ROMPETROL WELL SERVICES S.A.

STAND-ALONE FINANCIAL STATEMENTS UNAUDITED

Prepared in accordance with
Order of Minister of Public Finance no. 2844/2016

30 September 2018

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ROMPETROL WELL SERVICES S.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended at 30 September 2018
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	9 months 2018	9 months 2017	Quarter 3 2018	Quarter 3 2017
Turnover	2	42.670.007	26.108.735	15.194.657	11.140.284
Services performed		42.662.579	25.988.470	15.189.831	11.027.230
Sales of goods		7.428	120.265	4.825	113.054
Other operating income	3.1	290.853	208.366	34.807	105.759
OPERATING INCOME - TOTAL		**42.960.860**	**26.317.102**	**15.229.464**	**11.246.043**
Expenses with consumables		(11.949.179)	(7.327.567)	(4.007.875)	(3.899.151)
Power and water expenses		(264.311)	(123.137)	(43.854)	(32.429)
Merchandise expenses		(7.434)	(79.890)	(4.631)	(77.741)
Payroll costs, out of which:	5	(13.215.039)	(10.541.696)	(4.239.816)	(3.551.708)
Salaries		(12.669.075)	(8.558.316)	(4.019.104)	(2.864.338)
Social security contributions		(400.186)	(1.879.982)	(127.934)	(630.842)
Fixed assets value adjustment, of which		(4.034.171)	(4.678.833)	(1.241.617)	(1.502.280)
Depreciation		(4.034.171)	(4.678.833)	(1.241.617)	(1.502.280)
Current assets value adjustment		6.087	(82.409)	(14.950)	38.075
Expenses for third-party services	3.2	(6.701.046)	(4.008.886)	(2.358.554)	(1.331.961)
Taxes, duties and similar expenses		(470.120)	(519.910)	(158.993)	(189.246)
Provision adjustments	16,17	-	24.919	-	-
Other operating expenses	3.3	(2.752)	(14.660)	(498)	(6.997)
OPERATING EXPENSES - TOTAL		**(36.637.965)**	**(27.352.068)**	**(12.070.788)**	**(10.553.438)**
OPERATING RESULT		**6.322.895**	**(1.034.967)**	**3.158.676**	**692.606**
Interest income		2.840.695	1.726.628	1.086.384	617.176
- of which, revenues from related parties		2.838.997	1.717.126	1.085.910	608.145
Other financial income		170.933	242.629	74.967	113.119
FINANCIAL INCOME – TOTAL	4.1	**3.011.628**	**1.969.257**	**1.161.352**	**730.295**
Value adjustment in respect of financial investments		-	-	-	-
Other financial expenses		(162.862)	(223.737)	(88.115)	(92.626)
FINANCIAL EXPENSES – TOTAL	4.2	**(162.862)**	**(223.737)**	**(88.115)**	**(92.626)**
FINANCIAL RESULT		**2.848.766**	**1.745.521**	**1.073.237**	**637.669**
RESULT BEFORE TAX		**9.171.661**	**710.554**	**4.231.913**	**1.330.274**
Income tax expense		(1.619.081)	-	(714.991)	-
RESULT FOR THE YEAR		**7.552.580**	**710.554**	**3.516.922**	**1.330.274**
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		**7.552.580**	**710.554**	**3.516.922**	**1.330.274**

	Notes	Date 30.09.2018	Date 31.12.2017
Assets			
Non-current assets			
Tangible assets	6	20.561.301	23.459.576
Real estate investments	7	511.861	525.813
Intangible assets	8	217.193	257.852
Financial assets	9	6.524.856	6.524.856
Other financial assets	10	709.026	22.034
Total non-current assets		**28.524.237**	**30.790.131**
Current assets			
Inventories	11	3.366.097	4.229.589
Trade and similar receivables	12	103.720.112	95.224.459
Profit tax receivable		-	257.842
Other current assets	13	349.473	181.351
Cash and deposits	14	3.897.165	3.513.305
Total current assets		**111.332.847**	**103.406.545**
Total assets		**139.857.084**	**134.196.676**
Capital and reserves			
Capital			
Share capital, of which:		28.557.446	28.557.446
Subscribed and paid in share capital	15.1	27.819.090	27.819.090
Share capital adjustments	15.2	738.356	738.356
Legal reserves		5.563.818	5.563.818
Other reserves		22.775.285	22.775.285
Retained earnings		46.451.756	44.732.606
Retained earnings IFRS transition		18.052.782	18.330.137
Current result		7.552.579	2.442.446
Total equity		**128.953.666**	**122.401.738**
Long-term liabilities			
Provisions	16	229.429	229.429
Employee benefits liabilities	17	864.721	864.721
Deferred tax liabilities		394.657	394.657
Other liabilities		18.018	40.518
Total long-term liabilities		**1.506.825**	**1.529.326**
Current liabilities			
Trade payables and similar liabilities	18	8.939.444	10.265.612
Current income tax		457.149	-
Provisions		-	-
Total current liabilities		**9.396.593**	**10.265.612**
Total liabilities		**10.903.418**	**11.794.938**
Total equity and liabilities		**139.857.084**	**134.196.676**

