

ROMPETROL WELL SERVICES S.A.
STAND-ALONE FINANCIAL STATEMENTS UNAUDITED
Prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016
31 March 2017

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ROMPETROL WELL SERVICES S.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the quarter ended as at 31 March 2017
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	Date 31.03.2017	Date 31.03.2016
Turnover	2	6.472.552	7.037.008
Services performed		6.469.118	7.032.616
Sales of goods		3.434	4.392
Other operating income	3.1	3.318	14.884
OPERATING INCOME - TOTAL		6.475.871	7.051.892
Expenses with consumables		(1.358.310)	(1.759.387)
Power and water expenses		(30.417)	(148.187)
Merchandise expenses		(1.503)	(2.423)
Payroll costs, out of which:	5	(3.311.636)	(4.447.226)
Salaries		(2.717.094)	(3.653.086)
Social security contributions		(594.542)	(794.140)
Fixed assets value adjustment, of which		(1.625.653)	(1.409.043)
Depreciation		(1.625.653)	(1.721.322)
Current assets value adjustment	10,11,12	(44.362)	1.105
Expenses for third-party services	3.2	(1.371.529)	(1.225.900)
Taxes, duties and similar expenses		(134.850)	(163.707)
Provision adjustments	16,17	0	721.941
Other operating expenses	3.3	(32.536)	(229.745)
OPERATING EXPENSES - TOTAL		(7.910.795)	(8.662.572)
OPERATING RESULT		(1.434.925)	(1.610.680)
Interest income		536.862	461.949
- of which, revenues from related parties		536.540	458.916
Other financial income		83.237	149.582
FINANCIAL INCOME – TOTAL	4.1	620.100	611.531
Value adjustment in respect of financial investments		0	0
Other financial expenses		(71.677)	(204.853)
FINANCIAL EXPENSES – TOTAL	4.2	(71.677)	(204.853)
FINANCIAL RESULT		548.423	406.678
RESULT BEFORE TAX		(886.502)	(1.204.002)
Income tax expense		-	-
RESULT FOR THE YEAR		(886.502)	(1.204.002)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(886.502)	(1.204.002)

ROMPETROL WELL SERVICES S.A.
STATEMENT OF THE FINANCIAL POSITION
For the quarter ended as at 31 March 2017
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	As of 31.03.2017	As of 31.12.2016
Assets			
Non-current assets			
Tangible assets	6	27.908.329	29.472.070
Real estate investments	7	539.765	544.416
Intangible assets	8	11.850	12.832
Financial assets	9	6.524.856	6.524.856
Other financial assets	10	21.950	973.165
Total fixed assets		35.006.750	37.527.339
Current assets			
Inventories	11	2.914.644	2.849.530
Trade and similar receivables	12	85.080.710	82.091.884
Profit tax receivable		2.370.643	2.370.643
Other current assets	13	378.293	264.465
Cash and deposits	14	3.900.486	6.573.982
Current assets - total		94.644.776	94.150.504
Total assets		129.651.526	131.677.843
Capital and reserves			
Capital			
Share capital, of which:			
Subscribed and paid in share capital	15.1	28.557.446	28.557.446
Share capital adjustments	15.2	27.819.090	27.819.090
Legal reserves		738.356	738.356
Other reserves		5.563.818	5.563.818
Retained earnings		67.860.237	73.680.797
Current result		18.330.137	18.330.137
		(886.502)	(5.820.561)
Total equity		119.425.136	120.311.638
Long-term liabilities			
Provisions	16	158.457	158.457
Employee benefits liabilities	17	486.999	486.999
Deferred tax liabilities		365.363	365.363
Other liabilities		8.898	6.664
Total long-term liabilities		1.019.717	1.017.483
Current liabilities			
Trade payables and similar liabilities	18	9.181.753	10.323.803
Provisions	16	24.919	24.919
Non current liabilities - total		9.206.672	10.348.722
Total liabilities		10.226.390	11.366.205
Total equity and liabilities		129.651.526	131.677.843

ROMPETROL WELL SERVICES S.A.
STATEMENT OF CHANGES IN EQUITY
For the quarter ended as at 31 March 2017
(all amounts expressed in Lei ("RON"), unless otherwise specified)

For the year ended as at 31 December 2016

	Share Capital	Legal reserves	Retained earnings	Retained earnings IFRS transition	Current result	Total equity
Balance as at 1 January 2016	28.557.446	5.563.818	103.303.437	18.330.138	(29.622.639)	126.132.200
Transfer to other reserves	-	-	(29.622.639)	-	29.622.639	0
Result of the period	-	-	-	-	(5.820.561)	(5.820.561)
Dividends	-	-	-	-	-	-
Balance as at 31 December 2016	28.557.446	5.563.818	73.680.798	18.330.138	(5.820.561)	120.311.640

For the quarter ended as at 31 March 2017

	Share Capital	Legal reserves	Retained earnings	Retained earnings IFRS transition	Current result	Total equity
Balance as at 1 January 2017	28.557.446	5.563.818	73.680.798	18.330.138	(5.820.561)	120.311.640
Transfer to other reserves	-	-	(5.820.561)	-	5.820.561	-
Result of the period	-	-	-	-	(886.502)	(886.502)
Dividends	-	-	-	-	-	-
Balance as at 31 March 2017	28.557.446	5.563.818	67.860.238	18.330.138	(886.502)	119.425.138

Other Reserves represent reserve constituted through the distribution of prior year profits, respectively the cover of prior year losses.

Retained Earnings IFRS transition represent the retained earning constituted on the first adoption of IAS, less IAS 29.

ROMPETROL WELL SERVICES S.A.
STATEMENT OF CASH FLOW
For the quarter ended as at 31 March 2017
(all amounts expressed in Lei ("RON"), unless otherwise specified)

Indirect Method

Name of item	Reporting Period	
	Ended as at 31.03.2017	Ended as at 31.12.2016
<i>Cash flows from operating activities:</i>		
Net result before tax	(886.502)	(5.718.271)
<i>Adjustments for:</i>		
Depreciation and adjustments related to tangible assets	1.624.671	8.614.848
Depreciation and adjustments related to intangible assets	982	4.078
Movements in other provisions, net	64.935	(627.210)
Interest income	(536.862)	(1.890.865)
Loss / (profit) from tangible asset sales	-	178.350
Operating profit before working capital changes	267.224	560.931
Decrease / (Increase) of trade and other receivables	3.125.061	974.527
Decrease / (Increase) of cash pooling	(6.070.298)	(7.265.199)
Decrease / (Increase) of inventories	(65.114)	2.063.459
Decrease / (Increase) of trade and other debts	(1.135.240)	2.640.245
Paid income tax	-	-
Net cash flow (used in) generated by operating activities	(3.878.368)	(1.026.037)
<i>Cash flows from investments:</i>		
Payments for purchase of tangible assets	(56.278)	(1.047.014)
Receipts from sale of tangible and intangible assets	-	101.612
Received interest	314.510	1.882.381
Net cash from investments	258.232	936.979
<i>Cash flows from financing activities:</i>		
Dividends paid	(4.575)	(45.473)
Net cash flows from financing activities:	(4.575)	(45.473)
Net increase / (decrease) of cash and cash equivalents	(3.624.711)	(134.531)
Cash and cash equivalents at the beginning of the financial year	7.547.147	7.681.678
Cash and cash equivalents at the end of the financial year	3.922.436	7.547.147
Cash included in collateral accounts	3.314.850	5.817.165
Cash and cash equivalents at the year end excluding collateral accounts	607.586	1.729.982

Cash and cash equivalents include the long-term collateral deposits (see note 14 and 20).

