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ROMPETROL RAFINARE
Q1 2019 IFRS CONSOLIDATED UNAUDITED RESULTS

Good operational results in an unfavorable environment

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

HIGHLIGHTS – CONSOLIDATED

		Q1 2019	Q1 2018	%
Financial				
Gross Revenues	USD	1,138,254,803	1,206,215,530	-6%
Net Revenues	USD	856,832,574	943,448,698	-9%
EBITDA	USD	17,163,532	34,600,820	-50%
EBITDA margin	%	2.0%	3.7%	
EBIT	USD	(3,408,992)	5,425,497	N/A
Net profit / (loss)	USD	(14,045,506)	(3,779,055)	272%
Net Profit / (loss) margin	%	-1.6%	-0.4%	

Rompetrol Rafinare consolidated gross revenues reached USD over 1.1 billion in Q1 2019 lower by 6% as against Q1 2018, being negatively affected by lower market quotation vs. similar period last year and by the lower level sales reached within Q1 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 Q1 2019, decreasing substantially from the comparison benchmark of 2018 similar period (i.e. 35.1$/t vs 44.5$/t in Q1 2018).

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

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ECONOMIC ENVIRONMENT

		Q1 2019	Q1 2018	%
Brent Dated	USD/bbl	63.1	66.8	-6%
Ural Med	USD/bbl	63.4	65.2	-3%
Brent-Ural Differential	USD/bbl	-0.3	1.6	N/A
Premium Unleaded 10 ppm FOB Med	USD/tonne	549	631	-13%
Diesel ULSD 10 ppm FOB Med	USD/tonne	584	589	-1%
RON/USD Average exchange rate		4.17	3.79	10%
RON/USD Closing exchange rate		4.23	3.78	12%
RON/EURO Average exchange rate		4.74	4.66	2%
RON/EURO Closing exchange rate		4.76	4.66	2%
USD/EURO Closing rate		1.12	1.23	-9%
Inflation in Romania*		2.12%	1.38%	54%

*Source: Platts, * INSSE*

Dated Brent decreased by -3.7$/bbl. (-6%) in Q1 2019 against Q1 2018 and settled to an average of 63.1$/bbl.

Despite the average crude prices drop versus Q1 2018, the high volatility of the market showed within the first quarter of the year increase in prices from lowest 50.2$/bbl. to highest 68.2$/bbl., mainly as result of the following key factors:

- OPEC oil supply decreased to a four-year low in March. The OPEC pumped 30.40 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 persist also in Q1 2019 and continue to keep the market shortage with about 800,000 bbl./day and respectively 600,000 bbl./day;
- Additional support came after U.S. and China appeared to edge closer to a trade deal, dampening fears over the outlook for global economic growth;

European margins decreased by -12.7$/MT (-31%) in Q1 2019 vs. Q1 2018, as result of the following main factors which added significant pressure on the margins:

- The positive Urals – Dated Brent differential as most of Mediterranean refineries are processing a heavy crude (Urals) which proved within first quarter of the year more expensive than a light crude (Dated Brent);
    - i.e. average level of the Urals – Dated Brent differential between Jan 2013 – Nov 2018 was -1$/bbl. This is the usual level of the differential as the Urals is a cheaper crude because contains a higher percentage of sulphur (heavy crude) than the Dated Brent which is lighter;
    - the Urals – Dated Brent differential continued to raise since Dec 2018 from -0.2$/bbl. to +0.8$/bbl;

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  - the differential was positive in more than 85 days from the last 100 working days, supported by long delays for Russian cargoes during the winter due to bad weather conditions and helped by a recent strong demand for medium-sour barrels in Europe;
- Additional support persists from shortage of sour grades due to a lack of Iranian crude caused by U.S. sanctions which have removed 800,000 bpd of heavy crude from the global market;
- European gasoline cracks fell during the beginning of the year into a negative level of up to -1.4$/bbl. Pressure was coming from the high level of gasoline stock in Europe and in U.S. Profit margins for distilling crude oil into gasoline in Europe have held near a six-year low since late October 2018 after global demand for the road fuel disappointed during the peak summer driving season;
- European diesel cracks started to decrease due to lower demand (based on higher temperatures in Europe) and because refineries are coming back from maintenance, especially in the Eastern Mediterranean area, which was more affected in this period;

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

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REFINING SEGMENT

		Q1 2019	Q1 2018	%
Financial				
Gross Revenues	USD	996,399,424	1,048,312,071	-5%
Net Revenues	USD	755,909,959	818,877,079	-8%
EBITDA	USD	9,066,953	29,536,422	-69%
EBITDA margin	%	1.2%	3.6%	
EBIT	USD	778,336	9,614,663	-92%
Net profit / (loss)	USD	(2,857,124)	(2,461,081)	16%
Net profit / (loss) margin	%	-0.4%	-0.3%	
Gross cash refinery margin/tonne (Petromidia)	USD/tonne	35.1	44.5	-21%
Gross cash refinery margin/bbl (Petromidia)	USD/bbl	4.8	6.1	-21%
Net cash refinery margin/tonne (Petromidia)	USD/tonne	4.3	18.8	-77%
Net cash refinery margin/bbl (Petromidia)	USD/bbl	0.6	2.6	-77%
Operational				
Feedstock processed in Petromidia refinery	thousand tonnes	1,516	1,527	-1%
Feedstock processed in Vega refinery	thousand tonnes	79	77	3%
Gasoline produced	thousand tonnes	397	446	-11%
Diesel & jet fuel produced	thousand tonnes	780	754	3%
Motor fuels sales - domestic	thousand tonnes	540	455	19%
Motor fuels sales - export	thousand tonnes	573	708	-19%
Export	%	52%	61%	
Domestic	%	48%	39%	

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 0.9 billion in Q1 2019 showing a 5% decrease on quarter level. Quarter on quarter variance was mainly influenced by the decrease of international oil & gas market quotation evolution of petroleum products, alongside by a slight decrease in the volume of products sold.

In terms of financial performance of the Refining segment, 9.07 million USD EBITDA result was reached within first quarter of the year, significantly dropping versus the level of 2018 similar period mainly as result of the low level market margin of the segment alongside the market tariff pressure on the natural gas & electricity, significantly increasing from the levels of 2018; Net Result accounted a level of -2.86 million USD in the first quarter, just slightly dropping from Q1 2018.

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ROMPETROL RAFINARE
Q1 2019 IFRS CONSOLIDATED UNAUDITED RESULTS

In Q1 2019, the total throughput for Petromidia refinery was 1.51 million tonnes by 0.72% lower compared with the same period last year when the total throughput was 1.52 million tonnes, as result of lower alternative-to-crude feedstock processed considering the market economics and availability given the winter conditions at the beginning of the year; however, Q1 2019 Crude Unit total throughput was at a level of 1.35 million tons, which was +14 ktons above previous year according with improved crude diet, implementation of the Advanced Process Control project, allowing to keep the refinery run-rate at high level during winter.

In Q1 2019 the refining capacity utilization in Petromidia refinery was 96.95% lower by 1.57% compared with the same period last year, considering the above-mentioned lower alternative-to-crude feedstock processed.

Petromidia refinery managed to achieve in Q1 2019 a very good operational performance, for its main technological and operational parameters such as:

- ✓ White finished products yield of 86.5%wt;
- ✓ Mechanical Availability of 97.5%;
- ✓ Technological loss of 0.86%wt;
- ✓ Energy Intensity Index of 98%.

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 79,009 tonnes in Q1 2019, higher by 3%, compared with the same period last year when the total throughput was 76,676 tonnes.

In Q1 2019 the refining capacity utilization for Vega refinery was 95.77%, higher by 2.83% compared with the same period last year, as result of the increased bitumen market demand and triggered by better weather conditions, Bitumen unit restarted earlier than initial schedule.

Vega refinery also managed to achieve in Q1 2019 very good performance results, of which the following are emphasized:

- ✓ Technological loss of 0.74%;
- ✓ Energy consumption of 2.81GJ/t;
- ✓ Mechanical Availability of 99%.

The refining segment's financial results in Q1 2019, were negatively affected by unfavorable market conditions, Petromidia's gross refinery margin was lower in Q1 2019 compared with the same period last year, 35.1 USD/to as against 44.5 USD/to in Q1 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 319 million in Q1 2019.

