the request for annulment of the authority decisions relating the rejection for revision of the Environmental Agreement, the next hearing is scheduled on November 8 , 2019;
- h) preliminary complaint against Assessment Note of the Ploiesti Environmental Guard issued on October 16, 2018 was rejected by the authority. The complaint was rejected and the company has 6 months to challenge it before the Court. The annulment action was submitted to the Constanta court, next hearing was set on January 16, 2020.
- i) Complaint against minute of fine issued by Environmental National Guard on November 28, 2018; next hearing is scheduled on November 15, 2019.
- j) Complaint against the minute of fine issued by Environmental National Guard on February 27, 2019; the first hearing is scheduled on September 24, 2019. In the same time was formulate in front of the Ploiesti Appeal Court application for transfer of the file; next hearing was set on November 27, 2019.
- k) Complaint against the minute of fine issued by Environmental National Guard on March 29, 2019; next hearing was established on December 5, 2019.

On December 20, 2017 the Company submitted to the PEPA notice for initiation of the project works (phase I-construction) and on December 21, 2017 a correspondence with details regarding the company which will execute the construction works.

On January 17<sup>th</sup> 2018 a detail plan activity for first stage of the project (preparation activities) was sent to the PEPA.

## **28. LEGAL MATTERS (continued)**

On May 8, 2018 a request was made for revision of the actual Environmental Agreement by the company and was rejected by PEPA on July 10<sup>th</sup>, 2018. The company legal action initiated against environmental authorities' documents is detailed at the above point g). The request for annulment of the PEPA decision is currently pending to be registered to the court.

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

In 2018 was contracted:

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

Based on the results of the previous mentioned services, on February 15, 2019 was requested from Ploiesti Environmental Protection Agency a point of view in respect of documented proves. According with the environmental authority point of view, the rehabilitation works will be carried out according to the environmental agreement and the technical documentation provided. The selection of tenders was initiated and finalized, has been designated the contractor for execution of the rehabilitation works of the lagoon no. 18, the environmental authorities was notified relating the start execution of the rehabilitation works. .

On August 22, 2019, PEPA transmitted the Notice no.109, for suspension of Vega refinery activity due to lagoons non-compliance, respectively for not presenting a firm agreement for all lagoons execution, with dead line for compliance max. regulated 60 days, otherwise the EIP would be suspended until remedial of Company's failure, but, in any case, no longer than 6 (six) months, after which the EIP could be canceled. Against notice was formulated:

- prior complaint submitted to PEPA on September 12, 2019; on October 14 was received an answer according with that the notice will not be revoked;
- suspension request of the Notice no. 109 issued by PEPA, submitted on September 13, 2019 to the Constanta Court. On October 14, 2019 the court rejected the injunction for suspension. An appeal will be filled in as soon as the rationale is released. Meanwhile, the company signed on October 18, 2019 the frame agreement for cleaning up the lagoons and submitted it to the Environmental authority to mitigate the Notice no. 109 / 22.08.2019.

## **29. 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.

The Company has recognized a provision for costs of greening the lagoons at its Vega working point, (see Note 17).

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

### 30. 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 14 and 15), 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 fShareholders' Equity".

#### B. GEARING RATIO

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Long-term borrowings	695,140,868	558,697,539
Total equity	2,011,611,437	2,340,153,161
<b>Gearing ratio</b>	<b>34.56%</b>	<b>23.87%</b>

#### C. FINANCIAL INSTRUMENTS

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
<b>Financial assets</b>		
Trade receivables and other receivables	1,666,338,287	1,320,378,755
Derivatives	1,446,502	6,197,265
Cash and bank accounts	23,044,809	19,450,444
<b>TOTAL FINANCIAL ASSETS</b>	<b><u>1,690,829,598</u></b>	<b><u>1,346,026,464</u></b>
	0	0
<b>Financial liabilities</b>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Short term borrowings from shareholders and related parties	103,850,156	438,118,914
Commercial liabilities and other liabilities	4,538,067,171	3,778,793,301
Short term loans	136,126,905	106,893,282
Long term borrowings from banks	625,849,256	489,405,927
Hybrid instrument - long-term portion	69,291,612	69,291,612
Lease debts	8,418,430	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b><u>5,481,603,530</u></b>	<b><u>4,882,503,037</u></b>

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

### **30. 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 30 September 2019, 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.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL REPORT**  
**for financial year ended on 30 September 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

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

	<u>September 30, 2019</u>	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trade receivables and other receivables	1,666,338,287	1,666,338,287	-	-
Derivatives	1,446,502	-	1,446,502	-
Cash and bank accounts	23,044,809	23,044,809	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,690,829,598</b>	<b>1,689,383,096</b>	<b>1,446,502</b>	<b>-</b>
<b>Financial liabilities</b>				
Short term borrowings from shareholders and related parties	103,850,156	103,850,156	-	-
Commercial liabilities and other liabilities	4,538,067,171	4,538,067,171	-	-
Short term loans	136,126,905	136,126,905	-	-
Long term borrowings from banks	625,849,256	625,849,256	-	-
Hybrid instrument - long-term portion	69,291,612	-	69,291,612	-
Lease debts	8,418,430	8,418,430	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5,481,603,530</b>	<b>5,412,311,918</b>	<b>69,291,612</b>	<b>-</b>
	<u>December 31, 2018</u>	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trade receivables and other receivables	1,320,378,755	1,320,378,755	-	-
Derivatives	6,197,265	-	6,197,265	-
Cash and bank accounts	19,450,444	19,450,444	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,346,026,464</b>	<b>1,339,829,199</b>	<b>6,197,265</b>	<b>-</b>
<b>Financial liabilities</b>				
Short term borrowings from shareholders and related parties	438,118,914	438,118,914	-	-
Commercial liabilities and other liabilities	3,778,793,301	3,778,793,301	-	-
Short term loans	106,893,282	106,893,282	-	-
Long term borrowings from banks	489,405,927	489,405,927	-	-
Hybrid instrument - long-term portion	69,291,612	-	69,291,612	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,882,503,037</b>	<b>4,813,211,425</b>	<b>69,291,612</b>	<b>-</b>

At 30 September 2019 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

### 30. 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	
		<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
RON					
	5%	(169,468,515)	(154,216,994)	2,682,676	5,501,207
	-5%	169,468,515	154,216,994	(2,682,676)	(5,501,207)



### **30. 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 14 and 15.

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

If 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 2019 would increase / decrease by RON 16.7 million (2018: increase / decrease by RON 14.9 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 prices, 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.

**30. 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.

**31. SUBSEQUENT EVENTS**

At the time of preparing the present report, there are no subsequent events.

**Rompetrol Rafinare SA**

**Financial ratios as at 30 September 2019**

13A appendix from ASF Regulation no. 5/2018

<b>Indicator</b>	<b>Result</b>	<b>Calculation method</b>
1. Current liquidity	0.58	Current assets/Current liabilities
2. Gearing ratio	34.56%	Borrowed capital/Own capital x 100
3. Turnover speed for client items	31.36	Average balance for receivables/Revenues x 270
4. Turnover speed for non current assets	2.08	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,**  
Stanescu Mircea Stefan

**GENERAL MANAGER,**  
Utekov Yedil

**PREPARED BY (Chief Accountant),**  
Anton Alexandru Cornel