For the period ended as at 30 September 2017

	Share capital	Legal reserves	Other reserves	Retained earnings	Retained earnings IFRS transition	Current result	Tota equity
Balance at 1 January 2017	28.557.446	5.563.818	22.775.285	50.905.513	18.330.138	(5.820.561)	120.311.640
Transfer to other reserves	-	-	-	(5.820.561)		5.820.561	-
Current result	-	-	-	-	-	710.554	710.554
Dividends	-	-	-	-	-	-	-
Balance at 30 September 2017	**28.557.446**	**5.563.818**	**22.775.285**	**45.084.952**	**18.330.138**	**710.554**	**121.022.194**

For the year ended as at 30 September 2018

	Share capital	Legal reserves	Other reserves	Retained earnings	Retained earnings IFRS transition	Current result	Tota equity
Balance at 1 January 2018	28.557.446	5.563.818	22.775.285	44.732.606	18.330.137	2.442.446	122.401.738
Transfer to other reserves	-	-	-	1.719.149	-	(1.719.149)	-
Impact from application of IFRS 9	-	-	-	-	(277.355)	-	(277.355)
Actuarial gain / (losses) relating to retirement benefits	-	-	-	-	-	-	-
Current result	-	-	-	-	-	7.552.580	7.552.580
Dividends	-	-	-	-	-	(723.297)	(723.297)
Balance at 30 September 2018	**28.557.446**	**5.563.818**	**22.775.285**	**46.451.755**	**18.052.782**	**7.552.580**	**128.953.666**

Retained earnings represent reserves constituted through the distribution of prior year profits, respectively the cover of prior years losses.

Other reserves represent reserves constituted on the bases of mandatory legislation, respectively reserves for actuarial elements according IAS 19.

Retained Earnings IFRS transition represent the retained earnings constituted on the first adoption of IAS, less IAS 29, as well as the impact from applying the new requirements of IFRS 9 for receivables impairment.

As a result of the General Ordinary Meeting of the Shareholders from 27 April 2018, it was recorded the distribution on destinations of the 2017 net profit, the amount of 723.296 RON representing distribution of dividends.

Indirect method

Name of item	Period Ended as at 30.09.2018	Ended as at 30.09.2017
Cash flows from operating activities:		
Net result before tax	9.171.661	710.554
Adjustments for:		
Depreciation and adjustments related to tangible assets	3.993.512	4.675.887
Depreciation and adjustments related to intangible assets	40.659	2.946
Movements in other provisions, net	(6.087)	11.023
Interest income	(2.840.695)	(1.726.628)
Loss / (profit) from tangible asset sales	(159.432)	(72.787)
Unrealized foreign exchange differences (Gain)/Loss	53.517	-
Operating profit before working capital changes	**10.253.135**	**3.600.995**
Decrease / (Increase) of trade and other receivables	(4.619.886)	1.193.665
Decrease / (Increase) of inventories	863.492	(225.261)
(Decrease) / Increase of trade and other debts	(1.930.484)	1.047.163
Paid income tax	(904.090)	-
Net cash flow from operating activities	**3.662.167**	**5.616.562**
Cash flows from investments:		
Payments for purchase of tangible and intangible assets	(1.082.166)	(56.741)
Receipts from sale of tangible and intangible assets	160.312	72.787
Received interest	2.067.368	1.709.079
Net cash from investments	**1.145.515**	**1.725.125**
Cash flows from financing activities:		
Decrease / (Increase) of cash pooling balance	(3.593.793)	(11.494.733)
Dividends paid	(143.036)	(11.234)
Net cash flows from financing activities	**(3.736.829)**	**(11.505.967)**
Net (decrease) / increase of cash and cash equivalents	1.059.934	(4.164.280)
Net foreign exchange differences	10.919	-
Cash and cash equivalents at the beginning of the financial year	3.535.339	7.547.147
Cash and cash equivalents at the end of the reported period	**4.606.191**	**3.382.867**
Cash included in collateral accounts	(2.576.900)	(2.514.304)
Cash and cash equivalents at the period-end excluding collateral accounts	**2.029.291**	**868.563**

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES

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

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

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

The ultimate parent of KazMunayGas International is the National Wealth Fund "Samruk-Kazyna" JSC, an entity based in Kazakhstan.

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

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

These stand-alone financial statements are public and available on www.petros.ro, on Investor Relations section.

The Company has a branch in Kazakhstan, Atyrau, 060003, str Moldagaliyeva 31/19.

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

As of September 30, 2018 the financial position of the Kazakhstan Branch is as follows:

	Date 30.09.2018
Tangible assets	-
Intangible assets	-
Inventories	-
Trade and similar receivables	150.554
Cash and deposits	4.384
Total assets	**154.938**
Other capital elements	149.537
Trade payables and similar liabilities	5.401
Total equity and liabilities	**154.938**

1.1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

1.2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

a) The going concern principle

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

b) Foreign Currency Transactions

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

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

The exchange rates used to translate the balances denominated in foreign currency as at 30 September 2018 were, for RON:

	30 September 2018	31 December 2017
1 EUR	4.6637	4,6597
1 USD	4.0210	3,8915

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

	30 September 2018	31 December 2017
1 USD	363.07	332,33

c) Financial instruments

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

Initial and subsequent measurement

Financial assets and liabilities are initially measured at fair value. Transaction costs which are directly attributable to acquisition or issuance of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added at initial recognition or deducted from the fair value of respective financial asset or liability, as the case may be.

