ROMPETROL WELL SERVICES SA

STANDALONE FINANCIAL STATEMENTS

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

31 December 2019

Ernst & Young Assurance Services S.R.L.
24. MAR. 2020
Semnat pentru identificare

ROMPETROL WELL SERVICES SA
Stand-alone Financial Statements
Prepared in accordance with
Order of the Minister of Public Finance no. 2844/2016
31 December 2019

Contents **Page**

Statement of profit or loss and other comprehensive income	3
Statement of the financial position	4
Statement of changes in equity	5 - 6
Statement of cash flow	7
Notes to the standalone financial statements	8 - 51

ROMPETROL WELL SERVICES SA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended as at 31 December 2019
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	2019	2018
Turnover		66,135,769	62,760,538
Revenues from contracts with customers	2	65,678,479	62,396,923
Rental revenues	2.1	457,290	363,615
Other operating income	3,1	845,392	1,521,686
OPERATING INCOME - TOTAL		66,981,161	64,282,224
Expenses with consumables		(16,784,640)	(18,275,133)
Power and water expenses		(244,345)	(394,300)
Merchandise expenses		(25,369)	(11,397)
Payroll costs, out of which:	5	(19,653,427)	(18,891,536)
Salaries		(18,749,593)	(17,766,860)
Social security contributions		(580,363)	(546,322)
Fixed assets value adjustment, of which	8,13,14	(4,883,457)	225,469
Depreciation		(4,883,457)	(5,278,281)
Impairment of property, plant and equipment		-	5,503,750
Current assets value adjustment		488,696	2,409,715
Expenses with third-party services	3,2	(15,259,154)	(10,951,448)
Taxes, duties and similar expenses		(638,445)	(638,102)
Provision adjustments, net	18	142,389	(83,148)
Other operating expenses	3,3	(986,952)	(2,148,897)
OPERATING EXPENSES - TOTAL		(57,844,704)	(48,758,777)
OPERATING RESULT		9,136,457	15,523,447
Interest income		4,447,212	3,932,277
- of which, revenues from related parties		4,438,897	3,930,108
Other financial income		233,300	278,067
FINANCIAL INCOME - TOTAL	4,1	4,680,512	4,210,344
Other financial expenses		(162,380)	(279,498)
FINANCIAL EXPENSES - TOTAL	4,2	(162,380)	(279,498)
FINANCIAL RESULT		4,518,132	3,930,846
RESULT BEFORE TAX		13,654,588	19,454,293
Income tax expense	6	(1,484,481)	(2,567,653)
RESULT FOR THE YEAR		12,170,108	16,886,640
Earnings per share	7	0,0437	0,0607
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		3,302,116	(37,497)
Actuarial gain / (losses) relating to retirement benefits		686,540	(37,497)
Remeasurement of fair value of financial assets measured at fair value through other comprehensive income		2,615,576	-
TOTAL COMPREHENSIVE INCOME, net of tax		15,472,224	16,849,143

The Financial Statements from page 1 to page 51 were approved by the Board of Directors in 20 March 2020 and are signed in his name by:

Administrator,
ZHETPISBAYEV Timur

Signature
Company stamp

SOCIETATEA COMERCIALA ROMPETROL WELL SERVICES S.A. PLOIESTI

Prepared by,
MOISE Luiza-Roxana
Finance Manager
Signature

ROMPETROL WELL SERVICES SA
STATEMENT OF FINANCIAL POSITION
For the year ended as at 31 December 2019
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	December 31 2019	December 31 2018
Assets			
Non-current assets			
Tangible assets	8	26,533,846	26,260,303
Right of use assets	9.1	595,061	-
Investment property	9	488,608	507,210
Intangible assets	10	273,843	206,389
Financial assets	11	9,638,637	6,524,856
Other financial assets	12	113,576	705,898
Total non-current assets		37,643,571	34,204,656
Current assets			
Inventories, net	13	4,230,641	3,165,469
Short term loans granted to related parties	22	-	34,300,000
Trade and other receivables	14	18,092,411	24,339,619
Availabilities in cash pooling system	22	96,010,188	50,967,015
Other current assets	15	740,984	320,024
Collateral cash for guarantee letters	16.1	5,350,132	2,541,104
Cash and deposits	16	2,211,024	2,118,125
Total current assets		126,635,380	117,751,356
Total assets		164,278,951	151,956,012
Capital and reserves			
Capital			
Share capital, of which:		28,557,446	28,557,446
Subscribed and paid in share capital	17.1	27,819,090	27,819,090
Share capital adjustments	17.2	738,356	738,356
Legal reserves		5,563,818	5,563,818
Other reserves		27,498,620	23,025,823
Retained earnings		56,872,245	46,163,721
Retained earnings IFRS transition		18,041,377	18,052,782
Current result		12,170,108	16,886,640
Total equity		148,703,614	138,250,230
Long-term liabilities			
Provisions	18	-	142,389
Employee benefits liabilities	20	846,201	1,288,636
Deferred tax liabilities	6	1,118,539	1,159,590
Lease liabilities	19.2	427,236	-
Other liabilities		68,545	99,492
Total long-term liabilities		2,460,521	2,690,107
Current liabilities			
Trade and other payables	21	12,561,905	10,624,887
Income tax payable	6	356,503	390,788
Lease liabilities	19.2	196,408	-
Total current liabilities		13,114,816	11,015,675
Total liabilities		15,575,337	13,705,782
Total equity and liabilities		164,278,951	151,956,012

The Financial Statements from page 1 to page 51 were approved by the Board of Directors in 20 March 2020 and are signed in his name by:

Administrator,
ZHETPISBAYEV Timur

Signature
Company stamp

ROMPETROL WELL SERVICES S.A.

Prepared by,
MOISE Luiza-Roxana
Finance Manager
Signature

Explanatory notes from 1 to 25 are part of these financial statements.
English translation is for information purposes only. Romanian language text is the official text for submission.

ROMPETROL WELL SERVICES SA
STATEMENT OF CHANGES IN EQUITY
For the year ended as at 31 December 2019
(all amounts expressed in Lei ("RON"), unless otherwise specified)

For the year ended as at 31 December 2018

	Share capital	Legal reserves	Other reserves	Retained earnings	Retained earnings IFRS transition	Current result	Total 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
Impact from application of IFRS 9	-	-	-	-	(277,355)	-	(277,355)
Balance at 1 January 2018 Restated	28,557,446	5,563,818	22,775,285	44,732,606	18,052,782	2,442,446	122,124,383
Profit distribution	-	-	-	2,442,446		(2,442,446)	-
Dividends	-	-	-	(723,296)	-		(723,296)
Current result	-	-	-	-	-	16,886,640	16,886,640
Other movements	-	-	288,035	(288,035)	-	-	-
Other comprehensive income	-	-	(37,497)	-	-	-	(37,497)
Actuarial gain / (losses) relating to retirement benefits	-	-	(37,497)	-	-	-	(37,497)
Balance at 31 December 2018	28,557,446	5,563,818	23,025,823	46,163,721	18,052,782	16,886,640	138,250,230

For the year ended as at 31 December 2019

	Share capital	Legal reserves	Other reserves	Retained earnings	Retained earnings IFRS transition	Current result	Total equity
Balance at 1 January 2019	28,557,446	5,563,818	23,025,823	46,163,721	18,052,782	16,886,640	138,250,230
Impact from application of IFRS 16	-	-			(11,404)		(11,404)
Balance at 1 January 2019 Restated	28,557,446	5,563,818	23,025,823	46,163,721	18,041,378	16,886,640	138,238,826
Profit distribution	-	-	-	16,886,640		(16,886,640)	-
Dividends	-	-	-	(5,007,436)	-		(5,007,436)
Current result	-	-	-	-	-	12,170,108	12,170,108
Other movements	-	-	1,170,682	(1,170,682)	-	-	-
Other comprehensive income	-	-	3,302,116	-	-	-	3,302,116
Remeasurement of fair value of financial assets measured at fair value through other comprehensive income	-	-	2,615,576	-	-	-	2,615,576
Actuarial gain / (losses) relating to retirement benefits	-	-	686,540		-	-	686,540
Balance at 31 December 2019	28,557,446	5,563,818	27,498,620	56,872,244	18,041,378	12,170,108	148,703,614

The Financial Statements from page 1 to page 51 were approved by the Board of Directors in 20 March 2020 and are signed in his name by:

Administrator,
ZHETPISBAYEV Timur

Signature
Company stamp

ROMPETROL WELL SERVICES S.A. PLOIEȘTI

Prepared by,
MOISE Luiza-Roxana
Finance Manager
Signature

Explanatory notes from 1 to 25 are part of these financial statements.
English translation is for information purposes only. Romanian language text is the official text for submission.

The legal reserve is in amount of RON 5,563,818 (2017: RON 5,563,818). The company constituted the legal reserve in accordance with the provisions of the Romanian trading companies law, which requires at least 5% of the annual company's profit before tax to be transferred to legal reserve until the ending balance of this reserve reaches 20% of the company's share capital.

Other reserves represent reserves constituted on the basis of mandatory legislation, respectively reserves for elements of other comprehensive income. The increase in other reserves in the amount of RON 1,170,682 represents the amount of profit for which the profit tax exemption for 2019 was granted and which was allocated to reserves at the end of the financial year. In case the Company decides to dispose the equipment before the deadline mentioned in the Romanian Fiscal Code, the amount will become taxable. In other reserves was presented, by increasing the value with the amount of RON 686,540, the impact from the evolution of the present value provision obligation constituted for the retirement benefits and other similar liabilities related to the personnel generated by the differences between the previous actuarial assumptions and what actually occurred and from the changes in hypothesis. The subsequent valuation of financial assets at fair value, representing investments in equity instruments and for which the Company opted to present the gain or losses in other elements of comprehensive income according to IFRS 9 Financial instruments, has determined an increase in other reserves with RON 3,302,116.

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

Retained Earnings IFRS transition represent the retained earnings constituted on the first adoption of IAS, less IAS 29. The company has recognized the cumulative effect of the first time adoption of the financial standard IFRS 16 "Leases" by adjusting the Retain Earnings beginning of balance in amount of RON 11,404, determined as the difference between the lease liability measured at the present value of the unpaid lease payments at 1 January 2019 and the right of use asset value for the lease contracts.

During the General Ordinary Meeting of the Shareholders from 24 April 2019, it was decided the distribution on destinations of the 2019 net profit: dividends distribution in gross amount of RON 5,007,436 and distribution in retained earnings in amount of RON 11,879,204.

