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**ROMPETROL RAFINARE S.A.
REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015**

**Biannual Report of the Board of Directors
for the first half of 2015**

Prepared by in accordance with Annex 31 of Regulation no. 1/2006 issued by the Financial Supervisory Authority (the former National Securities Commission)

Report date: **12 August 2015**
Name of the trade company: **ROMPETROL RAFINARE S.A.**
Registered office: **215 Năvodari Blvd. 215, Pavilion Administrativ,
NĂVODARI, Constanța County**
Telephone number: **0241/50 61 50**
Facsimile number: **0241/50 69 30**
Sole registration code with the Trade Register Office: **RO1860712**
Trade Register number: **J13/534/05.02.1991**
Subscribed and paid share capital: **RON 4,410,920,572.6**
Regulated market on which the securities are traded: **Bucharest Stock Exchange**
Shares market symbol: **RRC**

Overview and objectives:

Rompetrol Rafinare, a KMG International Group member company, continued to enhance its production process during the first half of 2015, such enhancement being supported by the proper operation of all the plants in the Refinery and Petrochemical sectors.

The amount of crude oil and other raw materials processed in the first half of 2015 by Rompetrol Rafinare (Petromidia and Vega refineries, as well as Petrochemicals Area) was approx. 2.689 million tons, of which approx. 2.355 million tons of crude oil (the greatest quantity ever processed during a first half, from the commissioning of the Refinery).

The production programme of Petromidia Refinery for the first quarter of 2015 was designed for a total processing of 145 thousand tons of raw materials.

For 2015, Petromidia Refinery envisages the processing of a quantity of raw materials of approximately 4.713 million tons, of which 4.35 million tons of crude oil, Vega Refinery approximately 293 thousand tons, whereas the Petrochemicals Area envisages the processing of 0.186 million tons of raw materials.



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➤ **The objectives of Rompetrol Rafinare investment program for the first half of 2015:**

The investment program of Rompetrol Refinery for the first semester of 2015:

I) From the category of *compulsory investments required by environmental and safety regulations*, in the first semester of 2015:

- Project **"Dredging Midia Port"** was started, a project that consists in the execution of efficient dredging in order to restore the design water depth in Midia Port and the maximum draft allowed to 8.50 m. The main project objective is to increase the number of vessels which transit Midia Port. The project was completed on May, 2015.
- The implementation of project **„Homogenizers for waste water treatment unit 103/9"** continued. The project purpose is to assure operation conditions for Refinery and Petrochemical Plant and to avoid emergency shut-down, in case of impossibility of taking-over of waste water flows and to avoid environmental penalties if a contamination occurs, by performing Homogenizer 103/9 capital repairs. The project was completed on January, 2015.
- The project **"Expiry of the ISCIR Authorization for static equipments (ISCIR 2015)"** started, a project that consists in the reauthorization of pipes and technological units equipment, according to the ISCIR requirements in force. The estimated project completion month is July, 2016.
- The implementation of project **"V26/2 Tank Rehabilitation"** continued as part of the General Master Plan Program, the objective of which is to maintain to an optimal value the storage capacity for refinery products and the alignment with the safety requirements.
- The implementation of project **"Rehabilitation of tank M90"** continued. The project purpose is to increase the storage capacity of tank M90, resulting in a completely functional tank in terms of safety and technology, assuring the necessary facilities for a adequate storage of hydrotreating products. The estimated project-completion month is May, 2016.

II) In the *operational support category*, a very important place is held by **2015 Refinery General Turnaround** project, technological shut down for equipment's periodic inspections, catalysts replacement, maintenance, etc.

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For refinery, general shutdown means a scheduled large-scale maintenance activity wherein an entire process unit is taken off stream for an extended period for comprehensive revamping and renewal.

This operation involves many preparations and requires many precautions, especially during startup. For proper refinery equipment reliability, it is mandatory to perform mechanical verifications, equipment checks and internal inspection every 5 years and in accordance with the best practices.

To reach the refinery goal of having a high mechanical availability, the refinery must have high reliability at low cost. This can be assured only by periodical refinery turnaround. According to Solomon's statement, each increase by 1% in the mechanical availability can translate into a 10% reduction in maintenance cost, and, for this reason the refinery should follow its strategy to reach its objective.

As concerns the scheduled turnaround for the refinery, Rompetrol used in the last years the same approach in order to keep the refinery reliability at its best value.

Within this project, the benefits are as follows:

1. Make the plant safe to operate till the next planned shutdown;
2. Improve the efficiency of the plant within high mechanical availability;
3. Reduce routine maintenance costs.
4. Perform the Regulatory Inspection.
5. Increase reliability / availability of equipment during operation
6. Maintain the Refinery at its nominal capacity.
7. Complete the corrective/preventive maintenance.
8. Achieve a 96.5 % mechanical availability after restarting the plants

III) A very important place is held *by projects from "Storage and logistics" area:*

➤ **Diesel delivery optimization for three direction simultaneously**

By the implementation of this project the following benefits resulted:

- Increase in the delivery flexibility by increasing the diesel evacuation capacity through different delivery paths simultaneously;
- Increasing the diesel loading rate through piggable pipelines by using solely pumps with high flow rate P102 A, R;
- Avoiding further diesel storage bottlenecks within increased product evacuation facilities.

The project was completed in May, 2015.

