

## **HALF-YEAR REPORT**

**prepared in accordance with Regulation FSA no.5/2018  
for the first half-year of 2019**

<b>Date of the report:</b>	<b>14.08.2019</b>
<b>Company name:</b>	<b>ROMPETROL WELL SERVICES S.A.</b>
<b>Registered office:</b>	<b>Ploiesti, str. Clopotei nr. 2 bis</b>
<b>Telephone/fax number:</b>	<b>0244.544101; 524261 / 522913</b>
<b>Fiscal Registration Code:</b>	<b>1346607</b>
<b>Number with the Trade Register:</b>	<b>J29/ 110/ 05.03.1991</b>
<b>Subscribed and paid share capital:</b>	<b>27.819.090 lei</b>
<b>Regulated market where the securities issued are traded:</b>	<b>Bucharest Stock Exchange</b>
<b>Main characteristics of securities issued by the company:</b>	
<b>No. of shares:</b>	<b>278.190.900</b>
<b>Nominal value (lei/share):</b>	<b>0,10</b>
<b>Class and type of securities:</b>	<b>“A” nominative</b>

**Rompetrol Well Services S.A. (PTR)** is one of the major suppliers of well services in Romania. The company offers a wide range of services for oil and gas wells. These services include cementing, consolidation and sand control services, stimulation, testing, slick-line, tubular running operations, etc.

The results recorded by the Company for the first six months of 2019 confirms the ascending trend, which global and Romanian upstream industry is experiencing starting the second half of 2017. Thus, sustainable operations, positive upstream global momentum and Company's operational performance, lead to a positive result.

## 1. Economic and financial position

**1.1. Presentation of a current economic and financial analysis in comparison with the same period of the last year, with reference to at least the following:**

**a) balance sheet items: assets accounting for at least 10% of total assets; cash and other available funds; reinvested profits; total current assets; company's debts situation; company total current liabilities;**

	-lei	
	At	At
	<b>30.06.2019</b>	<b>31.12.2018</b>
Fixed assets	32,029,070	34,204,656
Current assets	126,421,882	117,751,356
<b>Total assets</b>	<b>158,450,952</b>	<b>151,956,012</b>
Equity	140,081,510	138,250,230
Long term liabilities	3,075,614	2,690,107
Current liabilities	15,293,828	11,015,675
<b>Total equity and liabilities</b>	<b>158,450,952</b>	<b>151,956,012</b>

The net value of fixed assets had recorded a downward trend, the significant impact being given by the current depreciation and the realized investment projects. The reduced level of capital investments during 2016-2017 was strictly determined by the oil price decline and the level of upstream activity during that period.

The variation in current assets is mainly given by accumulation in cash pooling master account

The increase in equity is the direct consequence of the accounting profit recorded for the first semester of 2019, as well as the capitalization of 11.9 million lei from 2018 profit.

Long term liabilities registered an increase compared to the year 2018, being the result of the cumulative effect of the first time adoption of the financial standard IFRS 16 "Leases", by which a lease liability was recognised, measured at the present value at the unpaid lease payments at 1 January 2019.

The current liabilities increase was generated by the recognition of the dividends granting obligation in amount of 5 million lei established based on the Annual General Meeting of Shareholders on April 24, 2019. The due date for the obligation settlement towards the shareholders of the company was established on July 2, 2019.

**b) the profit and loss account: net sales; gross income; cost and expenditure items representing for at least 20% of net sales or of gross income ; provisions for risks and various expenses ; reference to any sale or discontinuation in one activity segment during the last 6 months or during the following 6 months ; dividends declared and paid;**

Economic and financial indicators achieved in the first six months of this year, shows the direct effects of positive evolution of oil price, which lead to the relaunch of upstream industry.

- lei

	H1 2019	H1 2018
Operating income, out of which:	32,006,078	27,731,396
Services performed	31,957,496	27,472,747
Operating expenses	(26,295,440)	(24,567,177)
<b>Operating result</b>	<b>5,710,638</b>	<b>3,164,219</b>
Net financial income	2,429,294	1,775,529
<b>Net Result</b>	<b>6,848,548</b>	<b>4,035,658</b>

Changes in absolute terms and in the structure of costs presented are determined by:

- orders received under existing framework contracts for services;
- optimizing the technical and personnel functional structures;
- maintaining concern for providing complex services;
- the payment without delay of debts to the state budget, local budgets and suppliers;

The reorganisation during crisis conditions in oil services industry involved an analysis on geographical areas of operational efficiency for a period of multiple years. Matters connected to factors such as materials and human resources, contractual commitments and market particularity, lead to the proposal to renounce to the operational activity in Kazakhstan, and as a consequence, to dissolve Company's Branch in Kazakhstan, proposal approved by General Extraordinary Meeting of the Shareholders on July 22nd, 2015. The process of effective closure was finalized on May 30, 2019 by release from the competent authorities of Kazakhstan the certificate attesting the branch deregistration. The impact on the current net result is in amount of 71,071 lei.

*c) cash flow: all the changes occurred in the cash flow generated by the main activity, by investments and financial activities, the cash flow at the beginning and at the end of the period.*

### Statement of Cash Flows

Indirect method

- lei

	Date 30.06.2019	Date 30.06.2018
Net cash flow (used in) generated by operating activities	9,137,469	1,270,398
Net cash from investments	(2,338,574)	(747,659)
Net cash flows from financing activities:	(651,299)	(140,906)
Net increase / (decrease) of cash and cash equivalents	6,147,596	381,833
Cash and cash equivalents at the beginning of the financial year	4,659,229	3,513,305
Cash and cash equivalents at the end reported period	<b>10,806,825</b>	<b>3,895,138</b>

During the first six months of the year 2019, all the company's commitments were managed in financial equilibrium, ensuring the cash availability for full and timely payment of commercial commitments, salaries, budgetary obligations and dividends. Solid liquidity position allowed Company to address working capital requirements in full from own sources. In addition to the cash presented at the end of the reporting period, the Company can use also without restrictions the own cash resources from cash-pooling master account, in amount of 89,439,990 lei at 30.06.2018, respectively 43,900,310 lei at 30.06.2018.

	H I 2019	H I 2018
<b>1. Liquidity indicators</b>		
Current liquidity indicator	8.27	9.41
Immediate liquidity indicator	8.09	9.07
<b>2. Gearing ratio</b>	0.4%	0.0%
<b>3. Activity indicators</b>		
Turnover speed of debits - clients (days)	130.15	129.35
Turnover speed of fixed assets	1.00	0.95

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

**We specify that financial information for the reported period January 1<sup>st</sup> 2019 – June 30<sup>st</sup> 2019 was not audited.** The auditor's report shall be prepared only annually at the end of each year - calendar year. Financial auditor of the Company is Ernst & Young Assurance Services SRL, a company specialized and recognized as independent auditor and audit of annual statements is made in purpose of offering a clear view in all material respects, of the financial position of the company, of the results of its operations, of the situation changes in equity, as well as of the situation cash flow statement.

## **2. Analysis of the company's activity**

*2.1. Presentation and analysis of trends, elements, events or uncertainty factors which affect or could affect the company's liquidity position, in comparison with the same period of the last year.*

Starting with second semester of 2017, when the oil price became more stable, it was recorded a gradual relaunch of drilling projects as well as of workover activity for the productive wells. In this context, adapting the offer of the Company to the current structure of services demand and maintaining the market share in Romania are the priorities for the next period.

The company owns a varied and complex range of operational capabilities, which enables it to offer a wide range of activities and services, the guarantee consisting in the long experience and high qualification of employees. The Company is still opened to developing and implementing efficient cementing and stimulation technologies, in order to meet the need of our customers to reduce their production cost.