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

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

Receivables and loans

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

Trade payables and other liabilities

Trade payables and other liabilities are subsequently measured at amortized cost, using the effective interest rate. The effective interest method is a method to calculate the amortized cost of a financial liability and to allocate interest expenses from the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial liability (including all paid or received commissions which are part of the effective interest rate, transaction costs and other bonuses or discounts) or (if the case) a shorter period, to the net carrying amount from the initial recognition.

Derecognition

A financial asset is primarily derecognised when:

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

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

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

Offsetting of financial instruments

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

d) Impairment of financial assets

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

e) Property, plant and equipment

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

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

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

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

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

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

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

f) Investment property

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

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

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

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

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

g) Intangible assets

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

- Intangible assets consist mainly of software and licenses and are amortized on a straight-line basis over 3 to 5 years.
- The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. External and internal costs specifically associated with the maintenance of already existing computer software programmes are expensed as incurred.

h) Financial assets

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

Additional details on financial assets are presented in Note 9.

i) Impairment of non-financial assets

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

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

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

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

j) Provisions

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

Provisions are not recognized for future operating losses.

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

k) Leases

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

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

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

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

l) Inventories

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

m) Receivables

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

n) Cash and cash equivalents

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

o) Revenue recognition

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

p) Retirement benefit costs

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

Under the provisions of the collective labour agreement, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with the Company at the date of their retirement. These amounts are estimated as of the reporting date, based on: applicable benefits provided in the agreement, the Company headcount and specific actuarial estimates. The defined benefit liability as of reporting date comprises the fair value of the defined benefit obligation and the related service cost recorded in the profit and loss statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans. Actuarial gains and losses recognized in other comprehensive income are presented in the statement of comprehensive income.

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

q) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

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

- ☒ Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- The deductible temporary differences associated with investments in subsidiaries and related parties and interests in joint ventures, when the reversal of such temporary differences can be controlled and likely not to be reversed in the foreseeable future.

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

- Where the deferred tax asset 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 case of deductible temporary differences associated with investments in subsidiaries and related parties and interests in joint ventures, the deferred tax asset is recognised only when the temporary differences are likely to be reversed in a foreseeable future and when there can be a taxable profit for which temporary differences may be used.

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

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

Deferred tax relating to items recognized off the profit and loss statement is recognized off the profit or loss account. Deferred tax items are recognized depending on the nature of the underlying transaction either in other comprehensive income or directly in equity.

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

- *Revenue related taxes*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the acquisition cost of the asset or as part of the expense item as the case may be.
- Receivables and payables whose taxes are included in their amount.

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

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

r) Dividends

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

s) Contingent assets and liabilities

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

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

1.3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

1.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2018:

- **IFRS 9 Financial Instruments**
  The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.
  The Company adopted the new standard on the required effective date and has not restated comparative information.
  Overall, the Company recorded no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

  a) Classification and measurement
  The Company did not record a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.
  Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria under IFRS 9, therefore reclassification for these instruments is not required

  b) Impairment
  IFRS 9 requires the Company to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Company chose to apply the simplified approach and record lifetime expected losses on trade receivables.

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

- **IFRS 15 Revenue from Contracts with Customers**
  The Company adopted the new standard on the required effective date using the modified retrospective method. During 2017, the Company performed a preliminary assessment of IFRS 15 and did not identify a significant impact that will affect financial statements.
  The Company analysed the main revenue streams by applying the "five steps" model prescribed by IFRS 15:
  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when (or as) the entity satisfies a performance obligation

  Based on the results of review of contractual terms of principal types of contracts, the Company concluded that IFRS 15 will not have a significant impact compared with current revenue recognition.

2. TURNOVER

Below there is an analysis of Company's revenues:

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Revenue from well services	42.332.220	25.547.460
Revenues from other services	330.359	441.010
Revenue from goods sold	7.428	120.265
Total	**42.670.007**	**26.108.735**

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Export		
Europe	1.687.276	62.971
Total export	**1.687.276**	**62.971**
Internal market sales	40.982.731	26.045.764
Total sales	**42.670.007**	**26.108.735**

The well services market in Romania continued to record a gradual and constant increase of the operational activity, through relaunch of investment projects in Upstream area.