➤ **Rehabilitation of IPPA facilities**

The following benefits resulted from the project implementation:



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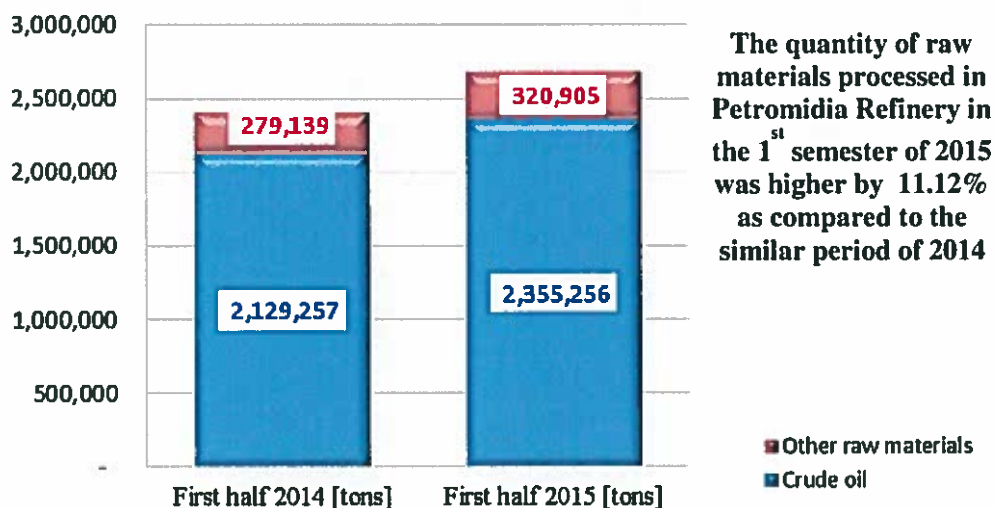
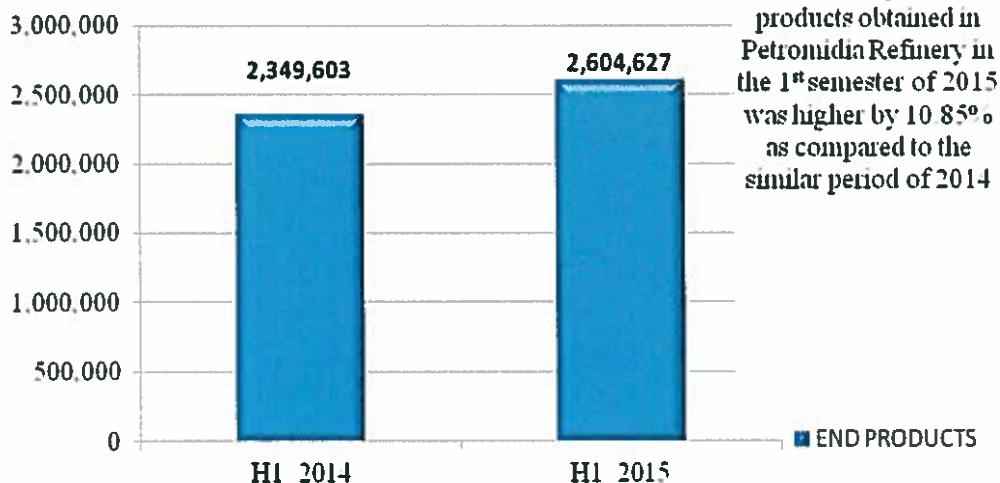
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- Improvement of customer satisfaction by minimizing loading differences on deliveries from IPPA terminal;
- Fulfilment of the Trading forecasted sales plan by ensuring optimum operating conditions for truck terminal and by complying with delivery requirements;
- Reduction of the risk of terminal downtime by modernizing terminal automation.

➤ **The objectives of Rompetrol Rafinare regarding quality, health, labour security and environment (QHSE), set for 2015 are the following:**

- Reissue of the certification for the integrated quality, health, security and environment management system (QHSE) in compliance with the ISO & OHSAS standards;
- “Zero” work accidents /occupational diseases on Petromidia and Vega Platforms;
- Maintenance of the safety performance indicators set at KMG International Group level at: 0%(FIR); 1.5% (LTIF, TRIR, MVCR); 0.75% (HSE Index-50%*FIR+25%*TRIR+25%*MVCR);
- Continuing the program for increasing the safety culture through project “1.LIFE” implemented both for employees and for subcontractors;
- Setting and monitoring the safety indicators specific to the review period;
- Analysis of the risk assessments for accidents and occupational diseases and risk reassessments, as applicable;
- Obtaining the necessary approvals / authorizations for the implementation of the projects included in the Company/Group development strategy;
- Maintaining the requirements of the environment regulatory documents (within the current legal framework): Integrated Environmental Authorization - Water Management Authorization - CO2 Authorizations, a.s.o.;
- Renewing of the Integrated Environmental Authorization of Rompetrol Rafinare –Vega Unit, following the completion of the conformity program and the end of the transition period;
- Review of the documentation of the QHSE integrated management system in compliance with the requirements of KMG International Group;
- Evaluation and update of Sharepoint QHSE in compliance with the internal requirements (organizational changes and SIM documentation)
- Maintenance of the certification of motor fuels and bitumen in compliance with the legal and regulatory requirements.