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PETROCHEMICALS SEGMENT

		Q1 2019	Q1 2018	%
Financial				
Revenues	USD	53,098,419	61,192,912	-13%
EBITDA	USD	(6,565,676)	(3,729,147)	76%
EBIT	USD	(10,572,968)	(7,661,992)	38%
Net profit / (loss)	USD	(13,464,522)	(5,391,781)	150%
Operational				
Propylene processed	thousand tonnes	39	40	-3%
Ethylene processed	thousand tonnes	8	19	-61%
Total polymers production	thousand tonnes	29	43	-32%
Sold from own production	thousand tonnes	55	56	-2%
Sold from trading	thousand tonnes	1	2	-68%
Total sold		55	58	-4%
Export	%	42%	55%	
Domestic	%	58%	45%	

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

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

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

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

In Q1 2019, the total polymers production for Petrochemicals area was 29 thousand tons lower by 32% compared with the same period of last year when the total polymers production was 43 thousand tons, mainly due to discontinuous operation of polyethylene units in 2019, align with the period's ethylene supply availability and economics.

Petrochemicals division results continued to be affected by the market margin pressure, having reached in Q1 2019 the lowest level in the last decade - i.e. Q1 2019 PolyPropylene crack = 447$/t; PolyEthylenes crack = 280$/ton low density grades, 322$/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 within first quarter of the year (i.e. LDPE Unit operational only one month, HDPE non-operational throughout entire quarter); sales for Q1 2019 however kept almost in line with similar period last year, keeping the market share by releasing from within existing stocks.

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

MARKETING SEGMENT

		Q1 2019	Q1 2018	%
Financial				
Gross Revenues	USD	654,761,208	602,163,912	9%
EBITDA	USD	15,412,891	10,335,430	49%
EBIT	USD	9,386,501	3,413,237	175%
Net profit / (loss)	USD	5,277,901	3,955,236	33%
Operational				
Fuels quantities sold in retail	thousand tonnes	163	150	9%
Fuels quantities sold in wholesale	thousand tonnes	275	230	19%
LPG quantities sold	thousand tonnes	110	107	2%

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

In Q1 2019 the marketing segment had a turnover of over USD 654 million, higher by 9%, compared with the same period of 2018, , mainly as result of the increased sales performance (i.e +9% fuels in retail, +19% fuels in wholesale and +2% LPG).

In Q1 2019 compared to Q1 2018, the Platt's quotations (FOB Med Italy-mean), expressed in the currency of reference, USD were on average by 13% lower for gasoline and lower by 1% for diesel.

The USD exchange rate had a depreciation of the RON against the US dollar of 10% (Q1 2019 vs. Q1 2018 on average) .The excise level, which represents an important share of the final price of fuel, increase in Q1 2019 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 March 2019, the Rompetrol Downstream's distribution segment contained 926 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

ROMPETROL RAFINARE
Q1 2019 IFRS CONSOLIDATED UNAUDITED RESULTS

APPENDIX 1 – CONSOLIDATED INCOME STATEMENT Q1 2019, UNAUDITED

Amounts in USD

	Q1 2019	Q1 2018	%
Gross Revenues	1,138,254,803	1,206,215,530	-6%
Sales taxes and discounts	(281,422,229)	(262,766,832)	7%
Net revenues	**856,832,574**	**943,448,698**	**-9%**
Cost of sales	(816,832,724)	(888,868,895)	-8%
Gross margin	**39,999,850**	**54,579,803**	**-27%**
Selling, general and administration	(51,200,642)	(44,813,749)	14%
Other expenses, net	7,791,800	(4,340,557)	N/A
EBIT	**(3,408,992)**	**5,425,497**	**N/A**
Finance, net	(9,761,150)	(10,530,737)	-7%
Net foreign exchange gains / (losses)	378,104	1,572,951	-76%
EBT	**(12,792,038)**	**(3,532,289)**	**262%**
Income tax	(1,253,468)	(246,766)	408%
Net result	**(14,045,506)**	**(3,779,055)**	**272%**
EBITDA	**17,163,532**	**34,600,820**	**-50%**

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APPENDIX 2 – CONSOLIDATED BALANCE SHEET MARCH 31, 2019, UNAUDITED

Amounts in USD

	March 31, 2019	December 31, 2018	%
Assets			
Non-current assets			
Intangible assets	7,017,774	7,606,675	-8%
Goodwill	82,871,706	82,871,706	0%
Property, plant and equipment	1,217,929,024	1,235,103,661	-1%
Right of use assets	33,491,924	-	
Financial assets and other	41,027,638	40,930,859	0%
Total Non Current Assets	**1,382,338,066**	**1,366,512,901**	**1%**
Current assets			
Inventories	288,411,656	292,898,693	-2%
Trade and other receivables	458,794,079	409,254,839	12%
Derivative financial Instruments	279,058	2,608,512	N/A
Cash and cash equivalents	16,995,791	11,477,183	48%
Total current assets	**764,480,584**	**716,239,227**	**7%**
Total assets	**2,146,818,650**	**2,082,752,128**	**3%**
Equity and liabilities			
Total Equity	**656,652,739**	**675,364,584**	**-3%**
Non-current liabilities			
Long-term debt	231,324,893	224,103,204	N/A
Hybrid instrument - long-term portion	17,009,920	17,009,920	0%
Provisions	85,664,505	85,664,505	0%
Other	39,798,373	4,345,265	816%
Total non-current liabilities	**373,797,691**	**331,122,894**	**13%**
Current Liabilities			
Trade and other payables	985,672,256	916,434,940	8%
Contract liabilities	24,405,165	25,947,213	-6%
Derivative financial instruments	357,892	76,580	367%
Short-term debt	105,932,907	133,805,917	-21%
Total current liabilities	**1,116,368,220**	**1,076,264,650**	**4%**
Total equity and liabilities	**2,146,818,650**	**2,082,752,128**	**3%**

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ROMPETROL RAFINARE
Q1 2019 IFRS CONSOLIDATED UNAUDITED RESULTS

The consolidated financial statements of Rompetrol Rafinare SA, prepared on 31 March 2019, are not audited.

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

31 MARCH 2019

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	Notes	March 31, 2019	December 31, 2018
Intangible assets	3	17,223,679	17,940,585
Goodwill	4	152,720	152,720
Property, plant and equipment	5	3,581,022,835	3,622,505,369
Rights of use assets		7,114,372	-
Investments in subsidiaries	6	1,629,020,055	1,629,020,055
Deferred tax asset	21	163,026,035	163,026,035
Total non current assets		**5,397,559,696**	**5,432,644,764**
Inventories, net	7	924,578,097	816,566,125
Receivables and prepayments, net	8	1,698,333,413	1,530,215,763
Derivative Financial Instruments	28	-	6,197,265
Cash and cash equivalents	9	28,826,871	19,450,444
Total current assets		**2,651,738,381**	**2,372,429,597**
TOTAL ASSETS		**8,049,298,077**	**7,805,074,361**
Subscribed share capital	10	4,410,920,573	4,410,920,573
Share premium	10	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	10	556,914,503	566,948,566
Other reserves	10	3,401,605,760	3,408,959,991
Accumulated losses		(6,271,943,242)	(6,049,107,446)
Current year result		(170,612,051)	(230,205,630)
Total equity		**2,159,522,650**	**2,340,153,161**
Hybrid loan - long-term portion	10	69,291,612	69,291,612
Long-term borrowings from banks	14	573,868,864	489,405,927
Provisions	15	335,464,381	335,464,381
Long-term lease debts		5,945,418	-
Total non-current liabilities		**984,570,275**	**894,161,920**
Trade and other payables	11	4,397,212,415	3,936,412,324
Contract liabilities	12	64,681,284	89,334,760
Short-term lease debts		3,455,774	-
Derivatives	28	1,175,222	-
Short-term borrowings from related parties	13	383,422,728	438,118,914
Short-term borrowings from banks	13	55,257,729	106,893,282
Total current liabilities		**4,905,205,152**	**4,570,759,280**
TOTAL LIABILITIES AND EQUITY		**8,049,298,077**	**7,805,074,361**