ROMPETROL WELL SERVICES S.A.

NOTES TO FINANCIAL STATEMENTS

For the quarter ended as at 31 March 2017

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

1. INFORMATION ON THE ENTITY

S.C. Rompetrol Well Services S.A. ("the Company") is a stock company, registered office located in Ploiesti, str. Clopotei, Nr. 2 bis, Romania. The Company is registered with the Trade Register under the number J29/110/05.03.1991.

The Company has a non-legal personality subsidiary in Kazakhstan, Atyrau, 060003, str Moldagaliyeva 31/19.

It was turned into a stock company named S.C. PETROS S.A. based on the Government Decision no. 1213 of November 1990, under the Law 15/1990, and operated under such name until September 2001 when its name was changed into S.C. ROMPETROL WELL SERVICES S.A.

The main scope of business of the company includes: special well operations, rent of special well tools and devices, other service provision. The Company provides services for both the domestic and foreign market. Its long history in both the domestic and the foreign oil industry makes it a competitive, reliable and serious partner for a large range of services:

- Primary and secondary cementing
- Acidizing and cracking services
- Sand-Control services (reinforcement and packing)
- Well nitrogen treatment services
- Well testing services
- Well lining services
- Drilling tools and instrumentation rental services

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

These annual stand-alone financial statements are public and available on www.rompetrol.com, on Investor Relations section.

The last parent of KazMunayGas International Group is the Holding for the Management of State Assets "Samruk" JSC, an entity based in Kazakhstan.

The Company carries out similar activities through its subsidiary ROMPETROL WELL SERVICES registered in the Republic of Kazakhstan. The national functional currency is Tenge KZT. The reorganisation for crisis conditions into oil services industry assumed an analysis on geographical areas of operational efficiency for a period of multiple years. Matters connected to factors such as materials and human resources, contractual commitments and market particularity, lead to the proposal to renounce to the operational activity in Kazakhstan, and a consequence, to dissolve Company's Branch in Kazakhstan, proposal approved by General Extraordinary Meeting of the Shareholders on July 22nd, 2015. The process of effective closure is continuing.

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the quarter ended as at 31 March 2017
(all amounts expressed in Lei ("RON"), unless otherwise specified)

1. INFORMATION ON THE ENTITY (continued)

As of March 31st, 2017 the financial position of the Kazakhstan Branch is as follows:

	<u>As of</u> <u>31.03.2017</u>
Tangible assets	-
Intangible assets	-
Inventories	-
Trade and similar receivables	187.781
Cash and deposits	2.065
Total assets	<u>189.846</u>
Other capital elements	183.284
Trade payables and similar liabilities	6.562
Total liabilities	<u>189.846</u>

1.1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Starting the year ended on 31 December 2012, the financial statements of the Company are prepared in accordance with the Order no. 1286/2012 of the Ministry of Public Finance, the latest regulation being Order no. 2844/2016 of the Ministry of Public Finance, approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market. Such provisions are aligned with the requirements of the International Financial Reporting Standards adopted by the European Union, except for the provisions of IAS 21 - *The Effects of Changes in Foreign Exchange Rates regarding the functional currency*.

In order to prepare these financial statements, pursuant to the Romanian legal requirements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

The financial statements of the Company are based on the historical cost principle. The stand-alone financial statements are presented in RON and all amounts are rounded up in RON unless otherwise specified.

The financial statements of the Company are prepared based on the going concern principle.

1.2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

a) The going concern principle

Considering the solid financial position of the Company and next year cash flow projections, the financial statements of the Company were prepared based on the going concern principle.

b) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

1. INFORMATION ON THE ENTITY (continued)

Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss resulted from the re-conversion of non-monetary items is treated in line with the recognition of gain or loss upon the change in fair value (i.e., the exchange rate differences on items whose fair value gain or loss is recognised in Other elements of global earnings, or the profit or loss are also recognised in Other elements of global earnings, profit or loss, respectively).

The exchange rates used to translate the balances denominated in foreign currency as at 31 December 2016 were, for RON:

	<u>31 march 2017</u>	<u>31 december 2016</u>
1 EUR	4,5511	4,5411
1 USD	4,2615	4,3033

For the indicators of the subsidiary in Kazakhstan, the KZT/USD and then the USD/RON conversions are used, the exchange rate for KZT being:

	<u>31 march 2017</u>	<u>31 december 2016</u>
1 USD	314,79	333,28

c) Financial instruments

A financial instrument is any contract which produces a financial asset for a company and a financial liability or equity instrument for another entity. The Company's financial assets include cash and cash equivalents, trade receivables and other receivables (including loans to related parties) and financial investments. The Company's financial liabilities includes trade liabilities and other liabilities. The accounting policies for the recognition and measurement of each item are described in this note.

Initial and subsequent measurement

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets or liabilities (other than financial assets and liabilities at fair value through profit or loss) are added at the initial recognition or deducted from the fair value of the respective financial assets or liabilities, depending on the case.

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

- Receivables and loans at fair value through profit or loss
- Trade payables and other liabilities

Receivables and loans

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

1. INFORMATION ON THE ENTITY (continued)

Trade payables and other liabilities

Trade payables and other liabilities are subsequently measured at amortised cost, using the effective interest rate (EIR) method. EIR method is a method to calculate the amortised cost of a financial liability and to allocate interest expenses during the relevant period. The effective interest rate is the rate which discounts the future cash payments estimated for the entire life period of the financial liability (including all fees received or issued related to the effective interest rate, transaction costs or other discounts) or (where applicable) for a shorter period of time, to the net accounting value from the initial recognition.

Derecognition

A financial asset is primarily derecognised 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.

A financial liability is derecognised 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 recognised in the statement of profit or loss.

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 realise the assets and settle the liabilities simultaneously.

d) Impairment of financial assets

The Company assesses financial assets at each balance sheet date to determine if there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or several events occurred after the initial recognition of that asset and that loss-causing event has an impact on the estimated future cash flows of the financial asset or the group of financial assets than can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulties, contractual or interest or principal payment default, the probability that they will enter in bankruptcy or other financial reorganization and there is information showing a measurable decrease on the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1. INFORMATION ON THE ENTITY (continued)

e) Property, plant and equipment

Property, plant and equipment are stated at cost less loss from depreciation, in the financial statements of the Company.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put to operation, such as repairs and maintenance are charged to the profit and loss statement in the period in which the costs are incurred. In cases where it can be proved that expenses have increased the future economic benefits obtained from the use of tangible assets besides the standard evaluation of its performance, the expenditure is capitalized as additional costs of the property, plant and equipment.

Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes the cost of construction and other direct costs. Depreciation of these and other assets is registered starting with the date when they are ready to be used for the activity they are intended for.

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

Buildings and other constructions	5 - 60 years
Machinery and other equipment	3 - 27 years
Vehicles	3-15 years

The useful life and methods of depreciation of tangible assets are revised at each fiscal year end and adjusted prospectively, if the case.

When assets are sold or disposed of, their cost and related accumulated depreciation are removed and any income or loss resulting from their output is included in the profit or loss account.

f) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are disclosed at their historical cost less the provisions for depreciation and impairment. Depreciation of investment properties is computed using straight-line method through their useful life of between 35 and 40 years.

For the purpose of disclosure, fair values are consequently assessed by an accredited external, independent valuator, by applying a valuation model recommended by the International Valuation Standards Committee. The reevaluation will be performed at least every 3 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit and loss account in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change of use. If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change of use.

1. INFORMATION ON THE ENTITY (continued)

g) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After the initial recognition, intangible assets are measured at cost less the 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 mainly of software and licenses and are amortized on a straight-line basis over 3 to 5 years.
- Development costs for specific projects which are reasonably anticipated to be recovered through commercial activity as well as the 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 programmes are expensed as incurred.

h) Financial assets

Financial assets represents strategic long term investments and are recorded at historic cost less possible adjustments for loss of value. Main indicators taken into consideration when identifying a depreciation are current and forecasted results of the Company, in the context of the industry in which it operates.

Additional details on financial assets are presented in Note 9.

i) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, investment properties held at cost, financial investments held at cost and intangible assets, to determine whether there is any indication that those assets have undergone 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 its revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss is reversed, 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.

1. INFORMATION ON THE ENTITY (continued)

j) 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 a provision to be reimbursed partially or totally, the reimbursement is recognized as a separate asset, but only when the reimbursement is certain. The expense related to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, the 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 interest 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.

k) Leases

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs representing the difference between the total leasing commitments and the fair value of the assets acquired are charged to the consolidated profit and loss statement throughout the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

l) Inventories

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

m) Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less the impairment adjustments. The receivable need to be adjusted if there are information on significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganization and default or delinquency in payments. The adjustable amount is the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the effective interest rate.

1. INFORMATION ON THE ENTITY (continued)

n) Cash and cash equivalents

Cash includes petty cash, cash at banks and cheques in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash in less than a year to maturity from the date of acquisition and that are subject to an insignificant risk of devaluation.

o) Revenue recognition

Revenue are valued at the fair value of the sale of goods and services, net of value-added tax and other sales taxes, rebates and sales discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not recognized as revenue, but revenue is recognised as the amount of the fee.

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

- ▶ Has primary responsibility for providing the goods or services;
- ▶ Bears the risks related to inventories;
- ▶ Has discretion in establishing prices;
- ▶ Bears the credit risk.

In addition:

- Sales of goods are recognized when delivery has taken place and transfer of risks and rewards has been completed.
- Revenue from rendering services is recognized when services are rendered. Revenues from rendering services include mainly primary and secondary cementing services, acidizing and fracturing services, Sand Control services (consolidating and gravel packing), nitrogen treatment services of wells, wells testing services, casing running services and rental of drilling tools and equipment. Render of services as core activity is finalised in maximum 30 days.
- Interest income is recognized periodically, based on the principal and using the effective interest rate.
- Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

p) Retirement benefit costs

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

Under the provisions of the collective labour agreement, 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: applicable benefits provided in the agreement, the Company headcount and specific actuarial estimates. The defined benefit liability as of reporting date comprises the fair value of the defined benefit obligation and the related service cost recorded in the profit and loss statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans. 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 pension benefits, health and other costs for its employees.

1. INFORMATION ON THE ENTITY (continued)

q) 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 tax 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 profit and loss account. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

- *Deferred tax*

Deferred tax is recorded 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.
- ▶ The deductible temporary differences associated with investments in subsidiaries and related parties and interests in joint ventures, when the reversal of such temporary differences can be controlled and likely not to be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused losses and tax credits, 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 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 case of deductible temporary differences associated with investments in subsidiaries and related parties and interests in joint ventures, the deferred tax liability is recognised only when the temporary differences are likely to be reversed in a foreseeable future and when there can be a taxable profit for which temporary differences may be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced consequently 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 off the profit and loss statement is recognized off the profit or loss account. Deferred tax items are recognized depending on the nature of 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 are collected by the same tax authority.

1. INFORMATION ON THE ENTITY (continued)

- Revenue related taxes

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 tax authority, in which case the sales tax is recognized as part of the acquisition cost of the asset or as part of the expense item as the case may be.
- ▶ Receivables and payables whose taxes are included in their amount.

The net amount of sales tax recoverable from, or payable to, the tax authority is included in the receivables or payables in the balance sheet.

r) Dividends

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

s) Contingent assets and liabilities

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

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

1.3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The estimates and assumptions that accounting judgements rely on are subject to constant review. Revisions to accounting estimates are recognized in the period in which the estimate is revised if such revision only affects that period or in the period of the revision and future periods if such revision affects both current and future periods.

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

(i) Carrying value of trade receivables

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

(ii) Depreciation of tangible assets and investment properties

The Company analyses at each reporting date if there are indicators of impairment of tangible assets and investment properties. If indicators are identified, or if an impairment test is required by accounting regulation, the accounting value of the main fixed assets and investment properties is revised for possible allowances for impairment, while all assets are analysed each time when events or changes in market or

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1. INFORMATION ON THE ENTITY (continued)

industry indicates the fact that the accounting value of these assets can't be recovered. If for these assets are necessary allowances for impairment, the accounting value for these assets is adjusted to the recoverable amount, which is determined as the highest between fair value less cost to sale and the amount based on discounted future cash flows. The allowances for impairment are reversed only in the case when the events or circumstances that determined the initial impairment have changed. The discounted cash flows are determined based on Company's management estimation as regards to contracts and future projects concluded at the date of evaluation or estimated to be contracted in the future closely linked to market conditions. Other factors that might lead to changes in estimations could include restructuring plans or changes in legislation. The recoverable amount is sensitive to the discount rate applied to discounted cash flows, as well as to the inputs of cash flows and the growth rate estimated for the analysis period.

In year 2016, the Company recorded an impairment 1.961.000 lei for technological equipment used under full capacity.