The Financial Statements from page 1 to page 51 were approved by the Board of Directors in 20 March 2020 and are signed in his name by:

Administrator,
ZHETPISBAYEV Timur

Signature
Company stamp

SOCIETATEA COMERCIALA ROMPETROL WELL SERVICES S.A. PLOIESTI

Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

ROMPETROL WELL SERVICES SA
STATEMENT OF CASH FLOW
For the year ended as at 31 December 2019
(all amounts expressed in Lei ("RON"), unless otherwise specified)

Indirect method

Name of item	December 31 2019	December 31 2018
Cash flows from operating activities:		
Net result before tax	**13,654,589**	**19,454,293**
Adjustments for:		
Depreciation and adjustments related to tangible assets and investment properties	4,616,351	5,224,070
Depreciation and adjustments related to right of use assets	205,913	-
Depreciation and adjustments related to intangible assets	61,193	54,212
Impairment for property, plant and equipment	-	(5,503,750)
Provisions for post-employment benefits plans and other provisions	(52,938)	469,585
Adjustments for inventory depreciation	84,348	11,666
Allowance for trade and other receivables	(573,044)	(2,421,381)
Trade receivables and sundry debtors write off	619,998	2,145,649
Earnings from debts write-off (unclaimed dividends)	(679,478)	(1,189,898)
Interest income, net	(4,420,781)	(3,932,277)
Loss / (profit) from tangible asset sales	(95,621)	(171,749)
Unrealized foreign exchange differences (Gain)/Loss	(115,190)	73,669
Operating profit before working capital changes	**13,305,339**	**14,214,068**
Increase / (Decrease) of performance guarantees and dividend payments accounts	(2,216,707)	(2,427,489)
Increase / (Decrease) of trade and other receivables	5,885,799	(6,015,224)
Decrease / (Increase) of inventories	(777,175)	1,052,454
Increase / (Decrease) of trade and other debts	2,748,147	857,252
Paid income tax	(1,904,940)	(1,154,090)
Net cash flow from operating activities	**17,040,463**	**6,526,972**
Cash flows from investments:		
Payments for purchase of tangible and intangible assets	(5,456,246)	(2,507,926)
Receipts from sale of tangible and intangible assets	179,583	174,482
Receipts from reimbursement of loans granted	34,300,000	-
Increase of cash pooling balance	(44,839,484)	(8,515,902)
Received interest	4,243,523	3,867,709
Net cash from investments	**(11,572,624)**	**(6,981,638)**
Cash flows from financing activities:		
Payments corresponding to leasing contracts	(229,542)	-
Dividends paid	(5,145,399)	(143,036)
Net cash flows from financing activities	**(5,374,941)**	**(143,036)**
Net (decrease) / increase of cash and cash equivalents	80,101	(612,505)
Net foreign exchange differences	12,797	14,803
Cash and cash equivalents at the beginning of the financial year	2,118,125	2,715,828
Cash and cash equivalents at the end of the financial year	**2,211,024**	**2,118,126**

The Financial Statements from page 1 to page 51 were approved by the Board of Directors in 20 March 2020 and are signed in his name by:

Administrator,

ZHETPISBAYEV Timur

Signature
Company stamp



Prepared by,

MOISE Luiza-Roxana
Finance Manager

Signature

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES

The financial statements of **ROMPETROL WELL SERVICES SA** for the financial year ended as at 31 December 2019 are approved according to the resolution of the Board of Directors dated 20 March 2020.

Rompetrol Well Services SA ("the Company") is a stock company, registered office located in Ploiesti, Clopotei Street, No. 2 bis, Romania. The Company is registered with the Trade Register under the number J29/110/05.03.1991.

It was turned into a stock company named S.C. PETROS SA 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 SA.

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

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

The company's main scope of business mainly consists of: special well operations, rent of special well tools and devices, other services provision. The Company provides services for both domestic and foreign markets. 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 annual stand-alone financial statements are public and available on www.petros.ro, on Investor Relations section.

The Company had a branch in Kazakhstan, Atyrau, 060003, Moldagaliyeva 31/19 Street, an entity without legal personality. The branch functional currency is the Kazakhstan' national currency – tenge (KZT).

The reorganisation during crisis conditions in oil services industry involved 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 as 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 was finalized on May 30, 2019 by releasing by the competent authorities of Kazakhstan the certificate attesting the branch deregistration.

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

The impact in the financial position and in the statement of profit and loss generated by the branch closure is as follows:

Impact on the statement of financial position (increase / (decrease))	31 December 2019
Tangible assets	-
Intangible assets	-
Inventories	-
Trade and similar receivables	(218,608)
Cash and deposits	-
Total assets	**(218,608)**
Other provisions	(142,389)
Trade payables and similar liabilities	(5,149)
Total liabilities	**(147,537)**
Equity	**(71,071)**

Impact on the statement of profit and loss 2019	
Write-off trade and other payables	5,149
Write-off trade and other receivables	(619,998)
Current assets value adjustment	401,389
Provision adjustments, net	142,389
Net result	**(71,071)**

1.1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Starting the year ended 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.

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

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.

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

The exchange rates used to translate the balances denominated in foreign currency as at 31 December 2019 were, for RON:

	31 December 2019	31 December 2018
1 EUR	4,7793	4,6639
1 USD	4,2608	4,0736

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.

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

In order for a financial asset to be classified and measured at amortized 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.

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

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 recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial liabilities are classified as subsequently measured at amortized cost, except for (a) *financial liabilities at fair value through profit or loss*, (b) *financial liabilities* that arise when a transfer of a financial asset does not qualify for derecognition, (c) *financial guarantee contracts*, who is subsequently measured at the higher of the value of the loss adjustment and the amount initially recognized, (d) *commitments to provide a loan* at a below-market interest rate which is subsequently measured at the higher of the value of the loss adjustment and the amount initially recognized, (e) *contingent consideration recognized by an acquirer in a business combination* which subsequently is measured at fair value with changes recognized in profit or loss.

For purposes of subsequent measurement, the company's specific financial assets and liabilities are classified in three categories:

- Financial asset measured at amortized cost (Receivables and loans granted); and
- Trade payables and other liabilities;
- Financial assets measured at fair value through other comprehensive income (Financial assets, Note 1h).

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 taking into account any discount or premium on acquisition and any 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 payments 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) on 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.

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

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

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

Offsetting of financial instruments

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

d) Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for 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.

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 recognizes 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 90 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.

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.

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

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:

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

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.

For the purpose of disclosure of 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 is 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.

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

g) Intangible assets

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

- Intangible assets consist mainly of software and licenses and are amortized on a straight-line basis over 3 to 5 years.
- 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 programmers are expensed as incurred.

h) Financial assets

Financial assets represent strategic long term investments and are recorded at fair value through other comprehensive income.

Dividends received from entities in which the Company has shares are recognized in profit and loss account of the year when the right of the Company the collect dividends is established and it is probable that the will be collected.

The changes in fair value are recognized in other elements of the comprehensive income until the investment is derecognized or depreciated, moment when the cumulative gain or losses are reclassified from other comprehensive income in a retained earnings account for the respective period.

Fair value is the priced received from selling an assets or the price paid to transfer a liability in a normal tranzaction between market participants, at the date of the valuation.

Valuation at fair value implies that the asset is exchanged in a normal transaction for the sale of the asset or transfer of the debt, between market participants, at the valuation date, under current market conditions. In a valuation at fair value it is assumed that the transaction of sale of the asset takes place either:

- on the main market of the asset, or
- In the absence of a main market, on the market most advantageous for the asset.

The valuation at fair value of an asset is based on the assumption that market participants would use when determining the value of the asset, assuming that market participants act to obtain maximum economic benefit.

The Company uses valuation techniques appropriate to the circumstances and for which there are available sufficient data for fair value valuation, using to the maximum the relevant observable input data and minimizing the unobservable input data used.

The financial assets that are the object of valuation at fair value are classified within the fair value hierarchy, based on the input data, which is the necessary basis for selecting and using the necessary approach for its reliable determination. The data entry hierarchy consists of three levels:

(i) first level - prices quotations (unadjusted) on active markets for identical assets and liabilities, to which the entity has access to at the valuation date
(ii) second level - entry data, other than the price quotations included in level one, which are observed for assets or liabilities, either directly or indirectly
(iii) third level - non-observable entry data for assets or liabilities

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

Additional details on structure of financial assets, classified according to IFRS 9 in financial assets valued at fair value through other comprehensive income, are presented in Note 11.

l) 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.

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.

The company bases its impairment computation on detailed budgets and forecast calculations which cover a period of 7 years. A long-term growth rate is calculated and applied to the future cash flows determined based on the company's budgets and forecasts.

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 if no impairment loss had 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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed partially or totally, the reimbursement is recognized as a separate asset, but only when the reimbursement is certain. The expense related to any provision is presented in the profit and loss 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.

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

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.

The Company recognized right-of-use asset and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets.

For the initial recognision of the right-of-use asset, a lessee measures the cost of the right-of-use asset at the amount of the initial measurement of the lease liability plus any lease payments made at or before the commencement date plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, or restoring the underlying asset to the condition required by the terms and conditions of the lease agreement.

For the first time recognition of the liability that arise from the lease agreement, a lessee measures the liability that arise from the lease contract at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If the rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

The Company elected 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.

Subsequent measurement of the right-of-use asset is realized by applying the cost model. Applying the cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The right-of-use asset depreciation by the lessee is subject to the accounting policies requirements applied for property, plant and equipment. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Other equipment 3 – 5 years

Subsequent measurement of the lease liability, by the lessee, is realized by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest expense related to the liability arising from the lease and depreciation expense for the right-of use asset are recognized by the lessee in the income statement.

Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

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

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 9.

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. 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 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 three months to maturity from the date of acquisition and that are subject to an insignificant risk of devaluation.

o) Revenue from contracts with customers

Revenue is recognise at the level of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Company's business model establish the identification of performance obligations as the written requests of clients, which represent the commitment to purchase goods or services, based on the framework contract.

The Company has framework agreements concluded with customers, services provided/merchandise sold being made based on purchase order. The Company has assessed, by type of contract, the goods and/or services promised in each type of contract and has identified the following contracts as separate performance obligations (POs):

- contracts for well services: specific well operation to a specific defined well.
- Other segments: rental (distinct space and vehicle), ITP services (specific vehicle verification) and other merchandise (distinct goods).

The transaction price is the client's promise to pay in cash a fixed amount of the consideration. The company analyzed the transaction price and concluded that it did not include a significant financing component or a variable component.

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

The company has determined for each performance obligation identified at the beginning of the contract whether it will be met in time or if it will be performed at a specific time. The company collects commercial receivables within 30 - 90 days.

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 (Note 20). 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.

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.

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

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.

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 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. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)

1.3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(i) Carrying value of trade receivables

The Company 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 90 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.