The Company gives great importance to adapting its price policies to the evolution of the current competitive environment and to identify potential new strategic partners.

To ensure success in service quality, health and safety of employees and environment protection, Rompetrol Well Services has implemented and maintains since 2006 an integrated management system certified according to ISO 9001, ISO 14001 and OHSAS 18001.

*2.2. Presentation and analysis of the effects on the company's financial position of all capital expenditure, either current or anticipated (by mentioning the purpose and the source of finance for the expenditure), in comparison with the same period of the last year.*

The own objectives and organizational measures have a high degree of similarity with the ones from the oilfield industry sector that it provides for: revamping in order to offer services with a high degree of complexity and elaboration of strategies for bidding in the tenders organized by significant customers. Company's Management is aware of the current situation in the market, and believes that the necessary measures have been taken for the continuance of the Company's activity with financing from own sources and continuous monitoring of both operational and administrative costs.

**2.3. Presentation and analysis of the events, transactions, economic changes which significantly affect the income generated by the main activity. Mention of the extent to which the income has been affected by each element identified. Comparison with the same period of the last year.**

The increasing trend in the upstream industry is directly reflected in the level of turnover recorded in the first six months of 2019, level that was 16% higher than the one recorded in the same period of previous year.

### **3. Changes which affect the company's capital and administration**

**3.1. Description of the situations when the company was unable to fulfil its financial obligations within that period.**

The Company was not unable to meet its financial obligations having permanently liquidities, these being paid within the deadlines set by the legislative norms or the contractual clauses.

**3.2. Description of any change in the rights of holders of securities issued by the company.**

The transferable securities issued by SC Rompetrol Well Services S.A. are admitted to the Bucharest Stock Exchange, under category II, starting with 18.06.1998 and are traded on this market under the symbol PTR.

The registered capital at June 30<sup>st</sup> 2019 is 27,819,090 RON equivalent to 278,190,900 shares with a nominal value of 0.10 RON / share.

At June 30<sup>st</sup>, 2019, no person from the Company's management participates in the share capital of the company.

### **4. Significant transactions**

*In the case of issuers of shares, information on major transactions concluded by the issuer with the persons that act in concert or in which these persons have been involved in the relevant time period.*

The major transactions have been identified on contracts, and reported as provided by Law 24/2017 - article 82 and ASF Regulation No. 5/2018.

**Member of the Board of Directors,  
General Manager,**

Zhetpisbayev Timur

**Finance Manager,**

Moise Luiza Roxana

**ROMPETROL WELL SERVICES SA**

**STAND-ALONE FINANCIAL STATEMENTS UNAUDITED**

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

**30 June 2019**

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**ROMPETROL WELL SERVICES S.A.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME UNAUDITED**  
**For the first half-year ended at 30 June 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	1 <sup>st</sup> Half-year 2019	1 <sup>st</sup> Half-year 2018
<b>Revenue from contracts with customers</b>	2	31,984,814	27,475,350
Revenue from services performed		31,957,496	27,472,747
Revenue from sales of goods		27,318	2,603
Other operating income	3.1	21,264	256,046
<b>OPERATING INCOME – TOTAL</b>		<b>32,006,078</b>	<b>27,731,396</b>
Expenses with consumables		(8,549,083)	(7,941,304)
Power and water expenses		(156,787)	(220,457)
Merchandise expenses		(20,342)	(2,803)
Payroll costs, out of which:	5	(9,620,498)	(8,975,223)
Salaries		(9,239,033)	(8,649,971)
Social security contributions		(286,854)	(272,252)
Fixed assets value adjustment, of which		(2,572,110)	(2,792,554)
Depreciation		(2,572,110)	(2,792,554)
Current assets value adjustment		550,925	21,037
Expenses with third-party services	3.2	(5,132,137)	(4,342,492)
Taxes, duties and similar expenses		(315,596)	(311,127)
Provision adjustments, net	17	142,389	-
Other operating expenses	3.3	(622,201)	(2,254)
<b>OPERATING EXPENSES - TOTAL</b>		<b>(26,295,440)</b>	<b>(24,567,177)</b>
<b>OPERATING RESULT</b>		<b>5,710,638</b>	<b>3,164,219</b>
Interest income		2,349,244	1,754,311
- of which, revenues from related parties		2,343,905	1,753,087
Other financial income		175,670	95,966
<b>FINANCIAL INCOME - TOTAL</b>	4.1	<b>2,524,914</b>	<b>1,850,276</b>
Other financial expenses		(85,620)	(74,747)
<b>FINANCIAL EXPENSES - TOTAL</b>	4.2	<b>(85,620)</b>	<b>(74,747)</b>
<b>FINANCIAL RESULT</b>		<b>2,439,294</b>	<b>1,775,529</b>
<b>RESULT BEFORE TAX</b>		<b>8,149,932</b>	<b>4,939,748</b>
Income tax expense		(1,301,384)	(904,090)
<b>RESULT FOR THE REPORTED PERIOD</b>		<b>6,848,548</b>	<b>4,035,658</b>
Earnings per share	6	<b>0.0246</b>	<b>0.0145</b>
<b>Other comprehensive income</b>		-	-
Actuarial gain / (losses) relating to retirement benefits		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>6,848,548</b>	<b>4,035,658</b>

**Administrator,**  
ZHETPISBAYEV Timur

Signature  
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**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager  
Signature



**ROMPETROL WELL SERVICES S.A.**  
**STATEMENT OF FINANCIAL POSITION UNAUDITED**  
**For the first half-year ended at 30 June 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	Date 30.06.2019	Date 31.12.2018
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	7	24,014,638	26,260,303
Right of use asset	18.1	780,337	-
Investment property	8	497,909	507,210
Intangible assets	9	179,008	206,389
Financial assets	10	6,524,856	6,524,856
Other financial assets	11	32,322	705,898
<b>Total non-current assets</b>		<b>32,029,070</b>	<b>34,204,656</b>
<b>Current assets</b>			
Inventories, net	12	2,657,806	3,165,469
Short term loans granted to related parties	20	-	34,300,000
Trade and other receivables	13	22,676,729	24,339,619
Availabilities in cash pooling system	20	89,788,547	50,967,015
Other current assets	14	491,975	320,024
Cash and deposits	15	10,806,825	4,659,229
<b>Total current assets</b>		<b>126,421,882</b>	<b>117,751,356</b>
<b>Total assets</b>		<b>158,450,952</b>	<b>151,956,012</b>
<b>Capital and reserves</b>			
<b>Capital</b>			
Share capital, of which:		28,557,446	28,557,446
Subscribed and paid in share capital	16.1	27,819,090	27,819,090
Share capital adjustments	16.2	738,356	738,356
Legal reserves		5,563,818	5,563,818
Other reserves		23,025,823	23,025,823
Retained earnings		58,042,925	46,163,721
Retained earnings IFRS transition		18,042,950	18,052,782
Current result		6,848,548	16,886,640
<b>Total equity</b>		<b>140,081,510</b>	<b>138,250,230</b>
<b>Long-term liabilities</b>			
Provisions		-	142,389
Employee benefits liabilities		1,288,636	1,288,636
Deferred tax liabilities		1,159,590	1,159,590
Lease liability	18.2	588,468	-
Other liabilities		38,920	99,492
<b>Total long-term liabilities</b>		<b>3,075,614</b>	<b>2,690,107</b>
<b>Current liabilities</b>			
Trade and other payables	19	14,618,158	10,624,887
Income tax payable		460,883	390,788
Lease liability	18.2	214,787	-
<b>Total current liabilities</b>		<b>15,293,828</b>	<b>11,015,675</b>
<b>Total liabilities</b>		<b>18,369,442</b>	<b>13,705,782</b>
<b>Total equity and liabilities</b>		<b>158,450,952</b>	<b>151,956,012</b>