SADUOKHAS MERALIYEV
President of the Board of Directors

MIRCEA-STEFAN STANESCU
Financial Manager

YEDIL UTEKOV
General Manager

Prepared by (Chief Accountant)
Alexandru Cornel Anton

	Notes	January - March 2019	January - March 2018
Net revenues from contracts with customers	16	3,377,171,688	3,330,366,665
Cost of sales	17	(3,344,224,899)	(3,264,732,643)
Gross profit		**32,946,789**	**65,634,022**
Selling, general and administrative expenses	18	(80,396,959)	(65,295,866)
Other operating expenses	19	(4,189,113)	(21,889,638)
Other operating income	19	45,270,198	15,472,209
Operating profit/ (loss)		**(6,369,084)**	**(6,079,273)**
Financial expenses	20	(39,171,043)	(35,968,787)
Financial revenues	20	5,122,954	3,228,839
Net foreign exchange gains / (losses)	20	(130,194,878)	89,300,278
Profit/(Loss) before income tax		**(170,612,051)**	**50,481,057**
Deferred tax	21	-	-
Net Profit/(Loss)		**(170,612,051)**	**50,481,057**
Earnings per share *(bani/share)*	24	(0.39)	0.11

SADUOKHAS MERALIYEV
President of the Board of Directors

MIRCEA-STEFAN STANESCU
Financial Manager

YEDIL UTEKOV
General Manager

Prepared by (Chief Accountant)
Alexandru Cornel Anton

	January - March 2019	January - March 2018
Net Profit / (Loss)	**(170,612,051)**	**50,481,057**
Other comprehensive income		
Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):		
Gains / (losses) from derivatives	(7,354,230)	(1,138,091)
Total comprehensive income to be reclassified income statement in subsequent periods (net of tax):	**(7,354,230)**	**(1,138,091)**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):		
Actuarial gain / (losses) relating to retirement benefits	-	-
Revaluation of buildings category in property plant and equipment	-	(10,034,166)
Deferred tax on the revaluation reserve recognized on equity	-	-
The retained earnings representing the surplus from revaluation reserves	-	10,034,166
Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):	**-**	**-**
Total other comprehensive result for the year, net of tax	**(7,354,230)**	**(1,138,091)**
Total comprehensive result for the year, net of tax	**(177,966,281)**	**49,342,966**

SADUOKHAS MERALIYEV
President of the Board of Directors

MIRCEA-STEFAN STANESCU
Financial Manager

YEDIL UTEKOV
General Manager

Prepared by (Chief Accountant)
Alexandru Cornel Anton

	March 31, 2019	March 31, 2018
Net result before income tax	**(170,612,051)**	**50,481,057**
Adjustments for:		
Depreciation and amortisation	82,850,839	74,482,529
Provisions for receivables and inventories (incl write-off)	(40,799,986)	20,339,816
Provision for environmental liabilities and litigations	-	(13,654,238)
Expenses with penalties	626,804	1,634
Interest expenses	39,171,043	35,968,787
Inrerest income	(5,122,954)	(3,228,840)
Losses/gains from derivatives	18,256	(4)
Unrealised foreign exchange (gain)/loss from restatement and monetary items	53,629,341	(5,601,464)
Cash generated from operations before working capital changes	**(40,238,708)**	**158,789,277**
Net working capital changes in:		
Receivables and prepayments	(145,156,703)	68,053,909
Inventories	(67,291,004)	86,295,536
Trade and other payables and contract liabilities, including payables variation for capital expenditures	22,198,325	(306,499,362)
Change in working capital	**(190,249,382)**	**(152,149,917)**
Cash receipt / (payments) for derivatives, net	(99,594)	390,546
Net cash provided by/(used in) operating activities	**(230,587,684)**	**7,029,906**
Cash flows from investing activities		
Purchase of property, plant and equipment	(40,735,224)	(16,869,466)
Purchase of intangible assets	303,666	101,132
Net cash used in investing activities	**(40,431,558)**	**(16,768,334)**
Cash flows from financing activities		
Cash pooling receipt / (payments), net	364,499,770	(115,318,770)
Short - term loans/ (repaid to) received from banks, net	(51,635,343)	209,637,287
Long - term loans received from banks	62,467,252	-
Short - term loans (repaid to)/ received from shareholders and related parties	(55,764,967)	(57,428,856)
Interest and bank charges paid, net	(39,171,043)	(35,968,787)
Net cash from / (used in) financing activities	**280,395,669**	**920,874**
Increase / (Decrease) in cash and cash equivalents	**9,376,427**	**(8,817,553)**
Cash and cash equivalents at the beginning of period	**19,450,444**	**22,863,280**
Cash and cash equivalents at the end of the period	**28,826,871**	**14,045,727**

SADUOKHAS MERALIYEV
President of the Board of Directors

MIRCEA-STEFAN STANESCU
Financial Manager

YEDIL UTEKOV
General Manager

Prepared by (Chief Accountant)
Alexandru Cornel Anton

	Share capital	Share premium	Acumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
1st of January 2018	**4,410,920,573**	**232,637,107**	**(6,088,907,313)**	**715,075,229**	**(114,412,037)**	**3,424,144,892**	**2,579,458,450**
Net profit/(loss) for Q1 2018	**-**	**-**	**50,481,057**	**-**	**-**	**-**	**50,481,057**
Revaluation reserves	-	-	-	(10,034,166)	-	-	**(10,034,166)**
Revaluation reserves transferred to retained earnings	-	-	10,034,166	-	-	-	**10,034,166**
Gains/losses related to derivative financial instruments	-	-	-	-	-	(1,138,091)	**(1,138,091)**
Total other comprehensive income for Q1 2018	**-**	**-**	**10,034,166**	**(10,034,166)**	**-**	**(1,138,091)**	**(1,138,091)**
Total comprehensive income for Q1 2018	**-**	**-**	**60,515,223**	**(10,034,166)**	**-**	**(1,138,091)**	**49,342,966**
31st of March 2018	**4,410,920,573**	**232,637,107**	**(6,028,392,090)**	**705,041,063**	**(114,412,037)**	**3,423,006,801**	**2,628,801,416**

	Share capital	Share premium	Acumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
1st 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	-	-	(2,664,231)	-	-	-	**(2,664,231)**
Restated opening balance at 1st of January 2019	**4,410,920,573**	**232,637,107**	**(6,281,977,306)**	**674,938,770**	**(107,990,204)**	**3,408,959,991**	**2,337,488,931**
Net profit/(loss) for Q1 2019	**-**	**-**	**(170,612,051)**	**-**	**-**	**-**	**(170,612,051)**
Revaluation reserves transferred to retained earnings	-	-	10,034,064	(10,034,064)	-	-	-
Gains/losses related to derivative financial instruments	-	-	-	-	-	(7,354,230)	**(7,354,230)**
Total other comprehensive income for Q1 2019	**-**	**-**	**10,034,064**	**(10,034,064)**	**-**	**(7,354,230)**	**(7,354,230)**
Total comprehensive income for Q1 2019	**-**	**-**	**(160,577,987)**	**(10,034,064)**	**-**	**(7,354,230)**	**(177,966,281)**
31st of March 2019	**4,410,920,573**	**232,637,107**	**(6,442,555,294)**	**664,904,707**	**(107,990,204)**	**3,401,605,761**	**2,159,522,650**

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1. GENERAL

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

Rompetrol Rafinare S.A. production facilities are located in Romania. The number of employees of the Company as at 31 March 2019 is 1,179, respectively 1,172 as at 31 December 2018.

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

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

The Company is a part of the KMG International N.V 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.rompetrol.com, at the section Relation with Investors, subsection Rompetrol Refining.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

Effective as of 31 December 2012, the standalone financial statements of the Company are prepared in accordance with the Order of the Minister of Public Finance no. 1286/2012 subsequent amended by Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting regulations in compliance with the International Financial Reporting Standards applicable to the companies whose real 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 31 March 2019 and 31 December 2018, the Company reported net assets amounted to RON 2,160 million, and respectively RON 2,340 million. For the exercises ended as at 31 March 2019 and 31 December 2018, the Company reported net losses of RON (170.6) million, and respectively RON (230.2) milion.

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.

  Transition to IFRS 16

  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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- **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.

- **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 on the basis of 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 The Company 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 15.

- ***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 21.

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

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 15, 19, 26.

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 recognised the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

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 6.