(ii) Impairment of tangible assets and investment properties

The Company analyses at each reporting date if there are indicators of impairment of tangible assets and investment properties. If indicators are identified, or if an impairment test is required by accounting regulation, the accounting value of the main fixed assets and investment properties is revised for possible allowances for impairment, while all assets are analysed each time when events or changes in market or industry indicates the fact that the accounting value of these assets may not be recoverable. If for these assets allowances for impairment are necessary, the accounting value for these assets is adjusted to the recoverable amount, which is determined as the highest between fair value less cost to sale and the value in use (based on discounted future cash flows). The allowances for impairment are reversed only in the case when the events or circumstances that determined the initial impairment have changed. The discounted cash flows are determined based on Company's management estimation as regards to contracts and future projects concluded at the date of evaluation or estimated to be contracted in the future closely linked to market conditions. Other factors that might lead to changes in estimations could include restructuring plans or changes in legislation.

The recoverable amount is sensitive to the discount rate applied to discounted cash flows, as well as to the inputs of cash flows and the growth rate estimated for the analysed period.

At the end of financial year 2019, the Company has performed the impairment test for all its tangible assets using the discounted cash flow method. The discounted cash flow method assume the value of cash-generating units by estimating the present value of the future expected earnings arising from the use of the cash generating unit, using a discount rate. Estimated cash flows were determined taking into account the company's predictions regarding the operating profits for the next seven years, discounted with an estimated economic growth rate of the industry in which the company operates.

After performing the test, the Company did not consider necessary to record an adjustment for the losses of value of company's property, plant and equipment utilized for activity purposes.

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

Significant estimates applied to the determination of the fair value model by the Company are:

- Operational earnings
- Discount rate

	2020	2021	2022	2023	2024	2025	2026
Rompetrol Well Services SA	14.42%	14.35%	13.93%	14.19%	14.69%	15.64%	16.42%

The discount rate applied in the model was 12.9% representing the average for the industry of oil related services.

The discount rate reflects the current assessment of the market risk for Company. The discount rate was estimated based on weighted average cost of capital for the industry. This rate was corrected in order to reflect the market assessment of certain industry risks for which future cash flows were not adjusted.

Sensitivity of estimates

Minimum profitability threshold is obtained by decreasing with 28.02% the operational profit, obtaining the following operational profit rates.

	2020	2021	2022	2023	2024	2025	2026
Rompetrol Well Services SA	10.38%	10.33%	10.03%	10.22%	10.72%	11.26%	11.82%

The minimum profitability threshold is obtained by increasing the discount rate from 12.9% to 23.4%.

(iii) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The fair values of the non-listed equity investments have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

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

Valuation techniques used to measure fair value shall be applied consistently. However, a change in a valuation technique or its application (eg a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if, for example, any of the following events take place:

(a) new markets develop;
(b) new information becomes available;
(c) information previously used is no longer available;
(d) valuation techniques improve; or
(e) market conditions change.

At the end of financial year 2019, the valuation technique used to measure fair value of non-listed equity instruments was changed. The valuation method applied at the end of 2018 considered the adjusted net assets of entity in which investment was held to establish the fair value of the investment. The current valuation technique applied is based on discounted cash flows. In deciding the change of the valuation technique applied, the Company considered the new information available as well as providing more reliable and more relevant information on the financial assets owned.

Set out below is a comparison between the fair value as at 31 December 2019 and as at 31 December 2018:

	Fair Value	
	2019	2018
Rompetrol Rafinare SA*	1,099,015	944,700
Rompetrol Logistics SRL	8,539,522	5,580,056

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

The fair value of the investment in Rompetrol Rafinare SA was determined based on price quotation available on Bucharest Stock Exchange at the reporting date.

The Company has a minority participation of 6.98% in Rompetrol Logistics, a dormant entity part of KMG International N.V Group. Further, Rompetrol Logistics is the sole shareholder of Rompetrol Gas, the LPG distribution company of the KMG International N.V. Group. Rompetrol Gas is a profitable company and according to the forecasted figures for the following 5 years will continue to be profitable.

At the end of financial year 2019, based on new information available, the Company has performed the fair value assessment of the investment in Rompetrol Logistics using the discounted cash flow method.

After performing the fair value assessment as of December 31, 2019, the Company considered necessary to record a gain through other comprehensive income amounting RON 2,485,962, net of tax.

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued

Description of significant unobservable inputs in valuation

The fair values of the non-listed equity investments have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

Non-listed equity investment	Valuation technique	Significant unobservable inputs	Range(weighted average)	Sensitivity of the input to fair value
Rompetrol Logistics	DCF method	Discount rate	10.72%	8.47% decrease in the WACC would generate the fair value equal the carrying amount
Rompetrol Logistics	DCF method	Discount for lack of marketability	20%	22.53% increase in the discount rate would generate the fair value equal the carrying amount
		Minority interest discount rate	15%	22.53% increase in the discount rate would generate the fair value equal the carrying amount
Rompetrol Gas	DCF method	Discount rate	9.76%	6.20% increase in the WACC would generate the fair value equal the carrying amount

Reconciliation of fair value measurement of investments classified as equity instruments designated at fair value through other comprehensive income ('OCI'):

	Rompetrol Rafinare SA	Rompetrol Logistics SRL	Total
1 January 2019	944,700	5,580,056	6,524,756
Remeasurement recognized in OCI	154,315	2,959,466	3,113,781
31 December 2019:	1,099,015	8,539,522	9,638,537

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 2019:

- **IFRS 16: Leases**
  The standard become effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

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

The Company chose to apply IFRS 16 for its lease contracts retrospectively with the cumulative effect of the original application of the standard at the date of the initial application, by recognising the right-of-use asset from the contractual's commencement date. The modified retrospective approach consists of retroactive application, with the recording of results only at the date of the standard first time application. This approach involves the following steps:

- The lessee does not need to restate the comparative information, but has to recognize the cumulative effect of the Standard initial application as an adjustment of the opening balance of the retained earnings, at the date of initial application
- Recognition of liability arising from leasing contracts that are currently classified as operating leases in accordance with IAS 17. The lessee shall measure the liability arising from these leases at the present value of future lease payments
- Recognition a right-of-use asset for lease contracts previously classified as operating leases using one of the following methods:
  - i) its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or
  - ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The company choose to apply the exemptions from the recognition provisions for leasing contracts for which the underlying asset is of low value and for short-term lease agreements.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The impact of the transition from operating lease contracts that entered into force at the date of applying IFRS 16 to the level of the financial statements for the year 2019 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2019:	At 1 January 2019
Assets	
Property, plant and equipment (right-of-use assets)	888,252
Liabilities	
Lease liabilities	898,085
Deferred tax liabilities	1,573
Equity	(11,405)

The identified assets for which the company has the right to obtain substantially all of the economic benefits from their use consists mainly of vehicles used by the productive department and an insignificant part is represented by the office equipment.

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

Impact on the statement of profit or loss (increase / (decrease)) for 2019:	Period ended at 31 December 2019
Depreciation expense of right-of-use assets	205,913
Operating profit	**205,913**
Finance costs	23,171
Net Result for the year	**228,678**

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	RON
Operating Lease Commitments as of 31 December 2018	924,334
Weighted average incremental borrowing rate as of 1 January 2019	2.94%
Discounted operating lease commitments as at 1st January 2019	**873,899**
Lease liability recognized for IT Equipment	24,187
Lease liability as at 1 January 2019	**898,085**

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has estimated that there is no impact on the financial statements by applying the IFRS 9 amendments.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This amendment had no impact on the financial statements of the Company.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
  The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management has estimated that there is no impact on the financial statements by applying the amendments.

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

- The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.
  - ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements***: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - ***IAS 12 Income Taxes***: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
  - ***IAS 23 Borrowing Costs:*** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

1.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

- **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. Management has assessed and concluded that the updates included in this standard will not impact the financial statements of the Company.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below there is an analysis of Company's revenues:

	2019	2018
Revenue from well services	65,568,842	62,308,950
Revenue from other services	74,678	72,572
Revenue from goods sold	34,959	15,402
Total	**65,678,479**	**62,396,923**

	2019	2018
Export		
Europe	2,355,830	2,579,117
Total export	**2,355,830**	**2,579,117**
Internal market sales	63,322,649	59,817,806
Total sales	**65,678,479**	**62,396,923**

Oil price stabilization driven mostly by production cut agreements of OPEC countries and their partners, impacted positively well services demand.

The main players in the internal market for the exploration and exploitation of hydrocarbon resources concentrated their efforts on maximizing the exploitation deposits through rehabilitation projects of the main mature deposits. In this economic context, the Company registered a five percent total revenues increase (5%) in 2019 compared to the previous year.

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

2.1 RENTAL REVENUES

Below there is an analysis of Company's rental revenues:

	2019	2018
Revenue from office space rental	348,485	333,226
Revenue from equipment's rental	108,805	30,388
Total	**457,290**	**363,615**

3. OTHER REVENUES AND OTHER EXPENSES

3.1. Other operating income

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

	2019	2018
Other operating income :		
- earnings from debts write-off	679,478	1,189,898
- earnings from sale of waste	9,661	105,043
- earnings from disposal of fixed assets	95,621	171,749
- earnings from compensations and penalties	58,021	-
- other revenues	2,610	54,996
Total	**845,392**	**1,521,686**

Revenues from the debts write-off in amount of RON 679,478 (2018: RON 1.189.898) represent mainly the cancellation of unclaimed dividends obligation, which were within the prescription limit and for which the Company has taken all legal steps to settle them. The debts write-off was made based of the Board of Directors decision from 07.01.2020.

3.2. Expenses with third-party services

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

	2019	2018
Travel expenses	1,609,939	1,600,291
Maintenance and repair expenses	1,172,027	689,467
Royalties and rental expenses	456,126	747,687
Insurance premiums	369,634	429,894
Postage and telecommunications	79,403	57,948
Bank commissions and similar charges	53,034	47,140
Entertaining, promotion and advertising	65,765	31,410
Commissions and fees	2,211	41,782
Other third party services, from which:	**11,451,016**	**7,305,829**
Goods transportation services	3,570,214	2,355,663
Services rendered at well site - subcontractors	2,766,084	-
Outsourced activities services	1,870,305	1,569,555
Management services	1,744,920	2,035,651
Others	690,097	538,667
Security services	603,598	582,725
Consultancy and audit	205,798	223,568
Total	**15,259,155**	**10,951,448**

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.

During 2019, the company partially subcontracted services of acidizing, hot oil pumping and nitrogen for a specific project to a third party. The value of the services performed by this subcontractor in order to fulfill the contractual obligations assumed by the Company, as a supplier, amounts to RON 2,766,084 for the financial year ended.

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:

	2019	2018
Compensations, fines, penalties	3,261	1,980
Amounts or goods granted as sponsorship	358,651	-
Write-off trade receivables and sundry debtors	619,998	2,145,649
Other operating expenses	5,042	1,268
Total	986,952	2,148,897

Write-off trade receivables and sundry debtors, in amount of RON 619,998, recorded until the end of the reporting date, represents the expense generated by finalization of the closure process of the Kazakhstan company branch. Additional information on the impact on the financial position and the profit and loss account is presented in Note 1.