2. TURNOVER

Please find an analysis of the revenue of the company below:

	Sales 2017	Sales 2016
Service revenue	6.469.118	7.032.616
Revenue from goods sold	3.434	4.392
Total	6.472.552	7.037.008

	Sales 2017	Sales 2016
Export		
Central Asia	-	-
Export total	-	-
Internal market sales	6.472.552	7.037.008
Sales total	6.472.552	7.037.008

The well services market in Romania was negatively impacted by the significant reduction of operational and investment plans of our customers, determined by the sharp decrease of crude oil price. Oil and gas production in Romania was affected by the natural decline of production, un-compensated completely by new or existing wells. The delay in investment programs due to decrease of crude oil, lead to a dramatic drop in drilling projects with direct consequences on well services, which is the main activity of the Company.

The Company does not consider it exists significant operating segments that needs to be presented in accordance with *IFRS 8 Operating segments*.

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3. OTHER REVENUES AND OTHER EXPENSES

3.1. Other operating revenues

In the table below other operating revenues are being detailed depending on their nature:

	2017	2016
Other operating revenues :		
Earnings from disposal of fixed assets	-	-
Other revenue	3.318	14.884
Total	3.318	14.884

3.2. Expenses for third-party services

In the table below expenses for third party services are being detailed depending on their nature:

	Report period completed on March 31 st 2017	Report period completed on March 31 st 2016
Royalties and rental expenses	56.643	36,477
Bank commissions and similar charges	5.647	4,751
Insurance premiums	114.984	114,320
Commissions and fees	-	17,650
Maintenance and repair expenses	102.748	68,074
Postage and telecommunications	11.592	18,258
Travel expenses	131.906	94,760
Entertaining, promotion and advertising	2.220	3,876
Other third party services, from which:	945.789	867,735
Security services	119.198	242,302
Externalised activities services	302.509	190,349
Consultancy and audit	53.351	11,657
Management services	44.508	137,568
Goods transportation services	281.111	169,954
Others	145.112	115,905
Total	1.371.529	1,225,900

The weight of these expenses in the structure of the operating costs is specific to the main activity, regarding the service delivery at the headquarters of the beneficiaries with auto type equipment and the flexible adaptability to the current market conditions.

Starting with July 2016 the separation between management and consulting activities from execution activities such as legal, procurement, human resources, IT at the level of suppliers, determined their recognition by the type of service, such that management services expenses significantly decreased as compared to previous year. At the same time externalised activities services expenses increased.

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3. OTHER REVENUES AND OTHER EXPENSES (continued)

3.3. Other operating expenses

In the table below other operating expenses are being detailed depending on their nature:

	Report period completed on March 31 st 2017	Report period completed on March 31 st 2016
Compensations, fines, penalties	7.165	2.033
Sponsorship	-	-
Obsolete inventory	-	-
Other operating expenses – employee's benefits	25.370	49.361
Other operating expenses	1	178.351
Total financial expenses	32.536	229.745

4. FINANCIAL EXPENSES AND REVENUES

4.1 Financial revenues

	2017	2016
Interest income, from which:	536.862	461.949
Income obtained from the entities within the group	536.540	458.916
Income from exchange rate differences	83.237	149.582
Financial Income Total	620.100	611.531

4.2 Financial expenses

	2017	2016
Value adjustments regarding the financial assets, as follows:	-	-
Expenses	-	-
Revenue	-	-
Expenses from exchange rate differences	71.677	204.853
Total financial expenses	71.677	204.853

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5. EXPENSES WITH THE BENEFITS OF THE EMPLOYEES

The expenses with salaries and taxes, recorded during first quarter of 2017 and 2016 are as follows:

	Period completed on March 31 st 2017	Period completed on March 31 st 2016
Expenses related to salaries and allowances	2.717.094	3.653.086
Expenses related to the social insurances	177.909	230.381
Contributions to the savings fund for retirement	416.633	563.759
Total	3.311.636	4.447.226

In the reporting period, the number of employees decreased from 183 persons at 31 Dec 2016 to 164 persons at 31 March 2017, the costs with employees during 2016 being affected by restructuring process and the temporary reduction of labour week.

On March 31st 2017, the company has had no obligations regarding the payment of the retirement money to the former members of the Board of Directors and of the executive management.

At the end of first quarter of 2017, the company had no advance payments to be reimbursed to the members of the executive management and there were also no guarantees of future obligations taken over by the company under the name of the Managers or Administrators.

6. TANGIBLE ASSETS

	Land	Buildings and special constructions	Technical equipment and machinery and other tangible assets	Tangible assets in progress	Total
Cost or evaluation					
On January 1 st 2016	5.585.846	6.716.653	100.678.603	1.700.653	114.681.755
Additions	-	15.887	2.119.887	435.120	2.570.894
Disposals and transfers	-	350.030	1.972.111	2.135.773	4.457.914
On December 31 st 2016	5.585.846	6.382.511	100.826.378	-	112.794.735
Additions	-	-	2.119.887	435.120	2.570.894
Disposals and transfers	-	-	1.972.111	2.135.773	4.457.914
On March 31 st 2017	5.585.846	6.382.511	100.826.378	-	112.794.735
Depreciation and impairment					
On January 1 st 2016	-	1.884.224	74.885.229	-	76.769.454
Depreciation charge for the year	-	289.967	6.657.555	-	6.947.522
Disposals	-	318.734	1.724.298	-	2.043.032
Impairment	-	(12.080)	1.660.800	-	1.648.721
On December 31 st 2016	-	1.843.377	81.479.287	-	83.322.664
Depreciation charge for the year	-	70.437	1.549.583	-	1.620.020
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
On March 31 st 2017	-	1.913.815	83.028.870	-	84.942.684
Net accounting value					
On March 31 st 2017	5.585.846	4.468.696	17.853.787	-	27.908.329
On December 31 st 2016	5.585.846	4.539.133	19.347.091	-	29.472.071
On January 1 st 2016	5.585.846	4.832.429	25.793.374	1.700.653	37.912.301

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6. TANGIBLE ASSETS (continued)

The Company is performing an periodic assessment in order to identify potential indicators for impairment of tangible assets, considering specific characteristics of these assets and taking into account estimates of future cash flows generated by the respective assets.

In 2016 the Company recognised an impairment in amount of 1.961.000 lei for technological equipment used under their full capacity.

As a result of the ongoing process of branch closure, the Company recorded the disposal of branch's assets, which had a net accounting value of 279,962 lei.

All presented tangible assets are the property of the company.

7. INVESTMENT PROPERTIES

The company has an apartment block in Câmpina and two apartments in Timișoara, held with the exclusive target to obtain income from rents. These are being classified as investment properties.

	<u>2017</u>	<u>2016</u>
Initial balance	544.416	563.012
Depreciation expenses	(4.651)	(18.597)
Final balance	539.765	544.416

	<u>2017</u>	<u>2016</u>
Income from rents obtained from real estate investments	1,734	4.377
Direct operational expenses (including repairs and maintenance) which generate income from rents	(9,626)	(7.887)
Net result from real estate investments registered at costs	(7,892)	(3.511)

At 31 December 2016, the Company made an evaluation of the assets classified as investment properties, through S.C. QUEST PARTNERS S.R.L. a recognised independent evaluator. The estimated fair value is higher than accounting value, and it was not considered necessary to record a depreciation provision.