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:

Currency	March 31, 2019	December 31, 2018
RON/USD	4.2434	4.0736
RON/EUR	4.7628	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 actual emissions are not expected to exceed the certificates which the Company will have in its accounts in CO2 EU Register at the time of annual compliance (April 2019). 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.

3. INTANGIBLE ASSETS

	Software / Licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2018	**46,114,171**	**150,123**	**6,852,131**	**53,116,424**
Additions	145,391	-	5,292,184	5,437,575
Closing balance as of December 31, 2018	**49,032,640**	**150,123**	**9,641,543**	**58,824,307**
Additions	4,543	-	254,746	259,289
Transfers, reclassifications and adjustments*	8,223	-	(571,177)	(562,954)
Closing balance as of March 31, 2019	**49,045,407**	**150,123**	**9,325,112**	**58,520,642**
Accumulated amortization				
Opening balance as of January 1, 2018	**(38,384,844)**	**(112,592)**	**-**	**(38,497,436)**
Charge for the year	(2,348,755)	(37,531)	-	(2,386,286)
Closing balance as of December 31, 2018	**(40,733,599)**	**(150,123)**	**-**	**(40,883,722)**
Charge for the year	(413,241)	-	-	(413,241)
Closing balance as of March 31, 2019	**(41,146,840)**	**(150,123)**	**-**	**(41,296,963)**
Net book value				
As of December 31, 2018	**8,299,041**	**-**	**9,641,543**	**17,940,585**
As of March 31, 2019	**7,898,566**	**-**	**9,325,112**	**17,223,679**

**) 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
Cost or valuation						
As of January 1, 2018	**192,480,007**	**1,625,366,178**	**3,514,352,557**	**16,389,891**	**184,920,584**	**5,533,509,217**
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)
Disposals	-	-	11,496	-	-	11,496
Transfers and reclassifications*	-	31,862,410	(31,957,110)	94,700	-	-
As of December 31, 2018	**192,480,007**	**1,705,635,515**	**3,700,494,879**	**17,028,196**	**179,369,771**	**5,795,008,368**
Acquisitions	-	-	629,669	-	40,208,345	40,838,014
Transfers from CIP	-	5,050,204	3,247,331	-	(8,400,324)	(102,788)
Transfers and reclassifications*	-	(472,648)	472,648	-	-	-
As of March 31, 2019	**192,480,007**	**1,710,213,072**	**3,704,844,526**	**17,028,196**	**211,177,792**	**5,835,743,593**
Accumulated depreciation & Impairment						
As of January 1, 2018	**(25,900,827)**	**(41,662)**	**(1,817,190,315)**	**(6,999,577)**	**(3,171,485)**	**(1,853,303,867)**
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	-	-	-
As of December 31, 2018	**(27,557,579)**	**(97,548,917)**	**(2,036,268,939)**	**(7,956,079)**	**(3,171,485)**	**(2,172,502,999)**
Charge for the year	(414,188)	(25,366,885)	(56,186,428)	(250,259)	-	(82,217,759)
Transfers and reclassifications*	-	102,407	(102,407)	-	-	-
As of March 31, 2019	**(27,971,767)**	**(122,813,394)**	**(2,092,557,774)**	**(8,206,338)**	**(3,171,485)**	**(2,254,720,758)**
Net book value as of December 31, 2018	**164,922,428**	**1,608,086,598**	**1,664,225,939**	**9,072,117**	**176,198,286**	**3,622,505,369**
Net book value as of March 31, 2019	**164,508,240**	**1,587,399,677**	**1,612,286,752**	**8,821,858**	**208,006,307**	**3,581,022,835**

**) 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 3 months of year 2019 and 2018.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- **Construction in progress**

In the first quarter of the year 2019 the significant contribution to the total acquisitions for construction in progress is the ISCIR projects within the two refineries (about 7.6 million RON), the modernisation projects of reservoirs (approximately 9 million RON), the projects of replacement catalysts (approximately 6.3 million RON), the modernization projects of products loading ramps (about 3.1 million RON) and the Vapor recovery system at the point of loading CF Vega project (about 3 million RON).

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**

No asset disposals were recorded in the first quarter of 2019 and 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 quarter of 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)

Reconciliation of carrying amount

	Buildings million RON
Carrying amount as at December 31, 2016*	**939**
Revaluation gain recognized due to change in accounting policy to revaluation model	715
Revaluation loss recognized	(20)
Depreciation for the year	(54)
Additions/Disposals/Transfers and reclassifications	44
Carrying amount and fair value as at 31 December 2017	**1,625**
Depreciation for the year	(97)
Additions/Disposals/Transfers and reclassifications	80
Carrying amount and fair value as at 31 December 2018	**1,608**

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

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

	2017 million RON	2018 million RON
Cost	1,911	1,991
Accumulated depreciation and impairment	(981)	(1,039)
Net carrying amount	**930**	**952**

- ***Fixed assets pledged***

The company pledged assets with a net carrying amount of RON 1,056,698,746 (2018: RON 1,091,987,723), as follows:

- guarantees in favor of banks: RON 812,174,953 (2018: RON 835,638,076);
- guarantees in favor of ANAF: RON 244,523,793 (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 10th, 2010, ANAF has established an asset freeze on the investments held by the Company in its subsidiaries and on the movable and immovable assets of the Company, except inventories. The asset freeze is based on article 129 of the Fiscal Procedure Code and the main result is that the Company cannot sell / transfer the assets under freeze.

According with the Memorandum of Understanding signed with the Romanian State and approved by Government Decision no. 35/2014, ANAF should remove and revoke the 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 26). 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 movable and immovable property of the company belonging to the Vega working point were released from the criminal seizure. As such, the only assets of Rompetrol Rafinare SA still under seizure are those belonging to the Navodari working point, the Petromidia industrial platform.
On March 31st, 2019 no enforcement process has been made.

6. FINANCIAL ASSETS

	March 31, 2019	December 31, 2018
Investments in subsidiaries	1,629,020,055	1,629,020,055
Total	**1,629,020,055**	**1,629,020,055**

Investments in subsidiaries

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

	Range of activity	Ownership at March 31, 2019	Ownership at December 31, 2018	Balance as at March 31, 2019	Balance as at December 31, 2018
Rompetrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067	1,090,406,067
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100,00%	100,00%	311,698,295	311,698,295
Rom Oil S.A.	Rental services	99,99%	99,99%	191,216,660	191,216,660
Rompetrol Logistics S.R.L.	Logistics operations	66,19%	66,19%	24,349,123	24,349,123
Rompetrol Quality Control S.R.L.	Quality Control Services for oil products	70.91%	70.91%	11,349,910	11,349,910
Total of equity investments				**1,629,020,055**	**1,629,020,055**

**Note: all subsidiaries are Romanian companies*

7. INVENTORIES, NET

	March 31, 2019	December 31, 2018
Crude oil and other feedstock materials	459,604,537	403,523,468
Finished products	337,164,582	327,608,425
Work in progress	124,904,572	121,361,245
Spare parts	51,551,285	51,558,131
Other consumables	23,180,641	25,260,746
Merchandises	825,262	825,262
Other inventories	3,774,694	3,577,292
Inventories reserve	(76,427,476)	(117,148,444)
Total	**924,578,097**	**816,566,125**

The inventories of finished products comprise mainly petroleum products.

7. INVENTORIES, NET (continued)

The movement of the provision for inventories in in first 3 months of the year 2019 and 2018 is presented below:

	March 31, 2019	December 31, 2018
Reserve at the beginning of the year	**(117,148,444)**	**(47,203,208)**
Accrued provision	(4,007,705)	(91,102,705)
Write off	-	4,249
Reversal provision inventories reserve	44,728,673	21,153,220
Reserve at the end of the period	**(76,427,476)**	**(117,148,444)**

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.

8. RECEIVABLES AND PREPAYMENTS, NET

	March 31, 2019	December 31, 2018
Trade receivables	1,593,196,812	1,331,880,533
Advances to suppliers	17,651,815	16,787,625
Sundry debtors	43,541,512	43,538,082
VAT to be recovered	704,303	8,607,831
Other receivables	98,200,438	184,441,552
Reserve for bad and doubtful debts	(54,961,467)	(55,039,860)
Total	**1,698,333,413**	**1,530,215,763**

The balances with related parties are presented in Note 23. The movement of provision is presented in Note 19.