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REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015****PRODUCTION ACTIVITY of Rompetrol Rafinare – Năvodari Work Point (Petromidia Refinery)****Raw material processed, tons****End products, tons**

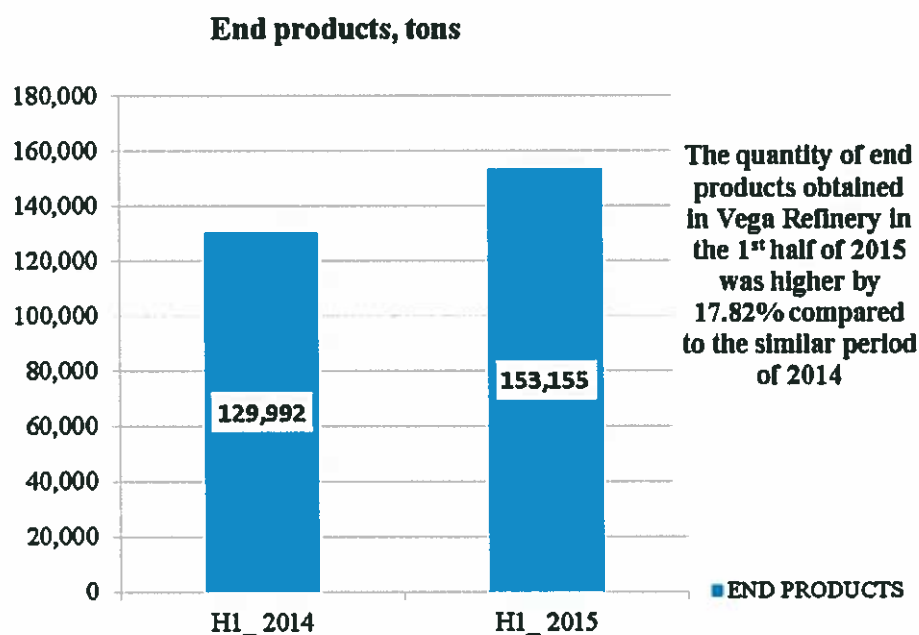
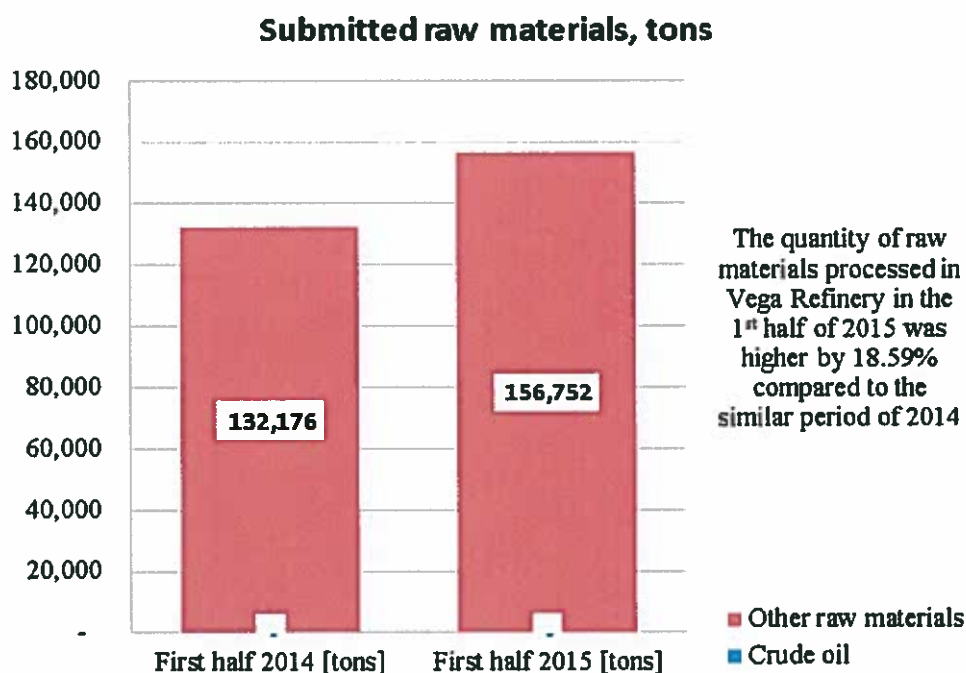


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PRODUCTION ACTIVITY of Rompetrol Rafinare – Vega Refinery Work Point (located in Ploiesti)