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8. INTANGIBLE ASSETS

	Patents and licences	Intangible assets in progress	Total
Costs			
On January 1 st 2016	622.343	-	622.343
Additions	333	333	667
Disposals and transfers	(3.425)	(333)	(3.759)
On December 31 st 2016	619.251	-	619.251
Additions	-	-	-
Disposals and transfers	-	-	-
On March 31 st 2017	619.251	-	619.251
Amortisation and impairment			
On January 1 st 2016	604.902	-	604.902
Amortisation	4.088	-	4.088
Disposal	(2.573)	-	(2.573)
On December 31 st 2016	606.418	-	606.418
Amortisation	982	-	982
Disposal	-	-	-
On March 31 st 2017	607.400	-	607.400
Net accounting value			
On March 31 st 2017	11.851	-	11.851
On December 31 st 2016	12.833	-	12.833
On January 1 st 2016	17.441	-	17.441

9. FINANCIAL ASSETS

Name of company	Nature of relationship	Year of investment	Percent detained on		Value of investment on	
			31.12.2016	31.03.2017	31.12.2016	31.03.2017
Romp petrol Logistics S.R.L.	Long term investment	2002/2003/2007	6,98%	6,98%	5.580.056	5.580.056
Romp petrol Rafinare S.A.*	Long term investment	2003/2004	0,05%	0,05%	944.700	944.700
Romp petrol Drilling S.R.L.	Long term investment	2014	1%	1%	100	100
Adjustment for value					-	-
Total					6.524.856	6.524.856

(* Company listed on Bucharest Stock Exchange under RRC symbol.

The investment on Rompetrol Logistics S.R.L. is presented at cost since the accuracy of presentation at fair value for this unlisted company would have been influenced by a series of elements hard to quantify.

10. OTHER FINANCIAL ASSETS

	As of 31.03.2017	As of 31.12.2016
Collateral account for guarantee letters with maturity over one year	-	951.215
Specific accounts for other	21.950	21.950
Other financial assets	21.950	973.165

The details on the structure of collateral account with maturity over one year can be found on note 20.

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11. INVENTORIES

		Raw materials and consumables	Finished products and goods	Total
On January 1st 2016	Inventories, net	4.154.903	-	4.154.903
	Cost	3.330.046	-	3.330.046
	Adjustments	480.516	-	480.516
On December 31st 2016	Inventories, net	2.849.530	-	2.849.530
	Cost	3.395.160	-	3.395.160
	Adjustments	480.516	-	480.516
On March 31st 2017	Inventories, net	2.914.644	-	2.914.644

The inventories mainly contain spare parts for special equipment, cement and additives. It is practiced to optimise the quantity purchased for items whose acquisition process is relatively long, as well as for items whose consumption is dependent on fluctuating demand of our customers, which explains the variation of stock value between two purchases.

The presented adjustments are result of the lack of movement within more than one year, the respective inventories not having time relational validities and being still usable.

	Adjustments for inventories depreciation
On January 1st 2016	1.238.602
Constituted	10.345
Used during the year	(726.667)
Exchange rate differences	(41.764)
On December 31st 2016	480.516
Constituted	-
Used during the year	-
Exchange rate differences	-
On March 31st 2017	480.516

As a result of the ongoing process of branch closure, the Company recorded the write-off of branch's non-repatriated inventories, which provisioned amount was of 726.667 lei. The net impact in profit or loss account was of 20,536 lei.

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12. TRADE AND OTHER RECEIVABLES

	On March 31 st 2017	On December 31 st 2016
Trade receivables - third parties	11.339.345	14.212.447
Trade receivables with affiliated entities	34.630.180	34.578.283
Value adjustments for trade receivables – third parties	(3.950.141)	(3.888.645)
Value adjustments for trade receivables – affiliated entities	(29.790.058)	(29.790.058)
Total trade receivables, net	12.229.326	15.112.027
Amounts to be received from entities within the group, of which	71.653.958	65.568.598
Short term lending	34.412.237	34.397.174
Cash pooling receivables	37.229.974	31.159.676
Other receivables	11.748	11.748
Other receivables – third parties	1.532.144	1.739.043
Other receivables with the affiliated entities	355.107	358.603
Value adjustments for other receivables – third parties	(606.920)	(603.481)
Value adjustments for other receivables – affiliated entities	(82.905)	(82.905)
Total other receivables, net	1.197.425	1.411.260
Total receivables, net	85.080.710	82.091.884

Starting with 2014, it was implemented an optimisation system for the cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. Cash pooling system was implemented in relation to cash availability from certain bank accounts of the Company, and the direct effect will be transposed to the optimisation of cash for the company, with impact in the interest income. According to the cash pooling system, in terms of assets presentation, the amounts available at the end of the reporting period will be reflected as receivables. During the reporting period, the average balance of master account was 34.051.850 lei, generating interest in amount of 207.289 lei. The value of these receivables as of 31 March 2017 was in amount of 37.229.974 lei.

For the year 2016, the receivable with Oilfield Exploration Business Solutions S.A. was adjusted at recoverable amount in accordance with the provisions of the contract submitted to the Electronic Archive for Security Interests in Movable Property, detailed in note 20. The Company obtained from the majority shareholder KazMunayGas International NV, a Comfort Letter based on which it sustains the full coverage of the net overdue commercial receivable in amount of 4.770.000 lei.

Trade receivables are usually regularised within 30 to 90 days.

In the table below, there are detailed the movements within the provision for the impairment of the receivables:

	Individually impaired	Collectively impaired	Total
On January 1st 2016	32.136.957	1.246.621	33.383.579
Transfer between category	23.413	(23.413)	-
Charge for the year	989.839	115.591	1.105.430
Unused amounts, reversed	(16.019)	(133.847)	(149.866)
Exchange rate differences	-	25.946	25.946
On December 31st 2016	33.134.191	1.230.899	34.365.089
Transfer between category	-	-	-
Charge for the year	-	44.362	44.362
Unused amounts, reversed	-	-	-
Exchange rate differences	-	20.573	20.573
On March 31st 2017	33.134.191	1.295.834	34.430.025

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12. TRADE AND OTHER RECEIVABLES (continued)

On March 31st, respectively December 31st, the aging analysis of the receivables is as follows:

	Total	Current, not impaired	Overdue, net of impairment				
			< 30 days	30-60 days	61-90 days	91-180 days	> 180 days
2017	85.080.709	77.335.621	2.175.468	359.443	79.603	133.596	4.996.979
2016	82.091.884	74.597.185	2.055.876	296.619	84.715	111.913	4.945.576

13. OTHER CURRENT ASSETS

	On March 31 st 2017	On December 31 st 2016
Advance expenses for car insurances	68.677	64.474
Advance expenses for <i>rovigneta</i>	99.738	82.606
Advance expenses for business insurance	71.465	102.719
Advance expenses for CNCAN authorisations, transportation licenses, subscriptions, others	138.412	14.667
OTHER CURRENT ASSETS TOTAL	378.293	264.465

The values represent the payments carried out during the current year, for costs which affect the next financial year in accordance with the validity period for the insurances, authorisations, licenses, subscriptions.