**Administrator,**  
ZHETPISBAYEV Timur

Signature  
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**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager  
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**ROMPETROL WELL SERVICES S.A.**  
**STATEMENT OF CHANGES IN EQUITY UNAUDITED**  
**For the first half-year ended at 30 June 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**For the first half-year ended at 30 June 2018**

	<b>Share capital</b>	<b>Legal reserves</b>	<b>Other Reserves</b>	<b>Retained earnings</b>	<b>Retained earnings IFRS transition</b>	<b>Current result</b>	<b>Total equity</b>
<b>Balance at 1 January 2018</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>22,775,285</b>	<b>44,732,606</b>	<b>18,330,137</b>	<b>2,442,446</b>	<b>122,401,738</b>
Impact from application of IFRS 9					(277,356)		(277,356)
<b>Balance at 1 January 2018 Restated</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>22,775,285</b>	<b>44,732,606</b>	<b>18,052,781</b>	<b>2,442,446</b>	<b>122,124,383</b>
Profit distribution				2,442,446		(2,442,446)	-
Dividends				(723,296)			(723,296)
Current result						4,035,658	4,035,658
<b>Balance at 30 June 2018</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>22,775,285</b>	<b>46,451,756</b>	<b>18,052,781</b>	<b>4,035,658</b>	<b>125,436,744</b>

**For the first half-year ended at 30 June 2019**

	<b>Share capital</b>	<b>Legal reserves</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Retained earnings IFRS transition</b>	<b>Current result</b>	<b>Total equity</b>
<b>Balance at 1 January 2019</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>23,025,823</b>	<b>46,163,721</b>	<b>18,052,782</b>	<b>16,886,640</b>	<b>138,250,230</b>
Impact from application of IFRS 16					(9,832)		(9,832)
<b>Balance at 1 January 2019 Restated</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>23,025,823</b>	<b>46,163,721</b>	<b>18,042,950</b>	<b>16,886,640</b>	<b>138,240,398</b>
Profit distribution				16,886,640		(16,886,640)	-
Dividends				(5,007,436)			(5,007,436)
Current result						6,848,548	6,848,548
<b>Balance at 30 June 2019</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>23,025,823</b>	<b>58,042,925</b>	<b>18,042,950</b>	<b>6,848,548</b>	<b>140,081,510</b>

**Administrator,**  
ZHETPISBAYEV Timur

Signature  
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**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager  
Signature

**ROMPETROL WELL SERVICES S.A.**  
**STATEMENT OF CHANGES IN EQUITY UNAUDITED**  
**For the first half-year ended at 30 June 2019**

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

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The legal reserve is in amount of RON 5,563,818 (2018: RON 5,563,818). The company constituted the legal reserve in accordance with the provisions of the Romanian trading companies law, which requires at least 5% of the annual company's profit before tax to be transferred to legal reserve until the ending balance of this reserve reaches 20% of the company's share capital.

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

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

The company has recognized the cumulative effect of the first time adoption of the financial standard IFRS 16 "Leases" by adjusting the Retain Earnings beginning of balance in amount of RON 9,833, determined as the difference between the lease liability measured at the present value of the unpaid lease payments at 1 January 2019 and the right of use asset value for the lease contracts.

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

During the General Ordinary Meeting of the Shareholders from 24 April 2019, it was decided the distribution on destinations of the 2018 net profit: dividends distribution in gross amount of RON 5,007.436 and distribution in retained earnings in amount of RON 11,879.204.

**Administrator,**  
ZHETPISBAYEV Timur

**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager

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**ROMPETROL WELL SERVICES S.A.**  
**STATEMENT OF CASH FLOW UNAUDITED**  
**For the first half-year ended as at 30 June 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**Indirect method**

Name of item	Half-year	
	Ended as at 30.06.2019	Ended as at 30.06.2018
<i>Cash flows from operating activities:</i>		
Net result before tax	8,149,932	4,939,748
<i>Adjustments for:</i>		
Depreciation and adjustments related to tangible assets and investment properties	2,436,815	2,765,448
Depreciation and adjustments related to right of use assets	107,916	-
Depreciation and adjustments related to intangible assets	27,381	27,106
Provisions for post-employment benefits plans and other provisions	(142,389)	-
Allowance for trade and other receivables	(550,925)	(21,037)
Trade receivables and sundry debtors write off	614,849	-
Interest income	(2,334,389)	(1,754,311)
Loss / (profit) from tangible asset sales	(15,563)	(134,338)
Unrealized foreign exchange differences (Gain)/Loss	(110,539)	(18,645)
<b>Operating profit before working capital changes</b>	<b>8,183,086</b>	<b>5,803,971</b>
(Increase) / (Decrease) of performance guarantees and bank account for dividend payments	673,576	(317,235)
(Decrease) / (Increase) of trade and other receivables	1,526,394	(4,232,756)
(Decrease) / (Increase) of inventories	507,663	176,480
(Decrease) / (Increase) of trade and other debts	(521,962)	186,208
Paid income tax	(1,231,289)	(346,270)
<b>Net cash flow from operating activities</b>	<b>9,137,469</b>	<b>1,270,398</b>
<i>Cash flows from investments:</i>		
Payments for purchase of tangible and intangible assets	(256,249)	(522,525)
Receipts from sale of tangible and intangible assets	89,963	135,219
Receipts from reimbursement of loans granted	34,300,000	-
Decrease / (Increase) of cash pooling balance	(38,657,224)	(1,874,054)
Received interest	2,184,936	1,513,702
<b>Net cash from investments</b>	<b>(2,338,574)</b>	<b>(747,659)</b>
<i>Cash flows from financing activities:</i>		
Lease payments	(121,700)	-
Dividends paid	(529,598)	(140,906)
<b>Net cash flows from financing activities</b>	<b>(651,299)</b>	<b>(140,906)</b>
Net (decrease) / increase of cash and cash equivalents	6,128,339	372,922
Net foreign exchange differences	19,257	8,911
Cash and cash equivalents at the beginning of the reporting period	4,659,229	3,513,305
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>10,806,825</b>	<b>3,895,138</b>

**Administrator,**

ZHETPISBAYEV Timur

Signature

Company stamp

**Prepared by,**

MOISE Luiza-Roxana  
Finance Manager

Signature

**ROMPETROL WELL SERVICES S.A.**  
**SELECTED NOTES TO FINANCIAL STATEMENTS UNAUDITED**  
**For the first half-year ended at 30 June 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

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**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES**

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

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

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

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

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

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

These half-year unaudited stand-alone financial statements are public and available on [www.petros.ro](http://www.petros.ro), on Investor Relations section.

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

The reorganisation during crisis conditions in oil services industry involved an analysis on geographical areas of operational efficiency for a period of multiple years. Matters connected to factors such as materials and human resources, contractual commitments and market particularity, lead to the proposal to renounce to the operational activity in Kazakhstan, and as a consequence, to dissolve Company's Branch in Kazakhstan, proposal approved by General Extraordinary Meeting of the Shareholders on July 22nd, 2015. The process of effective closure was finalized on May 30, 2019 by releasing by the competent authorities of Kazakhstan the certificate attesting the branch deregistration.

