

**ANNUAL REPORT
OF THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR 2016**

drawn up according to the Law no. 297/2004 on the capital market and the National Securities Commission (C.N.V.M.) Regulation no. 1/2006 on issuers of securities and securities operations

**Commercial Company
ROMPETROL WELL SERVICES S.A.**

Head office:	Ploiești - Clopoței Street no. 2 bis
Phone:	0244/544321, 0244/544101
Fax:	0244/522913
Tax Identification Number:	RO 1346607
Unique Company Registration Number:	J29/110/05.03.1991
Trading market:	BUCHAREST STOCK EXCHANGE
Subscribed and paid-up share capital:	27,819,090 lei

The main characteristics of the securities issued by the company

No. of shares:	278,190,900
Nominal value (lei/share):	0.10 lei
Class and type of securities:	"A" nominative

1. The activity analysis of the Commercial Company "ROMPETROL WELL SERVICES" S.A.

The drastic drop of the oil prices, in 2015 - 2016, caused a significant decrease of the market demand for well services worldwide and strongly affected all Upstream Service Companies performance.

As a response to the deteriorating market fundamentals, the company has monitored all measures to redirect operational capacities in accordance with the continuous changing structure of demand, maintaining a competitive position in Romania and significantly reducing costs, while simultaneously reducing investments.

While during 2016 the financial indicators of the operational activity were considerably lower to those of last year, the implemented measures during current year have allowed the maintaining of a solid financial position and obtaining a financial profit from efficient management of cash and working capital.

The nonrecurring outstanding elements that have led to the recorded loss in 2016 are synthetically presented below:

- Effect of incurring of substantial restructuring costs of about 1,264 thou lei;
- Effect of increase of provisions in order to sustain the prudent policy of presenting the receivables. The analysis of the related transactions was done punctually, the additional value of 984 thou lei being related to two contracts;
- Effect of impairment in amount of 1,961 thou lei.

Specification	thou lei
Gross profit from operations	3,431
Depreciaton	6,970
Financial profit	1,927
Gross result (EBT) without the special nonrecurring elements	(1,612)
Effect of nonrecurring elements	(4,209)
Gross result (EBT)	(5,821)

1.1. a) The description of the commercial company main activity;

Benefiting of over 65 years of experience, ROMPETROL WELL SERVICES S.A. is a competitive, solid and reliable partner, offering a wide range of services in the field of petroleum upstream industry.

Object of activity of the company consists of: provision of services for oil and gas wells, rental of oil well tools and equipment and other services. The well services provided include cementing, stimulation, consolidation and sand control services, testing, slick-line, tubular running operations in oil and gas fields in Romania and abroad.

Annually, the company cements an average of 150 casing strings and liners, at depths between 500 m and 4,500 m, performs consolidation and sand control operations for oil and gas wells and performs slick-line and tubular running services for strings and liners -for all clients from Romania. For the optimization of the activities, the company also offers a rental service for its drilling tools.

The main activity of the company was actually affected by the global economic climate in the oil and gas industry, the determining factor being the drastic decrease in crude oil prices.

b) The specification of the incorporation date of the commercial company;

The Company Rompetrol Well Services S.A. was incorporated in 1951 and during the 66 years of activity, although it functioned under different structures and different denominations, the main profile was the provision of special well services in Romania.

By the Government Decision no. 1213 from November 1990, according to the Law no. 15/1990, the company was transformed into a joint stock company, under the denomination of S.C. PETROS S.A., under which it functioned until September 2001, when it changed the denomination in S.C. ROMPETROL WELL SERVICES S.A.

c) The description of any significant merger or reorganization of the commercial company, of its subsidiaries and controlled companies, during the financial year;

Not applicable.

d) The description of asset purchases and/or disposals;

The primary goal of the investment program for 2016 was the upgrade of the processes, the improvement of the equipment performances and well services competitiveness. Among the objectives, put into operation in 2016, amounting to 2,136 thou lei, is to be mentioned: batch mixing semitrailer, acidizing truck equipment tank, stainless steel acid tank, water heating unit, drilling tools and special devices.

The financing of all the mentioned objectives was made from own sources.

e) The description of the main results of the company activity assessment.

1.1.1. General assessment factors:

a) *result;*

Between 2002 -2014 the company reported yearly profit results, 2016 being characterized by recording a loss worth of 5,820,561 lei.

b) *turnover;*

The turnover for the year 2016: 31,106,110 lei

The well services market in Romania was negatively impacted during 2016 by the significant reduction of operational and investment plans of our customers, determined by the sharp decrease of crude oil price. The delay in investment programs due to decrease of crude oil, lead to a dramatic drop in drilling projects with direct consequences on well services, which is the main activity of the Company.

c) *export;*

No reportable business results for 2016.

d) *costs;*

The evolution of costs for the period 2014 – 2016:

Specification	2014	2015	2016
Operating expenses	80,060,525	80,642,424	38,784,313
from which:			
Expenses with materials, merchandise, consumables and utilities	19,609,159	10,970,829	7,784,683
Staff costs	25,918,725	21,205,208	15,763,596
Depreciation	9,436,852	7,831,801	6,970,205
Other operating expenses	25,095,789	40,634,586	8,265,829
Finance costs	991,107	1,560,437	398,708

e) % of the market held;

In Romania the company holds market shares varying from 15% to 55% for different types of well services provided.

f) liquidity (cash account, etc).

The current liquidity indicator's evolution (7.16 in 2014, 9.64 in 2015, respectively 9.10 in 2016) supports the company cash flow management insuring the continuity of the commercial transactions from own sources.

1.1.2. The assessment of the technical level of the commercial company

Description of the main services rendered

The main services performed by the company ROMPETROL WELL SERVICES are as follows:

- **Operations performed with Cementing pump trucks** such as: casing cementing, secondary cementing, fracturing, sand-control, surface treatments, acidizing, killing of wells, well circulations, milling works and fluid displacements, well interventions, miscellaneous pumping.
- **Operations with Bulk Trucks and Sand Blenders:** transportation and handling of powder materials, mixtures and blends, operations at the well site
- **Operations with tank trucks:** fluids transportation and handling (mud, crude-oil, acid solutions and emulsions, formation water etc.); operations at the well site (acidizing, fracturing, sand-control, cementing, pumping)
- **Operations with liquid nitrogen:** Putting into production; nitrogen fracturing; foam acidizing; pressure tests of tubular material, manifolds, BOPs, etc.
- **Operations with Slick line units;**
- **Casing and liner running operations;**
- **Tool and equipment rental of handling and fishing tools;**
- **On-site or laboratory cement testing;**
- **Well and Drill stem testing operations**

a) main markets for each product or service and distribution methods;

The company ROMPETROL WELL SERVICES maintained its position on the **domestic market** being continuously interested in the improvement of the quality of the rendered services. Having operational capacities spread all over the country, as well as qualified and well prepared labor force in the field of oil and gas well services, ROMPETROL WELL SERVICES promptly provides the services requested by its customers, regardless of the location within the territory.

On the **external market**, the company provided over the year 2016 well services in Bulgaria (prin WEATHERFORD ATLAS GIP SRL).

b) share of each product or service category in the total incomes and turnover of the commercial company for the last three years;

The share of each service category within the operating incomes, as well as within the turnover, for the years 2014, 2015, 2016 is described in **annex no 1-a, respectively 1-b.**

c) new product envisaged to which a large volume of assets will be allocated during the next financial year and products' development stage.

The equipment modernization program was focused on updating the technologies for well stimulation and cementing services, respectively on casing running services and acidizing.

The endowment of cementing pump trucks with new high pressure lines is in line with the current industry safety requirements. Continue to develop and implement cost effective technologies for well cementing and well stimulation to address the customers' production cost issue, focusing on:

- CO2 Injection
- Well Matrix Stimulation with nanofluids/enzymes.

1.1.3. The assessment of the procurement activity (domestic and import)

Information about the security of supply and the prices of the raw materials and the size of the raw material and other materials stocks.

The main types of materials necessary to perform the company's activity are: spare parts for vehicles and operational equipment, fuels and lubricants, tires and accumulators, as well as cement and additives.

As *beneficiary*, our company concluded sale-purchase agreements for fuel, spare parts and other materials suppliers, as follows: S.C. ROMPETROL DOWNSTREAM SRL, S.C. UPETROM S.A. PLOIEȘTI, SICET SERVICES, S.C. CONFIND CÂMPINA, ADASI MORAVA, AUBIN, S.C. GEOMET INDUSTRIAL SRL, DYCKERKOFF AKTIENGESELLSCHAFT, S.C. MULTISUD PROD SRL, ELKEM AS MATERIALS, BEGA MINERAL INDUSTRIAL S.A., ANGHELOIU TRANS S.R.L. as well as with service providers specialized in equipment repairs and maintenance.

The suppliers are selected according to the company's procedures and they are continuously assessed in terms of reliability and stability.

The levels of the raw material and spare part stocks usually guarantees the continuity of activity for 10 days. The purchase prices are the market prices level.

1.1.4. The assessment of the selling activity

a) The description of the sales sequential evolution on the national and/or external market and the medium and long term sales perspectives.

The revenues evolution is showed in the following table:

	2014	2015	2016
	-lei		
Sales per activities:	88.034.179	49.975.025	31.106.110
▪ Revenues from services performed	86.884.769	49.917.461	31.024.397
▪ Revenues from sales of goods	1.149.410	57.564	81.714

Despite the increasingly competitive environment and the significant decline of activity in the oil and gas upstream industry caused by the crude oil price decrease, the company succeeded to increase its market share for most of the services provided in Romania while simultaneously raising the complexity of services rendered.

Demand for most of our services depends substantially on the spending for exploration, development and production of oil and natural gas reserves. Begun in the year 2014, the downtrend of the activities of the industry in which we operate, continued in the course of 2016. As a result, most of our clients have reduced or deferred oil exploration and production projects, which led to a reduction in demand for our services adversely impacting revenues evolution.

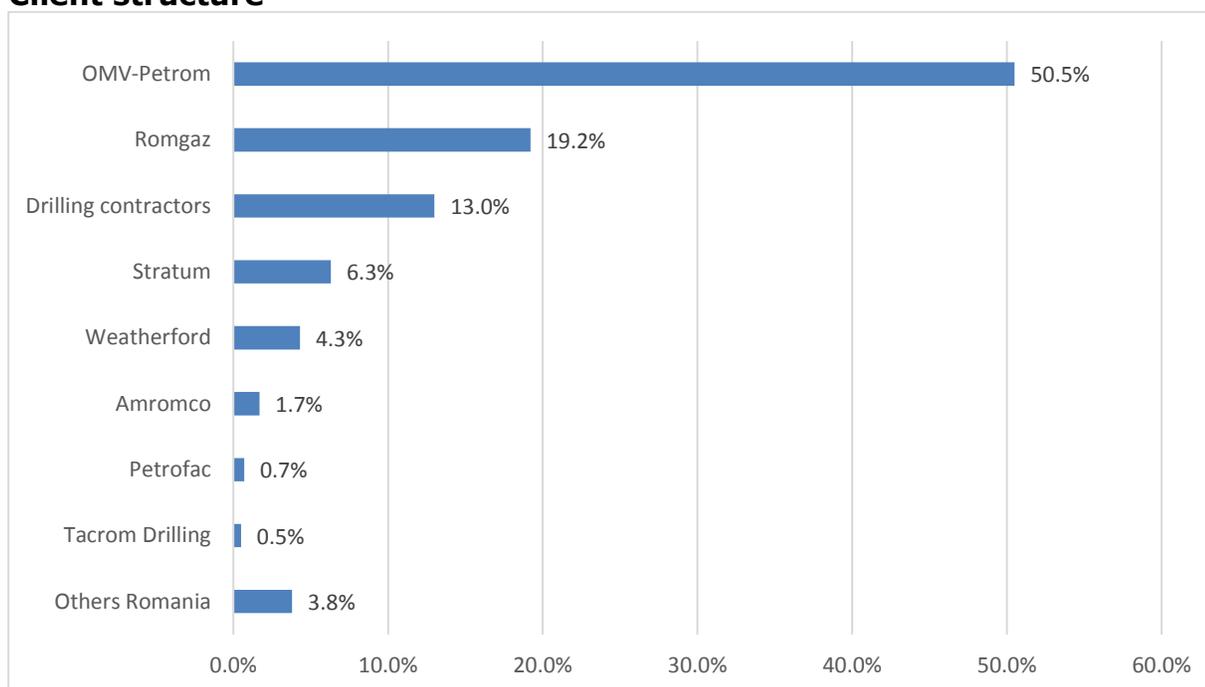
The company's main client on *the national market* is OMV PETROM S.A., the services provided to this beneficiary in 2016 representing a percentage of about 50.5 % of the total services rendered by the company.

Other domestic clients to whom the company renders its services are S.N.G.N. ROMGAZ S.A., representing a percentage of about 19.2%, the Drilling contractors – 13% and other operators in the petroleum industry.

Over the year 2016, the company delivered also services on the internal market to independent operators, such as: AMROMCO ENERGY SRL, WEATHERFORD ATLAS GIP SRL, PETROFAC SOLUTIONS & FACILITIES SUPORT SRL, STRATUM ENERGY ROMANIA LLC, TACROM DRILLING SRL, HALLIBURTON ENERGY SERVICES SRL, LOTUS PETROL SRL, etc.

The overseas activity, representing 0.2% of the company's revenues in 2016, was developed in Bulgaria (through WEATHERFORD ATLAS GIP SRL)

Client structure



b) The description of the competitors' situation in the field of activity of the commercial company, the market share of the products and services of the commercial company and its competitors;
 Our company holds a share varying from 15% to 55% on the specific services market.
 In the field of cementing and pumping services our competitors are: SCHLUMBERGER LOGELCO INC. BUCUREȘTI BRANCH, HALLIBURTON ROMANIA, and SIRCOSS.
 There are also competitors in the field of stimulation operations, such as WEATHERFORD ATLAS GIP SRL, BAKER OIL TOOLS and TACROM SERVICES, and in the field of tools and equipment rental, ODFELL, TESCO, DOSCO PETROSERVICES S.R.L.

c) Description of any significant dependence of the commercial company on a single client or a group of clients whose loss would have a negative impact on the company's incomes.
 Rompetrol Well Services depends very much on OMV – PETROM, client which represents 50.5% of Company's sales in 2016. To mitigate this reliance risk, the company aim to increase the proportion of well services provided for other E&P players on the Romanian market and to expand activity on external market.

1.1.5. The assessment of the aspects related to the employees/the personnel of the commercial company

a) *the specification of the number and the formation level of the company's employees, as well as the degree of syndication of the labour force;*

The company conducted the training of its personnel, primarily through in-house tuition programs, to ensure maximum benefit from operation of next-generation equipment recently put into operation.

The structure of staff at December 31, 2016 was as follows:

TOTAL STAFF	168
from which:	
- higher education	65
- secondary education	15
- qualified workers	88
- unqualified workers	0

The syndication level of the labour force is of 87,50%.

b) *The description of the relations between manager and employees, as well as any conflict elements which characterize these relations.*

The relations between manager and employees are normal and cooperative, being based on "Collective labor agreement" at company level, without any conflict elements which could characterize these relations.

1.1.6. Business impact assessment on the environment.

Summary description of the impact of basic environmental issues and any existing or expected litigation regarding breach of environmental protection legislation.

Activities carried out within the company, located in Ploiesti, as well as all branches and working points in the country, aims to strictly enforce environmental legislation and thus avoids any disputes that may occur on the violation of environmental laws.

Environmental issues that arise naturally, are kept constantly under control and Rompetrol Well Services aims to improve the purposes of reducing the pollution by waste generated. Disposal (used batteries, tires, scrap metal, used motor oil, household waste, waste consisting of plastic bags, etc..) is done under contracts with authorized companies.

We want to emphasize that the company aims to continuously improve environmental performance in all its activities by adopting a proactive behavior on minimizing environmental impacts.

Also Rompetrol Well Services committed to multiple environmental objectives, among them:

- Inform suppliers, customers and society on our politics in environmental protection activities;
- Monitoring and reducing consumption of resources (water, gas, electricity, lubricants and fuels);
- Regular monitoring of the activity of loading and unloading bulk cement, and blending;
- Reuse of packaging used for liquid additives to reduce the amount of packaging placed on the market;
- Reducing emissions released into the atmosphere by replacing special vehicles equipped with non-euro engines with modern trucks equipped with Euro 6 engines;
- Training and awareness for all staff regarding: selective waste collection, reduction of specific consumption and especially the responsibility of implementing environmental policy that the company has declared and environmental objectives which it aims to achieve.