4. FINANCIAL EXPENSES AND REVENUES

4.1. Financial revenues

	2019	2018
Interest income, from which:	4,447,212	3,932,278
Income obtained from the entities within the group	4,438,897	3,930,108
Income from exchange rate differences	230,037	275,702
Other financial income	3,262	2,364
Total financial income	4,680,511	4,210,344

The line "Income obtained from the entities within the group" in amount of RON 4,438,897 (2018: RON 3,930,108) includes interest revenue generated by the loans granted to Rompetrol Rafinare SA in amount of RON 798,863 (2018: RON 2,002,320) and interest revenue from cash-pooling in amount of RON 3,640,034 (2018: RON 1,927,788).

4.2. Financial expenses

	2019	2018
Expenses from exchange rate differences	111,889	253,206
Other financial expenses, out of which	50,490	26,292
Interest expense on the lease liability	22,765	-
Total financial expenses	162,379	279,498

5. EXPENSES WITH EMPLOYEES

The expenses with salaries and taxes, recorded during 2019 and 2018 are as follows:

	2019	2018
Expenses related to salaries and allowances	18,749,593	17,766,860
Other expenses with employees benefits	323,471	578,354
Contributions to special funds	161,803	147,763
Expenses related to the social insurances	418,560	398,559
Total	19,653,427	18,891,536

In the reporting period, the average number of employees increased from 170 at 31 December 2018 to 172 employees at 31 December 2019.

The average number of employees has evolved as follows:

	2019	2018
Management personnel	3	3
Administrative personnel	20	22
Production personnel	149	145

The Administrators and Managers

During 2019 and 2018, the Company has paid the following allowances to the members of the Board of Directors and to the executive directors:

	2019	2018
The Members of the Board of Directors	478,873	445,362
Executive directors	745,200	1,233,758
Total	1,224,073	1,679,120

On 31 December 2019, the Company has had no obligations regarding the payment of the retirement benefits to former members of the Board of Directors and of the executive management.

At the end of 2019, the Company had no advance payments to be reimbursed to the members of the executive management and there were also no guarantees of future obligations taken over by the company under the name of the Managers or Administrators.

6. INCOME TAX

Main components of income tax expenses for fiscal years ended as of 31 December 2019 and 2018 are:

Statement of profit and loss

	2019	2018
Current income tax:		
Expenses regarding the current income tax	1,870,655	1,802,720
Deferred income tax		
For the initial registration and continuation of the temporary differences	(386,174)	764,933
Expenses regarding the income tax reported in statement of total comprehensive income	**1,484,481**	**2,567,653**

Reconciliation between the expenses regarding the current income tax and the deferred income tax and the accounting profit is as follows for fiscal years 2019 and 2018:

	2019	2018
Accounting result before tax	13,654,588	19,454,293
At Company's statutory income tax rate of 16% (2018: 16%)	2,184,734	3,112,687
Effect of value adjustments from non-taxable incomes	(92,841)	(1,307,225)
Effect of value adjustments from items similar to revenues	-	-
Non-deductible expenses for tax computation:		
Allowance for trade receivables and inventories	(8,956)	54,374
Depreciation of tangible assets	23,476	31,986
Other non-deductible expenses	310,202	147,014
Reinvested profit	(187,309)	(46,085)
Fiscal credit	(358,651)	(136,244)
Effect of fiscal (profit) / loss carried forward	-	(53,787)
Expenses with current income tax at effective rate 16% (2018: 16%)	**1,870,655**	**1,802,720**
Expenses with current income tax reported in statement of profit and loss	**1,870,655**	**1,802,720**

Deferred tax related to items recognised in OCI and retained earnings during in the year:	**2019**
Fair value valuation of financial assets	(498,205)
Recognition of right of use assets	142,120
Recognition of lease liability	(143,693)
Recognition of estimates for retirement benefits	154,655
Deferred tax charged to OCI	**(345,123)**

6. INCOME TAX (continued)

Deferred income tax

The deferred income tax refers to the following:

	Statement of the financial position		Profit and Loss Statement	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Revaluation of assets with reserve transfer to retained earnings (at transition to IFRS)	(1,058,310)	(1,118,739)	60,430	(226,086)
Recognition of right of use assets	(95,210)	-	(237,330)	-
Recognition of estimates for retirement benefits	135,392	(206,182)	186,919	(206,182)
Recognition of the provision for Kazakhstan branch liquidation	-	(22,782)	22,782	(22,782)
Recognition of lease liability	99,783		243,476	-
Fair value valuation of financial assets	(498,205)	-	-	-
Recognition of estimate for outstanding vacation days	93,124	(71,552)	164,676	(82,908)
Temporary adjustment inventories	104,614	91,119	13,496	91,119
Temporary adjustment receivables	100,272	168,547	(68,275)	(318,113)
(Expenses regarding) /income from the deferred tax	-	-	386,174	(764,933)
Assets regarding the deferred tax	533,185	259,665		
Liabilities regarding the deferred tax	(1,651,724)	(1,419,255)		
Assets / (Liabilities) regarding the deferred tax, net	(1,118,539)	(1,159,590)		

The reconciliation of deferred tax payable is as follows:

	2019	2018
Beginning of balance	**1,159,590**	**394,657**
Deferred tax expense recognized in profit and loss	(386,174)	764,933
Deferred tax expense recognized in other comprehensive income	345,123	-
Ending Balance	**1,118,539**	**1,159,590**

7. EARNINGS PER SHARE

The value of earning per share is calculated by dividing the net profit of the year attributable to shareholders by the weighted average number of shares outstanding during the period.

The following report present the net profit and the number of shares used in computing earnings per share:

	31 December 2019	31 December 2018
Net result attributable to shareholders	12,170,108	16,886,640
Weighted average number of shares	278,190,900	278,190,900
Earnings per share (RON / share)	0.0437	0.0607

There was no issue or cancellation of shares between the date of the report and the date of the presentation of the financial statements.

8. TANGIBLE ASSETS

	Land	Buildings and special constructions	Technical equipment and machinery and other tangible assets	Advances and Tangible assets in progress	Total
Cost or evaluation					
On 1 January 2018	5,585,846	6,382,511	98,013,170	87,663	110,069,190
Additions	-	-	26,735	2,478,443	2,505,178
Disposals	-	-	(1,408,968)	-	(1,408,968)
Transfers	-	182,955	1,094,414	(1,277,370)	-
On 31 December 2018	5,585,846	6,565,466	97,725,351	1,288,736	111,165,399
Additions	-	-	434,311	4,893,288	5,327,599
Disposals		(48,120)	(5,271,798)	-	(5,319,918)
Transfers	-	988,301	1,980,366	(2,968,668)	-
On 31 December 2019	5,585,846	7,505,647	94,868,231	3,213,356	111,173,080
Depreciation and impairment					
On 1 January 2018	-	2,125,126	84,484,487	-	86,609,614
Depreciation charge for the year	-	284,676	4,920,791	-	5,205,468
Disposals	-	-	(1,406,234)	-	(1,406,234)
Depreciation	-	(1,734)	(5,502,016)	-	(5,503,750)
On 31 December 2018	-	2,408,069	82,497,027	-	84,905,097
Depreciation charge for the year	-	319,048	4,278,700	-	4,597,749
Disposals	-	(32,813)	(4,830,798)	-	(4,863,611)
Depreciation	-	-	-	-	-
On 31 December 2019	-	2,694,303	81,944,929	-	84,639,234
Net accounting value					
On 31 December 2019	5,585,846	4,811,344	12,923,302	3,213,356	26,533,846
On 31 December 2018	5,585,846	4,157,397	15,228,324	1,288,736	26,260,303
On 1 January 2018	5,585,846	4,257,384	13,528,683	87,663	23,459,576

A percentage of 84% from the increase recorded for plant and equipment, in amount of RON 4.5 million, is represented by the acquisition and/or the upgrade of machinery, equipment and handling tools utilized for well services operations and other preliminary operations.

Approximately 16% from total investments conducted by the company in 2018 targeted work to rehabilitate and modernize the headquarters and replacement of IT equipment in order to meet current standards.

The Company used own funds in order to finance the investment budget for 2019.

The decrease of property, plant and equipment is represented by disposal of equipments and other fixed assets, morally outdated and that are no longer fulfilling the technical functioning requirements needed by current regulations.

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

The Company computed the impairment test for tangible assets for year 2019, which aimed to determine the fair value of the equipment and the production capacities, and concluded there is no need to record any impairment. The fair value of this equipment was determined based on discounted cash flows estimated to be generated by the assets.

All presented tangible assets are the property of the Company.

9. INVESTMENT PROPERTIES

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

	2019	2018
Initial balance on 1 January	507,210	525,813
Depreciation expenses	(18,603)	(18,603)
Ending balance on 31 December	488,608	507,210

	2019	2018
Income from rents obtained from real estate investments	11,777	6,938
Direct operational expenses (including repairs and maintenance) which generate income from rents	(33,538)	(33,832)
Net result from investment property recorded at cost	(21,761)	(26,894)

At 31 December 2019, the fair values of the properties determined by S.C. Accento Management Consultants SRL, a recognised independent evaluator, were in amount of RON 839,852.

10. INTANGIBLE ASSETS

	Patents and licenses	Intangible assets in progress	Total
Costs			
On 1 January 2018	872,334	-	872,334
Additions	-	2,748	2,748
Disposals	(237,814)	-	(237,81)
Transfers	2,748	(2,748)	-
On 31 December 2018	637,268	-	637,268
Additions	-	128,647	128,647
Disposals	-	-	-
Transfers	128,647	(128,647)	-
On 31 December 2019	765,916	-	765,916
Amortisation and impairment			
On 1 January 2018	614,481	-	614,481
Depreciation charge for the year	54,213	-	54,213
Disposal	(237,814)	-	(237,814)
On 31 December 2018	430,879	-	430,879
Depreciation charge for the year	61,195	-	61,195
Disposal	-	-	-
On 31 December 2019	492,073	-	492,073
Net accounting value			
On 31 December 2019	273,842	-	273,842
On 31 December 2018	206,389	-	206,389
On 1 January 2018	257,852	-	257,852

11. FINANCIAL ASSETS

Name of the company	Nature of the relationship	Year of investment	Percent held on 31 January 2018	Percent held on 31 December 2019	Fair value of the investment on 31 December 2018	Fair value of the investment on 31 December 2019
Rompetrol Logistics S R.L.	Long term investment	2002/2003/2007	6.98%	6.98%	5,580,056	8,539,522
Rompetrol Rafinare S.A.*	Long term investment	2003/2004	0.05%	0.05%	944,700	1,099,015
Rompetrol Drilling S R L.	Long term investment	2014	1%	1%	100	100
Total					6,524,856	9,638,637

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

For more details regarding financial assets please refer to Note 1.3) iii) Fair value of financial assets.