**ROMPETROL WELL SERVICES S.A.**  
**SELECTED NOTES TO FINANCIAL STATEMENTS UNAUDITED**  
**For the first half-year ended at 30 June 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

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

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

<b>Impact on the statement of financial position (increase/(decrease))</b>	<b>Date 30.06.2019</b>
Tangible assets	-
Intangible assets	-
Inventories	-
Trade and similar receivables	(218,608)
Cash and deposits	-
<b>Total assets</b>	<b>(218,608)</b>
Other provisions	(142,389)
Trade payables and similar liabilities	(5,149)
<b>Total liabilities</b>	<b>(147,537)</b>
<b>Equity</b>	<b>(71,071)</b>

**Impact on the statement of profit and loss 2019**

Write-off trade and other payables	5,149
Write-off trade and other receivables	(619,998)
Current assets value adjustment	401,389
Provision adjustments, net	142,389
<b>Net result</b>	<b>(71,071)</b>

**1.1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS**

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

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

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

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

**1.2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS**

**a) The going concern principle**

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

**ROMPETROL WELL SERVICES S.A.**  
**SELECTED NOTES TO FINANCIAL STATEMENTS UNAUDITED**  
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**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

**b) Foreign Currency Transactions**

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

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

The exchange rates used to translate the balances denominated in foreign currency as at 30 June 2019 were, for RON:

	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>1 EUR</b>	4.7351	4.6639
<b>1 USD</b>	4.1587	4.0736

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:

	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>1 USD</b>	380.53	384.20

**c) Financial instruments**

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

***Initial and subsequent measurement***

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

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial liabilities are classified as subsequently measured at amortized cost, except for (a) financial liabilities at fair value through profit or loss, (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, (c) financial guarantee contracts, who is subsequently measured at the higher of the value of the loss adjustment and the amount initially recognized, (d) commitments to provide a loan at a below-market interest rate which is subsequently measured at the higher of the value of the loss adjustment and the amount initially recognized, (e) contingent consideration recognized by an acquirer in a business combination to which IFRS 3 which subsequently is measured at fair value with changes recognized in profit or loss.

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

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

***Receivables and loans***

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

***Trade payables and other liabilities***

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



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

***Derecognition***

A financial asset is primarily derecognised when:

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

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

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

***Offsetting of financial instruments***

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

**d) Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**e) Property, plant and equipment**

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

**ROMPETROL WELL SERVICES S.A.**  
**SELECTED NOTES TO FINANCIAL STATEMENTS UNAUDITED**  
**For the first half-year ended at 30 June 2019**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

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

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

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

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

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

**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.

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

After the initial recognition, intangible assets are measured at cost less the accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives:

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

**h) Financial assets**

Financial assets represent strategic long term investments and are recorded at fair value through other comprehensive income. Main indicators taken into consideration when identifying fair value are current and forecasted results of the respective company, in the context of the industry in which it operates.

Additional details on financial assets are presented in Note 10.

**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.

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

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

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

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

**j) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed partially or totally, the reimbursement is recognized as a separate asset, but only when the reimbursement is certain.

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

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 arrangement gives the right to use an underlying asset for a period of time in exchange for consideration.

At the inception date of the arrangement, a lessee has to recognize an asset related to the right of use and a liability arising from the lease contract.

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

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

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

The right-of-use asset depreciation by the lessee is subject to the accounting policies requirements applied for property, plant and equipment.

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

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

**l) Inventories**

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

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

**m) Receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 9.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

**n) Cash and cash equivalents**

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

**o) Revenue from contracts with customers**

Revenue is recognised at the level of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. When the Company, acting as an agent, satisfies a performance obligation, the Company recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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

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

- Specific well operation to a specific defined well.
- **Rental:** distinct space and vehicle
- **ITP:** specific vehicle verification
- **Other merchandise:** distinct goods

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

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

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

**p) Retirement benefit costs**

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

Under the provisions of the collective labour agreement, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with the Company at the date of their retirement. These amounts are estimated as of the reporting date, based on: applicable benefits provided in the agreement, the Company headcount and specific actuarial estimates (Note 19). The defined benefit liability as of reporting date comprises the fair value of the defined benefit obligation and the related service cost recorded in the profit and loss statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans. Actuarial gains and losses recognized in other comprehensive income are presented in the statement of comprehensive income.

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

**q) Taxes**

- *Current income tax*

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

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

- *Deferred tax*

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

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

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

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

- ▶ Where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

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

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

- *Revenue related taxes*

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

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

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

## **r) Dividends**

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

## **s) Contingent assets and liabilities**

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

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

## **1.3. 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.

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

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

#### **1.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2019:

- **IFRS 16: Leases**

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

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

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

The impact of the transition from operating lease contracts that are in force at the date of applying IFRS 16 to the level of the financial statements for the first six months of 2019 is as follows:

<b>Impact on the statement of financial position (increase/(decrease))</b>	<b>As of January 1<sup>st</sup>, 2019</b>
<b><u>Assets</u></b>	
Property, plant and equipment (right-of-use assets)	888,253
<b><u>Liabilities</u></b>	
Lease liabilities	(898,085)
Deferred tax liabilities	-
<b><u>Equity</u></b>	<b><u>(9,832)</u></b>

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



**ROMPETROL WELL SERVICES S.A.**  
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<b>Impact on the statement of profit or loss (increase/(decrease)) for 2019:</b>	<b>1<sup>st</sup> Half-year 2019</b>
Depreciation expense of right-of-use assets	107,916
<b><u>Operating profit</u></b>	<b><u>107,916</u></b>
Finance costs	12,678
<b><u>Net Result for the year</u></b>	<b><u>120,594</u></b>

## 2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below there is an analysis of Company's revenues:

	<b>Sales in 1H 2019</b>	<b>Sales in 1H 2018</b>
Revenue from well services	31,648,119	27,248,637
Revenue from other services rendered	309,377	224,110
Revenue from goods sold	27,318	2,603
<b>Total</b>	<b><u>31,984,814</u></b>	<b><u>27,475,350</u></b>
	<b>Sales in 1H 2019</b>	<b>Sales in 1H 2018</b>
Export		
Europe	1,019,746	961,813
<b>Total export</b>	<b><u>1,019,746</u></b>	<b><u>961,813</u></b>
Internal market sales	30,965,068	26,513,537
<b>Total sales</b>	<b><u>31,984,814</u></b>	<b><u>27,475,350</u></b>

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

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

## 3. OTHER REVENUES AND OTHER EXPENSES

### 3.1. Other operating revenues

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

	<b>1H 2019</b>	<b>1H 2018</b>
Other operating revenues :		
- earnings from debts write-off	5,149	-
- earnings from sale of waste	-	74,072
- earnings from disposal of fixed assets	15,563	134,338
- other revenues	552	47,636
<b>Total</b>	<b><u>21,264</u></b>	<b><u>256,046</u></b>

## 3. OTHER REVENUES AND OTHER EXPENSES (continued)

### 3.2 Expenses with third-party services

**ROMPETROL WELL SERVICES S.A.**  
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In the table below expenses for third party services are being detailed depending on their nature:

	<u>1H 2019</u>	<u>1H 2018</u>
Travel expenses	754,755	659,264
Maintenance and repair expenses	494,756	261,984
Royalties and rental expenses	245,143	387,051
Insurance premiums	168,068	226,431
Postage and telecommunications	35,217	26,435
Bank commissions and similar charges	26,198	28,597
Entertaining, promotion and advertising	14,202	7,287
Commissions and fees	2,211	-
<b>Other third party services, from which:</b>	<b>3,391,587</b>	<b>2,745,443</b>
Goods transportation services	1,483,187	699,015
Externalized activities services	817,550	646,599
Management services	396,293	728,007
Others	325,740	264,108
Security services	289,241	309,640
Consultancy and audit	79,576	98,073
<b>Total</b>	<b>5,132,137</b>	<b>4,342,492</b>

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.