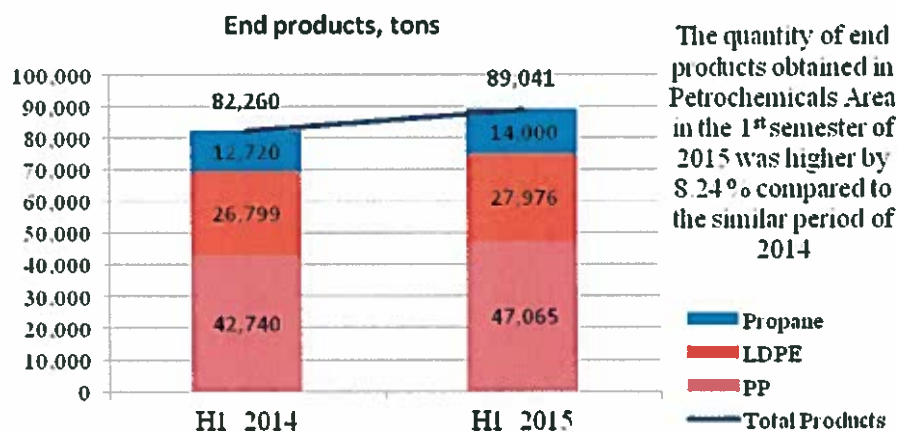
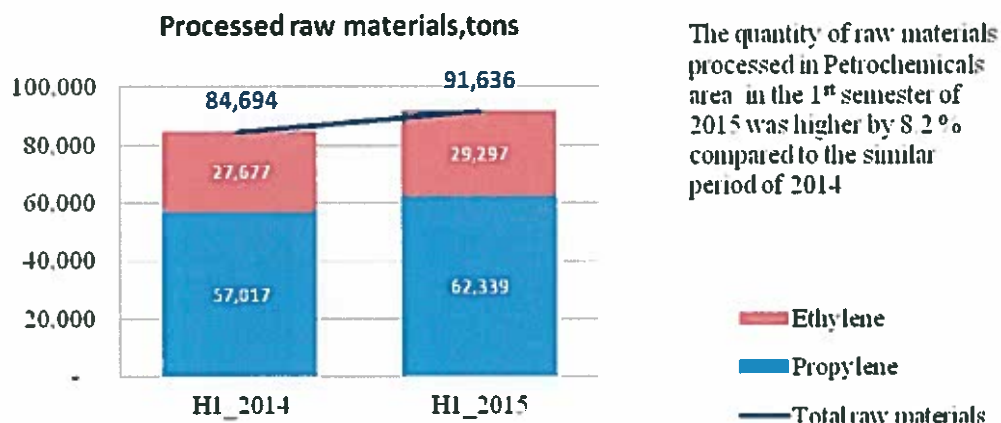


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PRODUCTION ACTIVITY of Rompetrol Rafinare – Petrochemicals area



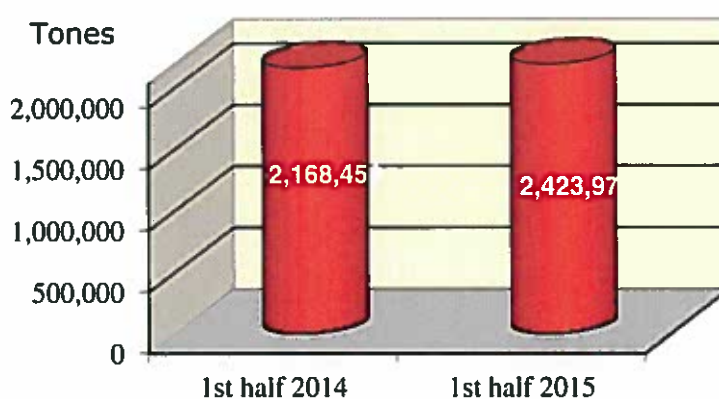
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REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015****COMMERCIAL ACTIVITY carried out at Năvodari Work Point (Petromidia Refinery) in the 1st Half of 2015****A. Feedstock supply**

In the first half of 2015, Rompetrol Rafinare S.A. – Petromidia Refinery purchased crude oil and other feed stock from external and domestic sources, as indicated in the tables below:

Feed stock purchases	Quantity (tons)
Crude oil	2,423,975
Other feed stock	317,971
Total external purchases	2,725,794
Total internal purchases	16,152

Between January and June 2015, the crude oil purchases were higher than those of the same period last year, due to the increase in the processing rate.

Crude oil purchased in the period January - June 2015
vs. January - June 2014



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The supplier of imported feed stock was KazMunayGas Trading AG.

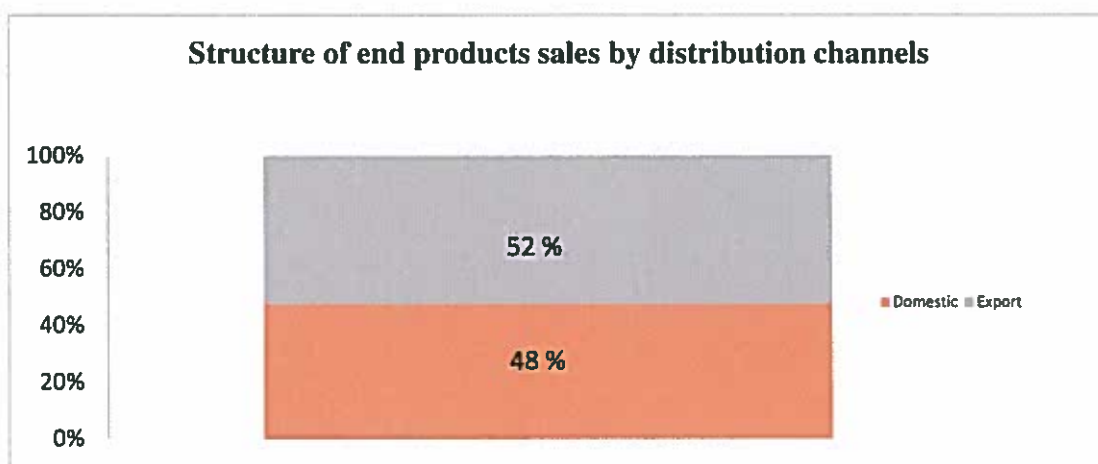
The main internal suppliers of feed stock were:

- Prio Biocombustibil
- Expur SA.
- Mitsubishi International
- OMV Petrol

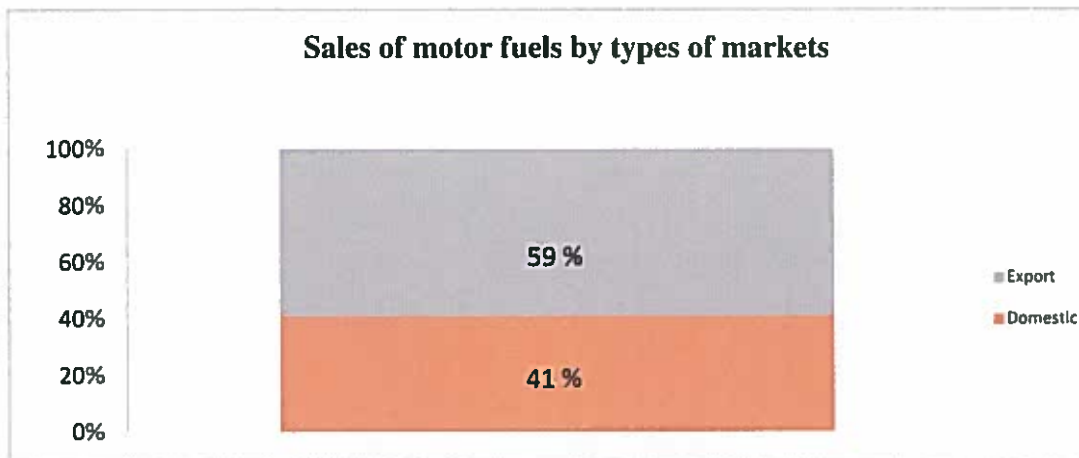
B. Sales

The sales in the first half of 2015 amounted to a total of 2,272,855 tons as compared to 2,086,134 tons in the same period in 2014. The net value of end product sales was USD 1,202,421,323 as compared to USD 1,837,618,603 in the first half of 2014. The lower value in 2015 is due to the much lower prices on the international markets as compared to 2014.

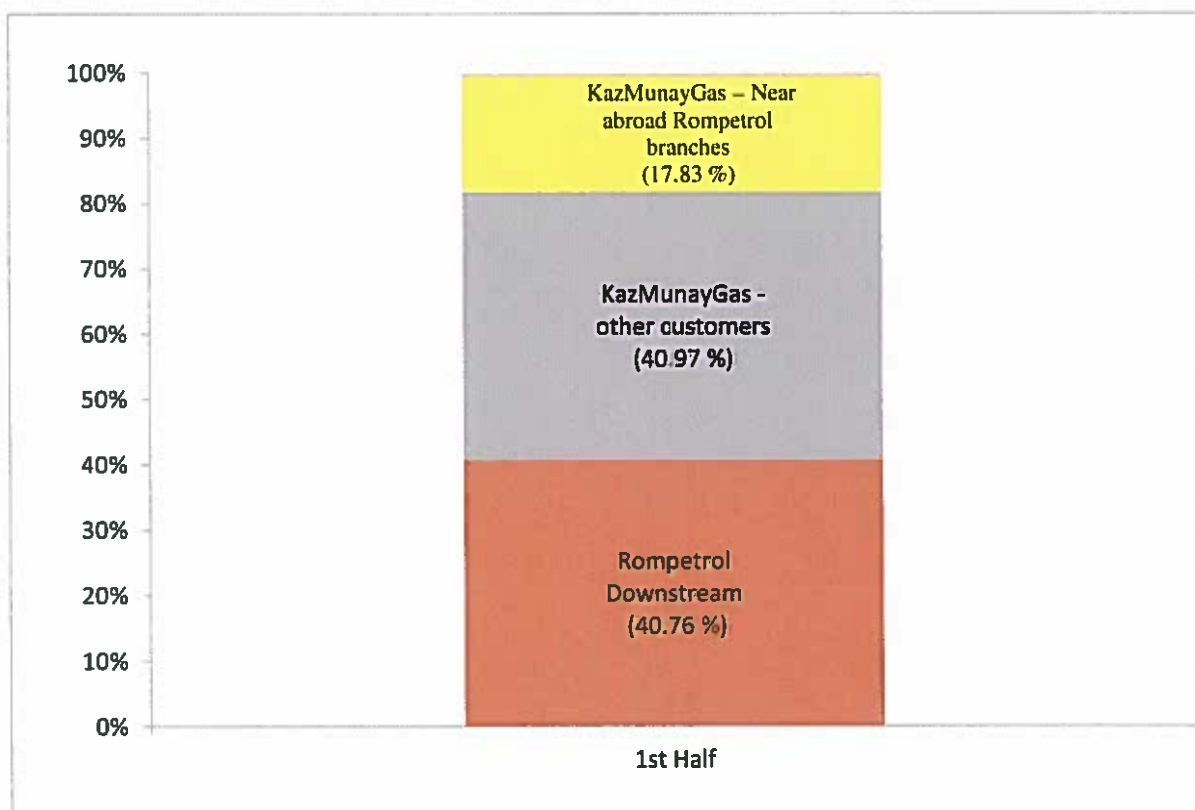
In terms of sales markets, the domestic sales were slightly lower than the external ones, i.e. 48% of total sales. The external sales amounted to 1,190,019 tons, whereas their net value was USD 645,729,065.