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

3. OTHER REVENUES AND OTHER EXPENSES

3.1. Other operating revenues

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

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Other operating revenues :		
- earnings from sale of waste	74.072	89.848
- earnings from disposal of fixed assets	160.312	107.287
- other revenues	56.469	11.232
Total	**290.853**	**208.366**

3.2. Expenses with third-party services

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

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Royalties and rental expenses	624.019	158.600
Bank commissions and similar charges	36.643	23.285
Insurance premiums	324.518	344.438
Commissions and fees	-	-
Maintenance and repair expenses	445.977	359.920
Postage and telecommunications	39.694	37.634
Travel expenses	1.059.008	458.197
Protocol, promotion and advertising	11.132	8.181
Other third party services, from which:	**4.160.055**	**2.618.631**
Security services	445.430	368.611
Externalised activities services	951.480	858.735
Consultancy and audit	188.275	124.363
Management services	749.024	82.332
Goods transportation services	1.432.366	817.731
Others	393.480	366.858
Total	**6.701.046**	**4.008.886**

The weight of these expenses in the structure of the operating costs is specific to the main activity, regarding the service delivery at the headquarters of the beneficiaries with auto type equipment and the flexible adaptability to the current market conditions.
Expenses with management services in year 2018 are impacted by an adjustment from the period 2013-2015, in amount of 673.136 RON, as a result of receiving from fiscal authority Adjustment decision no. 123847/22.05.2018, the communicated adjustment being applicable to affiliated party according to Code for fiscal procedure.

3. OTHER REVENUES AND OTHER EXPENSES (continued)

3.3. Other operating expenses

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

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Compensations, fines, penalties	1.485	14.655
Other operating expenses	1.267	5
Total	**2.752**	**14.660**

4. FINANCIAL EXPENSES AND REVENUES

4.1. Financial revenues

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Interest income, from which:	**2.840.695**	**1.726.628**
Income obtained from the entities within the group	2.838.997	1.717.126
Income from exchange rate differences	**170.062**	**242.409**
Other financial income	**871**	**220**
Total financial income	**3.011.628**	**1.969.257**

4.2. Financial expenses

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Expenses from exchange rate differences	145.441	217.837
Other financial expenses	17.421	5.900
Total financial expenses	**162.862**	**223.737**

5. EXPENSES WITH EMPLOYEES

The expenses with salaries and taxes, recorded during the period January to September of 2018 and January to September 2017 are as follows:

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Expenses related to salaries and allowances	12.669.075	8.558.316
Other expenses with employees benefits	145.778	103.398
Expenses related to the social insurances	111.207	563.069
Contributions to the savings fund for retirement	288.979	1.316.913
Total	**13.215.039**	**10.541.696**

Starting with January1st, 2018, the Company agreed to bear the effect of fiscal treatment of salary tax, through corresponding increase of employee's gross revenues.

6. TANGIBLE ASSETS

	Land	Buildings and special constructi ons	Technical equipment and machinery and other tangible assets	Tangible assets in progress	Total
Cost or evaluation					
On 1 January 2017	**5.585.846**	**6.382.511**	**100.826.378**	**-**	**112.794.735**
Additions	-	-	60.173	145.380	205.553
Disposals			2.873.381		2.873.381
Transfers	-	-	-	57.717	57.717
On 31 December 2017	**5.585.846**	**6.382.511**	**98.013.170**	**87.663**	**110.069.190**
Additions	-	-	26.735	1.055.430	1.082.166
Disposals	-	-	(837.226)	-	(837.226)
Transfers	-	22.396	783.162	(805.558)	-
On 30 September 2018	**5.585.846**	**6.404.907**	**97.985.841**	**337.536**	**110.314.130**
Depreciation and Impairment					
On 1 January 2017	**-**	**1.843.377**	**81.479.287**	**-**	**83.322.664**
Depreciation charge for the year	-	281.749	5.863.865	-	6.145.614
Disposals	-	-	2.858.664	-	2.858.664
Impairment	-	-	-	-	-
On 31 December 2017	**-**	**2.125.126**	**84.484.487**	**-**	**86.609.614**
Depreciation charge for the year	-	212.510	3.767.050	-	3.979.561
Disposals	-	-	(836.346)	-	(836.346)
Impairment	-	-	-	-	-
On 30 September 2018	**-**	**2.337.637**	**87.415.192**	**-**	**89.752.829**
Net accounting value					
On 30 September 2018	**5.585.846**	**4.067.270**	**10.570.650**	**337.536**	**20.561.301**
On 31 December 2017	**5.585.846**	**4.257.384**	**13.528.683**	**87.663**	**23.459.576**
On 1 January 2017	**5.585.846**	**4.539.133**	**19.347.091**	**-**	**29.472.071**

All presented tangible assets are the property of the company.

7. INVESTMENT PROPERTIES

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

	2018	2017
Initial balance	525.813	544.416
Depreciation expenses	(13.952)	(18.603)
Ending balance	**511.861**	**525.813**

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Income from rents obtained from real estate investments	5.203	5.203
Direct operational expenses (including repairs and maintenance) which generate income from rents	(25.447)	(28.878)
Net result from real estate investments recorded at costs	**(20.244)**	**(23.675)**

At 30 September 2018, the fair values of the properties are based on the evaluation made at 31 December 2016, by S.C. QUEST PARTNERS S.R.L., a recognised independent evaluator. In year 2017 and 2018, the real estate market in the area where the properties are located did not varied significantly in order to give a material impact on their fair value.