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

	March 31, 2019	December 31, 2018
Balance at the beginning of the year	**(55,039,860)**	**(62,619,691)**
Charge for the year	(181,408)	(14,672,173)
Utilized	258,462	378,727
Unused amounts reversed	1,964	23,188,380
IFRS 9 impact (RE adjustment)	-	(336,590)
Exchange rate differences	(625)	(978,513)
Balance at the end of the period	**(54,961,467)**	**(55,039,860)**

8. TRADE AND OTHER RECEIVABLES, NET (continued)

As at 31 March 2019, the ageing analysis of trade receivables is as follows:

		Trade receivables					
		Days past due					
31 March 2019	**Total**	**Current**	**1-30 zile**	**30-60 zile**	**60-90 zile**	**90-120 zile**	**>120 zile**
Expected credit loss rate	**2.17%**	**0.00%**	**0.96%**	**5.76%**	**10.77%**	**1.55%**	**9.22%**
Estimated total gross carrying amount at default	1,593,194,039	1,177,780,495	44,834,227	130,999	77,059	573,451	369,797,807
Expected credit loss	34,547,250	-	430,330	7,542	8,300	8,866	34,092,211

		Days past due					
31 December 2018	**Total**	**Current**	**1-30 zile**	**30-60 zile**	**60-90 zile**	**90-120 zile**	**>120 zile**
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

			Past due but not impaired				
	Total	**Neither past due not impaired**	**1-30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
31 March 2019	1,558,646,790	1,177,780,496	44,403,897	123,457	68,759	564,585	335,705,597
31 December 2018	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.

At 31 March 2019, the trade receivables at the initial value of RON 34.55 million (2018 RON 34.62 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	Collectively impaired
At January 1, 2018	**(55,857,748)**
Value adjustments for impairment of receivables	(1,354,525)
Reversed provisions	23,567,107
Exchange rate difference	(978,513)
At December 31, 2018	**(34,623,679)**
Value adjustments for impairment of receivables	(181,408)
Reversed provisions	258,462
Exchange rate difference	(625)
At March 31, 2019	**(34,547,250)**

9. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018
Cash at bank	25,133,592	14,501,037
Cash on hand	7,319	1,727
Transitory amounts	3,685,430	4,190,429
Other cash equivalents	530	757,251
Total	**28,826,871**	**19,450,444**

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

10. EQUITY

10.1 SHARE CAPITAL

As at 31 March 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 31 March 2019 and 31 December 2018.

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

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

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

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

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

10.2 SHARE PREMIUM

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

10.3 REVALUATION RESERVES

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

The change from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Company's assets. Fair value of the buildings category was determined using the depreciated replacement cost method. The valuations have been performed by a specialized valuer. A gain from the revaluation of the Company's buildings category of RON 715.08 million was recognized in the Other Comprehensive Income (OCI).

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

At 31 March 2019 the Revaluation reserves balance (presented in net of RON 557 million) is affected by the transfer to retained earnings of the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the assets included in the building category. In compliance with OMFP 2844/2016 and with the accounting policies adopted by the Company as of 31 December 2017 the revaluation surplus included in the revaluation reserves is capitalized by transfering it to retained earnings as the use of the asset or upon disposal of the asset, unless a transfer hasn't been already made during utilization period of the revaluated asset. Therefore at 31 March 2019 the revaluation surplus transfered to retained earnings is in amount of RON 10,03 million.

10.4 OTHER RESERVES

Hybrid Loan

The "Other reserves" item includes the value of the hybrid loan in amount of RON 3,449 million (USD 1,022 million)

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into an unsecured hybrid loan, repayable after 51 years. During 2013, an additional USD 150 million were converted, the hybrid loan amounting to USD 950 million. The loan is unsecured, subordinated to any present and future liability of the company. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

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

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

10.4 OTHER RESERVES (continued)

In 2017 an additional USD 72.2 million were coverted 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.

11. COMMERCIAL LIABILITIES AND OTHER LIABILITIES

	March 31, 2019	December 31, 2018
Trade payables	3,322,855,272	3,268,597,399
VAT payable	184,558,314	124,899,155
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	(1,175)	(1,180)
Employees and social obligations	9,421,790	11,045,899
Other liabilities	852,817,582	504,310,419
Total	**4,397,212,415**	**3,936,412,324**

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 826,6 million (2018: RON 392,80 million) and is recognised in "Other liabilities".

12. CONTRACT LIABILITIES

	March 31, 2019	March 31, 2019
Short-term advances from other customers	64,681,284	89,334,760
Total short-term advances	**64,681,284**	**89,334,760**

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.

13. 13. SHORT-TERM LOANS

Short-term loan from related parties:

	March 31, 2019	December 31, 2018
KMG International N.V. Short-term credit facility for working capital needs, amounting to a maximum of USD 250 million, USD 50 million due on December 31, 2019 and USD 200 million refunded upon request; guarantees: assignment of receivables, pledge on holdings in Rompetrol Logistics, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil; pledge on bank accounts. The undrawn amount as at March 31, 2019 is in amount of USD 206.18 million.	185,964,761	243,663,781
Rompetrol Well Services SA Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - April 10, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully used.	13,000,000	13,000,000
Rompetrol Well Services SA Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - April 14, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully used.	7,000,000	7,000,000
Rompetrol Well Services SA Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date - May 3, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully used.	3,100,000	3,100,000
Rompetrol Well Services SA Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - May 28, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully used.	11,200,000	11,200,000
Midia Marine Terminal SRL Short-term facility for working capital needs in amount of RON 27.211 million (through conversion of the loan in value of USD 7 million at NBR exchange rate communicated at July 31, 2017), maturity date December 31, 2019. The facility has been fully used.	27,211,100	27,211,100
Rompetrol Financial Group SRL Short-term facility for working capital needs in amount of USD 29.215 million, maturity date December 31, 2019. The facility has been fully used.	115,000,000	115,000,000
Interest due	20,946,867	17,944,033
	383,422,728	**438,118,914**

13. SHORT-TERM LOANS (continued)

Short-term loan from banks

	March 31, 2019	December 31, 2018
Banca Transilvania 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	46,151,648	44,647,693
Bancpost Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2019; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.	-	57,541,024
Bancpost Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on 31 July 2019; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS =EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.	-	10
Interest due	316,240	71,676
	46,467,888	**102,260,403**

Syndicated loan – through Unicredit Bank as payer agent	-	-
Syndicated loan – auxiliary component representing overdraft loan granted by Unicredit Bank	8,789,840	4,628,614
Syndicated loan – auxiliary component representing overdraft loan granted by BCR	-	4,265
TOTAL	**55,257,729**	**106,893,282**

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

Thus, at 31 March 2019, the short-term part of the Syndicated loan no longer registers balance, due to the reclassification of amounts used into long-term credit, considering that at March 31, 2019 the term calculated to maturity (23 April 2021) is more than 1 Year.

All the financial covenants applicable were complied with as of March 31, 2019.

14. LONG-TERM LOANS

	March 31, 2019	December 31, 2018
Syndicated loan – through Unicredit Bank as payer agent Up to USD 360 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Rompetrol Rafinare, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consist in an up to USD 240 million principal granted for a 3-year period and an auxiliary component representing overdraft loans of up to USD 120 million for a 1 year period. For the main component the maturity is on April 23, 2021 (with two options to be extended over a period of another 1 year, these extension options can be exercised in 2019 and 2020, so the period is 3 years + 1 year + 1 year there is the possibility that this facility is available until 2023). The following mortgages are set up to secure the loan: a) the credit balances of all current accounts present and future; b) the rights of insurance compensation; c) inventories (Propylene, Ethylenne, PP, LDPE, HDPE, Bitumen, Fuel Oil, Jet FOB Med, Naphtha, n-hexane, ULSD FOB Med, White Spirit); d) receivables from eligible commercial agreements - for at least 80% ofthe debts assigned to notify the clients.	**573,868,864**	**489,405,927**

The movement of loans in the first 3 months of year 2019 is presented below:

	At January 01, 2019	Movement	At March 31, 2019
Long-term borrowings from banks	489,405,927	84,462,938	573,868,865
Short-term borrowings from banks	106,821,606	(51,880,118)	54,941,488
Short-term borrowings from shareholders and related parties	420,174,881	(57,699,020)	362,475,861
Total	**1,016,402,415**	**(25,116,201)**	**991,286,214**
Interest short-term borrowings from banks	71,676	244,564	316,240
Interest short-term borrowings from shareholders and related parties	17,944,033	3,002,834	20,946,867
Total	**18,015,709**	**3,247,398**	**21,263,107**

15. PROVISIONS

The movement of the provisions is presented below:

	As at January 1, 2019	Other comprehensive income	Arising during the year	Reclassification between balance sheet items	As at March 31, 2019
Retirement benefit provision	54,053,385	-	-	-	54,053,385
Environmental provision	281,410,996	-	-	-	281,410,996
Total	**335,464,381**	-	-	-	**335,464,381**

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%). At the date of these financial statements, Rompetrol Rafinare SA has contracted technical services (laboratory tests based on which the optimal and sustainable remediation technology should be established and agreed with the environmental authorities, in order to review the environmental agreement On the basis of the optimal and sustainable technology established and agreed with the environmental authorities, the final cost of the remediation project and possibly the execution period will be revaluated.