14. CASH AND DEPOSITS

	2017	2016
Bank accounts in lei	101.127	678
Bank accounts in foreign currency	2.066	18,947
Short term deposits in lei	103.939	1,339,247
Short term deposits in foreign currency	317.837	353,270
Collateral accounts for letters of guarantee with maturity under one year	3.292.900	4,844,000
Specific accounts regarding performance bonds, other guarantees	57.435	8,881
Petty cash in lei	10.524	4,297
Petty cash in foreign currency	14.657	4,661
Total cash and short term deposits	3.900.486	6,573,982
Collateral deposits with maturity over one year	21.950	973,165
Total cash and cash equivalents at period end	3.922.436	7,547,147

The cash in banks records interests at variable rates, depending on the daily rates of the deposits in banks. The short term deposits are being constituted for periods of one day and records interests for the respective rates of the short term deposits.

The service providing contracts concluded with our main customers contain clauses referring to creation of performance guarantees through a guarantee granting instrument issued under the provisions of the law, by a bank or insurance company, i.e. Letters of Bank Guarantees.

Collateral deposits with maturity over one year were presented as Other financial assets. Collateral deposits are detailed in note 20.

In note 12 it is presented the details regarding the company's participation for the year 2017 to the system for optimisation of cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. The amount available in the principal account as of 31 March 2017 was 36.955.104 lei, being ready to use without restriction, depending on the necessity.

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15. SHARE CAPITAL

15.1. Subscribed share capital

The last modification of the share capital has been in 2008, when the shareholders have decided, after the general meeting which has taken place on June 20th 2008, to increase the share capital of the company by the amount of 13,909,545 lei, from 13,909,545 lei up to 27,819,090 lei, through issuing, for free, of a number of 139,095,450 new shares with a nominal value of 0.10 lei/share.

The new issued shares have been allocated for the shareholders registered under the Shareholders' Registry at the date of the registration, approved by the Extraordinary Meeting of the Shareholders, respectively July 8th 2008, proportional to the amounts held by each of them. The allocation index has been 1. The issuing of shares has been financed from the reserves of the result carried forward of the financial year 2007, respectively from the amount allocated to Other reserves.

The finalisation of the procedural phases for approval and recognition has been officially signalled through the repetition of the transacting of the shares, after the increase of the social capital, on September 18th 2008, without undergoing modifications until March 31st 2017.

	Balance on March 31 st 2017	Balance on December 31 st 2016
	Number	Number
Subscribed capital, ordinary shares	278,190,900	278,190,900
	RON	RON
Nominal value, ordinary shares	0,1	0,1
	RON	RON
Value of the share capital	27,819,090	27,819,090

The share capital of the company is totally paid in on March 31st 2017.

The Company is listed under the Bucharest Stock Exchange under the symbol PTR.

15.2. The adjustment of the share capital

According to the IAS 29 provisions, the company has adjusted the costs of its purchased investments until December 31st 2003 with the purpose of reflecting the accounting impact in the hyperinflation. The value of the share capital has been increased at December 31st, 2012 by 166,740,745 RON. This adjustment had no impact over the carried forward distributable profit of the company. In 2013, the general ordinary meeting of shareholders on April 30, 2013 approved to cover the brought forward accounting loss from first application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in amount of 166.002.389 lei, from own capitals, i.e. "adjustment of share capital". The effect of this decision for the structure of share capital on December 31st, 2016, as well as on March 31st, 2017 and is presented in the table below:

	On 31.03.2017	On 31.12.2016	On 31.12.2015
Share capital, from which:	28.557.446	28.557.446	28.557.446
Paid in share capital	27.819.090	27.819.090	27.819.090
The adjustment of the share capital	738.356	738.356	738.356

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16. PROVISIONS

	Provisions for restructuring (short term)	Provisions for litigations (long term)	Other Provisions for risks and expenses (long term)	Total
On January 1st 2016	721.941	-	448.355	1.170.296
Constituted	24.919	-	99.216	124.135
Used during the year	(721.941)	(25.000)	(364.114)	(1.111.055)
Reclassified	-	25.000	(25.000)	-
On December 31st 2016	24.919	-	158.457	183.376
Constituted	-	-	-	-
Used during the year	-	-	-	-
Reclassified	-	-	-	-
On March 31st 2017	24.919	-	158.457	183.376

The provision for restructuring recognised in 2015 in amount of 721.941 lei, was determined by taking into consideration the number of employees for which the notice of dismissal had not expired on December 31st, 2015, as well as the provisions of the Collective Labour Agreement. In 2016, the provision was fully reversed, the expenses regarding the rights according to the collective labour contract becoming current expenses at the moment of the granting.

Other provisions for risks and expenses in amount of 158.457 lei represents an estimate of the expenses related to operational and legal disestablishment of Kazakhstan Branch (59.241 lei) and an estimate for untaken holiday benefits (99.216 lei). As a result of ongoing closing process of the branch and the analysis performed by the Company, 364.114 lei were reversed from the provision constituted during 2014.

17. OTHER POST EMPLOYMENT BENEFITS

	Liabilities regarding the benefits of employees
On January 1st 2016	350.714
Constituted	136.285
Used during the year	-
On December 31st 2016	486.999
Constituted	-
Used during the year	-
On March 31st 2017	486.999

The liabilities regarding pensions and other similar obligations have been determined depending on the provisions of the collective labour contract of the company, which stipulates the payment of a number of salaries to each employee at retirement, depending on the period of employment. The amount for the provision for benefits to be granted at retirement of 486.999 lei has been determined in 2016, according to the method of the credit factor, planned on the basis of an internal calculation, using the actuarial model. The management has taken into consideration for carrying out the calculation, mainly the fluctuation of the employees, the age of the employees, the estimated mortality rate, the estimated salary costs evolution, discount rates. The provision has been determined by the company and has been updated in 2016 in the sense of the increase by 136.285 lei.