8. INTANGIBLE ASSETS

	Patents and licences	Intangible assets in progress	Total
Costs			
On 1 January 2017	**619.251**	**-**	**619.251**
Additions	-	253.083	253.083
Disposals	-	-	-
Transfers	253.083	(253.083)	-
On 31 December 2017	**872.334**	**-**	**872.334**
Additions	-	-	-
Disposals	(237.814)	-	(237.814)
Transfers	-	-	-
On 30 September 2018	**634.519**	**-**	**634.519**
Amortisation and impairment			
On 1 January 2017	**606.418**	**-**	**606.418**
Amortisation	8.063	-	8.063
Disposal			
On 31 December 2017	**614.481**	**-**	**614.481**
Amortisation	40.660	-	40.660
Disposal	(237.814)	-	(237.814)
On 30 September 2018	**417.326**	**-**	**417.326**
Net accounting value			
On 30 September 2018	**217.193**	**-**	**217.193**
On 31 December 2017	**257.852**	**-**	**257.852**
On 1 January 2017	**12.833**	**-**	**12.833**

9. FINANCIAL ASSETS

Name of the company	Nature of the relationship	Year of investment	Percent detained on 31.12.2017	Percent detained on 30.09.2018	Value of the investment on 31.12.2017	Value of the investment on 30.09.2018
Rompetrol Logistics S.R.L.	Long term investment	2002/2003/2007	6,98%	6,98%	5.580.056	5.580.056
Rompetrol Rafinare S.A.(*	Long term investment	2003/2004	0,05%	0,05%	944.700	944.700
Rompetrol Drilling S.R.L.	Long term investment	2014	1%	1%	100	100
Adjustment for value					-	-
Total					**6.524.856**	**6.524.856**

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

The investment on Rompetrol Logistics S.R.L. is presented at cost since the accuracy of presentation at fair value for this unlisted company would have been influenced by a series of elements hard to quantify. Based on Management's analysis, there is no evidence of depreciation for the investment in Rompetrol Logistics S.R.L.

10. OTHER FINANCIAL ASSETS

	On 30.09.2018	On 31.12.2017
Collateral account for guarantee letters with maturity over one year	154.000	-
Specific account for dividends payment	532.992	-
Specific accounts for other guarantee	22.034	22.034
Other financial assets	**709.026**	**22.034**

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

11. INVENTORIES

	On 30.09.2018	On 31.12.2017
Cement and additives	1.961.135	2.662.780
Spare parts equipment	1.778.217	1.836.502
Other inventories	184.572	288.133
Adjustments for depreciation of inventories	(557.827)	(557.827)
Total inventories, net	**3.366.097**	**4.229.589**

The inventories mainly contain cement, additives and spare parts for special equipment. For the items whose procurement process is relatively long, as well for the items whose consumption is dependent on fluctuating demand of our customers, it is applied an optimisation quantitative procurement, which explains a variety of inventory value between two acquisitions.

12. TRADE AND OTHER RECEIVABLES

	On 30.09.2018	On 31.12.2017
Trade receivables - third parties	21.196.996	16.531.187
Trade receivables with affiliated entities	34.692.307	34.769.429
Value adjustments for trade receivables – third parties	(4.168.987)	(3.933.441)
Value adjustments for trade receivables – affiliated entities	(29.828.167)	(29.813.217)
Total trade receivables, net	**21.892.149**	**17.553.958**
Short term lending	34.300.000	34.300.000
Cash pooling receivables	46.753.665	42.386.546
Other receivables	12.378	11.779
Total amounts to be received from entities within the group	**81.066.043**	**76.698.325**
Other receivables – third parties	1.019.049	1.312.612
Other receivables with the affiliated entities	246.150	354.792
Other receivables in relation to the State Budget	190.276	-
Value adjustments for other receivables – third parties	(610.650)	(612.322)
Value adjustments for other receivables – affiliated entities	(82.905)	(82.905)
Total other receivables, net	**761.920**	**972.176**
Total receivables, net	**103.720.112**	**95.224.459**

Starting with 2014, it was implemented an optimisation system for the cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. Cash pooling system was implemented in relation to cash availability from certain bank accounts of the Company, and the direct effect will be transposed to the optimisation of cash for the company, with impact in the interest income. According to the cash pooling system, in terms of assets presentation, the amounts available at the end of the reporting period will be reflected as receivables. During the reporting period, the average balance of master account was 44.708.091 lei, generating interest in amount of 1.379.741 lei. The value of these receivables as of 30 September 2018 was of 46.753.665 lei.

Trade receivables are usually regularised within 30 to 90 days.