12. OTHER FINANCIAL ASSETS

	31 December 2019	31 December 2018
Collateral account for guarantee letters with maturity over one year	-	154,000
Specific account for dividends	83,969	532,329
Specific accounts for other guarantee	29,607	19,569
Other financial assets	113,576	705,898

The details on the structure of collateral account with maturity over one year can be found bellow:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
00888-02-0433226	S.N G.N. ROMGAZ S A.	RON	154,000	15-Feb-20	RON	154,000

13. INVENTORIES

	31 December 2019	31 December 2018
Cement and additives	2,491,076	1,896,064
Spare parts equipment	2,105,277	1,627,664
Other inventories	288,129	211,234
Allowance for inventories	(653,840)	(569,492)
Total inventories, net	4,230,641	3,165,469

13. INVENTORIES (continued)

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 variation of inventory value between two acquisitions.

The presented allowance for inventories are result of the lack of movement for more than one year.

	Allowance for Inventories
On 1 January 2018	**557,827**
Additions	11,665
Used during the year	-
Exchange rate differences	-
On 31 December 2018	**569,492**
Additions	89,017
Used during the year	(4,670)
On 31 December 2019	**653,840**

14. TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
Trade receivables - third parties	13,633,389	20,412,016
Trade receivables with affiliated entities	34,644,196	34,631,520
Allowance for trade receivables – third parties	(1,195,931)	(1,749,281)
Allowance for trade receivables – affiliated entities	(29,862,452)	(29,848,276)
Total trade receivables, net	**17,219,203**	**23,445,979**
Other receivables – third parties	1,166,108	939,808
Other receivables with the affiliated entities	248,288	248,289
Other receivables with state budget	122,886	369,491
Value adjustments for other receivables – third parties	(428,425)	(428,300)
Value adjustments for other receivables – affiliated entities	(235,648)	(235,648)
Total other receivables, net	**873,208**	**893,641**
Total receivables, net	**18,092,411**	**24,339,619**

In 2019, respectively in 2018, Oilfield Exploration Business Solutions S.A. receivable was adjusted to the level expressed in the Comfort Letter obtained from the majority shareholder KazMunayGas International NV, respectively RON 4,770,000.

Trade receivables are usually collected within 30 to 90 days.

14. TRADE AND OTHER RECEIVABLES (continued)

In the table below, there are detailed the movements within the provision for the impairment of trade and other receivables

	Individually impaired	Collectively impaired	Total
On 1 January 2018	**33,227,749**	**1,214,136**	**34,441,885**
Application of IFRS 9	27,456	312,937	340,393
Transfer between category	-	-	-
Charge for the year	184,556	-	184,556
Unused amounts, reversed	(8,729)	(1,961)	(10,690)
Amounts written-off	(2,657,550)	-	(2,657,550)
Exchange rate differences	-	(37,089)	(37,089)
On 31 December 2018	**30,773,482**	**1,488,023**	**32,261,505**
Transfer between category	-	-	-
Charge for the year	53,485	45,336	98,820
Unused amounts, reversed	(24,177)	(247,019)	(271,196)
Amounts written-off	-	(400,672)	(400,672)
Exchange rate differences	-	33,999	33,999
On 31 December 2019	**30,802,789**	**919,667**	**31,722,456**

The impairment loss for financial assets evaluated at amortized cost are calculated based on three stage model, using swap for credit risk, internal or external ratings of counterparties and corresponding probability of default. For some trade receivables, the impairment losses are estimated based on simplified approach, recognizing anticipated losses for their entire lifetime.

Impairment losses, calculated and recognized, based on the new model required by IFRS 9 for Company's trade receivables, is presented as follows:

		Total trade receivables						
At 31 December 2019	**Current**	**< 30 days**	**31 – 60 days**	**61 - 90 days**	**91 - 180 days**	**181 - 360 days**	**> 360 days**	**Total**
Expected credit loss rate (%)	*2.81%*	*5.81%*	*58.71%*	*57.36%*	*63.06%*	*90.00%*	*100%*	-
Estimated total gross carrying amount at default	11,090,378	1,184,048	55,479	49,833	238,434	7,627	35,651,787	48,277,586
Expected credit loss	(63,416)	(21,510)	(33,201)	(28,586)	(22,820)	(7,616)	(30,881,234)	(31,058,383)

		Total trade receivables						
At 31 December 2018	**Current**	**< 30 days**	**31 – 60 days**	**61 - 90 days**	**91 - 180 days**	**181- 360 days**	**> 360 days**	**Total**
Expected credit loss rate (%)	*3.51%*	*7.03%*	*72.91%*	*71.07%*	*78.71%*	*90.00%*	*100%*	
Estimated total gross carrying amount at default	14,132,642	4,041,065	155,947	150,975	526,499	38,029	35,998,379	55,043,536
Expected cred t loss	(192,405)	(48,296)	(72,869)	(13,685)	(7,786)	(35,402)	(31,227,114)	(31,597,557)

15. OTHER CURRENT ASSETS

	31 December 2019	31 December 2018
Advance expenses for car insurances	70,031	121,670
Advance expenses for rovigneta	112,925	105,125
Advance expenses for business insurance	351,378	-
Advance expenses for authorisations, transportation licenses, subscriptions, others	206,649	93,229
Other current assets TOTAL	**740,984**	**320,024**

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.

16. CASH AND DEPOSITS

	31 December 2019	31 December 2018
Bank accounts in RON	13,324	1,645
Bank accounts in foreign currency	12,323	35,820
Short term deposits in RON	118,322	124,898
Short term deposits in foreign currency	-	59,365
Collateral accounts for letters of guarantee with maturity under 3 months	2,047,562	1,855,756
Specific accounts regarding performance guarantees and other guarantees	-	32,574
Petty cash in RON	5,905	4,286
Petty cash in foreign currency	13,588	3,783
Total cash and short term deposits	**2,211,024**	**2,118,126**

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 are detailed in note 23.

In note 22 it is presented the details regarding the company's participation for the year 2019 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 31 December 2019 was of RON 95,622,250 (2018: RON 50,967,016), being ready to use without restriction, depending on the necessity.

16. CASH AND DEPOSITS (continued)

16.1 COLLATERAL CASH FOR GUARANTEE LETTERS

The detail of the collateral deposits as at 31 December 2019 for the Letters of Bank Guarantee with maturity between 3 and 12 months is enclosed in the table below:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0575359	OMV PETROM S.A.	RON	228,670	21-Apr-20	RON	228,670
16201	S.N.G.N. ROMGAZ S.A.	RON	3,105,742	7-Jul-20	RON	3,105,742
LG/00888-02-0618633	OMV PETROM S.A.	RON	134,887	2-Oct-20	RON	134,887
LG/00888-02-0513817	OMV PETROM S.A.	RON	885,098	10-Nov-20	RON	885,098
LG/00888-02-0594034	OMV PETROM S.A.	RON	995,735	16-Jul-20	RON	995,735
Total collateral deposits						5,350,132

The collateral deposits as at 31 December 2018 had the following components:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0489906	OMV PETROM S.A.	RON	178,000	14-Aug-19	RON	178,000
LG/00888-02-0513817	OMV PETROM S.A.	RON	299,113	5-Nov-19	RON	299,113
16201	S.N.G.N. ROMGAZ S.A.	RON	2,063,991	21-Dec-19	RON	2,063,991
Total collateral deposits						2,541,104

17. SHARE CAPITAL

17.1. 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 20 June 2008, to increase the share capital of the company by the amount of RON 13,909,545, from RON 13,909,545 up to RON 27,819,090, through issuing, for free, of a number of 139,095,450 new shares with a nominal value of 0.10 RON / 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 signaled through the repetition of the transacting of the shares, after the increase of the share capital, on September 18th 2008, without undergoing modifications until 31 December 2019.

	31 December 2019	31 December 2018
	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 31 December 2019.

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

17.2. 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 RON 166,002,389, from own capitals, i.e. "adjustment of share capital". The effect of this decision for the structure of share capital on December 31st, 2019, as well as on December 31st, 2018 and is presented in the table below:

	31 December 2019	31 December 2018
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

18. PROVISIONS

	Other Provisions for risks and expenses (long term)
On 1 January 2018	**229,429**
Constituted	83,148
Used during the year	-
Reclassified	(170,188)
On 31 December 2018	**142,389**
Constituted	-
Used during the year	(142,389)
Reclassified	-
On 31 December 2019	**-**

Other provision for risks and expenses in the amount of RON 142,389 was intended to cover the estimated costs of operational and legal dismantling of the Kazakhstan branch. The provision was used for setting the expenditures generated by the completion of the branch's liquidation process in May 2019.

19. LEASES

19.1 The right-of-use assets

The statement of the identified assets recognised on 1 January 2019 by the adoption of IFRS 16 is presented in tha table below:

Cost or evaluation	Technical equipment and machinery and other tangible assets
On 1 January 2019	**888,253**
Additions	
Remeasurement	(87,278)
Transfers	-
On 31 December 2019	**800,974**
Depreciation and impairment	
On 1 January 2019	**-**
Depreciation charge for the year	205,913
Transfers	-
On 31 December 2019	**205,913**
Net accounting value	
On 31 December 2019	**595,061**
On 1 January 2019	**888,253**

19. LEASES (continued)

19.2 Lease liability

The accounting value of the lease liability and the movements recorded in this category during financial year 2019:

	2019
At 1 January	**898,084**
Additions during the period	-
Remeasurement of lease contract	(87,278)
Interest associated to lease liability	23,171
Principal payments	(229,542)
Exchange rate difference for liability	19,209
Balance at 31 December	**623,644**

The following expenses represent amounts recognised in profit and loss account in connection to lease contracts:

	2019
Depreciation expense of right of use assets	205,913
Interest expense on lease liability	23,171
Expense relating to short-term leases	43,415
Expense relating to leases of low-value assets	22,340
Variable lease payments	7,269
Total amounts recognised in profit or loss account	**302,108**

20. OTHER POST EMPLOYMENT BENEFITS

	2019	2018
Balance at 1 January	**1,288,636**	**864,721**
Included in profit or loss		
Interest expense	21,631	6,485
Service Cost	67,820	379,932
Included in other comprehensive income		
Actuarial loss/gain	(531,885)	37,497
Balance at 31 December	**846,202**	**1,288,636**

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 RON 846,202 has been determined in 2019, 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 the sense of the increase by RON 442,434.