In July 2016 took place the surveillance audit of the Integrated Management System (environment, quality, health and safety at work), accomplished by DNV GL Business Assurance, following which confirmed that our society is on an upward trend in complying with the requirements specified in the 3 standards and received ISO 9001:2008, ISO 14001:2009 and OHSAS 18001:2007 certification, valid until 26.09.2018.

According to Law no. 105/2006 and Emergency Ordinance no. 196/2005, concerning environmental obligations to the Environmental Fund, and the Environment Fund Declaration the Rompetrol Well Services SA, pay monthly fees for emissions of pollutants into the atmosphere from stationary sources and an annual fee for packaging placed on the market.

1.1.7. The assessment of the research-development activity

The specification of the expenses during the financial year, as well as of those anticipated for the next financial year allocated to the research-development activity

Not applicable.

1.1.8. The assessment of the commercial company's activity related to the risk management

The description of the commercial society's exposure concerning the price, credit, liquidity and cash flow risk. The description of the policies and the objectives of the commercial company concerning the risk management.

The assessment of the activity of the commercial company regarding the risk management

The company's exposure to:

- *the price risk*: S.C.ROMPETROL WELL SERVICES S.A. Ploiești has a flexible price policy, allowing it to react and adapt to any variations of prices that could affect the market;
- *credit risk*: The company had no need to apply for bank loans, but could not completely eliminate the impact of trade credit. It has approached the clients' crediting in a procedural manner, flexible due to the contracting strategy established as an essential mechanism of risk distribution. The current economic environment in the oil industry in becoming a threat to all participants on the market. The company's management is permanently monitoring the receivables and their collection;
- *the interest rate risk*

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, the income from interest varies, depending on ROBOR 3M movement;

- *the liquidity risk*: it was estimated as low until now since the company managed to maintain a steady balance between the maturity of receivables generated by sales and chargeability of the debts for operational and investment activity. In exchange, the financial crisis is still a menace for the next period on the market segment where the company operates;
- *the cash-flow risk*: remains difficult to be characterized due to the menaces of the crisis effects on the global credit market;
- *the exchange rate risk*: the incomes obtained by the company are reported mainly in RON and EURO. The variation of the rate of exchange cannot generate significant patrimonial effects.

1.1.9. Perspective elements concerning the activity of the commercial company

a) The description and analysis of the trends, elements, events or uncertainty factors which affect or could affect the liquidity of the commercial company by comparison to the same period of the previous year.

The commitments towards suppliers were progressively paid. The recorded arrears don't present the risk of significant penalties and the company is not involved in any dispute for the payment of such depths. The company insured the permanent operability in the execution of its contracts all around the country.

Prospects for expansion of service activities on foreign markets determine rational and operative decisions regarding the prudent engagement of liquidities at the conclusion of new contracts.

The loss reported for 2016 did not cause disruptions of cash flows, being compensated by the efficiency of the existing liquidity management.

2017 Key Objectives

- Maintain or increase market share in Romania for the main well services in the range, focusing on:
 - Cementing Services – maintain market share over 60%
 - Well Stimulation Services – increase market share to over 30%;
- Services Diversification: Continue to develop and implement cost effective technologies for well cementing and well stimulation to address the customers' production cost issue, focusing on:
 - CO2 Injection
 - Well Matrix Stimulation with nanofluids/enzymes;
- Capacity Utilization: Increase average utilization ratio of the Pumping Equipment from 36% in 2016 to over 50% in 2017;

- Operational Efficiency: Continue the optimization of operating costs, primarily by:
 - Increase the subcontracting of logistic services
 - Develop alternative cost effective solution for cementing and stimulation additives

b) The presentation and the analysis of the effect of the current or anticipated capital expenses on the financial situation of the commercial company by comparison to the same period of the previous year.

The company operated by using his own financing sources, without contracting any credits from banking institutions or any other individuals or entities.

In regard to debts category, there are no arrears such as interest or any other credits contracted from banking institutions.

c) The presentation and the analysis of the events, economic changes transactions changes significantly affecting the incomes generated by the main activity.

Revenues from the company's operational activity were significantly affected by the global economic climate in the oil and gas industry, the determining factor being the drastic decrease in crude oil prices. The effects of the oil price decline – the postponement of major projects for exploration and production of hydrocarbons, conventional or unconventional, investment cut, the severe diminishing in demand for well services – were fully felt in the markets where the company is active. The collapse of the oil barrel price has generated domino effects, the main petroleum operators significantly reducing operational and investment budgets.

2. The company's tangible assets

2.1. The specification of the location and of the characteristics of the main production capacities owned by the company.

The patrimonial assets of tangible fixed assets nature allow a flexible organization in the territory in order to fulfill the orders placed by the beneficiaries.

The services provision is identified at the customers' location, not at the company's organizational perimeter, the use of the operational capacities depending upon the orders received from the beneficiaries.

The location of lands and buildings on the geographical area is located in the following areas: Ploiești (Prahova County), Câmpina (Prahova County), Boldești - Scăieni (Prahova County), Răzvad (Dâmbovița County), Leordeni (Argeș County), Mihăești - Stupărei (Vâlcea County), Potcoava (Olt County), Craiova (Dolj County), Tg. Cărbunești (Gorj County), Slobozia - Conachi (Galați county), Ianca (Brăila County), Timișoara (Timiș County), Tg. Mureș (Mureș County), Mediaș (Sibiu County), Moinești (Bacău County), Tecuci (Galați County), Videle (Teleorman County).

The main operational facilities are represented by the fixed assets, such as: cementing units, bulk trucks, blenders, tank trucks, cement laboratory equipment and other types of utility vehicles and drilling tools.

2.2. The description and analysis of the wear degree of the company property.

Working outdoors, travelling on difficult access roads and the evolution of the purchase price of equipment justifies a significant degree of wear compensated by the investments in recent years. The specific equipment fleet requires high maintenance costs resulting from imperative normative documents specific to the European integration and the environmental protection issues: ADR transport licenses, vignettes, tachographs, environmental taxes, first registration fees, local taxes, etc.

2.3 The specification of the potential problems related to the ownership of the tangible assets of the company.

For all the patrimonial assets the company recognizes right of ownership, according to current regulations and documents held.

3. The market of the transferable securities issued by the "ROMPETROL WELL SERVICES" S.A. company

3.1. The specification of markets in Romania and other countries where there are negotiated transferable securities issued by the company.

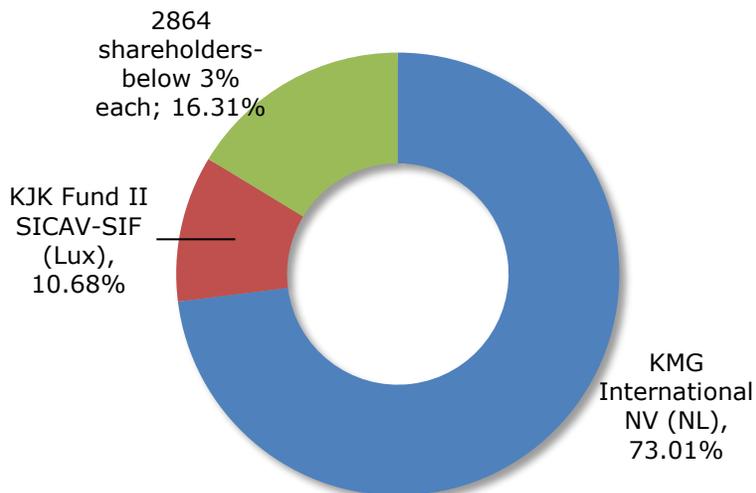
The transferable securities issued by SC Rompetrol Well Services S.A. are admitted to the Bucharest Stock Exchange by decision No. 133 / 26.03.1998 and are traded on this market category STANDARD in the securities sector issued by romanian legal entities, starting with 18.06.1998, under the symbol PTR.

The transferable securities issued by the company are Class A – nominative shares.

The registered capital on 31.12.2016 is of 27,819,090 RON equivalent to 278,190,900 shares with a nominal value of 0.10 RON / share and is distributed to holders as follows:

1. KMG INTERNATIONAL N.V. Olanda	20,311,015 lei (73.0111 %)
2. KJK FUND II SICAV-SIF Luxembourg	2,970,995 lei (10.6797 %)
3. Other shareholders (2864 shareholders)	4,537,080 lei (16.3092 %)

Shareholders' Structure as of 31.12.2016:



3.2. The description of the company policy regarding the dividends. The specification of the dividends due/paid/accrued in the last 3 years and, if appropriate, of the reasons for any decrease in dividends over the last 3 years.

For 2014, the A.G.O.A. of 28.04.2015 approved the distribution of the net profit amounted to 8,856,745 lei towards the following destinations:

- 5,563,818 lei for dividends;
- 3,292,927 lei – other reserves.

The gross dividend per share for 2014 was of 0.02 lei for the shareholders registered in the Register of Shareholders on 01.09.2015 (date of registration).

For 2015, the A.G.O.A. of 28.04.2016 approved the financial statements afferent. The net result for the financial year 2015 is a loss amounting to 29,622,639 lei.

For 2016, the A.G.O.A. from 27(28).04.2017 will analyze and will approve the financial statements afferent.

Thus in 2016 were achieved total revenues amounting to 33,464,751 lei, total expenses amounting to 39,285,312 lei, resulting a loss of 5,820,561 lei.

By 31 December 2016 was paid:

- 95 % of the gross dividend approved for the year 2013;
- 94.10 % of the gross dividend approved for 2014.

3.3. The description of any activities of the company to purchase own shares.

The Company has not conducted activities to purchase own shares.

3.4. If the company has subsidiaries, stating the number and the nominal value of shares issued by the parent company and held by subsidiaries.

Not applicable.

3.5. If the company issued bonds and/or other debt securities, the presentation of the way the company paid its obligations to holders of such transferable securities.

Not applicable.

4. The management of the ROMPETROL WELL SERVICES S.A. company

4.1. Presentation of the company's administrators and the following information for each administrator:

a) CV (family name, first name, age, skills, professional expertise, position and length of employment);

• **Yerzhan Orynbassarov** - Kazakh citizen, born in 1969;

President of the Board in the period 01.01.2016- 31.12.2016.

The mandate of administrator started on 01.05.2015 and ends on 28.04.2014.

He is economist, graduate of the Faculty of Mathematics of Lomonosov Moscow University and of the Faculty of Economics Al Farabi KazGu – class of 1993, graduate of a Masters in Petroleum Business - Eurasian Market Institute, Economic Management Academy (1996-1998), of an MBA from Essec & Mannheim Business School (France-Germany) (2011-2013) and a program ENI- Petroleum Industry Training Center (2002-2003).

He has a strong professional experience in finance and strategic development in the oil and gas industry, occupying management positions in companies such as Kazakhoil NOC, Kazakhoil-Emba OJSC, Caspian Pipeline Consortium-K CJSC, KazTransOil JSC, KazMunayGas Trading House JSC, The Rompetrol Group, JSC „KazMunaiGaz – refining and marketing, KMG Rompetrol.

• **Bauyrzhan Nugumanov** - Kazakh citizen, born in 1984;

Member of the Board for the period 01.01.2016 – 31.12.2016;

Duration of the mandate: 4 years starting with 28.04.2014;

He is economist, graduate of the Faculty of Finance and Credit of the University of Economics in Almaty, Kazakhstan-class of 2006, and a Master in Finance at the London Guildhall University-UK.

He has a solid professional experience in financial analysis, attracting investments and long-term financial investments, working in various companies such as JSC KazAgroFinance Astana, JSC NC KazMunayGas Astana, JSC NC KazMunayGas RM Astana, LLC ATC KAZ Almaty.

• **Adrian-Ion Stănescu**, romanian citizen, born in 1953;

Member the Board of Directors for the period 01.01.2016-31.12.2016;

Duration of the last mandate: 4 years starting with 28.04.2014;

He is engineer, graduate of the Faculty of Mechanics – majoring in Machine Manufacturing Technology, Iasi - class of 1977, and of other specialized courses in the field of cementing operations technology, management and marketing.

He has a strong professional experience in the oil and gas industry, in various domains of this industry: the manufacture of oilfield equipment, in the technology of special operations, in the implementation of modern management practices and qualitative management of resources, in the opening of new markets and increasing the sales volume on domestic and foreign markets, holding management positions at UPETROM Ploiesti (1987-1999), ROMPETROL SA (1999-2001), ROMPETROL WELL SERVICES – General Manager for the periods: 01.07.2011-13.05.2013;

01.07.2015-present, and Deputy General Manager for the periods: 01.05.2003–30.06.2011; 14.05.2013 – 30.06.2015.

• **Vadim Poletaev** - russian citizen, born in 1964;

Member the Board of Directors for the period 01.01.2016-31.12.2016;

The mandate of administrator started on 01.07.2015 and ends on 28.04.2018.

He is lawyer, graduate of the Master of Law and of the Faculty of Law - University of the People's Friendship in Moscow, Russia 1985-1991.

Professional Background:

- Consulting public and private companies (organizations), government agencies and individuals in Russia and abroad.
- Development and drafting of corporate schemes, legal analysis of the transactions, projects.
- Clients' rights protection in general jurisdiction courts at all levels, arbitration (in Russia and abroad).
- Drafting, negotiation and legal support in execution of contracts, agreements, statutory and other legal documents.
- Experience as a head of legal department of commercial companies, in the working teams for a number of projects (commercial, legislative, etc.), as a managing partner at consulting companies.
- Professional experience in the following countries: Russia, India, Pakistan, Iran, Switzerland, Denmark, United Arab Emirates.

• **Aizhan Dykanbayeva** - Kazakh citizen, born in 1978.

Member of the Board of Directors during the period: 01.01.2016-31.12.2016;

The duration of this mandat: 4 years starting with 28.04.2014;

She graduated of the Faculty of International Relations at the State University Almaty, Kazakhstan - class of 2000, a Master "Arts in International Relations" and "International Finance and Energy, Environment, Science and Technology" at the School of Advanced International Studies of the "Johns Hopkins University, USA" in 2002 and INSEAD MBA Class in France / Singapore in 2008.

She has a significant professional experience in tax consulting, auditing oil and gas industry, economic analysis, budgeting, business planning, taxation, investment project analysis, corporate finance.

She worked in various companies such as: PriceWaterhouseCoopers, Planning Institute of Management and Economics Kazakhstan (lector), Financial consulting company in Central Asia Kazakhstan (corporate finance director), Trade House KazMunayGas Kazakhstan (Head department of economic analysis and budget), The Rompetrol Group NV (Deputy Director Finance), The Netherlands NV KazMunayGas (CFO).

b) any agreement, understanding or family relationship between the respective administrator and another person due to which that person was appointed administrator;

We are not aware of any agreement, understanding or family relationship between the managers of the company and another person due to which they were appointed administrators;

c) the participation of the administrator to the company's capital;

According to the Register of Shareholders, consolidated on 31.12.2016, issued by the Central Depository, none of the directors participates to the company's share capital.

d) the list of persons affiliated to the company.

None of the members of the Administrative Board of the Company is an affiliated person to SC ROMPETROL WELL SERVICES S.A. under the Regulation CNVM No. 1/2006.

4.2. Submission of the list of the company's executive management members. For each member the following information shall be included:

During 2016, the directors whom the company management was delegated were:

Item no.	Position designation	Surname and first name	Period
1.	GENERAL MANAGER	Eng. STĂNESCU ADRIAN-ION	01.01.2016-31.12.2016
2.	FINANCE DIRECTOR	Ec. MANOLE VASILE GABRIEL	01.01.2016-11.04.2016
3.	FINANCE DIRECTOR	Ec. DUMITRU VALERICA	12.04.2016-31.12.2016
3.	PRODUCTION DIRECTOR	Eng. DUMITRU GHEORGHE	01.01.2016-31.12.2016

b) any agreement, understanding or family relationship between the respective person and another person due to which that person was appointed member of the executive management;

There is no agreement, understanding or family relationship between the occupants of the positions mentioned above due to which the occupants of the positions were appointed as members of the executive management.

c) the respective person's participation to the company's capital.

According to the Company's register of shareholders, consolidated on 31.12.2016, issued by the Central Depository, no member of the executive management participates to the capital of the company.