### 3.3 Other operating expenses

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

	<u>1H 2019</u>	<u>1H 2018</u>
Compensations, fines, penalties	2,176	990
Write-off trade receivables and sundry debtors	619,998	-
Other operating expenses	27	1,264
<b>Total</b>	<b>622,201</b>	<b>2,254</b>

Write-off trade receivables and sundry debtors, in amount of RON 619,998, recorded in the first half of 2019, represents the expense generated by finalization of the closure process of the Kazakhstan company branch. Additional information on the impact on the financial position and the profit and loss account is presented in Note 1.

## 4. FINANCIAL EXPENSES AND REVENUES

### 4.1 Financial revenues

	<u>1H 2019</u>	<u>1H 2018</u>
<b>Interest income, from which:</b>	<b>2,349,244</b>	<b>1,754,311</b>
Income obtained from the entities within the group	2,343,905	1,753,087
<b>Income from exchange rate differences</b>	<b>174,495</b>	<b>95,352</b>
<b>Other financial income</b>	<b>1,175</b>	<b>614</b>
<b>Total financial income</b>	<b>2,524,914</b>	<b>1,850,276</b>

### 4. FINANCIAL EXPENSES AND REVENUES (continued)

**ROMPETROL WELL SERVICES S.A.**  
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The line "Income obtained from the entities within the group" in amount of RON 2,343,905 for the first six months of 2019 (respective RON 1,753,087 for the first six months of 2018) includes interest revenue generated by the loans granted to Rompetrol Rafinare SA in amount of RON 798,863 (2018: RON 906,063) and interest revenue from cash-pooling in amount of RON 1,545,042 (2018: RON 847,024).

**4.2. Financial expenses**

	<u>1H 2019</u>	<u>1 H 2018</u>
Expenses from exchange rate differences	71,249	59,465
Other financial expenses, out of which	14,371	15,282
Interest expense on the lease liability	12,678	-
<b>Total financial expenses</b>	<b><u>85,620</u></b>	<b><u>74,747</u></b>

**5. EXPENSES WITH EMPLOYEES**

The expenses with salaries and taxes, recorded during the first six months of 2019 and 2018 are as follows:

	<u>1H 2019</u>	<u>1H 2018</u>
Expenses related to salaries and allowances	9,239,033	8,649,971
Other expenses with employees benefits	94,611	53,001
Expenses related to the social insurances	79,206	74,442
Contributions to the savings fund for retirement	207,648	197,810
<b>Total</b>	<b><u>9,620,498</u></b>	<b><u>8,975,223</u></b>

**6. EARNINGS PER SHARE**

The value of earning per share is calculated by dividing the net profit of the reporting period 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:

	<u>On 30.06.2019</u>	<u>On 30.06.2018</u>
Net result attributable to shareholders	6,848,548	4,035,658
Weighted average number of shares	278,190,900	278,190,900
<b>Earnings per share (RON/share)</b>	<b><u>0.0246</u></b>	<b><u>0.0145</u></b>

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

**7. TANGIBLE ASSETS**

**ROMPETROL WELL SERVICES S.A.**  
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	Land	Buildings and special constructions	Technical equipment and machinery and other tangible assets	Tangible assets in progress	Total
<b>Cost or evaluation</b>					
<b>On 1 January 2018</b>	<b>5,585,846</b>	<b>6,382,511</b>	<b>98,013,170</b>	<b>87,663</b>	<b>110,069,190</b>
Additions	-	-	26,735	2,478,443	2,505,178
Disposals	-	-	(1,408,968)	-	(1,408,968)
Transfers	-	182,955	1,094,414	(1,277,370)	-
<b>On 31 December 2018</b>	<b>5,585,846</b>	<b>6,565,466</b>	<b>97,725,351</b>	<b>1,288,736</b>	<b>111,165,399</b>
Additions	-	-	-	256,250	256,250
Disposals	-	(28,728)	(964,782)	-	(993,510)
Transfers	-	689,921	238,615	(928,537)	-
<b>On 30 June 2019</b>	<b>5,585,846</b>	<b>7,226,659</b>	<b>96,999,184</b>	<b>616,449</b>	<b>110,428,138</b>
<b>Depreciation and Impairment</b>					
<b>On 1 January 2018</b>	<b>-</b>	<b>2,125,126</b>	<b>84,484,487</b>	<b>-</b>	<b>86,609,614</b>
Depreciation charge for the year	-	284,676	4,920,791	-	5,205,468
Disposals	-	-	(1,406,234)	-	(1,406,234)
Depreciation	-	(1,734)	(5,502,016)	-	(5,503,750)
<b>On 31 December 2018</b>	<b>-</b>	<b>2,408,069</b>	<b>82,497,027</b>	<b>-</b>	<b>84,905,097</b>
Depreciation charge for the year	-	151,028	2,276,485	-	2,427,514
Disposals	-	(13,421)	(905,689)	-	(919,111)
Depreciation	-	-	-	-	-
<b>On 30 June 2019</b>	<b>-</b>	<b>2,545,676</b>	<b>83,867,822</b>	<b>-</b>	<b>86,413,500</b>
<b>Net accounting value</b>					
<b>On 30 June 2019</b>	<b>5,585,846</b>	<b>4,680,984</b>	<b>13,131,362</b>	<b>616,449</b>	<b>24,014,638</b>
<b>On 31 December 2018</b>	<b>5,585,846</b>	<b>4,157,397</b>	<b>15,228,324</b>	<b>1,288,736</b>	<b>26,260,303</b>
<b>On 1 January 2018</b>	<b>5,585,846</b>	<b>4,257,384</b>	<b>13,528,683</b>	<b>87,663</b>	<b>23,459,576</b>

All presented tangible assets are the property of the company.

## 8. INVESTMENT PROPERTIES

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

	<b>30.06.2019</b>	<b>31.12.2018</b>
Initial balance on January 1 <sup>st</sup>	507,210	525,813
Depreciation expenses	(9,301)	(18,603)
<b>Ending balance</b>	<b>497,909</b>	<b>507,210</b>
	<b>1H 2019</b>	<b>1H 2018</b>
Income from rents obtained from real estate investments	5,837	3,469
Direct operational expenses (including repairs and maintenance) which generate income from rents	(16,769)	(16,769)
<b>Net result from investment property recorded at cost</b>	<b>(10,932)</b>	<b>(13,300)</b>

## 9. INTANGIBLE ASSETS

**ROMPETROL WELL SERVICES S.A.**  
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	<u>Patents and licenses</u>	<u>Intangible assets in progress</u>	<u>Total</u>
<b>Costs</b>			
<b>On 1 January 2018</b>	<b>872,334</b>	-	<b>872,334</b>
Additions	-	2,748	2,748
Disposals	(237,814)	-	(237,814)
Transfers	2,748	(2,748)	-
<b>On 31 December 2018</b>	<b>637,268</b>	-	<b>637,268</b>
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
<b>On 30 June 2019</b>	<b>637,268</b>	-	<b>637,268</b>
<b>Amortisation and impairment</b>			
<b>On 1 January 2018</b>	<b>614,481</b>	-	<b>614,481</b>
Depreciation charge for the year	54,213	-	54,213
Disposal	(237,814)	-	(237,814)
<b>On 31 December 2018</b>	<b>430,879</b>	-	<b>430,879</b>
Depreciation charge for the year	27,382	-	27,382
Disposal	-	-	-
<b>On 30 June 2019</b>	<b>458,260</b>	-	<b>458,260</b>
<b>Net accounting value</b>			
<b>On 30 June 2019</b>	<b>179,008</b>	-	<b>179,008</b>
<b>On 31 December 2018</b>	<b>206,389</b>	-	<b>206,389</b>
<b>On 1 January 2018</b>	<b>257,852</b>	-	<b>257,852</b>

## 10. FINANCIAL ASSETS

<u>Name of the company</u>	<u>Nature of the relationship</u>	<u>Year of investment</u>	<u>Percent detained on</u>		<u>Value of the investment on</u>	
			<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>
Romp petrol Logistics S.R.L.	Long term investment	2002/2003/2007	6.98%	6.98%	5,580,056	5,580,056
Romp petrol Rafinare S.A.*	Long term investment	2003/2004	0.05%	0.05%	944,700	944,700
Romp petrol Drilling S.R.L.	Long term investment	2014	1%	1%	100	100
Adjustment for value					-	-
<b>Total</b>					<b>6,524,856</b>	<b>6,524,856</b>

\*Company listed on Bucharest Stock Exchange under RRC symbol

The investment on Rompetrol Logistics SRL, unlisted company, is presented at fair value through other comprehensive income. The company analyses, at each reporting date, the adjusted net asset of Rompetrol Logistics SRL in order to establish the fair value of the investment.