20. OTHER POST EMPLOYMENT BENEFITS (continued)

Below are the assumptions used for the actuarial computation of post employments benefits provision

	31 December 2019	31 December 2018
Rate of personnel exits, estimated up to the retirement date	36.39%	10.67%
The turnover of the personnel in one year	11.59%	9.70%
The mortality rate for the current year	1.19%	1.18%
The contribution of the company to the gross salary	3.00%	3.00%
The inflation rate of the salary	2.97%	2.78%
The nominal discounting rate (the interest rate for governmental bonds)	4.65%	3.53%
The real discounting rate	1.68%	0.75%

At the end of 2019, the rate of personnel exits registered an unfavorable evolution compared to the previous year, in the sense of the increase of about 28%, which confirms the accentuation of one of the problems faced by most of the Romanian companies in recent years - the fluctuation of the workforce.

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

Assumptions for pension plan:	31 December 2019	31 December 2018
Rate of personnel exits, estimated up to the retirement date		
10% increase	(245,138)	(272,363)
10% decrease	286,982	304,660
Future salary increases		
10% increase	84,620	128,864
10% decrease	(84,620)	(128,864)
Life expectancy of male pensioners		
Increase by 1 year	(20,926)	(53,382)
Decrease by 1 year	19,074	57,002
Life expectancy of female pensioners		
Increase by 1 year	(5,059)	(13,832)
Decrease by 1 year	5,619	14,863
The contribution of the company to the gross salary		
1% increase	8,216	12,511
1% decrease	(8,216)	(12,511)
The nominal discounting rate (the interest rate for governmental bonds)		
1% increase	(95,605)	(120,993)
1% decrease	114,348	138,163

20. OTHER POST EMPLOYMENT BENEFITS (continued)

TRADE PAYABLES AND SIMILAR LIABILITIES (CURRENT)

	31 December 2019	31 December 2018
Trade payables - third parties	6,978,199	3,349,277
Trade payables with affiliated entities	1,532,882	2,934,172
Advance payments and deferred income	30,073	-
Salaries	1,435,973	1,347,474
Dividends to be paid	1,769,268	2,561,890
Taxes	815,511	287,530
Other liabilities	-	144,542
Total	12,561,906	10,624,887

The increase registered in the category of trade payables at the end of the financial year 2019 compared to the previous year is determined both by the timing of the acquisitions made by the Company, at the end of the year, in order to ensure the optimum level of working capital, as well as the necessity and the opportunity to carry out expenses for the modernization and refurbishment of the production equipment.

21. PRESENTATION OF THE AFFILIATED PARTIES

The following tables present information on transactions with companies under common control of KazMunayGas Group as of 31 December 2019.

Name of the company	Transaction type	Country of origin	The nature of relationship
KazMunayGas International NV	Payments of dividends	Holland	Parent Company
Rompetrol Rafinare S.A.	Loans granted, ITP services	Romania	Company's subsidiary, where Rompetrol Well Services has 0.05%
Rompetrol Logistics S.R.L.	Rental services, ITP services, reinvolcement security services	Romania	Company's subsidiary, where Rompetrol Well Services has 6.98%
Oilfield Exploration Business Solutions S.A.	Render of services, rental of premises, ITP services	Romania	Company member of KMG International Group
Rompetrol Downstream S.R.L.	Procurement of fuel, GPS services, procurement of rovignete	Romania	Company member of KMG International Group
KMG Rompetrol S.R.L.	Management and IT services, cash pooling services, rental of premises	Romania	Company member of KMG International Group
Rominserv S.R.L.	M.sce'aneuos repairs services	Romania	Company member of KMG International Group
Rompetrol Drilling S.R.L.	Rental of premises	Romania	Company's subsidiary, where Rompetrol Well Services has 1%
KMG Rompetrol Services Center SRL	Services for procurement, legal, employees, translations and IT	Romania	Company member of KMG International Group
Global Security Sistem SA	Security services	Romania	Associate of KMG International Group

21. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Loan contracts with Rompetrol Rafinare S.A.	Principal	Interest	Total
On 31 December 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
On 31 December 2019	-	-	-

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 was applied an interest at the level of ROBOR 3M + 3%.

In May 2019, the Company has collected the amount of RON 34,300,000, representing the consideration of the loans granted to Rompetrol Rafinare SA under the contracts 1CI/09-Sept-2008, 2CI/14-Oct-2008, 3CI/03-Nov-2008, CI/28-Apr-2010, respectively the amount of RON 798,863, representing the consideration of the interest computed until the repayment date.

Income revenues from loans granted to Rompetrol Rafinare S.A. were in the amount of RON 798,863 for the financial year 2019 (2018: RON 2,002,320).

Receivables

	31 December 2019	31 December 2018
KMG Rompetrol SRL	96,014,880	50,974,806
Oilfield Exploration Business Solutions S.A.	4,770,000	4,770,000
Romperol Logistics S.R.L.	18,964	16,675
KMG Rompetrol Services Center SRL	728	1,419
Total	100,804,572	55,762,900

**) On 31 December 2019, respectively 31 December 2018 Oilfield Exploration Business Solutions SA receivables represents the recoverable amount (see note 14).*

Liabilities

	31 December 2019	31 December 2018
KMG Rompetrol SRL	928,356	1,912,552
Rompetrol Downstream S.R.L.	316,942	472,273
KMG Rompetrol Services Center SRL	285,066	539,414
Rompetrol Logistics S.R.L.	1,417	6,051
Global Security Sistem SA	1,100	3,882
Total	1,532,882	2,934,172

21. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Sales

	2019	2018
KMG Rompetrol SRL	3,640,034	1,927,788
Rompetrol Rafinare S.A.	799,250	2,002,474
Rompetrol Logistics S.R.L.	186,517	167,843
Oilfield Exploration Business Solutions S.A.	8,941	16,757
KMG Rompetrol Services Center SRL	7,396	7,261
Rompetrol Drilling S.R.L.	348	2,117
Total	**4,642,486**	**4,124,040**

Acquisition of goods and services

	2019	2018
Rompetrol Downstream S.R.L.	4,847,412	5,237,596
KMG Rompetrol SRL	2,202,366	2,419,923
KMG Rompetrol Services Center SRL	1,850,248	1,606,665
Global Security Sistem SA	18,223	18,105
Rominserv SRL	6,215	-
Total	**8,924,464**	**9,282,289**

Starting with 2014, it was implemented an optimization 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 optimization 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 is reflected in the statement of financial position in the line "Availabilities in cash pooling system". During the reporting period, the average balance of master account was RON 78,529,050, generating interest in amount of RON 3,640.034. The value of these receivables as of 31 December 2019 was of RON 96,010,188.

21. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Description	Validity term	Contract Date	Maturity Date	Interest rate	Currency	Principal	Interest receivable as of 31 December 2019	Balance existing as of 31 December 2019
Cash Optimization System implementation of The KMG Rompetrol Group companies (cash pooling)	12 months, with automatically extension	15-Sep-14	15-Sep-20	Based on ROBOR OVERNIGHT	RON	Depending on the working capital needs	387,938	95,622,250
Total							387,938	95,622,250

On 17 October 2019, KMG International NV issued a deed guarantee in favor of the Company for an amount up to 30 million USD, in connection with the current cash pooling contract.

22. COMMITMENTS AND CONTINGECIES

During the year 2019, the Company has concluded a leasing contract which gives it the right to use a certain number of vehicles, for a period of 4 years from the start of the contract. The Company may exercise the option of extending the initial duration, according to the contractual clauses.

The IFRS 16 standard establishes the moment of the initial recognition of an right-of-use asset concurrently with a debt arising from the lease agreements at the beginning of the roll-out, that is, the date on which a lessor makes available to the lessee, for use, the underlying asset. Due to the fact that the date of making available to the Company the vehicles that are the object of the contract occurs during the financial year 2020, the Company did not recognized the asset and debt arising from the mentioned contract.

22. COMMITMENTS AND CONTINGECIES (continued)

The present value of the future payments related to the contractual obligation, as of December 31, is presented as follows:

Payment term	2019
Within 1 year	141,553
Between 1 and 5 years	447,565
Over 5 years	-
Total	589,118

Guarantees to third parties

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.

The detail of the collateral accounts on 31 December 2019 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/00888-02-0549334	OMV PETROM S.A.	RON	25,000	15-Mar-20	RON	25,000
LG/00888-02-0531799	OMV PETROM S.A.	EUR	191,172	28-Feb-20	EUR	191,172
LG/00888-02-0542082	OMV PETROM S.A.	RON	1,378,540	18-Feb-20	RON	1,378,540
LG/00888-02-0433226	S.N.G N. ROMGAZ S.A.	RON	154,000	15-Feb-20	RON	154,000
LG00888-02-0569981	CROSCO LTD	EUR	298,850	3-Feb-20	EUR	298,850
Total short term collateral deposits						2,047,562

The collateral accounts on 31 December 2018 had the following components:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0130320	OMV PETROM S.A.	EUR	932,780	28-Feb-19	EUR	932,780
LG/00888-02-0443670	OMV PETROM S.A.	USD	767,038	28-Feb-19	USD	767,038
2	SIRCOSS MEDIAS S.A.	RON	6,511	15-Mar-19	RON	6,511
Total short term collateral deposits						1,706,329

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 RON 9,539,048 has been entered in the Electronic Archive for Security Interests in Movable Property.

On July 2, 2019, the subcontractor, as a Provider for acidizing, hot oil pumping and nitrogen services, proceeded to establish a guarantee of good execution in favor of the Company, up to the value of RON 262,794.

22. COMMITMENTS AND CONTINGECIES (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.

23. 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 22 (Availabilities in cash pooling system), the income from interest varies, depending on OVERNIGHT ROBOR.

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 31 December 2019 would increase / decrease with RON 789,958 (2018: increase / decrease with RON 343,000).

Risk of the exchange rate variations

Most of the transactions of the company are in RON. 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 impact in the Company's financial position.

Foreign currency sensitivity

The following tables demonstrate the sensitivity towards a possible reasonable change (5%) of the exchange rate of the USD 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 2018				
Balance	127,282	51,964	68,276	7,042
Monetary assets	136,642	53,165	76,175	7,302
Monetary liabilities	(9,361)	(1,201)	(7,899)	(261)
31 December 2019				
Balance	(81,628)	(60,454)	(21,175)	-
Monetary assets	112,660	71,442	41,218	-
Monetary liabilities	(194,288)	(131,895)	(62,393)	-

23. 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 SA and S.N.G.N. Romgaz SA concentrating around 78% of the total turnover registered for the financial year 2019. The main contracts with S.C. OMV Petrom SA and S.N.G.N. Romgaz SA are valid until 31 December 2023, respectively 31 December 2020.

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 88% of the Company's debt will mature in less than one year at 31 December 2019 (2018: 84%) based on the carrying value reflected in the financial statements. The Company assessed the concentration of risk with respect to chargeability of its debt and concluded it to be low.