On 30 September, respectively 31 December, the aging analysis of the receivables is as follows:

		Current, not	Overdue, net of impairment				
	Total	impaired	< 30 days	30–60 days	61-90 de days	91-180 days	> 180 days
2018	**103.720.112**	92.144.330	4.859.824	776.241	521.212	224.991	5.193.514
2017	**95.224.459**	86.916.548	2.875.916	76.251	52.776	51.651	5.251.318

13. OTHER CURRENT ASSETS

	On 30.09.2018	On 31.12.2017
Advance expenses for car insurances	54.240	68.502
Advance expenses for rovigneta	109.613	98.218
Advance expenses for authorisations, transportation licenses, subscriptions, others	185.620	14.631
Other current assets TOTAL	**349.473**	**181.351**

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

14. CASH AND DEPOSITS

	30.09.2018	31.12.2017
Bank accounts in lei	126.298	29.079
Bank accounts in foreign currency	4.384	410
Short term deposits in lei	-	177.247
Short term deposits in foreign currency	296.459	183.660
Collateral accounts for letters of guarantee with maturity under one year	1.867.874	2.026.970
Specific accounts regarding performance bonds, other guarantees	1.585.095	882.964
Letter of credit	-	187.815
Petty cash in lei	7.930	11.849
Petty cash in foreign currency	9.124	13.311
Total cash and short term deposits	**3.897.165**	**3.513.305**
Collateral deposits with maturity over one year	709.026	22.034
Total cash and cash equivalents at period end	**4.606.191**	**3.535.339**

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

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

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

In note 12 it is presented the details regarding the company's participation for the year 2018 to the system for optimisation of cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. The amount available in the principal account on 30.09.2018 was of 45.860.658 lei, being ready to use without restriction, depending on the necessity.

15. SHARE CAPITAL

15.1. Subscribed share capital

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

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

The finalisation of the procedural phases for approval and recognition has been officially noted through the restart of the transacting of the shares, after the increase of the social capital, on September 18th 2008, without undergoing modifications until September 30, 2018.

15. SHARE CAPITAL (continued)

	Balance on 30 September 2018	Balance on 31 December 2017
	Number	Number
Subscribed capital, ordinary shares	278.190.900	278.190.900
	RON	RON
Nominal value, ordinary shares	0,1	0,1
	RON	RON
Value of the share capital	27.819.090	27.819.090

The share capital of the company is totally paid in on September 30, 2018.

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

15.2. Adjustments on share capital

According to the IAS 29 provisions, the company has adjusted the costs of its purchased investments until December 31st 2003 with the purpose of reflecting the accounting impact in the hyperinflation. The value of the share capital has been increased at December 31st, 2012 by 166,740,745 RON. This adjustment had no impact over the carried forward distributable profit of the company. In 2013, the general ordinary meeting of shareholders on April 30, 2013 approved to cover the brought forward accounting loss from first application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in amount of 166.002.389 lei, from own capitals, i.e. "adjustment of share capital". The effect of this decision for the structure of share capital on September 30, 2018, as well as on December 31st, 2017 and is presented in the table below:

	On 30.09.2018	On 31.12.2017
Share capital, from which:	28.557.446	28.557.446
Paid-in share capital	27.819.090	27.819.090
The adjustment of the share capital	738.356	738.356

16. PROVISIONS

	Provisions for restructuring (short term)	Other Provisions for risks and expenses (long term)	Total
On 1 January 2017	**24.919**	**158.457**	**183.376**
Constituted	-	70.972	70.972
Used during the year	(24.919)	-	(24.919)
Reclassified	-	-	-
On 31 December 2017	**-**	**229.429**	**229.429**
Constituted	-	-	-
Used during the year	-	-	-
Reclassified	-	-	-
On 30 September 2018	**-**	**229.429**	**229.429**

Other provisions for risks and expenses in amount of 229.429 lei represents an estimate of the expenses related to operational and legal disestablishment of Kazakhstan Branch (59.241 lei) and an estimate for untaken holiday benefits (170.188 lei).

17. OTHER POST EMPLOYMENT BENEFITS

	Liabilities regarding the benefits of employees
On 1 January 2017	**486.999**
Constituted	377.722
Used during the year	-
On 31 December 2017	**864.721**
Constituted	-
Used during the year	-
On 30 September 2018	**864.721**

The liabilities regarding pensions and other similar obligations have been determined depending on the provisions of the collective labour contract of the Company, which stipulates the payment of a number of salaries to each employee at retirement, depending on the period of employment. The amount for the provision for benefits to be granted at retirement of 864.721 lei has been determined in 2017, according to the method of the credit factor, planed on the basis of an internal calculation, using the actuarial model. The management has taken into consideration for carrying out the calculation, mainly the fluctuation of the employees, the age of the employees, the estimated mortality rate, the estimated salary costs evolution, discount rates. The provision has been determined by the company and has been updated in 2017 in the sense of the increase by 377.722 lei.

18. TRADE PAYABLES AND SIMILAR LIABILITIES (CURRENT)

	On 30.09.2018	On 31.12.2017
Trade payables - third parties	1.893.280	2.074.115
Trade payables with affiliated entities	1.637.983	2.792.234
Advance payments and deferred income	41.292	29.255
Salaries	760.231	973.249
Dividends to be paid	3.751.013	3.169.713
Taxes	785.495	1.155.876
Other liabilities	70.150	71.169
Total	**8.939.444**	**10.265.612**

19. PRESENTATION OF THE AFFILIATED PARTIES

The following tables present information on transactions with companies under common control of KazMunayGas Group as of 30 September 2018.