4.3. For all the persons presented in 4.1. and 4.2. the specification of any litigation or administrative proceedings in which they were involved, in the last five years, regarding their work for the issuer, as well as those concerning the respective person's ability to perform duties for the issuer.

None of the managers of the company was involved in the last five years in any litigation or administrative proceedings.

5. Annual accounts

The presentation of an analysis of the current economic and financial situation compared to the last three years, including at least:

a) balance sheet elements: assets representing at least 10% of the total assets, cash and other liquidities; reinvested profits, total current assets, total current liabilities;

Starting the year ended 31 December 2012, the statutory financial statements of the Company were prepared in accordance with the provisions of Order of the Minister of Public Finance no. 1286/2012 for approving the accounting regulations compliant with the International Financial Reporting

Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications, the latter being Order of the Minister of Public Finance no. 2844/2016.

For the purposes of the preparation of actual financial statements, in accordance to Romanian legislative requirements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

Synthesis of patrimonial elements according Statement of the financial position:

- lei

Specificație	2014	2015	2016
Total Assets, of which:	177,484,837	136,263,539	131,677,843
Fixed assets	84,038,637	48,882,077	37,527,339
Current assets	93,446,200	87,381,462	94,150,504
Total Equity and liabilities, of which:	177,484,837	136,263,539	131,677,843
Social Capital of which:	28,557,446	28,557,446	28,557,446
Share capital subscribed paid	27,819,090	27,819,090	27,819,090
Legal reserves	5,563,818	5,563,818	5,563,818
Other to equity	118,340,648	121,633,575	92,010,934
Current income not distributed	8,856,745	(29,622,639)	(5,820,561)
Current liabilities	13,055,736	9,066,368	10,348,723
Long-term liabilities	3,110,444	1,064,971	1,017,483

b) *profit and loss account***Summary of items of income and expense:**

-lei

Specification	2014	2015	2016
Total revenues, of which:	91,452,760	53,381,381	33,464,751
Operating income	88,525,114	50,100,887	31,139,065
Financial income	2,927,646	3,280,494	2,325,686
Total expenses	81,051,632	82,202,861	39,183,022
Operating expenses, of which:	80,060,525	80,642,424	38,784,314
- material costs	18,489,946	10,440,518	7,315,658
- power, water, gas expenses	628,939	489,847	420,929
- staff costs	25,918,725	21,205,208	15,763,596
- depreciation	9,436,852	7,831,801	6,970,205
- merchandise expenses	490,274	40,464	48,095
- other operating expenses	25,095,789	40,634,586	8,265,831
Financial expenses	991,107	1,560,437	398,708
Gross result - profit	10,401,127		
- loss		28,821,480	5,718,271
Income tax current and deferred	1,544,383	801,159	102,290
Net result - profit	8,856,745		
- loss		29,622,639	5,820,561

Starting with the previous year, the company implemented a restructuring programme, which led to the reduction of operational costs by putting into conservation some equipment and by staff restructuring - in stages, replace human guards with monitored guard, renegotiation of purchase prices of goods and services and the strict monitoring of specific consumptions on line of business and on cost centers.

Also cost reduction programmes included the temporary reduction in the working week. During the reporting period the number of personnel decreased from 260 employees to 168 employees, without

generating a proportional and immediate reduction of labor costs under the influence of compensations packages granted to employees on dismissal. The impact of the global economic environment and the decline in the oil industry, especially, were established additional security measures to analyze and adjust the impairment of fixed assets.

Summary of actual budget indicators:

Specification	Achievements -previous year	Year 2016	
		Budget Provisions	Achievements
Total revenues, of which:	53,381,381	62,317,400	33,464,751
Operating income	50,100,887	60,314,000	31,139,065
Financial income	3,280,494	2,003,400	2,325,686
Total expenses of which:	82,202,861	53,545,100	39,183,022
Operating expenses	80,642,424	53,545,100	38,784,314
Financial expenses	1,560,437	-	398,708
Gross result:			
Profit		8,772,300	
Loss	28,821,480		5,718,271
Income tax current and deferred	801,159	1,403,600	102,290
Net result:			
Profit		7,368,700	
Loss	29,622,639		5,820,561

Economic and financial indicators from operations, achieved in 2016, below the budgeted level and below the values realized on the same period last year emphasizes the direct effects of an unfavorable economic environment characterized by prolonged decline of global oil prices, while the positive effect of financial result was maintained comparable level to last year.

Specification	Measuring unit	Year 2014	Year 2015	Year 2016
Average number of staff	Persons	333	283	183
Labour productivity annual average	RON/ person	258,850	173,752	165,007
Equipment fleet	Number of trucks	106	94	90

c) *cash flow: all the changes in the cash level within the primary activity, the investments and financial activities, in the cash level at the beginning and end of the period.*

Statement Cash Flows Synthesis-indirect method

Specification	-lei		
	2014	2015	2016
0	1	2	3
Net result before tax	10,401,128	(28,821,480)	(5,718,271)
Operating profit before changes in working capital	25,165,769	3,532,203	560,931
Net cash from operating activities	2,198,087	3,605,197	(1,026,037)
Net cash from investment activities	(3,525,259)	176,254	936,979
Net cash from financing activities	(9,900,758)	(5,262,127)	(45,473)
Net variation of cash and cash equivalents	(11,227,930)	(1,480,676)	(134,531)
Cash and cash equivalents at the beginning of the fiscal year	20,390,284	9,162,354	7,681,678
Cash and cash equivalents at the end of the fiscal year	9,162,354	7,681,678	7,547,147

The execution of contracts with customers and strategic suppliers was managed in conditions of financial balance, and ensuring availability of cash for all full and timely payment of the wages and fiscal debt during the year 2016.

All investment projects were financed from own sources.

In addition to the cash balance at the end of the financial year, the company can freely use the cash from the main account of the cash – pooling system, in the amount of 31,092,094 lei at December 31st, 2016.

Specification	2014	2015	2016
1. Liquidity indicators			
Current liquidity indicator	7.16	9.64	9.10
Immediate liquidity indicator	6.77	9.18	8.82
2. Activity indicators			
Turnover speed of debits - clients (days)	273.21	193.87	233.02
Turnover speed of fixed assets	1.04	1.02	0.83
4. Indicators on earnings per share			
Earnings per share	0.03	(0.11)	(0.02)
The ratio of market price action and earnings per share	16.56	(3.95)	(14.56)

The indicators presented above reflect the preservation of financial independence, even in the current low rate of debt collection.

6. Corporate Governance

S.C. ROMPETROL WELL SERVICES S.A. is a company listed on the Bucharest Stock Exchange - category II shares under the symbol << PTR >>, dated 18.06.1998, according to the Stock Exchange's Admission Committee decision no. 133/26 March 1998.

The Company is subject to the current legislation applicable to companies and to capital market: Law no. 31/1990 Commercial Company Law – including subsequent amendments, Law no. 82/1991 the Accounting Law – including subsequent amendments, Law no. 297/2004 on the capital market - including subsequent amendments, the National Securities Commission (CNVM) Regulation No. 1/2006 on issuers of securities and operations with securities - including subsequent amendments.

The company's administration has voluntarily adopted, self-imposed, part of the Code of Corporate Governance of Bucharest Stock Exchange (CGC-BSE).

The Bucharest Stock Exchange Code of Corporate Governance is a set of principles and recommendations for companies whose shares are admitted to trading on its regulated market that aims at building an internationally attractive capital market in Romania, based on best practices, transparency and trust. The Code encourages companies to build a strong relationship with their shareholders and other stakeholders, communicate effectively and transparently and show openness towards all potential investors.

New Code launched in September 2015 replaced the original code that was issued in 2001 and revised in 2008.

The change to the new Code was desirable in order to take into account the changing legal environment in Romania and Europe, and the new aspirations of the society and stakeholders about the responsibilities and conduct of companies.

The aim of the Bucharest Stock Exchange Code of Corporate Governance is to improve confidence in listed companies by promoting positive development of corporate governance in these companies.

A good corporate governance is a powerful tool to enhance the competitiveness of the market. At the center of this Code are access to information for investors and protection of shareholders' rights. Each listed company should aim at fulfilling all provisions of the Code. The role of good governance is to facilitate good, effective, entrepreneurial management that can deliver the long-term success of the company.

Status of compliance of the company with the new BSE Code of Corporate Governance is presented in **Annex no. 2**

In accordance with the articles of incorporation, **S.C. Rompetrol Well Services S.A. is administrated in unitary system**, where the administrative powers fall on an administration board, consisting of five members, elected by the ordinary general meeting of shareholders, with a 4 years mandate.

The Administration Board has full powers in making any administrative and management decisions, other than those which the law expressly confers to the General Shareholders' Meeting.

By exception, the Administration Board will exercise the powers of the General Shareholders' Meeting, powers provided in article 113, letter b, c and f of Law 31/1990, republished.

The Administration Board's decisions shall be valid if taken with the vote of the majority of present members. In case of equal votes, the president has the casting vote.

During 2016, **the Administration Board's composition** was as follows:

- Yerzhan ORYNBASSAROV - President of the Board for the period 01.01.2016 – 31.12.2016;
- Bauyrzhan NUGUMANOV - Member for the period 01.01.2016 – 31.12.2016;
- Adrian - Ion STĂNESCU - Member for the period 01.01.2016 - 31.12.2016;
- Vadim POLETAEV - Member for the period 01.01.2016 – 31.12.2016;
- Aizhan DYKANBAYEVA - Member for the period 01.01.2016 – 31.12.2016.

6.1. Information about members of the Board of Directors

● **Yerzhan ORYNBASSAROV** - Kazakh citizen, born in 1969;
Member of the Board for the period 01.05.2015 – 30.06.2015;
President of the Board starting with 01.07.2015;
The mandate of administrator started on 01.05.2015 and ends on 28.04.2018.
Non-executive member of the Board.

Education, professional qualifications, responsibilities

He is graduate of the Lomonosov State University from Moscow, holding the Excellence Diploma in Mathematical Studies, graduate also of Eurasia Market Institute within the Economic Management Academz, obtaining a Diploma of Excellence as an Economist and with a Masters in Petroleum Business. He also has a master's degree in business administration from the Essec & Mannheim Business School (France-Germany).

He has a strong professional experience in finance and strategic development in the oil and gas industry, working for over 19 years in companies such as KazMunayGas, Kazakhoil-Emba OJSC or Kazakhoil NOC.

He holds top management positions such as deputy general director for finance and economy under the Trading House KazMunayGas and First Vice-President for Economics and Finance from the Kazakhoil-Emba. Also, between 2010 and 2012, Mr. Orynassarov occupied the position of Senior Vice President of KMG International, coordinating all group's business Units.

Within the group KazMunayGaz International, Mr. Orynassarov currently occupies the position of Vice President Corporate Services.

● **Bauyrzhan NUGUMANOV** - kazakh citizen, born in 1984;
President of the Board of Directors for the period 28.04.2014 – 30.06.2015;
Member of the Board of Directors starting with 01.07.2015;
Duration of the mandate: 4 years starting with 28.04.2014;
Non-executive member of the Board.

Education, professional qualifications, responsibilities

He is economist, graduate of the Faculty of Finance and Credit of the University of Economics in Almaty, Kazakhstan-class of 2006, and a Master in Finance at the London Guildhall University-UK. Mr. Bauyrzhan Nugumanov has joined Rompetrol Group in April 2009.

He has a solid professional experience in financial analysis, attracting investments and long-term financial investments, working in various companies such as KazAgroFinance JSC Astana, JSC NC KazMunayGas Astana, JSC NC KazMunayGas RM Astana, LLC ATC KAZ Almaty.

In the KazMunayGaz International (Rompetrol Group), Mr. Nugumanov currently occupies the position of Chief Retail Officer.

● **Adrian-Ion STĂNESCU**, romanian citizen, born in 1953;
Member the Board of Directors for the period 23.11.2002–11.08.2003, 10.05.2013- to the present;
President of the Board for the period 09.03.2006 – 9.05.2013;
Duration of the last mandate: 4 years starting with 28.04.2014;
Executive member of the Board.

Education, professional qualifications, responsibilities

He is engineer, graduate of the Faculty of Mechanics – majoring in Machine Manufacturing Technology, Iasi - class of 1977, and of other specialized courses in the field of cementing operations technology, management and marketing.

He has a solid professional experience in the oil and gas industry, in various domains of this industry: the manufacture of oilfield equipment, in the technology of special operations, in the implementation of modern management practices and qualitative management of resources, in the opening of new markets and increasing the sales volume on domestic and foreign markets, holding management positions at UPETROM Ploiesti (1987-1999), ROMPETROL SA (1999-2001), ROMPETROL WELL SERVICES – General Manager for the periods: 01.07.2011-13.05.2013; 01.07.2015-present, and Deputy General Manager for the periods: 01.05.2003–30.06.2011; 14.05.2013 – 30.06.2015.

● **Vadim POLETAEV** - russian citizen, born in 1964;
Member the Board of Directors starting with 01.07.2015;
The mandate of administrator started on 01.07.2015 and ends on 28.04.2018.
Non-executive member of the Board.

Education, professional qualifications, responsibilities

He is lawyer, graduate of the Master of Law and of the Faculty of Law - University of the People's Friendship in Moscow, Russia 1985-1991

Professional Background:

- Consulting public and private companies (organizations), government agencies and individuals in Russia and abroad.
- Development and drafting of corporate schemes, legal analysis of the transactions, projects, schemes.
- Clients' rights protection in general jurisdiction courts at all levels, arbitration (in Russia and abroad).
- Drafting, negotiation and legal support in execution of contracts, agreements, statutory and other legal documents.
- Experience as a head of legal department of commercial companies, in the working teams for a number of projects (commercial, legislative, etc.), as a managing partner at consulting companies.
- Professional experience in the following countries: Russia, India, Pakistan, Iran, Switzerland, Denmark, United Arab Emirates.

In the KazMunayGaz International (Rompetro Group), Mr. Poletaev currently occupies the position of Advisor to Group Chief Executive Officer.

● **Aizhan DYKANBAYEVA** - Kazakh citizen, born in 1978.

Member of the Board of Directors Board starting with 28.04.2014;

The duration of this mandat: 4 years starting with 28.04.2014;

Non-executive member of the Board.

Education, professional qualifications, responsibilities

She graduated of the Faculty of International Relations at the State University Almaty, Kazakhstan - class of 2000, a Master "Arts in International Relations" and "International Finance and Energy, Environment, Science and Technology" at the School of Advanced International Studies of the "Johns Hopkins University, USA" in 2002 and INSEAD MBA Class in France / Singapore in 2008.

Mrs. Aizhan Dykanbayeva has joined Rompetrol Group in April 2009.

She has professional experience in tax consulting, auditing oil and gas industry, economic analysis, budgeting, business planning, taxation, investment project analysis, corporate finance.

She worked in various companies such as: PriceWaterhouseCoopers, Planning Institute of Management and Economics Kazakhstan (lector), financial consulting company in Central Asia Kazakhstan (corporate finance director), Trade House KazMunayGas Kazakhstan (Head department of economic analysis and budget), The Rompetrol Group NV (Deputy Director Finance), The Netherlands NV KazMunayGas (CFO).

In the KazMunayGaz International (Rompetro Group), Mrs. Dykanbayeva currently occupies the position of Advisor to Chief Financial Officer.

The Administration Board evaluated the independence of its non-executive members under the criteria provided in Art. 138 ^ 2 of Law no. 31/1990 - Commercial Company Law, republished and updated and in the Provision 4 Section A (Responsibilities) of the New Code of Corporate Governance of Bucharest Stock Exchange.

Currently, none of the directors does not meet the independence requirements of the aforementioned provision.

In 2016 a number of 7 meetings of the Administration Board were held, the administrators' participation in these meetings being as follows: Orynassarov Yerzhan - 7 meetings, Bauyrzhan Nugumanov - 7 meetings, Adrian - Ion Stănescu - 7 meetings, Vadim Poletaev - 6 meetings, Aizhan Dykanbayeva - 7 meetings.

All the Administration Board's meetings were presided over by the President. Topics and projects relevant to the Company's business were brought into discussion. Decisions were adopted, taking into account the legal provisions, the regulations, the articles of incorporation and internal incident procedures. The decisions were taken by the "in favour of" vote expressed by the majority of those present, according to the Articles of Incorporation. From the analysis of the manner in which they have been met, it resulted that all decisions taken have been achieved.

For the tax year of 2016, in accordance with the law, directors' remuneration was approved by the Ordinary General Meeting of Shareholders on April 28, 2016.