Approximately 81% of the total quantity of end products sold was represented by motor fuel sales, i.e. 1,846,609 tons of motor fuels. As concerns the distribution channels, the percentage of the sales on the external markets was higher than that on the domestic ones (59%). 1,086,223 tons of motor fuels were sold on external markets, whereas their net value amounted to USD 613,764,806.

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As concerns the distribution channels, the highest volume of motor fuels was sold to KazMunayGas Trading AG other customers.





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Gasoline

Of the total quantity of 510,193 tons of gasoline sold, approx. 73% was sold on the external market, whereas the remaining percentage was sold on the domestic market. Approx. 50% of the total quantity of gasoline was unleaded Europlus gasoline 10 ppm sulphur.

Diesel

Between January and June 2015, 1,336,416 tons of motor diesel was sold, the percentage of external sales (54%) exceeding that of domestic sales.

Liquefied petroleum gas

A total of 125,532 tons of liquefied petroleum gas was sold to Rompetrol Gas S.R.L..

As concerns the other groups of products, the domestic sales were higher than the external ones (for jet and coke) and lower than the external ones (for sulphur).

COMMERCIAL ACTIVITY carried out at Vega Refinery (in Ploiești)

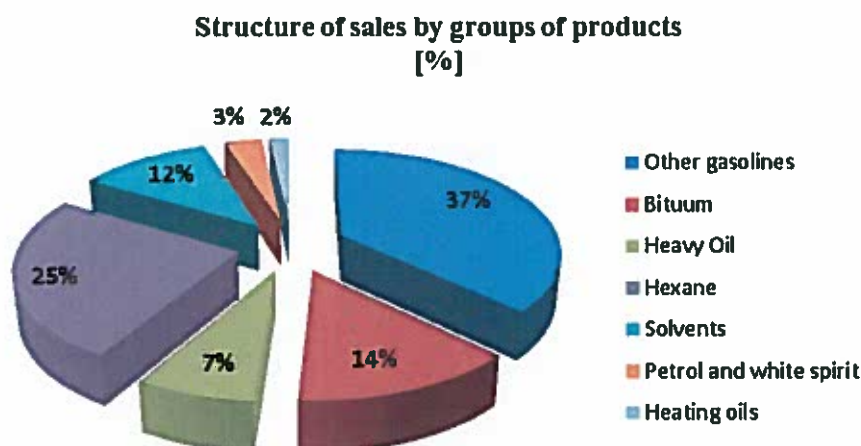
The sales of Vega Refinery in Ploiești in the first half of 2015 amounted to a total of 154,569 tons. By sales market, the external sales were higher (75%) than the internal ones (25%). 115,950 tons were sold on the external market.

Sales of end products on distribution markets (%)



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White product sales (gasoline naphtha, ecologic solvents, n-hexane, white spirit) represented about 77% of the total sales in 2015.



The main external sales markets were Turkey, Germany, Hungary, India, Russia and Bulgaria.

COMMERCIAL ACTIVITY carried out in Petrochemicals Area

Rompetrol Rafinare – Petrochemicals Area is the single producer of polypropylene (PP) and polyethylene (LDPE, HDPE) in Romania.

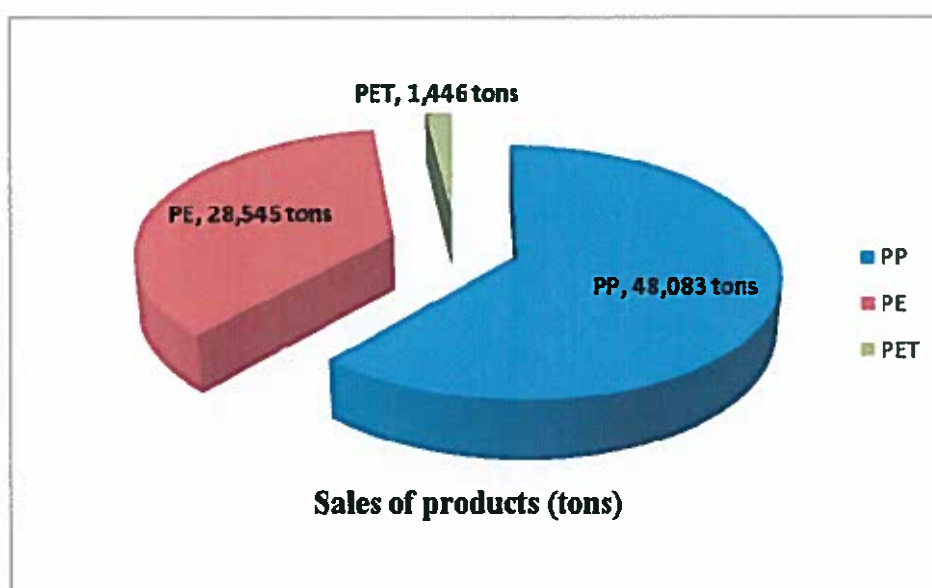
Besides its own products, the company also carries out important trading in a wide range of petrochemicals which currently are not part of the production portfolio of Rompetrol Rafinare – Petrochemicals Area, but for which a demand exists on the Romanian market: types of high density polyethylene (HDPE types of pipes), low density polyethylene (LDPE) and PET.

The sales of the Petrochemicals Area in the first half of 2015 amounted to a total quantity of 78,074 tones, i.e. 3% more than in the same period of last year.