## 11. OTHER FINANCIAL ASSETS

**ROMPETROL WELL SERVICES S.A.**  
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	<b>On 30 June 2019</b>	<b>On 31 December 2018</b>
Collateral accounts for guarantee letters with maturity over one year	-	154,000
Specific accounts for dividends	7,816	532,329
Specific accounts for other guarantee	24,507	19,569
<b>Other financial assets</b>	<b>32,322</b>	<b>705,898</b>

The details on the structure of collateral account with maturity over one year can be found on note 21.

**12. INVENTORIES**

	<b>On 30 June 2019</b>	<b>On 31 December 2018</b>
Cement and additives	1,408,438	1,896,064
Spare parts equipment	1,614,230	1,627,664
Other inventories	204,630	211,234
Adjustments for depreciation of inventories	(569,492)	(569,492)
<b>Total inventories, net</b>	<b>2,657,806</b>	<b>3,165,469</b>

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

**13. TRADE AND OTHER RECEIVABLES**

	<b>On 30.06.2019</b>	<b>On 31.12.2018</b>
Trade receivables - third parties	18,502,840	20,412,016
Trade receivables with affiliated entities	34,746,272	34,631,520
Value adjustments for trade receivables – third parties	(1,216,208)	(1,749,281)
Value adjustments for trade receivables – affiliated entities	(29,858,902)	(29,848,276)
<b>Total trade receivables, net</b>	<b>22,174,002</b>	<b>23,445,979</b>
Other receivables – third parties	860,851	939,808
Other receivables with the affiliated entities	248,288	248,289
Other receivables with state budget	57,535	369,491
Value adjustments for other receivables – third parties	(428,300)	(428,300)
Value adjustments for other receivables – affiliated entities	(235,648)	(235,648)
<b>Total other receivables, net</b>	<b>502,726</b>	<b>893,641</b>
<b>Total receivables, net</b>	<b>22,676,729</b>	<b>24,339,619</b>

At the end of first half-year of 2019, Oilfield Exploration Business Solutions S.A. receivable was adjusted to the level expressed in the Comfort Letter obtained from the majority shareholder KazMunayGas International NV, respectively RON 4,770,000.

Trade receivables are usually collected within 30 to 90 days.

**13. TRADE AND OTHER RECEIVABLES (continued)**

**ROMPETROL WELL SERVICES S.A.**  
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In the table below, there are detailed the movements within the provision for the impairment of trade and other receivables

	<b>Individually impaired</b>	<b>Collectively impaired</b>	<b>Total</b>
<b>On 1 January 2018</b>	<b>33,227,749</b>	<b>1,214,136</b>	<b>34,441,885</b>
Application of IFRS 9	27,456	312,937	340,393
Transfer between category	-	-	-
Charge for the year	184,556	-	184,556
Unused amounts, reversed	(8,729)	(1,961)	(10,690)
Amounts written-off	(2,657,550)	-	(2,657,550)
Exchange rate differences	-	(37,089)	(37,089)
<b>On 31 December 2018</b>	<b>30,773,482</b>	<b>1,488,023</b>	<b>32,261,505</b>
Application of IFRS 9	3,984	50,274	54,258
Transfer between category	-	-	-
Charge for the year	6,481	-	6,481
Unused amounts, reversed	(24,175)	(185,609)	(209,784)
Amounts written-off	-	(392,063)	(392,063)
Exchange rate differences	-	18,661	18,661
<b>On 30 June 2019</b>	<b>30,759,772</b>	<b>979,286</b>	<b>31,739,058</b>

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

<b>At 30 June 2019</b>	<b>Total trade receivables</b>							<b>Total</b>
	<b>Current</b>	<b>&lt; 30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-180 days</b>	<b>181- 360 days</b>	<b>&gt; 360 days</b>	
<i>Expected credit loss rate (%)</i>	3.51%	7.03%	72.91%	71.07%	78.71%	90.00%	100.00%	
Estimated total gross carrying amount at default	13,595,593	3,714,228	60,624	21,521	195,411	26,132	35,635,603	<b>53,249,112</b>
Expected credit loss	(136,087)	(42,042)	(11,787)	(2,042)	(8,645)	(10,156)	(30,864,351)	<b>(31,075,110)</b>

**14. OTHER CURRENT ASSETS**

	<b>On 30 June 2019</b>	<b>On 31 December 2018</b>
Advance expenses for car insurances	95,481	121,670
Advance expenses for rovigneta	98,543	105,125
Advance expenses for authorizations, transportation licenses, subscriptions, others	297,951	93,229
<b>Other current assets TOTAL</b>	<b>491,975</b>	<b>320,024</b>

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, authorizations, licenses, subscriptions.

**15. CASH AND DEPOSITS**

**ROMPETROL WELL SERVICES S.A.**  
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	<u>30.06.2019</u>	<u>31.12.2018</u>
Bank accounts in RON	84,433	1,645
Bank accounts in foreign currency	23,166	35,820
Short term deposits in RON	113,474	124,898
Short term deposits in foreign currency	560,999	59,365
Collateral accounts for letters of guarantee with maturity under one year	2,748,813	2,176,931
Specific accounts regarding performance bonds, other guarantees	2,558,362	2,096,565
Specific accounts for dividends payment	4,693,413	-
Letter of credit	-	155,937
Cash equivalents	4,202	-
Petty cash in RON	12,856	4,286
Petty cash in foreign currency	7,108	3,783
<b>Total cash and short term deposits</b>	<b><u>10,806,825</u></b>	<b><u>4,659,229</u></b>

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

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

Collateral deposits are detailed in note 21.

In note 20 it is presented the details regarding the company's participation for the year 2019 to the system for optimization of cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. The amount available in the principal account on 30 June 2019 was of RON 89,439,990, being ready to use without restriction, depending on the necessity.

## **16. SHARE CAPITAL**

### **16.1. 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 RON 13,909,545, from RON 13,909,545 up to RON 27,819,090, through issuing, for free, of a number of 139,095,450 new shares with a nominal value of 0.10 RON/share.

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

The finalisation of the procedural phases for approval and recognition has been officially signalled through the repetition of the transacting of the shares, after the increase of the share capital, on September 18th 2008, without undergoing modifications until June 30, 2019.



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**16. SHARE CAPITAL (continued)**

	<b>Balance on 30 June 2019</b>	<b>Balance on 31 December 2018</b>
Subscribed capital, ordinary shares	Number 278,190,900	Number 278,190,900
Nominal value, ordinary shares	RON 0,1	RON 0,1
Value of the share capital	RON 27,819,090	RON 27,819,090

The share capital of the company is totally paid in on June 30, 2019.