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

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.

16. Revenues

	January - March 2019		TOTAL Q1 2019	January - March 2018		TOTAL Q1 2018
	Refining	Petrochemicals		Refining	Petrochemicals	
Gross revenues from the sale of finished oil products	4,152,343,193	219,518,662	4,371,861,855	3,960,937,029	223,876,146	4,184,813,175
Revenues from petrochemicals trading	-	1,832,473	1,832,473	-	7,660,649	7,660,649
Revenues from other merchandise sales	406,366	-	406,366	415,472	-	415,472
Revenues from utilities sold	2,611,057	-	2,611,057	2,525,494	-	2,525,494
Revenues from the sale other products	495,012	-	495,012	261,711	-	261,711
Revenues from other services	3,168,266	-	3,168,266	3,386,951	-	3,386,951
Gross Revenues	**4,159,023,894**	**221,351,135**	**4,380,375,029**	**3,967,526,657**	**231,536,795**	**4,199,063,452**
Less sales taxes	(1,003,203,341)	-	(1,003,203,341)	(868,696,788)	-	(868,696,788)
Total	**3,155,820,554**	**221,351,135**	**3,377,171,688**	**3,098,829,869**	**231,536,795**	**3,330,366,665**

17. COST OF SALES

	January - March 2019	January - March 2018
Crude oil and other raw materials	3,043,688,225	2,957,639,241
Consumables and other materials	18,271,503	17,857,654
Utilities	135,183,104	111,761,667
Staff costs	20,909,963	21,968,360
Transportation	19,191	25,177
Maintenance	22,794,012	27,558,183
Insurance	1,628,732	1,552,984
Environmental expenses	21,819,147	1,147,004
Other	11,936,813	11,469,774
Cash production cost	**3,276,250,689**	**3,150,980,044**
Depreciation and amortization	72,296,595	66,685,527
Production costs	**3,348,547,284**	**3,217,665,571**
Less: Change in inventories	(20,619,635)	25,312,196
Less: Own production of property, plant & equipment	(126,743)	(6,385)
Cost of petrochemicals trading	2,044,596	7,690,249
Cost of other merchandise sales	495,027	275,162
Cost of utilities sold	2,164,125	1,847,961
Realised (gains)/losses on derivatives	11,720,245	11,947,889
Total	**3,344,224,899**	**3,264,732,643**

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

	January - March 2019	January - March 2018
Staff costs	7,465,389	6,862,112
Utilities	2,493,986	2,054,053
Transportation	12,016,561	11,219,782
Professional and consulting fees	22,742,506	18,294,596
Consumables	282,436	249,034
Marketing	22,938	68,466
Taxes	1,114,562	868,116
Communications	16,283	18,010
Insurance	499,757	431,445
IT related expenditures	2,108,679	1,360,224
Environmental expenses	3,195,802	1,621,253
Maintenance	4,129,191	3,731,470
Fees and penalties	8,418,975	4,283,077
Other expenses	5,335,649	6,437,226
Costs before depreciation	**69,842,714**	**57,498,864**
Depreciation and amortisation	10,554,245	7,797,002
Total	**80,396,959**	**65,295,866**

19. OTHER OPERATING (INCOME) / EXPENSES, NET

	January - March 2019	January - March 2018
Loss from receivables (including provisions and write-off), net	(79,018)	13,830,445
Loss from provision for inventories and write-off, net	(40,720,968)	6,509,372
(Gain) / Loss from other provisions	-	(13,654,238)
Other expenses / (income), net	(281,099)	(268,150)
Total	**(41,081,085)**	**6,417,429**

20. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January - March 2019	January - March 2018
Finance cost		
Interest expense	8,970,673	6,039,844
Interest expense shareholders and related parties	15,746,324	12,366,571
Commission and other bank charges	14,454,046	17,562,372
	39,171,043	**35,968,787**
Finance income		
Interest income	(4,685,076)	(2,766,445)
Other financial income	(437,877)	(462,394)
	(5,122,954)	**(3,228,839)**
Finance income/(cost) net	**34,048,089**	**32,739,948**
Unrealized net foreign exchange losses/(gains)	53,647,598	(5,601,469)
Realized net foreign exchange losses/(gains)	76,547,280	(83,698,809)
Foreign exchange (gain)/loss, net	**130,194,878**	**(89,300,278)**
Total	**164,242,967**	**(56,560,330)**

21. INCOME TAX

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

DEFERRED TAX

	Balance at January 1, 2019	Charged to Profit & loss	Charged to Equity	Balance at March 31, 2019
***Temporary differences* Asset/Liability**				
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)
Total temporary differences (Asset)/Liability	**(1,018,912,720)**	**-**	**-**	**(1,018,912,720)**
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)
Deffered tax (assets)/liability calculated	(163,026,035)	-	-	(163,026,035)
Deffered tax (assets)/liability recognised	**(163,026,035)**	**-**	**-**	**(163,026,035)**

21. INCOME TAX (continued)

Contingencies related to taxation

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

22. OPERATING SEGMENT INFORMATION

Geographical segments

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

	Q1 2019	Q1 2018
Romania	1,753,175,652	1,386,039,666
Europe	1,573,418,182	1,876,110,669
Asia	50,577,854	68,216,329
America	-	-
Total	**3,377,171,688**	**3,330,366,665**

23. RELATED PARTIES

The ultimate parents of the Company are the company “State holding enterprise on assets management – Samruk-Kazyna” (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:

Name of the affiliated entity	Nature of the relation
KMG International N.V.	Majority shareholder
Oilfield Exploration Business Solutions S.A.	Company held by KMG International N.V
Rominserv S.R.L	Company held by KMG International N.V
KazMunayGas Trading AG	Company held by KMG International N.V
Rompetrol Well Services S.A.	Company held by KMG International N.V
Palplast S.A.	Company held by KMG International N.V
Rompetrol Bulgaria JSC	Company held by KMG International N.V
Intreprinderea Mixta Rompetrol Moldova SA	Company held by KMG International N.V
Rompetrol Georgia LTD	Company held by KMG International N.V
Midia Marine Terminal S.R.L.	Company held by KMG International N.V
Rompetrol Financial Group S.R.L.	Company held by KMG International N.V
Dyneff SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
KMG Rompetrol SRL	Company held by KMG International N.V
Byron Shipping Ltd	Company held by KMG International N.V
Byron Shipping S.R.L.	Company held by KMG International N.V
Rompetrol Albania Wholesale Sh.A.	Company held by KMG International N.V (in liquidation)
Rompetrol Ukraine LTD	Company held by KMG International N.V (KMG International N.V. owns 50%)
Rominserv Valves Iaifo SRL	Company held by KMG International N.V
KAZMUNAYGAS – Engineering LLP (former Rominserv Kazakhstan LLC)	Company held by KMG International N.V
Uzina Termoelectrica Midia S.A.	Company held by KMG International N.V (KMG International