The table below 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	325,115	4,878,091	1,774,994	-	-	6,978,199
Trade payables with affiliated entities	397,794	1,135,088	-	-	-	1,532,882
Lease liabilities	-	39,965	156,443	427,236		623,644
Dividends to be paid	400,223	-	-	1,369,045	-	1,769,268
Other liabilities	-	-	-	-	-	-
Total year 2019	1,123,132	6,053,144	1,931,437	1,796,281	-	10,903,993

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	134,190	3,212,370	2,718	-	-	3,349,277
Trade payables with affiliated entities	547,654	2,386,518	-	-	-	2,934,172
Dividends to be paid	1,207,769	-	-	-	1,354,121	2,561,890
Other liabilities	-	84,038	-	-	60,505	144,542
Total year 2018	1,889,614	5,682,925	2,718	-	1,414,626	8,989,883

24. AUDIT EXPENSES

Contractual costs for audit and consultancy services with the financial auditor for financial year ended 31 December 2019 were in amount of RON 88,614, equivalent of EUR 19,000.

All paid fees refer to auditing services on individual financial statements prepared by the Company in accordance with Order of Minister of Public Finance no. 2844/2016.

25. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

At the beginning of 2020, the Company signed a financial leasing contract with Unicredit Leasing which acquires the right to use two production equipment (cementing equipments). The two equipment that are the object of the financing contract have a value of EUR 2,680,000, and the value financed, in the amount of EUR 2,412,000, is to be reimbursed in monthly installments for a period of 5 years, starting from the date of delivery of the goods. The contract expressly provides for the transfer of the ownership right over the goods that are the object of the lease to the Company at the time of expiry of the contract through the option of purchase at the level of their residual value (1% of the contract value).

Letter of bank guarantee with number LG/ 00888-02-0647861 having as beneficiary OMV Petrom SA, in amount of EUR 150,000, was issued on January 20, 2020 with maturity date January 20, 2021.

Letter of bank guarantee with number LG/ 00888-02-0647852 having as beneficiary OMV Petrom SA, in amount of EUR 120,000, was issued on January 20, 2020 with maturity date January 20, 2021.

Letter of bank guarantee with number LG/ 00888-02-0647843 having as beneficiary OMV Petrom SA, in amount of EUR 65,000, was issued on January 20, 2020 with maturity date January 20, 2021.

Letter of bank guarantee with number LG/ 00888-02-0652907 having as beneficiary OMV Petrom SA, in amount of RON 654,266, was issued on February 7, 2020 with maturity date January 22, 2021.

Letter of bank guarantee with number 26528 having as beneficiary SNGN Romgaz SA, in amount of RON 12,064, was issued on February 12, 2020 with maturity date March 17, 2021.

The Covid-19 epidemic crisis has affected the economy both globally and nationally. The measures to limit the spread of the virus have directly impacted the international markets, including a drop in the oil price, with possible negative impact including on the upstream market in Romania.

In the short term, the Company's activity may experience a decrease in orders for the provision of well services. In the medium and long term, taking into account similar episodes of sharp drops in oil prices recorded in the past, we expect that the Romanian market will return to normal conditions.

The General Ordinary Meeting of the Shareholders shall decide on 27 April 2020 the distribution on destinations of the 2019 net profit, the proposal of the Board of Director being to distribute gross dividends in amount of RON 8,345,727, respectively 0.03 RON/share.

The Financial Statements from page 1 to page 51 were approved by the Board of Directors in 20 March 2020 and are signed in his name by:

Administrator,

ZHETPISBAYEV Timur

Signature
Company stamp

SOCIETATEA COMERCIALA ROMPETROL WELL SERVICES S.A. PLOIESTI

Prepared by,

MOISE Luiza-Roxana
Finance Manager

Signature

Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 21st Floor
15-17 Ion Mihalache Blvd., District 1
011171 Bucharest, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

Building a better working world

RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

Catre actionarii ROMPETROL WELL SERVICES S.A.
To the Shareholders of ROMPETROL WELL SERVICES S.A

Raport asupra auditului situatiilor financiare
Report on the Audit of the Financial Statements

Opinia
Opinion

Am auditat situatiile financiare ale societatii Rompetrol Well Services S.A. („Societatea") cu sediul social in Ploiesti, strada Clopotei, Nr. 2 bis, identificata prin codul unic de inregistrare fiscala RO1346607, care cuprind situatia pozitiei financiare la data de 31 decembrie 2019, situatia rezultatului global, situatia modificarilor capitalului propriu si situatia fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative.
We have audited the financial statements of Rompetrol Well Services S.A. (the Company) with official head office in Ploiesti, Clopotei Street, No. 2 bis, identified by sole fiscal registration number RO1346607, which comprise the statement of financial position as at December 31, 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2019, cat si a performantei financiare si a fluxurilor de trezorerie ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA), Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului din 16 aprilie 2014 („Regulamentul (UE) nr. 537/2014") si Legii nr. 162 /2017 („Legea 162/2017"). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru.

Suntem independenti fata de Societate conform Codului International de etica al profesionistilor contabili (inclusiv standardele internationale de independenta) emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA),conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania, inclusiv Regulamentul (UE) nr. 537/2014 si Legea 162/2017, si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu, in situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

Building a better working world

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Aspecte cheie de audit
Key audit matters

Aspectele cheie de audit sunt acele aspecte care, in baza rationamentului nostru profesional, au avut cea mai mare importanta pentru auditul situatiilor financiare din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare in ansamblu, si in formarea opiniei noastre asupra acestora, si nu emitem o opinie separata cu privire la aceste aspecte cheie.
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Pentru fiecare aspect de mai jos, am prezentat in acel context o descriere a modului in care auditul nostru a abordat respectivul aspect.
For each matter below, our description of how our audit addressed the matter is provided in that context.

Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare anexate.
We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or

Aspecte cheie de audit	Proceduri efectuate de noi pentru abordarea respectivelor aspecte
Evaluarea la valoarea justa a investiţiilor in instrumente de capital	
Investiţiile Societăţii in instrumente de capital sunt prezentate ca imobilizări financiare in bilanţ, având o valoare justa de 9.639 mii lei la 31 decembrie 2019. Am considerat aspect ca fiind semnificativ pentru procesul de audit date fiind magnitudinea sumelor implicate, complexitatea procesului si necesitatea utilizării unor raţionamente semnificative din partea conducerii in procesul de stabilire a valorii juste a investiţiilor financiare in instrumente de capital ce nu sunt tranzacţionate pe o piaţa activa. Societatea deţine participaţii sub 10% in Rompetrol Rafinare SA (societate listata) si Rompetrol Logistics SRL (societatea necotata). Ambele investiţii sunt evaluate la valoarea justa prin alte elemente ale rezultatului global. Valoarea justa a investiţiei in Rompetrol Rafinare SA a fost determinata pe baza cotaţiei de pe o piaţa activa. Investiţia in Rompetrol Logistics SRL este evaluata la valoarea justa si este clasificata ca fiind de nivel 3, pentru care nu are disponibile cotaţii pe o piaţa activa si valoarea este determinata prin tehnici de evaluare ce utilizează, in general, informaţii neobservabile. Tehnicile interne de evaluare utilizate pot fi subiective, implicând multiple ipoteze si estimări complexe. La 31 decembrie 2019, Societatea schimba metoda de evaluare a investitiei in Rompetrol Logistics SRL, comparativ cu anul precedent, ca urmare a informatiilor noi disponibile. Astfel, informatiile incluse in situatiile financiare sunt mai credibile si mai relevante pentru nevoile utilizatorilor si pentru procesul decizional. Ca urmare a acestor elemente, am considerat evaluarea la valoarea justa a investiţiilor in instrumente de capital ca fiind un aspect cheie de audit. Concluziile Societatii cu privire la imobilizările financiare sunt incluse in Nota 1.3 (Raţionamente profesionale semnificative, Estimari si Ipoteze) si Nota 11 (Imobilizari financiare) din situatiile financiare.	Am evaluat analiza efectuata de catre conducere cu privire la valoarea justa a investitiei financiare netranzacţionata pe o piaţa activa având o valoare justa de 8.540 mii lei la 31 decembrie 2019. Specific, procedurile noastre de audit au inclus, printre altele: • Am analizat estimările cheie ce au fost folosite in estimarea fluxurilor viitoare de trezorerie, prin analiza consecventei acestora cu condiţiile specifice industriei, cu informaţiile relevante din piaţa si cu planurile de activitate folosite; • Am analizat daca modelul de evaluare utilizat include totii factorii ce ar putea influenta valoarea justa a investitiei la data raportarii; • Am implicat specialistii nostri in evaluari pentru a ne oferi suport in analiza anumitor ipoteze folosite (ex. rata de actualizare, coeficient de ajustare pentru lipsa de vandabilitate, coeficient de ajustare pentru pachete minoritare de actiuni) si a tehnicilor de modelare folosite pentru evaluarea investitiei; • Am testat acuratetea matematica a modelului folosit la stabilirea valorii juste a investitiei si conformitatea acestuia cu cerintele Standardelor Internationale de Raportare Financiara De asemenea, am analizat suficienta prezentarii informatiilor aferente evaluarii investitiilor financiare.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or

Key Audit Matter	How our audit addressed the key audit matter
Fair value measurement of investments in equity instruments	
Investments in equity instruments are presented under financial assets having a fair value of RON 9,639 thousand as at 31 December 2019. We considered this matter to be significant in the audit of the current year due to the magnitude of the amounts involved and complex and subjective judgments of Company's management over the determination of the fair value of financial assets not quoted in an active market. The Company has participations below 10% in Rompetrol Rafinare SA (a listed entity) and Rompetrol Logistics SRL (a non-listed entity). Both investments are measured at the fair value through other comprehensive income. The fair value of investment held in Rompetrol Rafinare SA was measured based on quoted prices in active markets. The investment in Rompetrol Logistic SRL is carried at fair value and is represented by Level 3 hierarchy for which quoted prices in an active market are unavailable and whose value is determined by internal valuation techniques that generally use non-observable data. Applied internal valuation techniques can be subjective in nature, involve various complex assumptions and estimates. As of 31 December 2019, the Company changes the valuation techniques applied for the assessment of investment held in Rompetrol Logistic SRL as compared to previous year due to new information available that provides more reliable and more relevant information included in the financial statements for user's needs and for decision making purposes. For these reasons, we have considered this as a key audit matter. The Company's disclosures about financial instruments (assets) are included in Note 1.3 (Judgements, Estimates and Assumptions) and Note 11 (Financial Investments) to the financial statements.	We evaluated the management's assessment of the fair value of financial assets not quoted in an active market having a fair value of RON 8,540 thousand as of 31 December 2019. Specifically, our work included, but was not limited to the following procedures: • We analyzed the key assumptions used for the future discounted cash flows, by analyzing their consistency with the industry-specific economic environment, relevant available market information and the business plans used; • We evaluated if the valuation assessment included all factors that influence the investment at the end of the reporting period; • We involved our valuation specialists to assist us in evaluating specific assumptions applied (i.e. the discount rate, marketability discount, minority discount) and modelling techniques used by the Company for the valuation assessment of the financial asset; • We checked the mathematical accuracy of management's discounted cash flow model for determining the fair value less cost of disposal and its conformity with the requirements of the International Financial Reporting Standards; Furthermore, we assessed the adequacy of the Company's disclosures about Valuation of financial instruments (assets).