Information on the remuneration costs of directors' and managers' with mandate is given in the annual financial statements.

The company has a financial auditor who worked in accordance with applicable laws and contracts concluded in this regard.

Since 2008, the financial auditor has been "Ernst & Young Assurance Services SRL". The financial auditor has audited the annual financial statements.

Currently, the company does not have an audit committee.

At the Society, in 2016 did not exist Audit Committee. Considering that the organization at KMG International Group level also implies the existence of operational support functions with various responsibilities, the creation of consulting committees (such as audit, appointment, remuneration committees etc) at entity level was not necessary. The relation between the company and the functions at KMG International Group level is regulated by a service agreement.

Constitution of the Audit Committee is underway.

6.2. Executive Leadership

In 2016, the company's executive management is provided by the following directors:

- Mr. Adrian-Ion STĂNESCU - General Manager for the period 01.01.2016 – 31.12.2016
- Mr. Vasile-Gabriel MANOLE - Finance Director for the period 01.01.2016 – 11.04.2016
- Mrs. Valerica DUMITRU - Finance Director for the period 12.04.2016 – 31.12.2016
- Mr. Gheorghe DUMITRU - Production Director for the period 01.01.2016 – 31.12.2016

Duration of the mandate for the General Manager, and Finance Director ending on 27.04.2018, once with the mandate of the current Board of Directors.

6.3. Shareholders' rights

S.C. ROMPETROL WELL SERVICES S.A. ensures fair treatment of all shareholders, including minority and foreign shareholders, in accordance with the law and the Articles of Incorporation of the Company.

The company uses all its best efforts to facilitate shareholders' participation in the works of the General Meeting of Shareholders (GMS). Shareholders of ROMPETROL WELL SERVICES have the opportunity to participate in the GMS directly, through a representative based on special power of attorney or can vote by mail (by sending the vote form by mail of any delivery form or by e-mail with electronic signature incorporated under Law no. 455/2001 on electronic signature).

According to Article 11 of the Articles of Incorporation of the Company, in conjunction with the applicable laws, the **Ordinary General Meeting** shall meet at least once a year within the mandatory deadline required by law, and has the following main tasks:

- a) discuss, approve or modify annual financial statements based on reports submitted by the Board of Directors and the financial auditor, and to determine the dividends;
- b) elect and dismiss directors of the company;
- c) appoint and fix the minimum duration of the financial audit agreements and revoke the financial auditor;
- d) fix for every current year the remuneration due to directors;
- e) to decide on management directors;
- f) review the work of the Board and Directors and to decide the prosecution of directors for the damage to the company, designating the person responsible to exercise it;
- g) to determine the income and expenditure budget and, where appropriate, the working program, for the following tax year;
- h) decide pledging, leasing or closing of one or more units of the company;
- i) approve the maximum limits of remuneration of persons occupying / exercising management positions when required by applicable law;

The Extraordinary General Meeting has the following duties:

- a) changing the legal form of the company;
- b) relocating the company;
- c) changing the object of the company;
- d) the establishment or closure of subsidiaries: branches, agencies, offices or other such units without legal personality, unless otherwise provided by the Articles of Incorporation;
- e) prolongation of company duration;
- f) increase of registered capital;
- g) reduction of registered capital or replenishment by issuing new shares;
- h) merger with another companies or division of the company;
- i) anticipated dissolution of the company;
- j) conversion of shares from one category to another;
- k) conversion of a category of bonds into another category or in shares;
- l) issue of bonds;
- m) approves the adoption / conclusion of legal documents on behalf of the company whose object is worth more than USD 10 million;
- n) any other amendment to the Articles of Incorporation or any other decision for which approval is requested from the Extraordinary General Meeting.

The Extraordinary General Meeting designates the Board of Directors with the exercise of powers provided in letters b) and c) of the above line.

The Extraordinary General Meeting may delegate the Board of Directors with the capital increase in accordance with the provisions of Art. 236 of Law no. 297/2004 on the capital market.

Conducting of the General Meeting of Shareholders

The General Meeting of Shareholders is convened by the directors whenever need be, by publication of an announcement in the Official Gazette of Romania, Part IV, and in one of widespread local or national newspapers in the locality where the company has its registered office. The summons will include: location, date and time of the meeting, with an explicit agenda of all matters that will be subject to debates of the Assembly and any other terms provided for by the capital market.

When the agenda includes proposals to amend the Articles of Incorporation, the call will include the full text of the proposals.

When the agenda includes the election of directors, the call will contain the mention that the list with the names, domicile and professional qualifications of the persons proposed for the position of administrator is available to shareholders and can be accessed and completed by them.

The General Meeting may meet at the Company headquarters or in other place determined in the convening notice by directors. Shareholders may also be represented in the General Meeting by persons who do not have the capacity of shareholder of the Company.

The General Meeting is chaired by Chairman of the Board of Directors or by a person appointed by him, who designates, among the members of the General Meeting of Shareholders or one of the shareholders of the company, one to three secretaries, plus a technical secretary among the employees. They will draw the attendance list of shareholders, by checking the following:

- identity documents of people who come to the General Meeting as shareholders or their authorized proxies;
- special power of attorney submitted by the shareholders' proxies. It will be considered that the power of attorney is valid only for the General Meeting of Shareholders for which it was requested;
- forms to vote by mail.

The secretary of the meeting shall also verify the fulfillment of the legal requirements on the quorum present for the validity of General Meetings.

If the Ordinary or Extraordinary General Meeting cannot work due to failure of the legal requirements on attendance, the meeting that will meet at a second convocation may deliberate on the points on the agenda of the first meeting, regardless of the quorum, taking decisions through the majority of expressed vote.

If the meeting cannot be held due to lack of quorum, the meeting held on a second call can deliberate on the items on the Agenda of the first meeting, regardless of the quorum present, passing the resolutions with the majority of the votes expressed.

After submitting the documents in the agenda, the issues debated by shareholders are voted on by the Chairman of the Meeting.

The General Meeting decisions are taken by open vote, except for the cases when the General Meeting decides that voting should be secret or the law requires a secret ballot.

Each share entitles to one vote in the General Meeting. The person representing more shareholders based on special powers of attorney expresses the votes of persons represented by the aggregation of the number of votes "for", "against" and "abstention" without offsetting them (e.g. "on the x point of the agenda I represent "x" votes "for", "b" votes "against" and "c" abstentions "). Votes so cast are validated or, where appropriate, invalidated, based on the third copy of special powers of attorney by the secretary of the General Meeting. The votes included in the special power of attorney are exercised only in the manner desired by the shareholder.

The Secretary or Secretaries of the meeting, based on the vote freely expressed by shareholders, will prepare the minutes of the General Meeting.

Decisions adopted by the General Meetings of Shareholders in 2016:

The Ordinary General Meeting of Shareholders of S.C. ROMPETROL WELL SERVICES S.A. dated **April 28, 2016** decided the following:

- Approves the annual financial statements for the tax year 2015, based on the Report of administrators and the Report of financial auditor of the Company.
- Approves the coverage of the accounting loss of the year 2015, from reserves constituted from undistributed profit of previous years
- Approves to discharge of liability the Company's administrators for their activity carried out during the financial year 2015.
- Approves the election of Mr. Orynbassarov Yerzhan and of Mr. Vadim Poletaev as members of the Board of Directors, for a mandate starting on the date of this Ordinary General Meeting of the Shareholders and ending on 28.04.2018 (the expiry date of the mandate granted to the current members of the Board of Directors).
- Approves the extension of the mandate of the financial auditor "Ernst & Young Assurance Services SRL", headquartered in Bucharest, sector 1, 15-17 Ion Mihalache Blvd., Bucharest Tower Center Building, 21st floor, registered with the Trade Registry under no. J40/5964/1999, having sole registration code 11909783, member of the Chamber of Financial Auditors of Romania, the agreement concluded with the foregoing company having a 1(one)-year term, starting with 30.04.2016.

S.C. Ernst & Young Assurance Services S.R.L. is duly represented by Mrs. Cora Anamaria, as administrator.

- Approves the income and expenditure budget for 2016. Approves the budget to the investment activity for the year 2016 amounting to 520,000 USD.
- Approves the amount of the monthly allowance due to the members of the Company's Board of Directors for the financial year 2016 to the level of the one established for 2015.
- Approves to empower the General Manager of the Company, Mr. Adrian-Ion Stănescu, to execute the resolutions following to be adopted and to carry-out all due formalities for the fulfillment thereof, the said proxy being entitled to sub-appoint third parties to this effect.
- Approves May 20, 2016 as *Registration Date*, according to art. 238 (1) of the Law no. 297/2004 regarding the capital market, as amended and supplemented.
- Approves May 19, 2016 as the "*ex-date*", in compliance with the provisions of art. 2, letter f) from the Regulation RNSC no. 6/2009 regarding the exercising of certain rights of the shareholders within the general meetings of companies.

Shareholders' rights to dividends

If the General Meeting of Shareholders approves the distribution of dividends from the net profit of the company, are entitled to receive dividends all shareholders registered in the register of shareholders on the record date approved by the General Meeting approving also the value of dividends and the time they are paid to shareholders.

6.4. Transparency, communication, financial reporting

S.C. Rompetrol Well Services attaches great importance to transparency in communication. Considering that the confidence of the public is essential to the company, the company transforms its communication policy into an explicit and mutual commitment between the company and its interlocutors. The fulfilment of reporting obligations and transparency of communication are ways to win the confidence of investors.

The company aims to ensure a continuous and periodic reporting in an objective and honest manner, covering all important aspects of company business, financial status, applied accounting policies, recorded performances.

During 2016 there have been prepared reports and press releases about financial results, summons and decisions of GMS, regular reporting (monthly, quarterly, annual), distributing dividends, etc. The information being subject to mandatory reporting - current and periodic reports - was also presented on the Company's website, www.rompetrol.com in the section Rompetrol Well Services/Relații cu Investitorii/Prezentări

In order to ensure equal access to information for investors, the posting on the Company's website of reports and press releases addressed to the market participants is made after being posted on the market operator, which is the BSE.

In accordance with the law, the accounting and financial statements of Rompetrol Well Services and the ones related to operations are audited by Ernst & Young Assurance Services SRL, an independent financial auditor appointed by the General Meeting of Shareholders of April 28, 2016 for a period of 1 year.

Contact Investor Relations

Annual reports, quarterly and half-yearly, is available to shareholders upon request. Requests may also be made electronically via e-mail at: office.rws@rompetrol.com.

Internal control and risk management systems in relation to financial reporting procedures

The company has continuously adapted the internal control mechanism as a set of procedures and working methods with the scope of preventing acts contrary to the economic interests of the Company and to the regulated framework of the activity, and with the scope of identifying the deficiencies and of establishing the necessary measures to reestablish the regulated framework of the activity. This targets mainly the relationships, phenomena and the financial processes aimed at ensuring the proper functioning of economic activity. Also, aspects of opportunity, necessity and economicity of the company's operations are analyzed. As concerning the financial reporting procedures, the company has developed internal reporting procedures and is also compliant to the external reporting procedures. The procedures are periodically reviewed by the functioning departments of the company. The financial reporting systems are based on the existing legal principles, rules and regulations.

6.5. Social responsibility

S.C. Rompetrol Well Services S.A. actively supports all programs of social responsibility of the Group **KazMunayGaz International** (KMG).

Community

The strength and evolution of KMG International do not rely on technology but on its people, who make the Group's development possible. Therefore, our CSR initiatives are based on the same values as those of our people.

KMG International views social responsibility as voluntary contribution to the development of the society, correlated with the core values, the objectives, the activities, the international laws and the resources of the Group.

As a revered corporate citizen and worldwide trustworthy partner, we contribute to the development of the countries and communities where we operate by creating jobs, employing local workforce and using local suppliers.

However, our commitment surpasses the economic aspects and implications of our actions. The commitment to CSR provides a guiding framework for all KMG International management decisions and we focus particularly on harnessing industry best practice by encouraging Group and community participation in corporate citizenship projects focused on raising the standards in the areas of business success, environment, health and safety, responsibility towards the community, culture, education and leadership.

Key ways in which we contribute to communities where we operate include paying local taxes, employment, the use and development of local services and suppliers, investment in local infrastructure and social programs, including social investment.

We firmly believe that by strategically investing in local communities we can also positively influence our long-term economic performance. Healthy, vibrant communities drive demand for our services and play an important role in the development of an educated workforce and a robust, sustainable supply chain. We work with stakeholders in all our areas of operations to address challenges and advance the quality of life in the communities.

Community engagement

Our involvement is based on community engagement and consultation, so as to identify the projects which can deliver the greatest value to local communities. We support those initiatives that help improve local economic conditions as it is our belief that economic development leads to the empowerment of local communities.

As part of our ongoing business process, we engage with our community stakeholders either on a project-by-project basis or on a company basis through philanthropic and community programs and initiatives. On a project-by-project basis, we proactively engage local communities, government and municipalities to address project-related social, economic or environmental concerns. This type of community engagement is directed by project management and carried out jointly with our clients and partners. On a company basis, we establish relationships with community stakeholders to proactively identify needs that align with KMG International's strategic focus areas.

Community and corporate partnerships

KMG International, under the Rompetrol brand, continued to be main partner of the George Enescu International Contest, the year's defining event for classical music lovers and promoter of Romania's cultural identity, that gathers thousands of faithful spectators.

KMG International supported the 14th edition of the Civil Society Gala, the most important project dedicated to the activity of the associative sector in Romania.

As of 2003, Rompetrol is a partner and main sponsor for the Civil Society Gala – the annual competition that awards the best projects of the year, initiated by NGOs, unions, individuals etc. Rompetrol Rafinare, member of KMG International, adopted the group's strategy for sustainable development and supports a wide range of CSR projects – such as the partnership with SMURD, established in 2010.

KMG International is actively involved in cultural programs and projects designed to promote the social and cultural values of Romania, both nationally and internationally. In this respect, bringing to Romania the Kazakh Film Festival was a very inspired idea, appreciated by cinema goers.

7. Appendices

a) articles of incorporation of the commercial company, if they have been modified during the reporting year;

Articles of incorporation of the Company was not upgraded during 2015.

b) major contracts concluded by the commercial society during the reporting year;

S.C.ROMPETROL WELL SERVICES S.A. Ploiești, as **provider-supplier**, has developed its activity based on contracts, whose object was services delivery related to oil and gas extraction. In terms of **services contracts** concluded with various internal beneficiaries, the situation at the end of 2016 is as follows:

CLIENT	Contract value (lei) 2016	Income (lei) 2016
OMV PETROM S.A. BUCURESTI	(*)	15,254,478
S.N.G.N. ROMGAZ S.A. MEDIAS	(*)	5,803,578
STRATUM ENERGY ROMANIA LLC WILMINGTON Suc Blejoi	(*)	1,891,461
WEATHERFORD INTERNATIONAL EASTERN EUROPE SRL	(*)	1,320,131
FS CRAIOVA	(*)	1,913,473
FS VIDELE	(*)	1,213,687
OTHER DOMESTIC CLIENTS	(*)	2,740,092

(*) *There were contracts in execution in 2016 without total value specifications.*

c) resignation/dismissal acts, if there were such situations among the members of the administrative department, executive management, auditors;

On 11.04.2016, Mr. Vasile-Gabriel Manole resigned from the position of financial director.

d) list of company's subsidiaries and societies under its control;

S.C.Romp petrol Well Services S.A. has no subsidiaries or societies under its control.

e) list of persons affiliated to the company¹

S.C. Rompetrol Well Services S.A. is part of the Group: KMG International².

The group (KMG Internațional) is registered to A.S.F. and at 31.12.2016 consisted of the following companies:

- KMG International N.V.³
- Oilfield Exploration Business Solutions S.A.
- Rompetrol Downstream S.R.L.
- Rompetrol Rafinare S.A.
- Palplast S.A.
- Rompetrol Logistics S.R.L.
- Rominserv S.R.L.
- Rom Oil S.A.
- Global Security Sistem S.A.
- Uzina Termoelectrică Midia S.A.
- Rompetrol Petrochemicals S.R.L.
- Rompetrol Quality Control S.R.L.
- Rompetrol Financial Group S.R.L.
- Rompetrol Gas S.R.L.
- Midia Marine Terminal S.R.L.
- KMG Rompetrol S.R.L.

¹At this point they were listed all the companies within the Group: KMG International.

² Until March 2014, under the name The Rompetrol Group

³ Until March 2014, under the name The Rompetrol Group N.V.