	group holds: 43.42%)
Global Security System S.A.	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Rompetrol Downstream S.R.L.	Company affiliated to the Company
Rompetrol Petrochemicals S.R.L.	Company affiliated to the Company
Rom Oil S.A.	Company affiliated to the Company
Rompetrol Logistics S.R.L.	Company affiliated to the Company
Rompetrol Quality Control S.R.L.	Company affiliated to the Company
Rompetrol Gas S.R.L.	Company held by KMG International N.V
Dyneff Espagna SLU	A company of Rompetrol France group, where KMG International N.V. owns 49%
DPPLN SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
TMP SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
Dyneff Gas Stations Network SL	A company of Rompetrol France group, where KMG International N.V. owns 49%
Rompetrol France SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
DYNEFF TRADING SL (former Bioneff SL)	A company of Rompetrol France group, where KMG International N.V. owns 49%
Agat Ltd	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 50%)
Rompetrol Albania Downstream Sh.A.	Company held by KMG International N.V (in liquidation)
Rompetrol Albania Sh.A.	Company held by KMG International N.V (in liquidation)
Rompetrol Distribution Albania Sh.A	Company held by KMG International N.V (in liquidation)
TRG Petrol Ticaret AS	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Rompetrol Energy S.A	Company held by KMG International N.V (KMG International owns: 99%)
KazMunayGas Engineering B.V.	Company held by KMG International N.V
EPPLN SAS	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 49%)
KazMunayGas Trading Singapore	Company held by KMG International N.V (in liquidation)
KMG Rompetrol Services Center SRL (former Rompetrol Exploration & Production SRL)	Company held by KMG International N.V
Rompetrol Drilling	Company held by KMG International N.V
Benon Rompetrol LLC	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 40%)
The Romanian State and the Romanian Authorities	Significant shareholder
Bio Advanced Energy SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
Bio Advanced Energy PROD SAS	A company of Rompetrol France group, where KMG International N.V. owns 49%
DP FOS SA	A company of Rompetrol France group, where KMG International N.V. owns 49%
SPR SA	A company of Rompetrol France group, where KMG International N.V. owns 49%
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%

23. RELATED PARTIES (continued)

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the exercise ended at 31 March 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.

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

	Receivables and other assets	
	March 31, 2019	**December 31, 2018**
KazMunayGas Trading AG	540,895,838	585,840,054
Rompetrol Downstream S.R.L	692,384,564	559,577,571
Rompetrol Petrochemicals S.R.L.	1,696	1,657
KMG International N.V.	6,492,360	4,734,170
Rompetrol Gas SRL	6,546,964	3,379,906
Rompetrol Moldova ICS	38,464,445	-
Rompetrol Bulgaria JSC	5,945,041	172,301
Rominserv S.R.L.	2,739,630	14,685,653
Rompetrol Quality Control S.R.L.	143,238	142,898
Rompetrol Logistics S.R.L	8,949	8,764
Midia Marine Terminal S.R.L.	159,989	1,053,210
Uzina Termoelectrica Midia S.A.	9,231,402	12,897,191
KMG Rompetrol SRL	31,892,322	41,822,492
Global Security Systems S.A.	606,528	607,225
Kazmunaygas – Engineering LLP (former Rominserv Kazakhstan(RKZ))	713,600	685,045
Palplast S.A.	4,736,334	4,901,334
Byron Shipping Ltd.	3,869	4,302
Rompetrol Ukraina	16,068	15,425
Oilfield Exploration Business Solutions S.A.	2,700,518	2,583,952
Rompetrol Financial Group SRL	10,690	10,431
KMG Rompetrol Services Center SRL	53,888	52,139
TRG Petrol Ticaret Anonim Sirketi	13,134,121	15,359,133
Total	**1,356,882,054**	**1,248,534,853**

23. RELATED PARTIES (continued)

	Payables, loans and other liabilities	
	March 31, 2019	**December 31, 2018**
KazMunayGas Trading AG	3,035,526,106	2,738,264,220
Rompetrol Downstream S.R.L	38,377,584	124,373,373
Rompetrol Petrochemicals S.R.L.	8,440,871	8,440,871
KMG International N.V.- loans(note12)	185,964,761	243,663,781
KMG International N.V.-interest	9,018,500	8,415,029
KMG International N.V.-trade debts	18,753,879	18,003,466
Rompetrol Gas SRL	22,903,967	22,140,921
Rompetrol Moldova ICS	32,404,499	6,851,705
Rominserv S.R.L.	49,175,549	168,152,011
Rompetrol Quality Control S.R.L.	12,780,741	12,801,524
Rompetrol Logistics S.R.L	534,521	490,857
Midia Marine Terminal S.R.L.- loans(note12)	27,211,100	27,211,100
Midia Marine Terminal S.R.L.-interest	7,422,021	6,782,733
Midia Marine Terminal S.R.L.-trade debts	14,289,190	151,732,497
Rompetrol Well Services S.A. - loans (note 12)	34,300,000	34,300,000
Uzina Termoelectrica Midia S.A.	15,896,095	31,816,349
KMG Rompetrol SRL- debt cash pooling	823,321,163	433,543,620
KMG Rompetrol SRL-interest cash pooling	3,282,269	1,361,012
KMG Rompetrol SRL-trade debts	22,736,611	23,057,982
Global Security Systems S.A.	619,547	620,700
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note12)	115,000,000	115,000,000
Rompetrol Financial Group SRL-interest	4,506,346	2,746,271
KMG Rompetrol Services Center SRL	1,583,696	3,274,809
TRG Petrol Ticaret Anonim Sirketi	10,346	565
Total	**4,484,059,428**	**4,183,045,463**

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "Coordinating company" and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2019.

23. RELATED PARTIES (continued)

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

0	0	Sales		Purchases	
Name of related party	**Nature of transaction , sales / purchases**	**Q1 2019**	**Q1 2018**	**Q1 2019**	**Q1 2018**
KazMunayGas Trading AG	Raw materials / Petroleum products	1,123,277,927	1,462,590,515	2,976,017,509	2,746,129,671
Rompetrol Downstream S.R.L	Petroleum products, rent, utilities and other	1,119,089,210	914,818,648	601,267	658,403
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	4,283	4,194	-	-
KMG International N.V.	Loan interest, management services	-	-	4,768,479	6,325,181
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	105,107,471	120,787,300	258,614	121,319
Rompetrol Moldova ICS	Sales intermediary services	202,394,858	154,555,755	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	16,196,098	10,370,350	-	-
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	734,891	674,541	59,906,057	45,240,991
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	376,720	337,986	7,270,801	5,766,467
Rompetrol Logistics S.R.L	Transport, rent/Rent, utilities	4,548	4,123	41,081	41,081
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, reinvoicing, loan interest ,others	392,537	366,203	19,019,207	21,441,122
Rompetrol Well Services S.A.	Loan interest	-	-	524,153	432,085
Uzina Termoelectrica Midia S.A.	Acquistion of utilities	27,567,225	20,928,507	28,479,936	35,127,340
KMG Rompetrol S.R.L.	Loan interest, management services	2,209,362	1,618,500	31,874,424	22,811,114
Global Security Systems S.A.	Security and protection services	376	341	2,772,882	2,649,532
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	10,914	10,366	2,440	2,828
Rompetrol Financial Group SRL	Loan interest	-	-	1,760,075	1,451,651
KMG Rompetrol Services Center SRL	Shared services	135,327	122,718	3,778,434	3,893,881
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	32,285	38,601,074	-	-
		2,597,534,032	**2,725,791,121**	**3,137,075,359**	**2,892,092,666**

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.

24. EARNINGS PER SHARE

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

	January - March 2019	January - March 2018
Net profit (+), loss (-)	(170,612,051)	50,481,057
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (bani/share)	(0.39)	0.11

25. 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 26). 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.

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

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

The tax 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:

25. CONTINGENT LIABILITIES (continued)

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 accesories 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.

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

26. LEGAL MATTERS

Litigation with the State involving criminal charges

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

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

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

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

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

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

26.LEGAL MATTERS (continued)

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

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

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

On May 10 and June 28, 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC privatization and post-privatization period, privatization of Vega refinery and the issuance of bonds (OUG 118/2003), intra-companies transactions and budgetary taxes and duties.

On July 17, 2017 DIICOT issued an Ordinance which generally keeps the approach of the Orders issued in 2016 but let the civil parties namely, Ministry of Energy and Ministry of Finance, to provide the figures for the alleged damage they incurred as well as the evidences for supporting any alleged damage. The only alleged damage party which requested the alleged damage is Faber Invest & Trade, by its legal representative, for an amount of USD 96.6 million.