Name of the company	Transaction type	Country of origin	Headquarters
Rompetrol Rafinare S.A.	Loans granted, ITP services	Romania	Navodari, Bulevardul Navodari nr. 215, Pavilion Administrativ, Judetul Constanta
Rompetrol Logistics S.R.L.	Rental services, ITP services, reinvoicement security services	Romania	Ploiesti, Str. Basarabilor Nr. 7
Oilfield Exploration Business Solutions S.A.	Render of services, rental of premises, ITP services	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 6, sector 1, Bucuresti
Rompetrol Downstream S.R.L.	Procurement of fuel, GPS services, procurement of rovignete	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 2, sector 1, Bucuresti
KMG Rompetrol S.R.L.	Management and IT services, cash pooling services, rental of premises	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 5, camera 2, sector 1, Bucuresti
Rompetrol Financial Group S.R.L.	Mediate sell of shares	Romania	Bucuresti, Piata Presei Libere nr. 3-5, City Gate Northern Tower, Etaj 5, Camera 3, Sector 1
KazMunayGas International NV	Payments of dividends	Olanda	Amsterdam, Strawinskylaan 807, turn A-8,
Rompetrol Gas S.R.L.	Car rental	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 5, sector 1, Bucuresti
Rompetrol Drilling S.R.L.	Rental of premises	Romania	Str. Clopotei, nr 2bis, cladirea C61, birouri administrative, Ploiesti
KMG Rompetrol Services Center SRL	Services for procurement, legal, employees, translations and IT	Romania	Piata Presei Libere 3 - 5 City Gate Northern Tower, Et.1, Sector 1 Bucuresti 013702
Global Security System SA	Security services	Romania	Bucuresti, str. Constantin Capitanu, nr.10

19. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Loan contracts with Rompetrol Rafinare S.A.	Principal	Interest	Total
On 1 January 2017	**34.300.000**	**97.174**	**34.397.174**
1CI/09-Sept-2008	13.000.000	36.830	13.036.830
2CI/14-Oct-2008	7.000.000	19.831	7.019.831
3CI/03-Nov-2008	3.100.000	8.782	3.108.782
CI/28-Apr-2010	11.200.000	31.730	11.231.730
On 31 December 2017	**34.300.000**	**-**	**34.300.000**
1CI/09-Sept-2008	13.000.000	-	13.036.830
2CI/14-Oct-2008	7.000.000	-	7.019.831
3CI/03-Nov-2008	3.100.000	-	3.108.782
CI/28-Apr-2010	11.200.000	-	11.231.730
On 30 September 2018	**34.300.000**	**-**	**34.300.000**
1CI/09-Sept-2008	13.000.000	-	13.000.000
2CI/14-Oct-2008	7.000.000	-	7.000.000
3CI/03-Nov-2008	3.100.000	-	3.100.000
CI/28-Apr-2010	11.200.000	-	11.200.000

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

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

Income revenues from loans granted to Rompetrol Rafinare S.A. are in amount of 1.459.255 RON for the first three quarters of 2018, respectively of 1.006.057 RON first three quarters of 2017.

Receivables

	Balance on 30 September 2018	Balance on 31 December 2017
Romperol Logistics S.R.L.	83.570	286.669
Oilfield Exploration Business Solutions S.A.	4.770.000	4.770.000
Rompetrol Drilling S.R.L.	164.313	161.396
KMG Rompetrol S.R.L.	46.764.422	42.397.303
Rompetrol Financial Group SRL	10.406	10.340
KMG Rompetrol Services Center SRL	718	717
Total	**51.793.429**	**47.626.424**

Liabilities

	Balance on 30 September 2018	Balance on 31 December 2017
Rompetrol Logistics S.R.L.	6.051	6.051
Rompetrol Downstream S.R.L.	559.661	1.104.555
KMG Rompetrol S.R.L.	773.533	1.332.274
KMG Rompetrol Services Center SRL	295.313	347.664
Global Security System SA	3.425	1.690
Total	**1.637.983**	**2.792.234**

19. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Sales

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Rompetrol Rafinare S.A.	1.459.333	1.006.212
Oilfield Exploration Business Solutions S.A.	12.563	12.462
Rompetrol Drilling S.R.L.	2.003	2.202
KMG Rompetrol S.R.L.	1.379.741	711.146
KMG Rompetrol Services Center SRL	5.444	5.320
Total	**2.859.084**	**1.737.342**

Acquisition of goods and services

	Reported period completed on September 30st 2018	Reported period completed on September 30st 2017
Rompetrol Downstream S.R.L.	3.667.909	2.326.280
KMG Rompetrol S.R.L.	1.043.968	98.557
KMG Rompetrol Services Center SRL	978.975	858.603
Global Security System SA	12.977	6.390
Total	**5.703.829**	**3.289.829**

20. COMMITMENTS AND CONTINGENCIES

On September 30, 2018 there were commitments for the acquisition of property, plant and equipment in amount of 165.000 USD.