- Byron Shipping S.R.L.
- EPPLN SAS (Entrepot Petrolier de Port La Nouvelle)
- Rominserv Valves Iaifo S.R.L.
- Byron Shipping LTD
- Întreprinderea Mixta "Romp petrol Moldova" S.A.
- Rompetrol Georgia LTD
- Rompetrol France SAS
- Dyneff SAS
- Dyneff Espagne SL
- DYNEFF Trading SL⁴
- Dyneff Gas Stations Network SL (DYNEFF CATALOGNE SLU)
- TMP SAS (Terminal Midi Pyrenees)
- DPPLN SAS (Depot Petrolier de Port-la Nouvelle)
- Rompetrol Ukraine LTD
- AGAT LTD.
- KazMunayGas-Engineering LLP⁵
- TRG PETROL TICARET ANONIM ŞIRKETI
- Rompetrol Bulgaria AD
- KazMunayGaz Trading A.G.
- Rompetrol Energy S.A.
- Rompetrol Albania Downstream Sh.A - liquidation proceedings
- Rompetrol Albania Wholesale Sh.A - liquidation proceedings
- Rompetrol Albania ShA - liquidation proceedings
- Rompetrol Distribution Albania Sh.A. - liquidation proceedings
- KMG Rompetrol Services Center SRL⁶
- KazMunayGas Engineering B.V.
- KazMunayGas Trading SingaporePTE. LTD
- Oman J.V.⁷
- Rompetrol Drilling S.R.L.
- KMG ROMPETROL DEVELOPMENT S.R.L.
- Bio Advanced Energy SAS – cu sediul în Montpellier, Franța⁸
- Bio Advanced Energy Prod SAS – cu sediul în Labarthe Inard, Franța⁹

**CHAIRMAN OF THE ADMINISTRATION BOARD,
Mr. Yerzhan ORYNBASSAROV**

**GENERAL MANAGER,
Mr. Adrian Ion STĂNESCU**

**FINANCE MANAGER,
Mrs. Valerica DUMITRU**

⁴ Until 2014, under the name BIONEFF SL

⁵ With the old name Rominserv Kazakhstan LLC

⁶ With the old name ROMPETROL EXPLORATION & PRODUCTION SRL

⁷ With the old name Benon Rompetrol

⁸ Established in January 11, 2016

⁹ Established in March 14, 2016

OPERATIONAL REVENUES

NAME ASSORTMENT	2014		2015		2016	
	ACTUAL		ACTUAL		ACTUAL	
	RON	%	RON	%	RON	%
1	2	3	4	5	6	7
Down-hole String	874,092.560	0.96	694,466.620	1.39	15,231.000	0.05
Slick Line Unit	1,921,580.380	2.10	708,658.250	1.41	585,743.410	1.89
Cementing Unit	52,550,524.980	57.52	30,056,187.810	59.99	16,601,726.890	53.62
Tank Truk	774,460.640	0.85	521,568.600	1.04	162,686.730	0.53
Power Tongs	2,804,144.790	3.07	1,248,617.540	2.49	820,375.620	2.65
Solution, spacer preparation	378,277.700	0.41	510,577.900	1.02	304,564.550	0.98
Lab Analisis	1,016,393.100	1.11	971,315.800	1.94	723,329.650	2.34
Bulk Truck	4,728,366.110	5.18	3,227,231.970	6.44	2,124,313.150	6.86
Non-fired Nitogen	855,353.460	0.94	55,498.000	0.11	35,730.800	0.12
Nitrogen Tank	529,644.270	0.58	34,477.000	0.07	23,099.770	0.07
Rental equipments	3,389,928.780	3.71	1,878,403.720	3.75	944,846.110	3.05
Rental tools	355,505.170	0.39	187,774.730	0.37	117,742.200	0.38
Data Acquitsition System	1,747,171.100	1.91	426,951.780	0.85	204,722.970	0.66
Cement Silo	54,569.390	0.06	49,131.850	0.10	42,341.920	0.14
Chlorine Hydride Tank	1,610,029.570	1.76	1,023,235.980	2.04	1,088,701.480	0.12
Nitrogen	892,822.050	0.98	25,000.000	0.05	37,150.000	4.29
Mileage	1,009,833.820	1.11	1,195,066.810	2.39	1,327,339.360	18.74
Others	15,871,434.130	17.37	7,286,722.640	14.54	5,801,068.390	18.74
OPERATIONAL REVENUES						
SC Rompetrol Well Sevices S.A.	91,364,132.000	100.00	50,100,887.000	100.00	30,960,714.000	100.00

Anexa 1-b

STRUCTURE OF TURNOVER

Denumire sortiment	2014		2015		2016	
	ACTUAL RON	%	ACTUAL RON	%	ACTUAL RON	%
1	2	3	4	5	6	7
Down-hole String	874,092.560	0.99	694,466.620	1.39	15,231.000	0.05
Slick Line Unit	1,921,580.380	2.18	708,658.250	1.42	585,743.410	1.88
Cementing Unit	52,550,524.980	59.69	30,056,187.810	60.14	16,601,726.890	53.37
Tank Truk	774,460.640	0.88	521,568.600	1.04	162,686.730	0.52
Power Tongs	2,804,144.790	3.19	1,248,617.540	2.50	820,375.620	2.64
Solution, spacer preparation	378,277.700	0.43	510,577.900	1.02	304,564.550	0.98
Lab Analisis	1,016,393.100	1.15	971,315.800	1.94	723,329.650	2.33
Bulk Truck	4,728,366.110	5.37	3,227,231.970	6.46	2,124,313.150	6.83
Non-fired Nitrogen	855,353.460	0.97	55,498.000	0.11	35,730.800	0.11
Nitrogen Tank	529,644.270	0.60	34,477.000	0.07	23,099.770	0.07
Rental equipments	3,389,928.780	3.85	1,878,403.720	3.76	944,846.110	3.04
Rental tools	355,505.170	0.40	187,774.730	0.38	117,742.200	0.38
Data Acquisitions System	1,747,171.100	1.98	426,951.780	0.85	204,722.970	0.66
Cement Silo	54,569.390	0.06	49,131.850	0.10	42,341.920	0.14
Chlorine Hydride Tank	1,610,029.570	1.83	1,023,235.980	2.05	1,088,701.480	3.50
Nitrogen	892,822.050	1.01	25,000.000	0.05	37,150.000	0.12
Mileage	1,009,833.820	1.15	1,195,066.810	2.39	1,327,339.360	4.27
Others	12,541,481.130	14.25	7,160,860.640	14.33	5,946,464.390	19.12
TURNOVER	88,034,179.000	100.00	49,975,025.000	100.00	31,106,110.000	100.00

**Status of compliance of the new BSE Governance Corporate Code
as of December 31th, 2016**

Governance Corporate Code	Compliance	Not compliance or partial compliance	Reason for the non-compliance
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.		Partial compliance	The terms of reference / Board's responsibilities and key functions of the company management are also included in the company's Articles of Association. This requirement will be analyzed in the Board meetings in 2017.
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting nonquorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.		Partial compliance	The Articles of Association do not contain any provisions concerning the management of conflicts of interest. However, the recommendation of the Corporate Governance Code is complied with.
A.3. The Board of Directors should have at least five members.	YES		
A.4. The majority of the members of the Board should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each member of the Board should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment.		Partial compliance	Most of the Board members are non-executive directors. Currently, there are no independent directors. This requirement will be analyzed at Board level.
A.5. A Board member's other relatively permanent professional	YES		

commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.			
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.		NOT	The requirement will be implemented.
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.		Partial compliance	Support - legal department
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		NOT	The company will develop a policy / guidance concerning the Board's evaluation and including the purpose, criteria and frequency of the evaluation process.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of nonexecutives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		N/A	The company is included in the Standard Category.
B.1. The Board should set up an audit committee, and at least one member should be an independent nonexecutive. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit		NOT	Constitution of the Audit Committee is underway. Considering that the organization at KMG International Group level also implies the

committee should be independent.			existence of operational support functions with various responsibilities, the creation of consulting committees (such as audit, appointment, remuneration committees etc) at entity level was not necessary. The relation between the company and the functions at KMG International Group level is regulated by a service agreement. If the conditions are met and the need arises, the committee will be created.
B.2. The audit committee should be chaired by an independent nonexecutive member.		NOT	See the explanation at B.1.
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		NOT	See the explanation at B.1.
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		NOT	See the explanation at B.1.
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		NOT	See the explanation at B.1.
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.		NOT	See the explanation at B.1.
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.		NOT	See the explanation at B.1.
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.		NOT	See the explanation at B.1.

B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee.		NOT	This requirement will be analyzed by the Board in 2017.
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		Partial compliance	The internal auditor reports directly to the CEO, Board of directors and specific departments of KMG International Group
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		NOT	The requirement will be implemented.
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES		
<ul style="list-style-type: none"> D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; 	YES		
<ul style="list-style-type: none"> D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board 		Partial Compliance	The recommendation is not implemented as concerns other professional commitments of the Board's members, including executive and non-executive positions in the boards of

positions in companies and not-for-profit institutions;			administration of other companies or non-profit institution. It will be implemented.
<ul style="list-style-type: none"> • D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports); 	YES		
<ul style="list-style-type: none"> • D.1.4. Information related to general meetings of shareholders; 	YES		
<ul style="list-style-type: none"> • D.1.5. Information on corporate events; 	YES		
<ul style="list-style-type: none"> • D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; 	YES		
<ul style="list-style-type: none"> • D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports. 	YES		
D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.		NOT	The requirement will be implemented.
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. The forecast policy should be published on the corporate website.		NOT	The requirement will be implemented.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the	YES		

Chairman of the Board decides otherwise.			
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		
D.9. A company should organize at least two meetings /conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		Partial Compliance	The regular reports prepared by the company to disclose its financial items are complete, highly transparent and relevant in terms of information necessary for making investment decisions. The organization of such events will be established depending on the requests from investors.
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	YES		

CHAIRMAN OF THE ADMINISTRATION BOARD,

Mr. Yerzhan ORYNBASSAROV

MEMBER OF THE ADMINISTRATION BOARD

GENERAL MANAGER,

Mr. Adrian Ion STĂNESCU

STATEMENT

The undersigned: **Yerzhan Orynbassarov** - as Chairman of the Board, **Adrian-Ion Stănescu** -as General Manager, **Valerica Dumitru** - as CFO, in view art. 112¹ par.(1) letter (c) of CNVM Regulation no. 1/2006 on issuers and securities operations,

We hereby declare that, to our knowledge, the situation 31.12.2016 annual accounts prepared in accordance with applicable accounting standards provide a fair reflection and according to reality of the assets, liabilities, financial position, profit and loss, included in the consolidation of financial statements of SC ROMPETROL WELL SERVICES S.A. and the Report of the Directors includes a fair analysis of the development and performance of the company and a description of the principal risks and uncertainties specific to the activity in the year 2016.

**CHAIRMAN OF THE ADMINISTRATION BOARD,
YERZHAN ORYNBASSAROV**

**GENERAL MANAGER
ADRIAN-ION STĂNESCU**

**FINANCE MANAGER,
VALERICA DUMITRU**

ROMPETROL WELL SERVICES S.A.
STAND-ALONE FINANCIAL STATEMENTS

Prepared in accordance with the **Order of the Minister of Public Finance no. 2844/2016**
31 December 2016

ROMPETROL WELL SERVICES S.A.
STAND-ALONE FINANCIAL STATEMENTS

Prepared in accordance with the **Order of the Minister of Public Finance no. 2844/2016**
31 December 2016

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ROMPETROL WELL SERVICES S.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended as at 31 December 2016

	Notes	Date 31.12.2016	Date 31.12.2015
Turnover	2	31.106.110	49.975.025
Services performed		31.024.397	49.917.461
Sales of goods		81.714	57.564
Other operating income	3.1	32.954	125.862
OPERATING INCOME - TOTAL		31.139.065	50.100.887
Expenses with consumables		(7.315.658)	(10.440.518)
Power and water expenses		(420.929)	(489.847)
Merchandise expenses		(48.095)	(40.464)
Payroll costs, out of which:	5	(15.763.596)	(21.205.208)
Salaries		(12.946.893)	(17.444.267)
Social security contributions		(2.816.702)	(3.760.941)
Fixed assets value adjustment, of which		(8.618.926)	(11.371.801)
Depreciation		(6.970.205)	(7.831.801)
Current assets value adjustment	12,13,14	(363.378)	(25.794.644)
Expenses for third-party services	3.2	(5.463.874)	(10.446.990)
Taxes, duties and similar expenses		(633.988)	(735.837)
Provision adjustments	18,19	974.770	2.286.832
Other operating expenses	3.3	(1.130.639)	(2.403.947)
OPERATING EXPENSES - TOTAL		(38.784.313)	(80.642.424)
OPERATING RESULT		(7.645.248)	(30.541.537)
Interest income		1.890.865	1.954.257
- of which, revenues from related parties		1.883.967	1.919.683
Other financial income		434.820	1.326.237
FINANCIAL INCOME – TOTAL	4.1	2.325.686	3.280.494
Value adjustment in respect of financial investments		0	43.508
Other financial expenses		(398.708)	(1.603.945)
FINANCIAL EXPENSES – TOTAL	4.2	(398.708)	(1.560.437)
FINANCIAL RESULT		1.926.978	1.720.057

ROMPETROL WELL SERVICES S.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

RESULT BEFORE TAX		(5.718.271)	(28.821.480)
Income tax expense	6	(102.290)	(801.159)
RESULT FOR THE YEAR		(5.820.561)	(29.622.639)
Earning per share	7	(0,02)	(0,11)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(5.820.561)	(29.622.639)

The Financial Statements from page 1 to page 41 are approved by the Board of Directors in 23 March 2017 and are signed in his name by:

Administrator,
 STANESCU Adrian Ion

PREPARED BY,
 DUMITRU Valerica
 Economic Director

Signature
 Unit stamp

Signature

ROMPETROL WELL SERVICES S.A.
STATEMENT OF THE FINANCIAL POSITION
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	Date 31.12.2016	Date 31.12.2015
Assets			
Non-current assets			
Tangible assets	8	29.472.070	37.912.300
Real estate investments	9	544.416	563.013
Intangible assets	10	12.832	17.441
Financial assets	11	6.524.856	6.524.856
Other financial assets	12	973.165	3.864.467
Total fixed assets		37.527.339	48.882.077
Current assets			
Inventories	13	2.849.530	4.154.903
Trade and similar receivables	14	82.091.884	76.847.927
Profit tax receivable		2.370.643	2.370.643
Other current assets	15	264.465	190.778
Cash and deposits	16	6.573.982	3.817.211
Current assets - total		94.150.504	87.381.462
Total assets		131.677.843	136.263.539
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		73.680.797	103.303.437
Retained earnings		18.330.137	18.330.138
Current result		(5.820.561)	(29.622.639)
Total equity		120.311.638	126.132.200
Long-term liabilities			
Provisions	18	158.457	448.355
Employee benefits liabilities	18	486.999	350.714
Deferred tax liabilities	6	365.363	263.073
Other liabilities		6.664	2.829
Total long-term liabilities		1.017.483	1.064.971

ROMPETROL WELL SERVICES S.A.
STATEMENT OF THE FINANCIAL POSITION

For the year ended as at 31 December 2016

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

Current liabilities			
Trade payables and similar liabilities	20	10.323.803	8.344.427
Provisions	18	24.919	721.941
Non current liabilities - total		10.348.722	9.066.368
Total liabilities		11.366.205	10.131.339
Total equity and liabilities		131.677.843	136.263.539

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Economic Director

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ROMPETROL WELL SERVICES S.A.
STATEMENT OF CHANGES IN EQUITY
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

STATEMENT OF CHANGES IN EQUITY
For the year ended as at 31 December 2015

	Share capital	Legal reserves	Other reserves	Retained earnings IFRS transition	Current result	Total equity: total
Balance as at 1 January 2015	28.557.446	5.563.818	100.010.510	18.330.138	8.856.745	161.318.657
Transfer to other reserves	-	-	3.292.927	-	(3.292.927)	-
Result of the period	-	-	-	-	(29.622.639)	(29.622.639)
Dividends	-	-	-	-	(5.563.818)	(5.563.818)
Balance as at 31 December 2015	28.557.446	5.563.818	103.303.437	18.330.138	(29.622.639)	126.132.200

STATEMENT OF CHANGES IN EQUITY
For the year ended as at 31 December 2016

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

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

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

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ROMPETROL WELL SERVICES S.A.
STATEMENT OF CASH FLOW
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

STATEMENT OF CASH FLOWS

Indirect method	Financial year	
	Ended as at 31.12.2016	Ended as at 31.12.2015
Name of item		
<i>Cash flows from operating activities:</i>		
Net result before tax	(5.718.271)	(28.821.480)
<i>Adjustments for:</i>		
Depreciation and adjustments related to tangible assets	8.614.848	11.368.806
Depreciation and adjustments related to intangible assets	4.078	2.995
Movements in other provisions, net	(627.210)	22.945.139
Interest income	(1.890.865)	(1.954.257)
Loss / (profit) from tangible asset sales	178.350	(9.000)
Operating profit before working capital changes	560.931	3.532.203
Decrease / (Increase) of trade and other receivables	974.527	11.234.002
Decrease / (Increase) of cash pooling	(7.265.199)	(6.065.820)
Decrease / (Increase) of inventories	2.063.459	691.280
Decrease / (Increase) of trade and other debts	2.640.245	(4.503.468)
Paid income tax	-	(1.283.000)
Net cash flow (used in) generated by operating activities	(1.026.037)	3.605.197
<i>Cash flows from investments:</i>		
Payments for purchase of tangible assets	(1.047.014)	(1.866.482)
Receipts from sale of tangible and intangible assets	101.612	9.000
Received interest	1.882.381	2.033.736
Net cash from investments	936.979	176.254
<i>Cash flows from financing activities:</i>		
Dividends paid	(45.473)	(5.262.127)
Net cash flows from financing activities:	(45.473)	(5.262.127)
Net increase / (decrease) of cash and cash equivalents	(134.531)	(1.480.676)
Cash and cash equivalents at the beginning of the financial year	7.681.678	9.162.354
Cash and cash equivalents at the end of the financial year	7.547.147	7.681.678
Cash included in collateral accounts	5.817.165	6.516.755
Cash and cash equivalents at the year end excluding collateral accounts	1.729.982	1.164.923

Cash and cash equivalents include the long-term collateral deposits (see note 16 and 22).