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18. TRADE PAYABLES AND SIMILAR LIABILITIES (CURRENT)

	On March 31 st 2017	On December 31 st 2016
Trade payables - third parties	994.431	1.586.122
Trade payables with affiliated entities	3.540.344	3.379.532
Advance payments and deferred income	43.828	147.330
Salaries	620.195	677.148
Dividends to be paid	3.176.372	3.180.947
Taxes	667.822	1.169.091
Other liabilities	138.761	183.632
TOTAL	9.181.753	10.323.803

19. PRESENTATION OF THE AFFILIATED PARTIES

The following tables present information on transactions with companies under common control of KazMunayGas Group as of 31 March 2017:

Name of the company	Transaction type	Country of origin	Headquarters
Romp petrol Rafinare S.A.	Loans granted	Romania	Năvodari, Bulevardul Năvodari nr. 215, Pavilion Administrativ, Județul Constanța
Romp petrol Logistics S.R.L.	Procurement of spare parts, rental services, ITP services	Romania	Ploiesti, Str. Basarabilor Nr. 7
Oilfield Exploration Business Solutions S.A.	Render of services, rental of premises, ITP services	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 6, sector 1, București
Romp petrol Downstream S.R.L.	Procurement of fuel, GPS services	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 2, sector 1, București
KMG Rom petrol S.R.L.	Management and IT services, cash pooling services, rental of premises	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 5, camera 2, sector 1, București
Romp petrol Financial Group S.R.L.	Mediate sell of shares	Romania	Bucuresti, Piata Presei Libere nr. 3-5, City Gate Northern Tower, Etaj 5, Camera 3, Sector 1
KazMunayGas International NV	Payments of dividends	Holland	Amsterdam, Strawinskylaan 807, tum A-8,
Romp petrol Gas S.R.L.	Car rental	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 5, sector 1, București
Romp petrol Drilling S.R.L.	Rental of premises	Romania	Str. Clopotei, nr 2bis, cladirea C61, birouri administrative, Ploiesti
Romp petrol Quality Control S.A.	Laboratory analyses	Romania	Năvodari, Bulevardul Năvodari nr. 215, Pavilion Administrativ, cam 220, et 2 Județul Constanța
KMG Rom petrol Services Center SRL	Services for procurement, legal, employees, translations and IT	Romania	Piata Presei Libere 3 - 5 City Gate Northern Tower, Et.1, Sector 1 Bucuresti 013702
Global Security Sistem SA	Security services	Romania	Bucuresti, str. Constantin Capitanu, nr.10

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19. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Loan contracts with Rompetrol Rafinare S.A.	Principal	Interest	Total
On January 1st 2016	34.300.000	104.558	34.404.558
1CI/September 09 th 2008	13.000.000	39.628	13.039.628
2CI/October 14 th 2008	7.000.000	21.338	7.021.338
3CI/November 04 th 2008	3.100.000	9.450	3.109.450
CI/April 28 th 2010	11.200.000	34.141	11.234.141
On December 31st 2016	34.300.000	97.174	34.397.174
1CI/September 09 th 2008	13.000.000	36.830	13.036.830
2CI/October 14 th 2008	7.000.000	19.831	7.019.831
3CI/November 04 th 2008	3.100.000	8.782	3.108.782
CI/April 28 th 2010	11.200.000	31.730	11.231.730
On March 31st 2017	34.300.000	112.237	34.412.237
1CI/September 09 th 2008	13.000.000	42.539	13.042.539
2CI/October 14 th 2008	7.000.000	22.906	7.022.906
3CI/November 04 th 2008	3.100.000	10.144	3.110.144
CI/April 28 th 2010	11.200.000	36.649	11.236.649

All the above mentioned loans are being guaranteed with promissory notes and have been extended automatically on successive periods of time, in the situation that none of the parties has denounced the contract in writing, within maximum 3 days before the due date. Beginning January 1st 2017, there shall be applied an interest at the level of ROBOR 3M + 3% for all contracts.

The loans granted to Rompetrol Rafinare S.A. are included in the Statement of Financial Position within "Trade and other receivables", also detailed in Note 12.

Receivables

	Balance on March 31 st 2017	Balance on December 31 st 2016
Romperol Logistics S.R.L.	164.892	122.292
Oilfield Exploration Business Solutions S.A.*)	4.778.430	4.770.000
Rompetrol Drilling S.R.L.	158.757	157.889
KMG Rompetrol S.R.L.	37.240.638	31.170.340
Rompetrol Financial Group SRL	10.309	10.309
KMG Rompetrol Services Center SRL	1.019	4.516
Total	42.354.045	36.235.346

*) At 31 march 2017, respectively 31 december 2016, the Oilfield Exploration Business Solutions S.A. receivable represent the recoverable amount (see note 12)

Liabilities

	Balance on December 31 st 2016	Balance on March 31 st 2017
Rompetrol Logistics S.R.L.	6.051	6.051
Rompetrol Downstream S.R.L.	2.110.872	2.008.769
KMG Rompetrol S.R.L.	1.204.214	1.095.020
KMG Rompetrol Services Center SRL	217.518	267.988
Global Security Sistem SA	1.690	1.704
Total	3.540.344	3.379.532

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19. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Sales

	Period completed on March 31 st 2017	Period completed on December 31 st 2016
Romp petrol Rafinare S.A.	329.251	292.226
Romp petrol Logistics S.R.L.	-	27.400
Oilfield Exploration Business Solutions S.A.	4.144	9.367
Romp petrol Drilling S.R.L.	729	12.609
KMG Rom petrol S.R.L.	207.289	168.440
Romp petrol Gas S.R.L.	-	2.298
KMG Rom petrol Services Center SRL	1.762	-
Total	543.176	512.341

Acquisition of goods and services

	Period completed on March 31 st 2017	Period completed on December 31 st 2016
Romp petrol Downstream S.R.L.	686.987	532.471
KMG Rom petrol S.R.L.	52.548	196.969
KMG Rom petrol Services Center SRL	285.901	-
Global Security Sistem SA	2.130	-
Total	1.027.566	729.439

Managerial expenses

	Period completed on March 31 st 2017	Period completed on December 31 st 2016
KMG Rom petrol S.R.L.	44.508	137.568
Total	44.508	137.568

20. COMMITMENTS AND CONTINGENCIES

There are no commitments for the acquisition of property, plant and equipment as of 31 March 2017 or as of 31 December 2016.

Starting with September 2013, the Company concluded an operational leasing contract for 5 vehicles, for 48 months, the contract totalising 70.479,36 EUR.

Guarantees to third parties

The service providing contracts concluded with our main customers (OMV PETROM and ROMGAZ SA) contain clauses referring to referring to creation of performance guarantees through a guarantee granting instrument issued under the provisions of the law, by a bank or insurance company, i.e. Letters of Bank Guarantees.