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

**16.2 Adjustments on share capital**

According to the IAS 29 provisions, the company has adjusted the costs of its purchased investments until December 31st 2003 with the purpose of reflecting the accounting impact in the hyperinflation. The value of the share capital has been increased at December 31st, 2012 by 166,740,745 RON. This adjustment had no impact over the carried forward distributable profit of the company. In 2013, the general ordinary meeting of shareholders on April 30, 2013 approved to cover the brought forward accounting loss from first application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in amount of RON 166,002,389, from own capitals, i.e. "adjustment of share capital". The effect of this decision for the structure of share capital on June 30, 2019, as well as on December 31st, 2018 is presented in the table below:

	<b>On 30 June 2019</b>	<b>On 31 December 2018</b>
Share capital, from which:	28,557,446	28,557,446
Paid-in share capital	27,819,090	27,819,090
The adjustment of the share capital	738,356	738,356

**17. PROVISIONS**

	<b>Provisions for restructuring (short term)</b>	<b>Provisions for litigations (long term)</b>	<b>Other Provisions for risks and expenses (long term)</b>	<b>Total</b>
<b>On 1 January 2018</b>	-	-	<b>229,429</b>	<b>229,429</b>
Constituted	-	-	83,148	83,148
Used during the year	-	-	-	-
Reclassified	-	-	(170,188)	(170,188)
<b>On 31 December 2018</b>	-	-	<b>142,389</b>	<b>142,389</b>
Constituted	-	-	-	-
Used during the year	-	-	(142,389)	(142,389)
Reclassified	-	-	-	-
<b>On 30 June 2019</b>	-	-	-	-

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

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**18. LEASES**

**18.1 The right-of-use assets**

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

	Land	Buildings and special constructions	Technical equipment and machinery and other tangible assets	Total
<b>Cost or evaluation</b>				
On 1 January 2019	-	-	888,253	888,253
Additions				-
Transfers				-
On 30 June 2019	-	-	888,253	888,253
<b>Depreciation and impairment</b>				
On 1 January 2019	-	-	-	-
Depreciation charge for the year	-	-	107,916	107,916
Transfers	-	-	-	-
On 30 June 2019	-	-	107,916	107,916
<b>Net accounting value</b>				
On 30 June 2019	-	-	780,337	780,337
La 1 January 2019	-	-	888,253	888,253

**18.2 Lease liability**

The identified asset	Interest Rate	Currency	Principal on 1 January 2019	Interest expense	Principal payments	Exchange Rate Differences	Principal on 30 June 2019
Vehicles	2,94%	EUR	873,899	12,023	105,919	13,656	781,636
IT Equipment	5,84%	USD	24,186	655	3,103	536	21,619
<b>TOTAL</b>			<b>898,084</b>	<b>12,678</b>	<b>109,022</b>	<b>14,192</b>	<b>803,255</b>

The present value of the future lease payments as of June 30, 2019 is as follow:

Payment term	On 30 June 2019
Amounts due within 1 year	214,787
Amounts due after more than 1 year but not later than 5 years	588,468
Amounts due after 5 years	-
	<b>803,255</b>

**19. TRADE PAYABLES AND SIMILAR LIABILITIES (CURRENT)**

	On 30.06.2019	On 31.12.2018
Trade payables - third parties	2,734,193	3,349,277
Trade payables with affiliated entities	2,069,224	2,934,172
Advance payments and deferred income	194,783	-
Salaries	1,282,958	1,347,474
Dividends to be paid	7,039,728	2,561,890
Taxes	1,220,769	287,530
Other liabilities	76,504	144,542
<b>Total</b>	<b>14,618,158</b>	<b>10,624,887</b>

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**20. PRESENTATION OF THE AFFILIATED PARTIES**

The following tables present information on transactions with companies under common control of KazMunayGas Group as of 30 June 2019.

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

**Loan contracts with Rompetrol Rafinare S.A.**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>On 31 December 2018</b>	<b>34,300,000</b>	<b>-</b>	<b>34,300,000</b>
1CI/09-Sept-2008	13,000,000	-	13,000,000
2CI/14-Oct-2008	7,000,000	-	7,000,000
3CI/03-Nov-2008	3,100,000	-	3,100,000
CI/28-Apr-2010	11,200,000	-	11,200,000
<b>On 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
1CI/09-Sept-2008	-	-	-
2CI/14-Oct-2008	-	-	-
3CI/03-Nov-2008	-	-	-
CI/28-Apr-2010	-	-	-

All the above mentioned loans were guaranteed with promissory notes and extended automatically on successive periods of time, in the situation that none of the parties has denounced the contract, within maximum 3 days before the due date. Beginning January 1<sup>st</sup>, 2017, there was applied an interest at the level of ROBOR 3M + 3%.

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

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**20. PRESENTATION OF THE AFFILIATED PARTIES (continued)**

**Receivables**

	<b>Balance on 30 June 2019</b>	<b>Balance on 31 December 2018</b>
KMG Rompetrol SRL	89,793,838	50,974,806
Oilfield Exploration Business Solutions S.A.	4,770,000	4,770,000
Romperol Logistics S.R.L.	123,275	16,675
KMG Rompetrol Services Center SRL	1,444	1,419
<b>Total</b>	<b>94,688,557</b>	<b>55,762,900</b>

*\*) On 30 June 2019, respectively 31 December 2018 Oilfield Exploration Business Solutions SA receivables represents the recoverable amount (see note 13).*

**Liabilities**

	<b>Balance on 30 June 2019</b>	<b>Balance on 31 December 2018</b>
KMG Rompetrol SRL	1,381,930	1,912,552
Rompetrol Downstream S.R.L.	466,958	472,273
KMG Rompetrol Services Center SRL	216,414	539,414
Rompetrol Logistics S.R.L.	-	6,051
Global Security Sistem SA	3,923	3,882
<b>Total</b>	<b>2,069,224</b>	<b>2,934,172</b>

**Sales**

	<b>1H 2019</b>	<b>1H 2018</b>
KMG Rompetrol SRL	1,545,042	847,024
Rompetrol Rafinare S.A.	799,095	906,140
Rompetrol Logistics S.R.L.	90,963	83,079
Oilfield Exploration Business Solutions S.A.	5,273	8,381
KMG Rompetrol Services Center SRL	3,693	3,631
Rompetrol Drilling S.R.L.	174	1,503
<b>Total</b>	<b>2,444,240</b>	<b>1,849,758</b>

**Acquisition of goods and services**

	<b>1H 2019</b>	<b>1H 2018</b>
Rompetrol Downstream S.R.L.	2,618,846	2,348,953
KMG Rompetrol Services Center SRL	803,644	660,314
KMG Rompetrol SRL	603,917	808,710
Global Security Sistem SA	7,916	7,880
<b>Total</b>	<b>4,034,323</b>	<b>3,825,857</b>

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**20. PRESENTATION OF THE AFFILIATED PARTIES (continued)**

Starting with 2014, it was implemented an optimization system for the cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. Cash pooling system was implemented in relation to cash availability from certain bank accounts of the Company, and the direct effect will be transposed to the optimization of cash for the company, with impact in the interest income. According to the cash pooling system, in terms of assets presentation, the amounts available at the end of the reporting period is reflected in the statement of financial position in the line "Cash pooling system". During the reporting period, the average balance of master account was RON 65,710,705, generating interest in amount of RON 1,545.042. The value of these receivables as of 30 June 2019 was of RON 89,788,547.