The Financial Statements from page 1 to page 41 are approved by the Board of Directors in 23 March 2017 and are signed in his name by:

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STANESCU Adrian Ion

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Economic Director

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NOTES TO THE FINANCIAL STATEMENTS

1. INFORMATION ON THE ENTITY

The financial statements of S.C. **ROMPETROL WELL SERVICES S.A.** for the financial year ended as at 31 December 2016 are authorised according to the resolution of the Board of Directors dated 23 March 2017.

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

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

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

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

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

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

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

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

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

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

As of December 31st, 2016 the financial position of the Kazakhstan Branch is as follows:

	As of 31.12.2016
Tangible assets	-
Intangible assets	-
Inventories	-
Trade and similar receivables	180.241
Cash and deposits	1.982
Total assets	182.224
Other capital elements	175.925
Trade payables and similar liabilities	6.299
Total equity and liabilities	182.224

1.1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

1.2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

a) The going concern principle

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

b) Foreign Currency Transactions

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

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).

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
EUR 1	4,5411	4,5245
USD 1	4,3033	4,1477

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
USD 1	333,28	339,47

c) Financial instruments

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

Subsequent measurement

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

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

Receivables and loans

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

Derecognition

A financial asset is primarily derecognised when:

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

Or

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

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

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

Offsetting of financial instruments

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

d) Impairment of financial assets

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

e) Property, plant and equipment

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

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

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

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

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

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

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

f) Investment property

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

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

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

g) Intangible assets

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

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

Development costs for specific projects which are reasonably anticipated to be recovered through commercial activity as well as the expenditure on acquired computer software licenses are capitalized and amortized using the straight-line method over their useful lives, generally 3 years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. External and internal costs specifically associated with the maintenance of already existing computer software programmes are expensed as incurred.

h) Financial assets

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

Additional details on financial assets are presented in Note 11.

i) Impairment of non-financial assets

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

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

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

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

j) Provisions

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

Provisions are not recognized for future operating losses.

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

k) Leases

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

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

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

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

l) Inventories

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

m) Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less the impairment adjustments. The provisions for customers are set up when there is objective evidence that the Company will not collect all amounts due within their initial payment deadlines. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments require provisions to be set up for receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the effective interest rate.

n) Cash and cash equivalents

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

o) Revenue recognition

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

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

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

In addition:

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

p) Retirement benefit costs

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

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

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

- ▶ Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ In case of deductible temporary differences associated with investments in subsidiaries and related parties and interests in joint ventures, the deferred tax liability is recognised only when the temporary differences are likely to be reversed in a foreseeable future and when there can be a taxable profit for which temporary differences may be used.

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

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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 consolidated financial statements. They are however disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

1.3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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*

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

(ii) *Depreciation of tangible assets and investment properties*

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

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

The key assumptions used in order to determine the fair value of assets are explained bellow.

In order to obtain the fair value of tangible assets it was determined using the discounted cash flow method for the remaining useful life of around 7 years as of 31 December 2016. At the end of the period it was estimated a residual value of tangible assets at the level of net book value.

Significant estimates of the Company applied in the model are:

- Operational earnings
- Discount rate

The next table presents the operational profit rate applied to revenues as it was estimated by Company's management:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Rompetro Well Services	<u>2.7%</u>	<u>4.9%</u>	<u>5.3%</u>	<u>6.5%</u>	<u>7.7%</u>	<u>8.6%</u>	<u>10.7%</u>

The discount rate applied in the model was 12,7%, 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 adjusted.

Sensitivity of estimates

The company will not record any impairment of fixed assets if the discount rate will improve to 7.5% or the operational profit rate will increase as follows:

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	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Romp petrol Well Services	<u>3.5%</u>	<u>5.5%</u>	<u>6.3%</u>	<u>7.4%</u>	<u>8.7%</u>	<u>9.7%</u>	<u>11.4%</u>

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 2016:

- **IAS 27 Separate Financial Statements (amended)**

The amendment is effective from 1 January 2016. This amendment is allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has no impact on the Company's financial statements.

- **IAS 1 Disclosure Initiative (amended)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments.

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Company does not have any plans that fall within the scope of this amendment.

- **Annual Improvements to IFRSs 2012 – 2014 Cycle**

The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had an effect on the Company's financial statements.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- **IFRS 7 Financial Instruments:** Disclosures: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

- **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

1.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

- **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has made an assessment of the effect of the standard and considers not to have a material effect on its financial position.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Company has assessed the impact of applying this standard on its financial position and considers not to have a material effect on its financial position.

- **IFRS 16: Leases**

The standard is 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 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The Company is presently assessing the impact of applying this standard on its financial position.

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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Company is presently assessing the impact of applying this standard on its financial position.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. The Company is presently assessing the impact of applying this standard on its financial position.

- **IAS 7: Disclosure Initiative (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU. The Company is presently assessing the impact of applying this standard on its financial position.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Company is presently assessing the impact of applying this standard on its financial position.

- **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Company is presently assessing the impact of applying this standard on its financial position.

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

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If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Company is presently assessing the impact of applying this standard on its financial position.

- The IASB has issued the **Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Company is presently assessing the impact of applying this standard on its financial position.

2. TURNOVER

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

	Sales 2016	Sales 2015
Service revenue	31.024.397	49.917.461
Revenue from goods sold	81.714	57.564
Total	31.106.110	49.975.025

	Sales 2016	Sales 2015
Export		
Central Asia	-	101.255
Export total	-	101.255
Internal market sales	31.106.110	49.873.770
Sales total	31.106.110	49.975.025

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

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

3. OTHER REVENUES AND OTHER EXPENSES

3.1. Other operating revenues

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

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	2016	2015
Other operating revenues :		
Earnings from disposal of fixed assets	-	9.000
Other revenue	32.954	116.862
Total	32.954	125.862

3.2. Expenses for third-party services

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

	Report period completed on December 31st 2016	Report period completed on December 31st 2015
Royalties and rental expenses	125.056	225.697
Bank commissions and similar charges	28.349	79.570
Insurance premiums	482.399	368.190
Commissions and fees	45.911	153.330
Maintenance and repair expenses	301.323	735.325
Postage and telecommunications	63.809	121.239
Travel expenses	473.121	985.653
Entertaining, promotion and advertising	20.952	20.784
Other third party services, from which:	3.922.953	7.757.202
Security services	739.303	865.998
Externalised activities services	941.883	712.932
Consultancy and audit	129.789	231.519
Management services	390.822	3.860.219
Goods transportation services	1.225.256	1.390.748
Others	495.902	695.786
Total	5.463.874	10.446.990

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

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

3.3. Other operating expenses

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

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	Report period completed on December 31 st 2016	Report period completed on December 31 st 2015
Compensations, fines, penalties	38.006	1.900.461
Sponsorship	-	136.245
Obsolete inventory	751.682	-
Other operating expenses – employee’s benefits	161.899	276.386
Other operating expenses	179.052	90.855
Total financial expenses	1.130.639	2.403.947

As a result of ongoing process of branch closure, the Company recorded in 2016 the write-off of non-repatriated inventories of the branch, which had a gross accounting value of 751.682 lei. Net impact in the profit or loss account was of 20.536 lei (Note 13).

4. FINANCIAL EXPENSES AND REVENUES

4.1 Financial revenues

	2016	2015
Interest income, from which:	1.890.865	1.954.257
Income obtained from the entities within the group	1.883.967	1.919.683
Income from exchange rate differences	434.820	1.326.237
Financial income Total	2.325.686	3.280.494

4.2 Financial expenses

	2016	2015
Value adjustments regarding the financial assets, as follows:	-	(43.508)
Expenses	-	68.138
Revenue	-	111.646
Expenses from exchange rate differences	398.708	1.603.945
Total financial expenses	398.708	1.560.437

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5. EXPENSES WITH THE BENEFITS OF THE EMPLOYEES

The expenses with salaries and taxes, recorded during 2016 and 2015 are as follows:

	Fiscal year completed on December 31st 2016	Fiscal year completed on December 31st 2015
Expenses related to salaries and allowances	12.946.893	17.444.267
Expenses related to the social insurances	820.609	1.090.389
Contributions to the savings fund for retirement	1.996.093	2.670.552
Total	15.763.596	21.205.208

In the reporting period, the number of employees decreased from 260 persons at 31 Dec 2015 to 183 persons at 31 December 2016, the costs with employees during 2016 being affected by restructuring process and the temporary reduction of labour week.

The average number of employees has evolved as follows:

	Fiscal year completed on December 31st 2016	Fiscal year completed on December 31st 2015
Management personnel	3	3
Administrative personnel	20	27
Production personnel	160	253

The Administrators and Managers

During 2016, the company has paid the following allowances to the members of the Board of Directors and to the directors:

	Fiscal year completed on December 31st 2016	Fiscal year completed on December 31st 2015
The Members of the Board of Directors	311.895	307.862
Directors	916.111	1.369.045
Total	1.228.006	1.676.907

On December 31st 2016, the company has had no obligations regarding the payment of the retirement money to the former members of the Board of Directors and of the executive management.

At the end of 2016, 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.

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6. INCOME TAX

Main components of income tax expenses for fiscal years ended as of 31 December 2016 and 2015 are:

Statement of profit and loss:

	2016	2015
<i>Current income tax:</i>		
Expenses regarding the current income tax	-	-
<i>Deferred income tax:</i>		
For the initial registration and continuation of the temporary differences	102.290	801.159
Expenses regarding the income tax reported in statement of total comprehensive income	102.290	801.159

Reconciliation between the expenses regarding the current income tax and the deferred income tax and the accounting profit is as follows for fiscal years 2016 and 2015:

	2016	2015
Accounting result before tax	(5.820.561)	(28.821.480)
At Company's statutory income tax rate of 16% (2015: 16%)	(931.290)	(4.611.437)
Effect of value adjustments from non-taxable incomes	(342.764)	1.380.668
<i>Non-deductible expenses for tax computation:</i>		
Depreciation of current assets	189,281	5.141.918
Depreciation tangible assets	-	566.400
Other non-deductible expenses	240,486	82.950
Reinvested profit	-	-
Fiscal credit	-	-
Effect of fiscal loss carried forward	530,527	200.837
Expenses with current income tax at effective rate 0% (2015: 0%)	-	-
Expenses with income tax reported in statement of profit and loss	-	-

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Deferred income tax

The deferred income tax refers to the following:

	The statement of the financial position		Profit and Loss Statement	
	12/31/2016	12/31/2015	2016	2015
The revaluation of assets at cost with reserve transfer in the retained earnings	(924,830)	(960.424)	35,594	42.173
Recognition of the estimates bonuses for the participation of the employees to the profit	-	-	-	(111.584)
Recognition of estimates for retirement benefits	19,662	56.114	(36,453)	(104.502)
Recognition of estimate for commercial litigation	-	-	-	(265.430)
Recognition of estimate for restructuring cost	3,987	115.511	(111,524)	115.511
Recognition of estimate for outstanding vacation days	15,875	454	15,420	-
Temporary adjustment receivables	519,943	525.272	(5,328)	(477.327)
(Expenses regarding) /income from the deferred tax			(102,290)	(801.159)
Assets regarding the deferred tax	559,467	697.351		
Liabilities regarding the deferred tax	(924,830)	(960.424)		
Assets / (Liabilities) regarding the deferred tax, net	(365,363)	(263.073)		

The Company recorded a fiscal loss in amount of 3.315.796 lei in the fiscal year ended as of 31 December 2016 (2015: 1.255.230 lei), which is available for compensation against future profits for a period of 7 years. The cumulated fiscal losses are in amount of 4.571.026 lei as of 31 December 2016, belonging to fiscal years 2016 and 2015.

It was not recognised assets regarding deferred tax corresponding to fiscal loss from 2016, because the Company considered more prudent to wait for positive changes in the activity filed of the Company before recognising such assets. If the Company would recognise assets regarding deferred tax unrecognised with the fiscal loss recorded in 2016, the net loss of the Company will diminish with 530.527 lei.

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:

	At 31.12.2016	At 31.12.2015
Net result attributable to shareholders	(5.820.561)	(29.622.639)
Weighted average number of shares	278.190.900	278.190.900
Earnings per share (lei/share)	(0,02)	(0,11)

The Company did not recorded issue or cancellation of shares between the date of the report and the date of the presentation of the financial statements.

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8. TANGIBLE ASSETS

	Land	Buildings and special constructions	Technical equipment and machinery and other tangible assets	Tangible assets in progress	Total
Cost or evaluation					
On January 1st 2015	5.585.846	6.381.466	95.905.078	4.755.215	112.627.606
Additions	-	335.187	4.776.551	2.057.176	7.168.914
Disposals and transfers	-	-	3.027	5.111.738	5.114.765
On December 31st 2015	5.585.846	6.716.653	100.678.603	1.700.653	114.681.755
Additions	-	15.887	2.119.887	435.120	2.570.894
Disposals and transfers	-	350.030	1.972.111	2.135.773	4.457.914
On December 31st 2016	5.585.846	6.382.511	100.826.378	-	112.794.735
Depreciation and impairment					
On January 1st 2015	-	1.550.799	63.871.486	-	65.422.284
Depreciation charge for the year	-	333.426	7.476.770	-	7.810.196
Disposals	-	-	3.027	-	3.027
Impairment	-	-	3.540.000	-	3.540.000
On December 31st 2015	-	1.884.224	74.885.229	-	76.769.454
Depreciation charge for the year	-	289.967	6.657.555	-	6.947.522
Disposals	-	318.734	1.724.298	-	2.043.032
Impairment	-	(12.080)	1.660.800	-	1.648.721
On December 31st 2016	-	1.843.377	81.479.287	-	83.322.664
Net accounting value					
On December 31st 2016	5.585.846	4.539.133	19.347.091	-	29.472.071
On December 31st 2015	5.585.846	4.832.429	25.793.374	1.700.653	37.912.301
On January 1st 2015	5.585.846	4.830.668	32.033.593	4.755.215	47.205.321

Out of the projects put into function during 2016, in amount of 2.135.773 lei, we can mention the following: cement slurry mixer, stainless steel tank, semitrailer, video surveillance systems. The company provided for own capital sources in order to fully realise the investment budget for 2016.

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.

In 2016 the Company recognised an impairment in amount of 1.961.000 lei for technological equipment used under their full capacity. The impairment recognised in 2015 was for 3.540.000 lei. The fair value of this equipment was determined based on discounted cash flows estimated to be generated by the assets.