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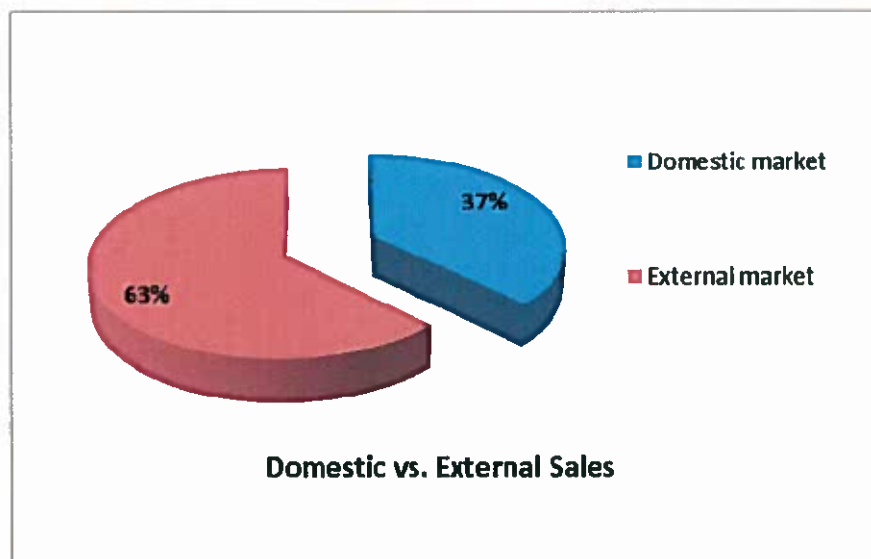
Thus, internal sales increased by approx. 1% as compared to internal sales in the first half of 2014, whereas the external sales increased by approx. 4% as compared to external sales in the same period of last year.

In the first half of 2015, approx 62% of the total sales were represented by polypropylene (PP), approx. 37% by polyethylene (PE: LDPE și HDPE) and 2% by PET.

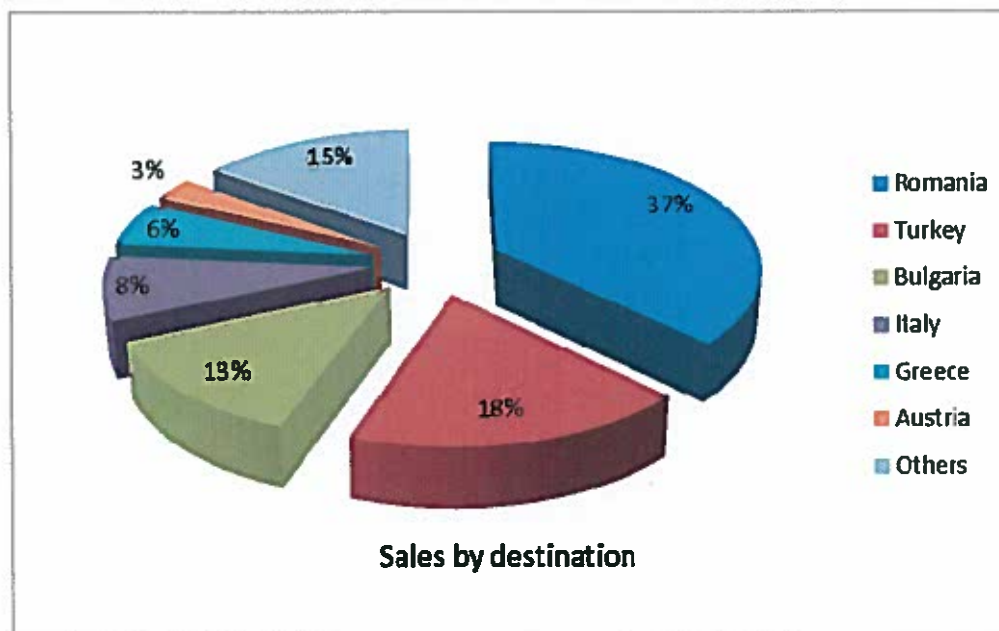


Of the total sales, approx 63% are external sales and the rest are internal sales.

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The most important distribution channels are Romania, Turkey, Bulgaria, Italy, Greece and Austria.





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1. The economic and financial situation

The turnover as at 30.06.2015 amounts to RON 5,489,422,411 as compared to RON 6,750,602,271 in the first half of 2014 (19% lower), even though the quantity of crude oil and other feed stock processed was higher than in the first half of 2014 (by approx. 11%). The turnover was lower due to the decrease in the crude oil purchase price at international level. Thus, whereas in the first half of 2014, the average purchase price for crude oil was USD 787/ton, in the first half of 2015, it was USD 418/ton (thus, a decrease by approx. 47%).

The loss in the first half of 2015 was 47% lower than in the same period of 2014 (from RON 155,438,969 to RON 82,721,322 in the first half of 2015), mainly due to the following factors:

- The operation of the refinery at optimal capacity (the planned returns were obtained by the new plants commissioned during the previous years);
- improvement of the processing-costs efficiency;
- the increase in the returns of white products (higher selling prices for crude oil).

It needs to be emphasized that the loss recorded at the end of the 1st semester of 2015 (amounting to 82,721,322 lei) was fully determined by financial depreciation. In the first semester of 2015, the American dollar increased its value by 8.4% against the value recorded in December 2014. The Company's liabilities concerning raw materials, chemicals, catalysts etc. are expressed in USD. Consequently, during the semester in question, the financial loss determined by currency exchange differences (USD/RON) was of 305 mill. RON.