Description	Validity term	Contract Date	Maturity Date	Interest rate	Currency	Principal	Interest receivable as of June 30, 2019	Balance existing as of June 30, 2019
Cash Optimization System implementation of The KMG Rompetrol Group companies (cash pooling)	12 months, with automatically extention	15-Sep-14	15-Sep-19	Based on ROBOR OVERNIGHT	RON	Depending on the working capital needs	348,556	89,439,990
<b>Total</b>							<b>348,556</b>	<b>89,439,990</b>

The interest receivable due by the coordinating company, KMG Rompetrol SRL, is computed on a daily basis by establishing the bank interest cost, with reference to ROBOR OVERNIGHT interest rate, at the level of the daily cash balance of the Company.

The contract is valid for a period of one year, this being the maturity date and is automatically extended upon expiry of this term for consecutive periods of one year, unless it is terminated by either party at least 30 days before the end of each one-year period.

**21. COMMITMENTS AND CONTINGECIES**

**Guarantees to third parties**

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

The detail of the collateral accounts on 30 June 2019 for the Letters of Bank Guarantee is enclosed in the table below:

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG00888-02-0575359	OMV PETROM S.A.	RON	228,670	21-Apr-20	RON	228,670
LG/00888-02-0549334	OMV PETROM S.A.	RON	25,000	15-Mar-20	RON	25,000
LG/00888-02-0531799	OMV PETROM S.A.	EUR	189,404	28-Feb-20	EUR	189,404
LG/00888-02-0542082	OMV PETROM S.A.	RON	1,378,540	18-Feb-20	RON	1,378,540
LG/00888-02-0433226	S.N.G.N. ROMGAZ S.A.	RON	154,000	15-Feb-20	RON	154,000
LG00888-02-0569981	CROSCO LTD	EUR	296,086	3-Feb-20	EUR	296,086
16201	S.N.G.N. ROMGAZ S.A.	RON	2,558,362	21-Dec-19	RON	2,558,362
LG/00888-02-0513817	OMV PETROM S.A.	RON	299,113	5-Nov-19	RON	299,113
LG/00888-02-0489906	OMV PETROM S.A.	RON	178,000	14-Aug-19	RON	178,000
<b>Total short term collateral deposits</b>						<b>5,307,175</b>
<b>Total long-term collateral deposits</b>						-

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

Number	Beneficiary	Currency	Amount equivalent RON	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
LG/00888-02-0130320	OMV PETROM S.A.	EUR	932,780	28-Feb-19	EUR	932,780
LG/00888-02-0443670	OMV PETROM S.A.	USD	767,038	28-Feb-19	USD	767,038
LG/00888-02-0489906	OMV PETROM S.A.	RON	178,000	14-Aug-19	RON	178,000
LG/00888-02-0513817	OMV PETROM S.A.	RON	299,113	5-Nov-19	RON	299,113
2	SIRCOSS MEDIAS S.A.	RON	6,511	15-Mar-19	RON	6,511
16201	S.N.G.N. ROMGAZ S.A.	RON	2,063,991	21-Dec-19	RON	2,063,991
<b>Total short term collateral deposits</b>						<b>4,273,496</b>
00888-02-0433226	S.N.G.N. ROMGAZ S.A.	RON	154,000	15-Feb-20	RON	154,000
<b>Total long-term collateral deposits</b>						<b>154,000</b>

### Received guarantees

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

### 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.

## 22. 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 20 (Availabilities in cash pooling system), the income from interest varies, depending on OVERNIGHT ROBOR.

If interest rates would have varied with + / - 1 percent and all other variable would have been constant, the net result of the Company as of 30 June 2019 would increase / decrease with RON 326,825 (2018: increase / decrease with RON 222,477).

### Risk of the exchange rate variations

Most of the transactions of the company are in RON. Depending on the case, the structure of the amounts available in cash and the short term deposits are also being adapted. The difference between the entry of the amounts in foreign currency and their repayment cannot generate, through the variation of the exchange rate, significant impact in the Company's financial position.

### Foreign currency sensitivity

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

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

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.

	<b>TOTAL</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
	<b>RON</b>	<b>USD</b>	<b>EUR</b>	<b>KZT</b>
<b>31 December 2018</b>				
Balance	<b>127,282</b>	<b>51,964</b>	<b>68,276</b>	<b>7,042</b>
Monetary assets	136,642	53,165	76,175	7,302
Monetary liabilities	(9,361)	(1,201)	(7,899)	(261)
<b>30 June 2019</b>				
Balance	<b>27,533</b>	<b>28,448</b>	<b>(915)</b>	<b>-</b>
Monetary assets	73,566	28,725	44,841	-
Monetary liabilities	(46,033)	(277)	(45,756)	-

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 unfavorable conditions of the financial - banking market is also experienced by the customers of the company, but the Management permanently monitors the receivables and their collection.

The market risk

Taking into consideration the structure and continuance of trade contracts, it can be highlighted as important clients S.C. OMV Petrom SA and S.N.G.N. Romgaz SA concentrating around 73% of the total turnover registered for the first six months of 2019. The main contracts with S.C. OMV Petrom SA and S.N.G.N. Romgaz SA are valid until 31 December 2019, respectively 7 December 2019.

**Liquidity risk**

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the efficient use of working capital. Approximately 88% of the Company's debt will mature in less than one year at 30 June 2019 (2018: 84%) based on the carrying value reflected in the financial statements. The Company assessed the concentration of risk with respect to chargeability of its debt and concluded it to be low.

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

<b>Trade payables and similar liabilities</b>	<b>On demand</b>	<b>Under 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade payables - third parties	112,614	2,603,482	18,096	-	-	2,734,192
Trade payables with affiliated entities	1,166,694	902,529	-	-	-	2,069,224
Dividends to be paid	678,171	-	5,007,436	-	1,354,121	7,039,728
Other liabilities	2,500	10,000	3,500	-	60,505	76,505
<b>Total for the first half-year of 2019</b>	<b>1,959,979</b>	<b>3,516,011</b>	<b>5,029,032</b>	<b>-</b>	<b>1,414,625</b>	<b>11,919,648</b>

**ROMPETROL WELL SERVICES S.A.**  
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**22. OBJECTIVES AND POLICIES FOR THE FINANCIAL RISK MANAGEMENT (continued)**

Trade payables and similar liabilities	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables - third parties	134,190	3,212,370	2,718	-	-	3,349,277
Trade payables with affiliated entities	547,654	2,386,518	-	-	-	2,934,172
Dividends to be paid	1,207,769	-	-	-	1,354,121	2,561,890
Other liabilities	-	84,038	-	-	60,505	144,542
<b>Total year 2018</b>	<b><u>1,889,614</u></b>	<b><u>5,682,925</u></b>	<b><u>2,718</u></b>	<b><u>-</u></b>	<b><u>1,414,625</u></b>	<b><u>8,989,883</u></b>

**21. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

Letter of bank guarantee with number LG/00888-02-0594034 having as beneficiary OMV Petrom SA was issued in July 24, 2019, in amount of RON 995,735, with maturity date July 16, 2020.





**rompetrol**

KazMunayGas  
Group  
Member

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## AFFIDAVIT

The undersigned – **TIMUR ZHETPISBAYEV**, acting as Member of the Board and General Manager, and **LUIZA ROXANA MOISE** - acting as Finance Manager, in view art. 65 alin. 2 c) of Law no. 24/2017 on issuers of financial instruments and market operations,

We hereby declare that, to our knowledge, the half-yearly financial and accounting statement prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Rompetrol Well Services S.A. on 30.06.2019.

The Report of the Board of Directors (which contains the information specified in Annex 14 of the FSA Regulation no. 5/2018) includes an accurate analysis of the development and performance of the company and a description of the principal risks and uncertainties specific activity in the first half of 2019.

**Member of the Board,  
General Manager,**

**Mr. Timur Zhetpisbayev** \_\_\_\_\_

**Finance Manager**

**Mrs. Luiza Roxana Moise** \_\_\_\_\_