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

All presented tangible assets are the property of the company.

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9. INVESTMENT PROPERTIES

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

	2016	2015
Initial balance on January 1 st	563.012	581.622
Depreciation expenses	(18.597)	(18.610)
Final balance on December 31st	544.416	563.012
	2016	2015
Income from rents obtained from real estate investments	8.689	39.904
Direct operational expenses (including repairs and maintenance) which generate income from rents	(29.294)	(28.764)
Net profit resulted from real estate investments registered at costs	(20.605)	11.140

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

10. INTANGIBLE ASSETS

	Patents and licences	Intangible assets in progress	Total
Costs			
On January 1st 2015	604,368	17,975	622,343
Additions	17.975	-	17.975
Disposals and transfers		(17.975)	(17.975)
On December 31st 2015	622.343	-	622.343
Additions	333	333	667
Disposals and transfers	(3.425)	(333)	(3.759)
On December 31st 2016	619.251	-	619.251
Amortisation and impairment			
On January 1st 2015	601.907	-	601,907
Amortisation	2.995	-	2.995
On December 31st 2015	604.902	-	604.902
Amortisation	4.088		4.088
Disposal	(2.573)		(2.573)
On December 31st 2016	606.418	-	606.418
Net accounting value			
On December 31st 2016	12.833	-	12.833
On December 31st 2015	17.441	-	17.441
On January 1st 2015	2.461	17,975	20.435

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11. FINANCIAL ASSETS

Name of the company	Nature of the relationship	Year of investment	Percent detained on		Value of the investment on	
			31.01.2015	31.12.2016	31.12.2015	31.12.2016
Rompetrol Logistics S.R.L.	Long term investment	2002/2003/2007	6,98%	6,98%	5.580.056	5.580.056
Rompetrol Rafinare S.A.(*	Long term investment	2003/2004	0,05%	0,05%	944.700	944.700
Rompetrol Drilling S.R.L.	Long term investment	2014	1%	1%	100	100
Adjustment for value					-	-
Total					6.524.856	6.524.856

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

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

Adjustments for the value loss at Rompetrol Rafinare S.A.	
On January 1st 2015	43.508
Constituted	68.138
Used during the year	(111.646)
On December 31st 2015	-
Constituted	-
Used during the year	-
On December 31st 2016	-

The evaluation at fair value of the titles held in the Bucharest Stock Exchange listed company under symbol RRC, for which the evolution of the adjustment has been presented has had an impact over the profit and loss account. The evaluation was made using the share price published by BSE on its web page on the last transaction day from 2016. See note 4: "Expenses and financial income"

12. OTHER FINANCIAL ASSETS

	As of 31.12.2016	As of 31.12.2015
Collateral account for guarantee letters with maturity over one year	951.215	3.822.670
Specific accounts for other	21.950	41.797
Other financial assets	973.165	3.864.467

The details on the structure of collateral account with maturity over one year can be found on note 22.

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13. INVENTORIES

		Raw materials and consumables	Finished products and goods	Total
On January 1st 2015	Inventories, net	5.012.621	4.024	5.016.645
	Cost	5.393.505	-	5.393.505
	Adjustments	1.238.602	-	1.238.602
On December 31st 2015	Inventories, net	4.154.903	-	4.154.903
	Cost	3.330.046	-	3.330.046
	Adjustments	480.516	-	480.516
On December 31st 2016	Inventories, net	2.849.530	-	2.849.530

The inventories mainly contain spare parts for special equipment, cement and additives. Because for some of the items, the procurement would mean a relatively long period of time until taking over, the company has chosen, for technical and operative reasons in the relationship with its customers, to optimize the lots on some items at procurement, accepting that these are being partially held for a period of time longer than one year. So the presented adjustments are result of the lack of movement within more than one year, the respective inventories not having time relational validities and being still usable.

	Adjustments for inventories depreciation
On January 1st 2015	1.068.140
Constituted	478.573
Used during the year	(84.971)
Exchange rate differences	(223.140)
On December 31st 2015	1.238.602
Constituted	10.345
Used during the year	(726.667)
Exchange rate differences	(41.764)
On December 31st 2016	480.516

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

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14. TRADE AND OTHER RECEIVABLES

	On December 31st 2016	On December 31st 2015
Trade receivables - third parties	14.212.447	15.793.835
Trade receivables with affiliated entities	34.578.283	34.577.179
Value adjustments for trade receivables – third parties	(3.888.645)	(3.901.539)
Value adjustments for trade receivables – affiliated entities	(29.790.058)	(28.852.046)
Total trade receivables, net	15.112.027	17.617.428
Amounts to be received from entities within the group, of which	65.568.598	58.309.243
Short term lending	34.397.174	34.404.558
Cash pooling receivables	31.159.676	23.894.477
Other receivables	11.748	10.208
Other receivables – third parties	1.739.043	1.292.035
Other receivables with the affiliated entities	358.603	259.214
Value adjustments for other receivables – third parties	(603.481)	(593.012)
Value adjustments for other receivables – affiliated entities	(82.905)	(36.981)
Total other receivables, net	1.411.260	921.256
Total receivables, net	82.091.884	76.847.927

Starting with 2014, it was implemented an optimisation system for the cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. Cash pooling system was implemented in relation to cash availability from certain bank accounts of the Company, and the direct effect will be transposed to the optimisation of cash for the company, with impact in the interest income. According to the cash pooling system, in terms of assets presentation, the amounts available at the end of the reporting period will be reflected as receivables. During the reporting period, the average balance of master account was 29.136.026 lei, generating interest in amount of 736.079 lei. The value of these receivables as of 31 December 2016 was in amount of 31.159.676 lei.

For the year 2015, the receivable with Oilfield Exploration Business Solutions S.A. was adjusted at recoverable amount in accordance with the provisions of the contract submitted to the Electronic Archive for Security Interests in Movable Property, detailed in note 22. For the year 2016, this receivable was further more adjusted, considering a normal depreciation in value of the guarantee. The Company obtained from the majority shareholder KazMunayGas International NV, a Comfort Letter based on which it sustains the full coverage of the net overdue commercial receivable in amount of 4.770.000 lei.

Trade receivables are usually regularised within 30 to 90 days.

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

	Individually impaired	Collectively impaired	Total
On January 1st 2015	468.382	2.283.953	2.752.335
Transfer between category	1.041.431	(1.041.431)	-
Charge for the year	30.627.144	309.330	30.936.474
Unused amounts, reversed		(9.205)	(9.205)
Exchange rate differences		(296.025)	(296.025)
On December 31st 2015	32.136.957	1.246.621	33.383.579
Transfer between category	23.413	(23.413)	0
Charge for the year	989.839	115.591	1.105.430
Unused amounts, reversed	(16.019)	(133.847)	(149.866)
Exchange rate differences		25.946	25.946
On December 31st 2016	33.134.191	1.230.899	34.365.089

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

	Total	Current, not impaired	Overdue, net of impairment				
			< 30 days	30–60 days	61-90 days	91-180 days	> 180 days
2016	82,091,884	74,597,185	2,055,876	296,619	84,715	111,913	4,945,576
2015	76.847.927	69.495.047	953.884	74.258	143.865	358.821	5.822.051

15. OTHER CURRENT ASSETS

	On December 31 st 2016	On December 31 st 2015
Advance expenses for car insurances	64.474	75.249
Advance expenses for <i>rovigneta</i>	82.606	90.383
Advance expenses for business insurance	102.719	-
Advance expenses for CNCAN authorisations, transportation licenses, subscriptions, others	14.667	25.146
OTHER CURRENT ASSETS TOTAL	264.465	190.778

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.

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16. CASH AND DEPOSITS

	2016	2015
Bank accounts in lei	678	1.211
Bank accounts in foreign currency	18,947	14.590
Short term deposits in lei	1,339,247	767.232
Short term deposits in foreign currency	353,270	339.886
Collateral accounts for letters of guarantee with maturity under one year	4,844,000	2.652.288
Specific accounts regarding performance bonds, other guarantees	8,881	26.935
Petty cash in lei	4,297	6.456
Petty cash in foreign currency	4,661	8.613
Total cash and short term deposits	6,573,982	3.817.211
Collateral deposits with maturity over one year	973,165	3.864.467
Total cash and cash equivalents at fiscal year end	7,547,147	7.681.678

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

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

Collateral deposits with maturity over one year were presented as Other financial assets. The value of this deposits for letter of guarantees at December 31st, 2016 is 951.215 lei. Collateral deposits are detailed in note 22.

In note 14 it is presented the details regarding the company's participation for the year 2016 to the system for optimisation of cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. The amount available in the principal account as of 31 December 2016 was 31.092.095 lei, being ready to use without restriction, depending on the necessity.

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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 June 20th 2008, to increase the share capital of the company by the amount of 13,909,545 lei, from 13,909,545 lei up to 27,819,090 lei, through issuing, for free, of a number of 139,095,450 new shares with a nominal value of 0.10 lei/share.

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

The finalisation of the procedural phases for approval and recognition has been officially signalled through the repetition of the transacting of the shares, after the increase of the social capital, on September 18th 2008, without undergoing modifications until December 31st 2016.

	Balance on December 31st 2016	Balance on December 31st 2015
	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 December 31st 2016.
The Company is listed under the Bucharest Stock Exchange under the symbol PTR.

17.2. The adjustment of the share capital

According to the IAS 29 provisions, the company has adjusted the costs of its purchased investments until December 31st 2003 with the purpose of reflecting the accounting impact in the hyperinflation. The value of the share capital has been increased at December 31st, 2012 by 166,740,745 RON. This adjustment had no impact over the carried forward distributable profit of the company. In 2013, the general ordinary meeting of shareholders on April 30, 2013 approved to cover the brought forward accounting loss from first application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in amount of 166.002.389 lei, from own capitals, i.e. "adjustment of share capital". The effect of this decision for the structure of share capital on December 31st, 2015, as well as on December 31st, 2016 and is presented in the table below:

	On 31.12.2016	On 31.12.2015	On 31.12.2014
Share capital, from which:	28.557.446	28.557.446	28.557.446
Paid in share capital	27.819.090	27.819.090	27.819.090
The adjustment of the share capital	738.356	738.356	738.356

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18. PROVISIONS

	Provisions for the participation of the employees to the profit (short term)	Provisions for restructuring (short term)	Provisions for litigations (long term)	Other Provisions for risks and expenses (long term)	Total
On January 1st 2015	697.398	-	1.658.934	447.659	2.803.991
Constituted	-	721.941		696	722.637
Used during the year	(696.702)		(1.658.934)	-	(2.355.636)
Reclassified	(696)				(696)
On December 31st 2015	-	721.941	-	448.355	1.170.296
Constituted	-	24.919	-	99.216	124.135
Used during the year	-	(721.941)	(25.000)	(364.114)	(1.111.055)
Reclassified	-	-	25.000	(25.000)	-
On December 31st 2016	-	24.919	-	158.457	183.376

The Company recognised in 2014 a provision in amount of 1.658.934 RON for a commercial litigation with a branch customer. During 2015, payment under the court order dated March 5th, 2015 was made and therefore, the provision was fully reversed.

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

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

19. OTHER POST EMPLOYMENT BENEFITS

	Liabilities regarding the benefits of employees
On January 1st 2015	1.003.851
Constituted	-
Used during the year	(653.137)
On December 31st 2015	350.714
Constituted	136.285
Used during the year	-
On December 31st 2016	486.999

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

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The hypotheses according to which the actuarial calculation of the provision regarding the benefits at retirement has been made:

	31.12.2016	31.12.2015
Rate of personnel exits, estimated up to the retirement date	33.28%	27.54%
The turnover of the personnel in one year	14.10%	11.75%
The mortality rate for the current year	1.14%	1.14%
The contribution of the company to the gross salary	24.00%	24.00%
The inflation rate of the salary	2.23%	1.03%
The nominal discounting rate (the interest rate for governmental bonds)	3.49%	3.69%
The real discounting rate	1.26%	2.66%

20. TRADE PAYABLES AND SIMILAR LIABILITIES (CURRENT)

	On December 31st 2016	On December 31st 2015
Trade payables - third parties	1.586.122	1.989.635
Trade payables with affiliated entities	3.379.532	555.334
Advance payments and deferred income	147.330	118.933
Salaries	677.148	1.051.500
Dividends to be paid	3.180.947	3.226.420
Taxes	1.169.091	1.339.336
Other liabilities	183.632	63.268
TOTAL	10.323.803	8.344.426

At 31 December 2016 trade payables with affiliated entities shows a significantly increased value caused exclusively by the rhythmicity of payments.

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 2016:

Name of the company	Transaction type	Country of origin	Headquarters
Rompetrol Rafinare S.A.	Loans granted	Romania	Năvodari, Bulevardul Năvodari nr. 215, Pavilion Administrativ, Județul Constanța
Rompetrol Logistics S.R.L.	Procurement of spare parts, rental services, ITP services	Romania	Ploiesti, Str. Basarabilor Nr. 7
Oilfield Exploration Business Solutions S.A.(*)	Render of services, rental of premises, ITP services	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 6, sector 1, București
Rompetrol Downstream S.R.L.	Procurement of fuel, GPS services	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 2, sector 1, București

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KMG Rompetrol S.R.L.	Management and IT services, cash pooling services, rental of premises	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 5, camera 2, sector 1, București
Rompetrol Financial Group S.R.L.	Mediate sell of shares	Romania	Bucuresti, Piata Presei Libere nr. 3-5, City Gate Northern Tower, Etaj 5, Camera 3, Sector 1
KazMunayGas International NV	Payments of dividends	Holland	Amsterdam, Strawinskyiaan 807, turn A-8,
Rompetrol Gas S.R.L.	Car rental	Romania	Piata Presei Libere, nr. 3-5, City Gate Northern Tower, etaj 5, sector 1, București
Rompetrol Drilling S.R.L.	Rental of premises	Romania	Str. Clopotei, nr 2bis, cladirea C61, birouri administrative, Ploiesti
Rompetrol Quality Control S.A.	Laboratory analyses	Romania	Năvodari, Bulevardul Năvodari nr. 215, Pavilion Administrativ, cam 220, et 2 Județul Constanța
KMG Rompetrol Services Center SRL	Services for procurement, legal, employees, translations and IT	Romania	Piata Presei Libere 3 - 5 City Gate Northern Tower, Et.1, Sector 1 Bucuresti 013702
Global Security Sistem SA	Security services	Romania	Bucuresti, str. Constantin Capitanu, nr.10

(*starting with June 2015, Rompetrol S.A. is renamed Oilfield Exploration Business Solutions SA

Loan contracts with Rompetrol Rafinare S.A.	Principal	Interest	Total
On January 1st 2015	34.300.000	124.347	34.424.347
1CI/September 09 th 2008	13.000.000	47.129	13.047.129
2CI/October 14 th 2008	7.000.000	25.377	7.025.377
3CI/November 04 th 2008	3.100.000	11.238	3.111.238
CI/April 28 th 2010	11.200.000	40.603	11.240.603
On December 31st 2015	34.300.000	104.558	34.404.558
1CI/September 09 th 2008	13.000.000	39.628	13.039.628
2CI/October 14 th 2008	7.000.000	21.338	7.021.338
3CI/November 04 th 2008	3.100.000	9.450	3.109.450
CI/April 28 th 2010	11.200.000	34.141	11.234.141
On December 31st 2016	34.300.000	97.174	34.397.174
1CI/September 09 th 2008	13.000.000	36.830	13.036.830
2CI/October 14 th 2008	7.000.000	19.831	7.019.831
3CI/November 04 th 2008	3.100.000	8.782	3.108.782
CI/April 28 th 2010	11.200.000	31.730	11.231.730

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 June 1st 2011, there shall be applied an interest at the level of ROBOR 3M + 2.5% for all contracts.

The loans granted to Rompetrol Rafinare S.A. are included in the Statement of Financial Position within "Trade and other receivables", also detailed in Note 14.