A statement of 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 by the Group. An appeal against this court resolution was submitted to assess from constitutional point of view if a legal provision based on which the challenges were rejected match with the Constitution principles. The first hearing of the appeal was scheduled for October 8, 2018. 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.

26. LEGAL MATTERS (continued)

On April 22, 2019 the prosecutor office issued an ordinance by which all the shares seized back in May 2016 as well as the KMGI assets, and assets of RRC located on the Vega, Ploiesti Platform and OEBS assets were released from seizure. Therefore, the only assets still remaining under freezing orders are the ones of RRC located in Navodari on the Petromidia refinery Platform.

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

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 CO_2 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.

26.LEGAL MATTERS (continued)

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.

Meanwhile, the Government Decision no. 611/2015 was issued, providing the modification of the National Plan initially approved by Government Decision no. 60/2008 and increasing the allocation of the Company with the amount of 2.577.940 CO2 emission certificates; this decision should have been fully and effectively implemented in the following 120 days, subject to an approval from European Commission, from the perspective of complying with state aid regulations. The Government Decision has still not been implemented.

Litigation between Rompetrol Rafinare and Navodari City Hall

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

a) Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by RRC was dismissed as being lack of object, without any judgment pronounced on the merits of the case. Rompetrol Rafinare submitted in court the challenge against this decision. This judicial procedure was under court investigation proceedings with Constanta Court of Appeal who has completed judicial investigation into the case and delivered a sentence on March 16th, 2017, when the challenge submitted by Rompetrol Rafinare was rejected. The solution has been appealed by Rompetrol Rafinare. The appeal is in currently pending court investigation proceedings, and the first hearing term before the High Court of Cassation and Justice 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 16th, 2017, when the appeal was rejected. The solution is final.

c) Rompetrol Rafinare also filed the request for suspension the enforceable effects of the imposing decision, pursuant to the Law 554/22004 and Government Ordinance 92/2003, file no.788/36/2015. The statement of defence was submitted by Navodari City Hall and the first hearing term was established for February 22nd, 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19th, 2015. The solution was appealed by Navodari City Hall. The case is currently pending court investigation proceedings with the High Court of Cassation and Justice of Justice. The first hearing term before the High Court of Cassation and Justice was not yet scheduled. On November the 2nd 2018, the case has been suspended.

26.LEGAL MATTERS (continued)

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

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

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

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.

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.

26.LEGAL MATTERS (continued)

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.

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. First hearing sheduled by the court (Judecatoria Constanta) in preliminary chamber procedure is May 13, 2019.

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.
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 16th, 2017 both Rompetrol Rafinare and Rominserv have received fines set by the Constanta Territorial Labour Inspectorate (in cumulated amount of RON 0.028 million).

26.LEGAL MATTERS (continued)

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.

Vega residual pools remediation project

On November 15, 2017, Environmental National Guard (ENG) performed an inspection at Vega Refinery in order to determine the status of implementation of the Remedial Project.
Following the inspection, the Assessment Note no. 299 was issued, specifying that:

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

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

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

a) preliminary complaint against Assessment Note no. 299, submitted to the ENG on December 14,2017. The ENG point of view was received on January 17th 2018;
b) preliminary complaint against Prior Notice no. 149 submitted to the PEPA on December 14, 2017; the legal response time, according to the contentious law is 30 days.
c) suspension request of the Prior Notice no. 149, submitted on December 15, 2017 to the Constanta Court; On February 5th 2018 the Constanta court has accepted the request for suspension of the Prior Notice no. 149/21.11.2017 and suspended the effects of prior notification until the request for annulment brought against the same administrative act will be solved; The Constanta court decision was appealed by PEPA, and on the hearing dated June 21 2018, the appeal was rejected.
d) the request for annulment of the Prior Notice was registered at the Constanta court on April 3rd 2018. The action was rejected by the court, the court decision will be communicated and an appeal will be lodged.
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.

26.LEGAL MATTERS (continued)

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 was registered at the court (Tribunalul Constanta);
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;
i) Complaint against minute of fine issued by Environmental National Guard on November 28, 2018; will be scheduled first hearing.
j) Complaint against the minute of fine issued by Environmental National Guard on February 27, 2019; will be established the first hearing by the Ploiesti court (Judecatoria Ploiesti).
k) Complaint against the minute of fine issued by Environmental National Guard on March 29, 2019; will be established the first hearing by the Ploiesti court.

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

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

On May 8, 2018 a request was made for revision of the actual Environmental Agreement by the company and was rejected by PEPA on July 10th, 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.

27. 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 restoration cost at its Vega location, see Note 15.

As of March 31, 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.

28. 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 13 and 14), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the "Statement of Changes in the Shareholders' Equity".

B. GEARING RATIO

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

	March 31, 2019	December 31, 2018
Long-term borrowings	643,160,476	558,697,539
Total equity	2,159,522,650	2,340,153,161
Gearing ratio	**29.78%**	**23.87%**

C. FINANCIAL INSTRUMENTS

	March 31, 2019	December 31, 2018
Financial assets		
Trade receivables and other receivables	1,581,776,857	1,320,378,755
Derivatives	-	6,197,265
Cash and bank accounts	28,826,871	19,450,444
TOTAL FINANCIAL ASSETS	**1,610,603,728**	**1,346,026,464**

Financial liabilities	**March 31, 2019**	**December 31, 2018**
Short term borrowings from shareholders and related parties	383,422,728	438,118,914
Derivatives	1,175,222	-
Commercial liabilities and other liabilities	4,180,922,634	3,778,793,301
Short term loans	55,257,729	106,893,282
Long term borrowings from banks	573,868,864	489,405,927
Hybrid instrument - long-term portion	69,291,612	69,291,612
TOTAL FINANCIAL LIABILITIES	**5,263,938,788**	**4,882,503,037**

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

28. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

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

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

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

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

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

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

28. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

	March 31, 2019	Level 1	Level 2	Level 3
Financial assets				
Trade receivables and other receivables	1,581,776,857	1,581,776,857	-	-
Cash and bank accounts	28,826,871	28,826,871	-	-
TOTAL FINANCIAL ASSETS	**1,610,603,728**	**1,610,603,728**	**-**	**-**
Financial liabilities				
Short term borrowings from shareholders and related parties	383,422,728	383,422,728	-	-
Derivatives	1,175,222	-	1,175,222	-
Commercial liabilities and other liabilities	4,180,922,634	4,180,922,634	-	-
Short term loans	55,257,729	55,257,729	-	-
Long term borrowings from banks	573,868,864	573,868,864	-	-
Hybrid instrument - long-term portion	69,291,612	-	69,291,612	-
TOTAL FINANCIAL LIABILITIES	**5,263,938,788**	**5,193,471,954**	**70,466,834**	**-**

	December 31, 2018	Level 1	Level 2	Level 3
Financial assets				
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	-	-
TOTAL FINANCIAL ASSETS	**1,346,026,464**	**1,339,829,199**	**6,197,265**	**-**
Financial liabilities				
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	-
TOTAL FINANCIAL LIABILITIES	**4,882,503,037**	**4,813,211,425**	**69,291,612**	**-**

At 31 March 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

28. 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	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
RON				
5%	(160,895,224)	(154,216,994)	3,150,659	5,501,207
-5%	160,895,224	154,216,994	(3,150,659)	(5,501,207)

28. 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 13 and 14.

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 31 March 2019 would increase / decrease by RON 15.8 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.

28. 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.

29. SUBSEQUENT EVENTS

Rompetrol Rafinare S.A credit facility in amount of RON 13 million granted by Rompetrol Well Services S.A was extended until May 10, 2019 and reimbursed at maturity date.

Rompetrol Rafinare S.A credit facility in amount of RON 7 million granted by Rompetrol Well Services S.A was extended until May 14, 2019 and it is planned to be reimbursed at maturity.

Rompetrol Rafinare S.A credit facility in amount of RON 3.1 million granted by Rompetrol Well Services S.A was was extended until May 3, 2019 and reimbursed at maturity date.

The USD 360 Million credit facility (Syndicated Loan) concluded through Unicredit Bank AG, London Branch as facility agent, was extened until April 23, 2022 with the option for additional extension by 1 (one) year, the option could be excercised in 2020 (hence the period is of 3 years + 1 year, making possible the availability of this facility until 2023).