Starting with September 2017, the Company concluded an operational leasing contract for 5 vehicles, for 57 months, the contract totalising 76.380 EUR. Starting with May 2018, the Company concluded another operational leasing contract for 4 vehicle, for 57 months, totalising 102.092 EUR.

Guarantees to third parties

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

The detail of the collateral accounts on 30.09.2018 for the Letters of Bank Guarantee is enclosed in the table below:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0130320	OMV PETROM S.A.	EUR	932.740	28-Feb-19	EUR	932.740
LG/00888-02-0443670	OMV PETROM S.A.	USD	757.134	28-Feb-19	USD	757.134
10187	S.N.G.N. ROMGAZ S.A.	RON	26.056	31-Dec-17	RON	26.056
16201	S.N.G.N. ROMGAZ S.A.	RON	1.559.039	25-Nov-18	RON	1.559.039
00888-02-0489906	OMV PETROM S.A.	RON	178.000	14-Aug-19	RON	178.000
Total short term collateral deposits						**3,452,969**
00888-02-0433226	S.N.G.N. ROMGAZ S.A.	RON	154,000	15-Feb-20	RON	154,000
Total long-term collateral deposits						**154.000**

The collateral accounts on 31.12.2017 had the following components:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0383761	OMV PETROM S.A.	EUR	93.194	15-Mar-18	EUR	93.194
LG/00888-02-0341156	OMV PETROM S.A.	EUR	931.940	28-Feb-18	EUR	931.940
LG/00888-02-0130320	OMV PETROM S.A.	EUR	931.940	28-Feb-18	EUR	931.940
LG/00888-02-0354338	OMV PETROM S.A.	EUR	69.896	28-Feb-18	EUR	69.896
10187	S.N.G.N. ROMGAZ S.A.	RON	85.296	31-Dec-17	RON	85.296
16201	S.N.G.N. ROMGAZ S.A.	RON	797.477	25-Nov-18	RON	797.477
5	S.N.G.N. ROMGAZ S.A. Sircoss	RON	190	15-Jan-18	RON	190
Total short term collateral deposits						**2.909.933**
Total long-term collateral deposits						**-**

Received guarantees

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

20. COMMITMENTS AND CONTINGENCIES (continued)

Transfer price

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

21. OBJECTIVES AND POLICIES FOR THE FINANCIAL RISK MANAGEMENT

The risk of the interest rate

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

If interest rates would have varied with + / - 1 percent and all other variable would have been constant, the net result of the Company as of 30 September 2018 would increase / decrease with 343.000 lei (2017: increase / decrease with 343.000 lei).

Risk of the exchange rate variations

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

Foreign currency sensitivity

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

	TOTAL RON	5% USD	5% EUR	5% KZT
31 December 2017				
Balance	**118.186**	**5.597**	**104.680**	**7.909**
Monetary assets	142.048	15.299	118.554	8.195
Monetary liabilities	(23.861)	(9.702)	(13.873)	(286)
30 September 2018				
Balance	**133.214**	**39.445**	**86.292**	**7.477**
Monetary assets	140.800	41.270	91.783	7.747
Monetary liabilities	(7.586)	(1.825)	(5.491)	(270)

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

The credit risk

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

The market risk

Taking into consideration the structure and continuance of trade contracts, it can be highlighted as important clients S.C. OMV Petrom S.A. and S.N.G.N. Romgaz S.A. concentrating around 78% of the total turnover registered from the beginning of the year until September 30, 2018. The main contracts with S.C. OMV Petrom S.A. and S.N.G.N. Romgaz S.A are valid until 31 December 2018, respectively 6 December 2018.

Liquidity risk

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the efficient use of working capital. Approximately 77% of the Company's debt will mature in less than one year at 30 September 2018 (2017: 76%) based on the carrying value reflected in the financial statements. The Company assessed the concentration of risk with respect to exigibility of its debt and concluded it to be low.

The table bellow details the profile of the payment terms of the financial liabilities of the Company, based on non-updated contractual payments:

Trade payables and similar liabilities	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables - third parties	317.238	1.541.370	34.672	-	-	1.893.280
Trade payables with affiliated entities	805.768	822.163	10.053	-	-	1.637.983
Dividends to be paid	1.950.345	-	-	-	1.800.668	3.751.013
Other liabilities	520	5.146	4.000	-	60.485	70.150
Total 30 September 2018	**3.073.870**	**2.368.679**	**48.724**	**-**	**1.861.153**	**7.352.426**

Trade payables and similar liabilities	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables - third parties	368.142	1.641.592	64.381	-	-	2.074.115
Trade payables with affiliated entities	1.486.074	1.306.160	-	-	-	2.792.234
Dividends to be paid	759.621	-	-	-	2.410.092	3.169.713
Other liabilities	-	5.178	5.487	-	60.505	71.170
Total year 2017	**2.613.838**	**2.952.929**	**69.869**	**-**	**2.470.596**	**8.107.232**

22. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

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

Administrator,
Zhetpisbayev Timur

Signature
Company stamp

SOCIETATEA COMERCIALA ROMPETROL WELL SERVICES S.A. PLOIESTI

Prepared by,
Moise Luiza-Roxana
Finance Manager

Signature