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20. COMMITMENTS AND CONTINGENCIES (continued)

The detail of the collateral accounts on March 31st 2017 for the Letters of Bank Guarantee is enclosed in the table below:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0157685	S.N.G.N. ROMGAZ S.A.	RON	562.240	15-Jul-17	RON	562.240
LG/PB13003544	OMV PETROM S.A.	EUR	1.365.330	12-May-17	EUR	1.365.330
LG/00888-02-0000808	OMV PETROM S.A.	EUR	455.110	15-Jan-17	EUR	455.110
10187	S.N.G.N. ROMGAZ S.A. Sircoss	RON	57.433	31-Dec-17	RON	57.433
LG/00888-02-0130320	OMV PETROM S.A.	EUR	910.220	28-Feb-18	EUR	910.220
Total short term collateral deposits						3.350.333

The collateral accounts on December 31st 2016 had the following components:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0157685	S.N.G.N. ROMGAZ S.A.	RON	562.240	15-Jul-17	RON	562.240
LG/PB13003544	OMV PETROM S.A.	EUR	1.362.330	12-May-17	EUR	1.362.330
7	S.N.G.N. ROMGAZ S.A. Sircoss	RON	8.881	30-Mar-17	RON	8.881
LG/00888-02-0000808	OMV PETROM S.A.	EUR	454.110	15-Jan-17	EUR	454.110
LG/00888-02-0032935	OMV PETROM S.A.	EUR	2.270.550	28-Feb-17	RON	2.465.320
Total short term collateral deposits						4.852.881
LG/00888-02-0130320	OMV PETROM S.A.	EUR	908.220	28-Feb-18	EUR	908.220
10187	S.N.G.N. ROMGAZ S.A. Sircoss	RON	42.995	31-Dec-17	RON	42.995
Total long-term collateral deposits						951.215

Received guarantees

January 2012, the contract no. RWS 03/2011, regarding Security Interests in Movable Property granted by SC Oilfield Exploration Business Solutions S.A. for the total value of 9,539,048 lei has been entered in the Electronic Archive for Security Interests in Movable Property.

Transfer price

Fiscal legislation in Romania includes the principle of "market value", according to which transactions between affiliated parties must be conducted at market value. Taxpayers which conduct transactions with affiliated parties must prepare and readily present to Romanian fiscal authorities at their written demand the transfer price file. The failure to present the transfer price file or the presentation of an incomplete file may lead to application of penalties for nonconformity; in addition to the content of the transfer price file, the fiscal authorities might interpret differently the transactions and circumstances than the interpretation of management and, as a consequence, might impose additional fiscal obligations resulting from adjustment of transfer prices. The management of the Company is considering that it will not suffer losses in case of a fiscal control for the verification of transfer prices. However, the impact of possible different interpretations of the fiscal authorities can't be estimated.

21. OBJECTIVES AND POLICIES FOR THE FINANCIAL RISK MANAGEMENT

The risk of the interest rate

- Loans received: the company is not being involved in any loan contract and therefore not exposed to risks regarding the movement of the interest rate.
- Loan granted: for the loans granted presented in note 19, the income from interest varies, depending on ROBOR 3M movement.

Risk of the exchange rate variations

Most of the transactions of the company are in lei. Depending on the case, the structure of the amounts available in cash and the short term deposits are also being adapted. The difference between the entry of the amounts in foreign currency and their repayment cannot generate, through the variation of the exchange rate, significant patrimonial effects.

Foreign currency sensitivity

The following tables demonstrate the sensitivity towards a possible reasonable change (5%) of the exchange rate of the US dollar, EUR and KZT, all other variables being maintained constant. The impact over the profit of the company before taxation is due to the modifications of the real value of the assets and monetary debts. The exposal of the company to the foreign currency modifications for any other foreign currency is not significant.

	TOTAL RON	5% USD	5% EUR	5% KZT
December 31st 2016				
Total increase	110.934	(2.034)	104.172	8.796
Monetary assets	119.193	3.569	106.513	9.111
Monetary debts	(8.260)	(5.603)	(2.342)	(315)
March 31st 2017				
Total increase	158.291	1.229	147.898	9.164
Monetary assets	164.242	4.723	150.026	9.492
Monetary debts	(5.951)	(3.494)	(2.129)	(328)

The credit risk

The company treats the crediting of its customers procedural, with flexibility through the stable contracting strategy as an essential mechanism for the risk repartition. The unfavourable conditions of the financial - banking market is also experienced by the customers of the company, but the Management permanently monitors the receivables and their collection.

The market risk

Taking into consideration the structure and continuance of trade contracts, it can be highlighted as important clients S.C. OMV Petrom S.A., S.N.G.N. Romgaz S.A. and AMROMCO ENERGY S.R.L., concentrating around 66% of the total turnover registered for the first quarter of the financial year 2017. The main contracts with S.C. OMV Petrom S.A., S.N.G.N. Romgaz S.A and AMROMCO ENERGY S.R.L. are valid until December 31th 2017, November 27th 2017, respectively April 30th 2017.

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21. OBJECTIVES AND POLICIES FOR THE FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the efficient use of working capital. Approximately 80% of the Company's debt will mature in less than one year at 31 March 2017 (2016: 82%) based on the carrying value reflected in the financial statements. The Company assessed the concentration of risk with respect to exigibility of its debt and concluded it to be low.

Trade payables and similar liabilities	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	> 5 years	Total
Trade payables - third parties	142.419	785.744	66.269	-	-	994.431
Trade payables with affiliated entities	3.147.183	393.161	-	-	-	3.540.344
Advance payments and deferred income	1.390.628	-	-	-	1.785.744	3.176.372
Salaries	-	26.136	52.416	-	60.209	138.761
Total 31 March 2017	4.680.230	1.205.040	118.685	-	1.845.953	7.849.909

Trade payables and similar liabilities	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	> 5 years	Total
Trade payables - third parties	605,527	953,904	26,691	-	-	1,586,122
Trade payables with affiliated entities	2,689,661	689,871	-	-	-	3,379,532
Advance payments and deferred income	1,395,203	-	-	-	1,785,744	3,180,947
Salaries	-	52,849	70,574	-	60,209	183,632
Total 31 December 2016	4,690,392	1,696,624	97,265	-	1,845,953	8,330,234

22. THE EVENTS SUBSEQUENT TO THE REPORTING PERIOD

All loan contracts with S.C. Rompetrol Rafinare S.A. were automatically extended on the due date, with the same period and under the same conditions. At the moment of the financial statements, these loans continue to be granted with an interest ROBOR 3M + 3% applied for all the contracts.

As a result of The General Ordinary Meeting of the Shareholders decision on April 27th 2017, it was recorded the cover of 2016 accounting loss from reserves created from retained earnings of previous years.

Administrator,

Adrian Ion



Prepared by,
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FINANCIAL RATIOS AS OF 31 MARCH 2017

1. Liquidity ratios

Current liquidity ratio	10.28
Immediate liquidity ratio	9.96

2. Activity ratios

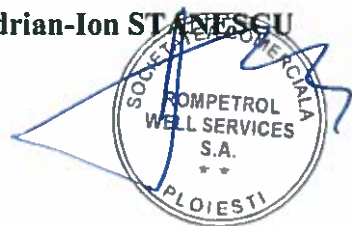
Turnover speed of debits – clients (days)	244.59
Turnover speed of fixed assets	0.18

3. Risk ratios

Gearing ratio	not applicable
Interest coverage ratio	not applicable

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