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole, in all matters of interpretations of information, views or

Aspecte cheie de audit	Proceduri efectuate de noi pentru abordarea respectivelor aspecte
Recuperabilitatea valorii contabile a imobilizărilor corporale	
Imobilizarile corporale sunt semnificative pentru procesul de audit datorita valorii nete contabile de 27.600 mii lei la 31 decembrie 2019. In anii precedenți, industria serviciilor petroliere a fost puternic afectata de reducerea investițiilor in industria de petrol si gaze (upstream) ca urmare a declinului prelungit al preturilor petrolului inceput in a doua parte a anului 2014. Aceste aspecte au avut un impact semnificativ asupra imobilizărilor corporale ale Societății, impact reflectat in pierderile din depreciere inregistrate in anii anteriori. În conformitate cu Standardele Internaționale de Raportare Financiară, o Societate trebuie să determine dacă exista indicii pentru deprecierea activelor sau pentru reluarea unei pierderi de depreciere recunoscute anterior. Evaluarea existentei unui indiciu de depreciere a unui activ sau ca o pierdere din depreciere poate fi reluata, necesita o judecată semnificativa, deoarece implica luarea in considerare a diferitelor surse de informații, inclusiv factorii legați de mediul economic și de factorii specifici industriei. La 31 decembrie 2019, conducerea a realizat o analiza a indicatorilor de depreciere si o evaluare a deprecierii imobilizărilor corporale ale Societății, concluzionând ca nu este necesara inregistrarea unei ajustări de depreciere. Procesul de evaluare a deprecierii este complex, necesita judecati semnificative din partea conducerii si se bazeaza pe ipoteze care sunt influentate de conditiile viitoare de piata preconizate. Ca urmare a acestui fapt, recuperabilitatea valorii contabile a imobilizărilor corporale a fost considerata un aspect cheie de audit. Societatea a prezentat concluziile analizei de recuperabilitate a valorii contabile a imobilizarilor corporale in Nota 1.3 (Rationamente profesionale semnificative, Estimari si Ipoteze) si Nota 8 (Imobilizari corporale) din situatiile financiare.	Am evaluat analiza efectuata de catre conducere cu privire la indicatorii de depreciere si a deprecierii imobilizarilor corporale la 31 decembrie 2019. Specific, procedurile noastre de audit au inclus, printre altele: • Am analizat estimările cheie ce au fost folosite in estimarea fluxurilor viitoare de trezorerie, prin analiza consecventei acestora cu condițiile specifice industriei, cu informațiile relevante din piața si cu planul de activitate al Societății, cat si analiza senzitivității sumelor recuperabile la schimbarile in estimarile semnificative; • am evaluat daca modelul analizei de depreciere folosit include toate imobilizarile corporale pentru care exista indicatori de depreciere la data raportarii; • am analizat acuratetea procesului de bugetare al managementului, comparând bugetele si proiectiile trecute cu rezultatele efective din anii precedenti; • am implicat specialistii nostri in evaluari pentru a ne oferi suport in analiza ratei de actualizare folosite si a metodologiei / modelului folosit de Societate in analiza de depreciere a imobilizărilor corporale; • am testat acuratetea matematica a modelului folosit in analiza de depreciere a imobilizarilor corporale si conformitatea acestuia cu cerintele Standardelor Internationale de Raportare Financiar. De asemenea, am analizat suficienta prezentarii informatiilor aferente testelor de depreciere in ceea ce priveste imobilizarile corporale.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu, in situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole, in all matters of interpretations of information, views or

Key Audit Matter	How our audit addressed the key audit matter
Assessment of impairment	
Property, plant and equipment are significant to our audit because of the magnitude of the balance sheet position, having a net book value of RON 27,600 thousand as at 31 December 2019. In the previous years, the oilfield services industry has been significantly affected by the reduction of investments in upstream oil & gas that followed the extended decline in oil and gas prices started in the second half of 2014. These aspects had a significant effect on the Company's tangible assets as reflected by the impairment adjustments recorded in the previous years. Under the International Financial Reporting Standards, an entity is required to assess whether triggers for potential additional impairment or reversal of impairment previously recorded exist. The assessment of whether there is an indication that an asset may be impaired or an impairment may be reversed requires significant judgement, as it involves consideration of various sources of information, including factors related to the economic environment and industry specific factors. As at 31 December 2019, a triggering events analysis and an impairment assessment were performed in respect of the Company's property, plant and equipment which resulted in no further impairment adjustment. The impairment assessment process is complex, requires significant management judgments and is based on assumptions that are affected by expected future market conditions. Therefore, we have considered this as a key audit matter. The Company's disclosures about property, plant and equipment analysis are included in Note 1.3 (Judgements, Estimates and Assumptions) and Note 8 (Property, Plant and Equipment) to the financial statements.	We evaluated the management's assessment of the triggers for potential impairment as well as the related impairment test performed. Specifically, our audit work included, but was not limited to the following procedures: • We analyzed the key assumptions used for the future cash flows, by analyzing their consistency with the industry-specific economic environment, relevant available market information and the business plans of the Company, as well as the sensitivity analysis of the recoverable amounts to changes in the significant assumptions; • We evaluated if the impairment assessment included all assets for which impairment indicators existed at the end of the reporting period; • We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year; • We involved our valuation specialists to assist us in evaluating the discount rate applied and methodologies / models used by the Company for the impairment assessment of property, plant and equipment; • We checked the mathematical accuracy of management's cash flow model for determining the value-in-use and its conformity with the requirements of the International Financial Reporting Standards; Furthermore, we assessed the adequacy of the Company's disclosures about impairment testing of property, plant and equipment.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu, si situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or

Building a better working world

Alte informatii
Other information

Alte informatii includ Raportul administratorilor, dar nu includ situatiile financiare si raportul nostru de audit cu privire la acestea. Conducerea este responsabila pentru alte informatii.
The other information comprises the Administrators' Report, but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Opinia noastra de audit asupra situatiilor financiare nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.
Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In legatura cu auditul efectuat de noi asupra situatiilor financiare, responsabilitatea noastra este de a citi aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsabilitatea conducerii si a persoanelor responsabile cu guvernanta pentru situatiile financiare
Responsibilities of Management and Those Charged with Governance for the Financial Statements

Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare in conformitate cu Ordinul Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

La intocmirea situatiilor financiare, conducerea este responsabila sa evalueze abilitatea Societatii de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze Societatea sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu, in situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or

Building a better working world

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a Societatii.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsabilitatile auditorului pentru auditul situatiilor financiare
Auditor's Responsibilities for the Audit of the Financial Statements

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare.
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Societatii.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu, in situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole, in all matters of interpretations of information, views or

Building a better working world

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii, si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoieli semnificative privind capacitatea Societatii de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare sau, in cazul in care aceste prezentari sunt neadecvate, sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Societatea sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluam prezentarea, structura si continutul general al situatiilor financiare, inclusiv al prezentarilor de informatii, si masura in care situatiile financiare reflecta tranzactiile si evenimentele de baza intr-o maniera care realizeaza prezentarea fidela.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatarile semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam pe parcursul auditului nostru.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, masurile de siguranta aferente.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or

Building a better working world

Raport cu privire la alte cerinte legale si de reglementare
Report on Other Legal and Regulatory Requirements

Raportare asupra unor informatii, altele decat situatiile financiare si raportul nostru de audit asupra acestora
Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

Pe langa responsabilitatile noastre de raportare conform standardelor ISA si descrise in sectiunea „Alte informatii", referitor la Raportul administratorilor, noi am citit Raportul administratorilor si raportam urmatoarele:

a) in Raportul administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare la data de 31 decembrie 2019, atasate;
b) Raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare, Anexa 1, punctele 15-19;
c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare intocmite la data de 31 decembrie 2019 cu privire la Societate si la mediul acesteia, nu am identificat informatii eronate semnificative prezentate in Raportul administratorilor.

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Administrators' Report, we have read the Administrators' Report and report that:

a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2019;
b) the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 - 19;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2019, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

Alte cerinte privind cuprinsul raportului de audit conform Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului
Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Numirea si aprobarea auditorului
Appointment and Approval of Auditor

Am fost numiti auditori ai Societatii de catre Adunarea Generala a Actionarilor la data de 24 aprilie 2019 pentru a audita situatiile financiare ale exercitiului financiar incheiat la 31 decembrie 2019. Durata totala de misiune continua, inclusiv reinnoirile (prelungirea perioadei pentru care am fost numiti initial) si renumirile anterioare drept auditori a fost de 1 an, acoperind exercitiul financiar incheiat la 31 decembrie 2019.

We were appointed as auditors of the Company by the General Meeting of Shareholders on 24 April 2019 to audit the financial statements for the financial year end December 31, 2019. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year, covering the financial period end till December 31, 2019.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu, in situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or

Building a better working world

Consecventa cu raportul suplimentar adresat Comitetului de Audit
Consistency with Additional Report to the Audit Committee

Opinia noastra de audit asupra situatiilor financiare exprimata in acest raport este in concordanta cu raportul suplimentar adresat Comitetului de Audit al Societatii, pe care l-am emis in data 19 martie 2020.
Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the 19 March 2020.

Servicii non-audit
Provision of Non-audit Services

Nu am furnizat Societatii servicii non-audit interzise mentionate la articolul 5 alineatul (1) din Regulamentul (UE) nr. 537/2014 al Parlamentului European si al Consiliului si ramanem independenti fata de Societate pe durata auditului.
Nu am furnizat Societatii alte servicii decat cele de audit statutar si cele prezentate in raportul anual si in situatiile financiare.
No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.
In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company.

In numele,
On behalf of,

Ernst & Young Assurance Services SRL
Bd. Ion Mihalache 15-17, etaj 21, Bucuresti, Romania
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Inregistrat in Registrul Public electronic cu nr. 77
Registered in the electronic Public Register under No. 77

Ernst & Young Assurance Services S.R.L.
24. MAR. 2020
Semnat pentru identificare

Nume Auditor / Partener Asociat: Carmen Spiridon
Name of the Auditor/ Associate Partner: Carmen Spiridon
Inregistrat in Registrul Public electronic cu nr. 4838
Registered in the electronic Public Register under No. 4838

Bucuresti, Romania
Bucharest, Romania
24 martie 2020
24 March 2020

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or