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Receivables

	Balance on December 31 st 2016	Balance on December 31 st 2015
Rompetrol Logistics S.R.L.	122.292	109,452
Oilfield Exploration Business Solutions S.A.**)*)	4.770.000	5.725.000
Rompetrol Drilling S.R.L.	157.889	105,504
KMG Rompetrol S.R.L.	31.170.340	23,900,937
Rompetrol Financial Group SRL	10.309	10.208
Rompetrol Gas S.R.L.	-	950
KMG Rompetrol Services Center SRL	4.516	950
Total	36.235.346	29.853.001

*) Starting with June 2015 Rompetrol S.A. has changed its name to Oilfield Exploration Business Solutions SA

**) At 31 december 2016, respectively 31 december 2015, the Oilfield Exploration Business Solutions S.A. receivable represent the recoverable amount (see note 14)

Liabilities

	Balance on December 31 st 2016	Balance on December 31 st 2015
Rompetrol Logistics S.R.L.	6.051	6,051
Rompetrol Downstream S.R.L.	2.008.769	461,017
KMG Rompetrol S.R.L.	1.095.020	88,265
KMG Rompetrol Services Center SRL	267.988	-
Global Security Sistem SA	1.704	-
Total	3.379.532	555.334

Sales

	Fiscal year completed on December 31 st 2016	Fiscal year completed on December 31 st 2015
Rompetrol Rafinare S.A.	1,148,041	1.351.412
Rompetrol Logistics S.R.L.	114,274	95.399
Oilfield Exploration Business Solutions S.A. *)	24,405	47.872
Rompetrol Drilling S.R.L.	42,455	49.937
KMG Rompetrol S.R.L.	739,584	575.437
Rompetrol Gas S.R.L.	5,363	9.194
KMG Rompetrol Services Center SRL	3,501	-
Total	2.077.622	2.129.250

*) Starting with June 2015 Rompetrol S.A. has changed its name to Oilfield Exploration Business Solutions SA

Acquisition of goods and services

	Fiscal year completed on December 31 st 2016	Fiscal year completed on December 31 st 2015
Rompetrol Logistics S.R.L.	-	5.324
Rompetrol Downstream S.R.L.	2.651.474	3.676.731
KMG Rompetrol S.R.L.	528.586	750.109
Rompetrol Rafinare S.A.	-	1.956
Rompetrol Quality Control	-	77
KMG Rompetrol Services Center SRL	450.236	-
Global Security Sistem SA	4.782	-
Total	3.635.078	4.434.198

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

Managerial expenses

	Fiscal year completed on December 31 st 2016	Fiscal year completed on December 31 st 2015
KMG Rompetrol S.R.L.	390.822	3.860.219
Total	390.822	3.860.219

22. COMMITMENTS AND CONTINGECIES

There are no commitments for the acquisition of property, plant and equipment as of 31 December 2016 or as of 31 December 2015.

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

Guarantees to third parties

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

The detail of the collateral accounts on December 31st 2016 for the Letters of Bank Guarantee is enclosed in the table below:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0157685	S.N.G.N. ROMGAZ S.A.	RON	562.240	15-Jul-17	RON	562,240
LG/PB13003544	OMV PETROM S.A.	EUR	1.362.330	12-May-17	EUR	1.362.330
7	S.N.G.N. ROMGAZ S.A. Sircoss	RON	8.881	30-Mar-17	RON	8.881
LG/00888-02-0000808	OMV PETROM S.A.	EUR	454.110	15-Jan-17	EUR	454,110
LG/00888-02-0032935	OMV PETROM S.A.	EUR	2.270.550	28-Feb-17	RON	2,465,320
Total short term collateral deposits						4.852.881
LG/00888-02-0130320	OMV PETROM S.A.	EUR	908.220	28-Feb-18	EUR	908,220
10187	S.N.G.N. ROMGAZ S.A. Sircoss	RON	42.995	31-Dec-17	RON	42.995
Total long-term collateral deposits						951.215

The collateral accounts on December 31st 2015 had the following components:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0137859	FORAJ SONDE SA VIDELE	EUR	15,248	31-Dec-15	EUR	15,248
10248	S.N.G.N. ROMGAZ S.A.	RON	235	17-Jan-16	RON	235
3	S.N.G.N. ROMGAZ S.A.	RON	784	28-Jan-16	RON	784
LG/00888-02-0160430	S.N.G.N. ROMGAZ S.A.	RON	84,020	15-Apr-16	RON	84,020
LG/00888-02-0004225	OMV PETROM S.A.	EUR	180,980	21-Apr-16	EUR	180,980
LG/00888-02-0086850	PETROFAC SOLUTIONS&FACILITIES SUPPORT SRL	EUR	452,450	1-Jun-16	EUR	452,450
LG/00888-02-0157685	S.N.G.N. ROMGAZ S.A.	RON	562,240	15-Jul-16	RON	562,240

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016

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

LG/PB13003544	OMV PETROM S.A.	EUR	1,357,350	12-Aug-16	EUR	1,357,350
10187	S.N.G.N. ROMGAZ S.A.	RON	25,916	19-Dec-16	RON	25,916
Total short term collateral deposits						2,679,223
LG/00888-02-0000808	OMV PETROM S.A.	EUR	452,450	15-Jan-17	EUR	452,450
LG/00888-02-0032935	OMV PETROM S.A.	EUR	2,262,250	28-Feb-17	RON	2,465,320
LG/00888-02-0130320	OMV PETROM S.A.	EUR	904,900	28-Feb-18	EUR	904,900
Total long-term collateral deposits						3,822,670

Received guarantees

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

Transfer price

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

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 21, the income from interest varies, depending on ROBOR 3M movement.

If the interest rates varied by +/- 1 percent and all other variables would remain constant, the net result of the Company at 31 December 2016 would increase / decrease by 343,000 lei (2015: increase / decrease by 343,000 lei).

Risk of the exchange rate variations

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

Foreign currency sensitivity

The following tables demonstrate the sensitivity towards a possible reasonable change (5%) of the exchange rate of the US dollar, EUR and KZT, all other variables being maintained constant.

The impact over the profit of the company before taxation is due to the modifications of the real value of the assets and monetary debts. The exposal of the company to the foreign currency modifications for any other foreign currency is not significant.

ROMPETROL WELL SERVICES S.A.
NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2016
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	TOTAL RON	5% USD	5% EUR	5% KZT
December 31st 2015				
Total increase	126.754	12.505	109.380	4.869
Monetary assets	132.298	12.806	110.054	9.437
Monetary debts	(5.544)	(301)	(674)	(4.569)
December 31st 2016				
Total increase	110.934	(2.034)	104.172	8.796
Monetary assets	119.193	3.569	106.513	9.111
Monetary debts	(8.260)	(5.603)	(2.342)	(315)

The credit risk

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

The market risk

Taking into consideration the structure and continuance of trade contracts, it can be highlighted as important clients S.C. OMV Petrom S.A., S.N.G.N. Romgaz S.A. and AMROMCO ENERGY S.R.L., concentrating around 69% of the total turnover registered for the financial year 2016. The main contracts with S.C. OMV Petrom S.A., S.N.G.N. Romgaz S.A and AMROMCO ENERGY S.R.L. are valid until December 31th 2017, November 27th 2017, respectively April 30th 2017.

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 82% of the Company's debt will mature in less than one year at 31 December 2016 (2015: 86%) based on the carrying value reflected in the financial statements. The Company assessed the concentration of risk with respect to exigibility of its debt and concluded it to be low.

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

Trade payables and similar liabilities	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	> 5 years	Total
Trade payables - third parties	460.570	1.529.065	-	-	-	1.989.635
Trade payables with affiliated entities	240.961	314.373	-	-	-	555.334
Advance payments and deferred income	2.054.501	-	-	-	1.171.919	3.226.420
Salaries	63.268	-	-	-	-	63.268
Total year 2015	2.819.300	1.843.438	-	-	1.171.919	5.834.657

24. THE EVENTS SUBSEQUENT TO THE REPORTING PERIOD

All loan contracts with S.C. Rompetrol Rafinare S.A. were automatically extended on the due date, with the same period and under the same conditions, except for the interest rate which was renegotiated starting January 1st, 2017. At the moment of the financial statements, these loans continue to be granted with an interest ROBOR 3M + 3% applied for all the contracts.

Letter of guarantee with number LG/00888-02-0000808 having as beneficiary OMV Petrom S.A., in amount of 100.000 euro, with maturity date 15 January 2017 was prolonged until 15 June 2017.

Letter of guarantee with number LG/00888-02-0032935 having as beneficiary OMV Petrom S.A., in amount of 500.000 euro, with maturity date 28 February 2017 was collected on 6 March 2017.

The General Ordinary Meeting of the Shareholders shall decide on April 27th 2017 to cover the 2016 accounting loss from reserves created from retained earnings of previous years.



Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 22nd Floor
15-17 Ion Mihalache Blvd., Sector 1
011171 Bucharest, Romania

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

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 SA („Societatea”) care cuprind situatia pozitiei financiare la data de 31 decembrie 2016, situatia rezultatului global, situatia modificarilor capitalurilor proprii 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), which comprise the statement of financial position as at December 31, 2016, and the 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 2016, ca si a performantei financiare si a fluxurilor de numerar 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, 2016, 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 subsequent modifications and clarifications.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). 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 etic al profesionistilor contabili emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania 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.

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We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, 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.

Descrierea aspectului cheie de audit identificat si a procedurilor efectuate de noi pentru a aborda acest aspect

Aspect cheie de audit	Proceduri efectuate de noi pentru abordarea respectivul aspect
<p>Recuperabilitatea valorii contabile a imobilizărilor corporale Prezentările specifice în relație cu imobilizările corporale și ipotezele folosite în analiza de depreciere a acestora sunt incluse în notele 1.3 și 8 ale Situațiilor financiare</p>	
<p>Imobilizările corporale sunt semnificative pentru procesul de audit datorită valorii nete contabile de 30.030 mii lei la 31 decembrie 2016.</p> <p>Analiza realizată de management cu privire la indicatorii de depreciere a imobilizărilor corporale implică luarea în considerare a diverse aspecte, incluzând factori specifici legați de mediul economic și industria în care Societatea își desfășoară activitatea.</p> <p>Industria serviciilor petroliere a fost puternic afectată de reducerea investițiilor în industria de petrol și gaze (upstream) ca urmare a declinului prelungit al prețurilor petrolului început în a doua parte a anului 2014.</p> <p>La 31 decembrie 2016, managementul Societății a identificat indicatori de depreciere, astfel ca a fost realizată o analiză specifică de depreciere a imobilizărilor corporale.</p> <p>Analiza de depreciere este semnificativă pentru procesul de audit datorită procesului complex ce implică raționamente semnificative din partea managementului și este bazat pe estimări ce sunt influențate de condițiile viitoare de piață.</p>	<p>Procedurile noastre de audit au inclus, printre altele, implicarea experților interni în evaluări pentru a ne oferi suport în analiza ratei de actualizare folosite și a metodologiei / modelului folosit de Societate în analiza de depreciere a imobilizărilor corporale.</p> <p>Analiza noastră s-a concentrat asupra estimărilor cheie ce au fost folosite în estimarea fluxurilor viitoare de numerar (de exemplu prețurile de vânzare estimate și volumul comenzilor), prin analiza consistenței acestora cu condițiile specifice industriei, cu informații relevante din piața și cu planul de activitate al Companiei, cât și analiza sensibilității sumelor recuperabile la schimbările în estimările semnificative.</p> <p>Suplimentar, am analizat caracterul adecvat al prezentărilor referitoare la analiza de depreciere a imobilizărilor corporale incluse de Societate în situațiile financiare.</p>

Description of the key audit matter identified and our procedures performed to address this matter

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of property, plant and equipment Rompetro Well Services's disclosures about property, plant and equipment including the related impairment are included in Note 1.3 and 8 to the Financial Statements.</p>	
<p>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 30,030 thousand as at 31 December 2016. Management's assessment of impairment indicators for the property, plant and equipment involves consideration of various sources of information, including factors related to the economic environment and industry specific factors. The oilfield services industry has been significantly affected by the reduction in investments in the upstream oil & gas sector which followed the extended decline in oil and gas prices which started in the second half of 2014.</p> <p>As at 31 December 2016 the management has identified impairment indicators and has performed an impairment assessment in respect of the Company's property, plant and equipment.</p> <p>This impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions.</p>	<p>Our audit procedures included, among others, using our internal valuation experts to assist us in evaluating the discount rate applied and methodology / model used by the Company for the impairment testing of property, plant and equipment.</p> <p>Our evaluation was focused on the key assumptions applied in the estimates of future cash flows (such as expected sales prices and order volumes), by analyzing their consistency with the industry-specific economic environment, relevant available market information and the business plans of the Company, as well as on the sensitivity analysis of the recoverable amounts to changes in the significant assumptions.</p> <p>We further assessed the adequacy of the Company's disclosures about Impairment testing of property, plant and equipment.</p>

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.

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Alte informatii *Other information*

Alte informatii includ Raportul administratorului, 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 Administrator's 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.

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 acestor traduceri.

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La întocmirea situațiilor financiare, conducerea este responsabilă să evalueze abilitatea Societății de a-și desfășura activitatea conform principiului continuității activității și să prezinte, dacă este cazul, aspectele referitoare la continuitatea activității și folosirea principiului continuității activității, mai puțin în cazul în care conducerea intenționează să lichideze Societatea sau să înceteze activitatea sau nu are nicio alternativă reală decât să 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.

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiară a Societății.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsabilitățile auditorului pentru auditul situațiilor financiare

Auditor's Responsibilities for the Audit of the Financial Statements

Obiectivele noastre constau în obținerea unei asigurări rezonabile privind măsura în care situațiile financiare, luate în ansamblu, nu conțin denaturări semnificative cauzate de eroare sau fraudă și de a emite un raport de audit care să includă opinia noastră. Asigurarea rezonabilă reprezintă un nivel ridicat de asigurare, însă nu este o garanție că un audit desfășurat în conformitate cu standardele ISA va detecta întotdeauna o denaturare semnificativă, dacă aceasta există. Denaturările pot fi cauzate fie de fraudă fie de eroare și sunt considerate semnificative dacă se poate preconiza, în mod rezonabil, că acestea, atât la nivel individual sau luate în ansamblu, vor influența deciziile economice ale utilizatorilor luate în baza acestor situații 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 în conformitate cu standardele ISA, ne exercităm raționamentul profesional și ne menținem scepticismul profesional pe întreg 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.**
- ▶ *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 indoilei 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.*

- ▶ Evaluăm prezentarea, structura și conținutul general al situațiilor financiare, inclusiv al prezentărilor de informații, și măsura în care situațiile financiare reflectă tranzacțiile și evenimentele de bază într-o manieră care realizează prezentarea fidelă.
- ▶ *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.*

Comunicăm persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate și programarea în timp a auditului, precum și constatările semnificative ale auditului, inclusiv orice deficiențe semnificative ale controlului intern, pe care le identificăm 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, prezentăm persoanelor responsabile cu guvernanta o declarație cu privire la conformitatea noastră cu cerințele etice privind independența și le comunicăm toate relațiile și alte aspecte care pot fi considerate, în mod rezonabil, ca ar putea să ne afecteze independența și, unde este cazul, măsurile de siguranță 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 comunicăm persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanță în cadrul auditului asupra situațiilor financiare din perioada curentă și, prin urmare, reprezintă aspecte cheie de audit. Descriem aceste aspecte în raportul nostru de audit, cu excepția cazului în care legislația sau reglementările împiedică prezentarea publică a aspectului respectiv sau a cazului în care, în circumstanțe extrem de rare, determinăm ca un aspect nu ar trebui comunicat în raportul nostru deoarece se preconizează în mod rezonabil ca efectele negative ale acestei comunicări depășesc beneficiile interesului public al comunicării respectivului aspect.

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. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Traducerea în limba engleză are doar scop informativ. Traducerea raportului trebuie citită împreună cu situațiile financiare, luate în ansamblu. În situațiile în care informațiile, punctele de vedere și opiniile sunt susceptibile de interpretare, versiunea originală în limba română a raportului nostru prevalează 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

Raport asupra altor 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 2016, 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 2016 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 31 December 2016;*
- 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;*

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 traducerii.

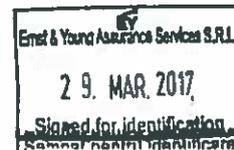
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- c) *based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at 31 December 2016, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.*

In numele
On behalf of

Ernst & Young Assurance Services SRL

Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 77/15 august 2001
Registered with the Chamber of Financial Auditors in Romania
No. 77/15 August 2001



Numele semnatarului: Alexandru Lupea

Name of signing person: Alexandru Lupea

Inregistrat la Camera Auditorilor Financiari din Romania

Cu nr. 273 /1 martie 2001

Registered with the Chamber of Financial Auditors in
Romania

No. 273 /1 March 2001

Bucuresti, Romania

29 martie 2017

Bucharest, Romania

29 March 2017

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 traducerii.

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