The exploitation operations brought the company a profit (RON 285,376,507) as compared to the same period of 2014, when Rompetrol Rafinare incurred a loss (RON 146,952,265).

In the analyzed period, Rafinaria Petromidia processed a higher quantity of crude oil and other feed stock than in the first half of 2014 (2,676,161 tons in the first half of 2015 as compared to 2,408,396 tons in the first half of 2014). 10% of the total processed quantity is sweet crude oil.

The financial ratios as at 30.06.2015 also include the results of the operations carried out by the Refinery and Petrochemicals Area, as well as Vega Ploiesti Refinery.

a) The non-current assets of the Company at the end of the first half of 2014 amount to RON 4,497,640,027, 9% lower than on 30.06.2014. In concrete terms, the value of non-current assets decreased (provisions were created for one of the affiliates, namely Rompetrol Petrochemicals).

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The individual financial statements in this report are drafted in accordance with the International Financial Reporting Standards and have not been audited

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The current assets decreased by approx 4% as compared to the 1st half of 2014. The decrease was caused by the decrease in the value of feed stock and end product stocks (from RON 1,347,417,796 in 2014, to RON 1,159,920,931 in 2015). Even though the stocks increased in quantity in the reviewed period by 11%, their value decreased due to the dramatic reduction of the feed stock prices as well as the selling prices of end products.

The current liabilities increased from RON 5,236,160,382 to RON 5,578,344,114 as at 30.06.2015 (by 6.5%). This increase is due to the fact that larger quantities of crude oil and other feed stock were processed as compared to the same period of last year.

As at 30.06.2015, the provisions at a level similar to that of 30.06.2014.

a) Balance sheet indicators*

	Lei	lei
	30.06.2014	30.06.2015
A	1	2
INTANGIBLE ASSETS	17,184,130	14,983,612
TANGIBLE ASSETS	2,928,773,819	2,853,636,360
FINANCIAL ASSETS	2,005,537,969	1,629,020,055
NON-CURRENT ASSETS	4,951,495,918	4,497,640,027
INVENTORIES	1,347,417,796	1,159,920,931
RECEIVABLES	1,375,472,110	1,488,006,456
CASH AND BANK	60,525,632	13,168,181
CURRENT ASSETS	2,783,415,538	2,661,095,568
PREPAID EXPENSES	8,040,153	14,348,250
CURRENT LIABILITIES	5,236,160,382	5,578,344,114
NET CURRENT ASSETS / NET CURRENT LIABILITIES	(2,444,704,691)	(2,902,900,296)
TOTAL ASSETS MINUS CURRENT LIABILITIES	2,506,791,227	1,594,739,731

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NON-CURRENT LIABILITIES		
	-	258,850,345
PROVISIONS		
	248,096,458	245,838,381
DEFERRED INCOME	-	-
SHARE CAPITAL	4,410,920,573	4,410,920,573
SHARE CAPITAL ADJUSTMENTS	-	-
PREMIUMS RELATED TO CAPITAL	232,637,107	232,637,107
REVALUATION RESERVE		
RESERVES	3,172,413,806	3,162,120,681
PROFIT/LOSS CARRIED FORWARD EXCEPT THE PROFIT/LOSS CARRIED FORWARD RESULTED FROM THE FIRST-TIME ADOPTION OF IAS 29		
Debit balance	5,374,513,740	6,605,582,026
THE PROFIT/LOSS CARRIED FORWARD RESULTED FROM THE FIRST-TIME ADOPTION OF IAS 29		
Debit balance	27,324,008	27,324,008
PROFIT/LOSS FOR THE PERIOD		
Credit balance	-	-
Debit balance	155,438,969	82,721,322
TOTAL EQUITY	2,258,694,769	1,090,051,005
TOTAL CAPITAL	2,258,694,769	1,090,051,005

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b) Financial indicators*

	Lei 30 June 2014	Lei 30 June 2015
NET TURNOVER	6,750,602,271	5,489,422,411
PRODUCTION SOLD	6,728,361,756	5,478,568,557
OPERATING INCOME	6,742,383,701	5,514,638,594
FINANCIAL INCOME	77,790,093	148,673,679
NON-RECURRING INCOME		
TOTAL INCOME	6,820,173,794	5,663,312,273
OPERATING EXPENSES	6,889,335,966	5,229,262,087
Of which:		
-raw material and materials	6,412,939,743	4,801,707,230
-energy	183,285,217	171,437,500
FINANCIAL EXPENSES	86,276,797	516,771,508
NON-RECURRING EXPENSES		
TOTAL EXPENSES	6,975,612,763	5,746,033,595
OPERATING PROFIT (+) /LOSS (-)	(146,952,265)	285,376,507
FINANCIAL PROFIT (+) /LOSS (-)	(8,486,704)	(368,097,829)
NON-RECURRING PROFIT (+) /LOSS (-)	0	0
NET PROFIT (+) /LOSS (-) FOR THE PERIOD	(155,438,969)	(82,721,322)

c) cash flow: all the changes occurred at the cash level within the basic business, financial investments and operations, the cash level at the beginning and at the end of the period

In 2015, the net cash flows reflect the company's efforts to efficiently harmonize the cash needs from the exploitation operations with a balanced financing policy.

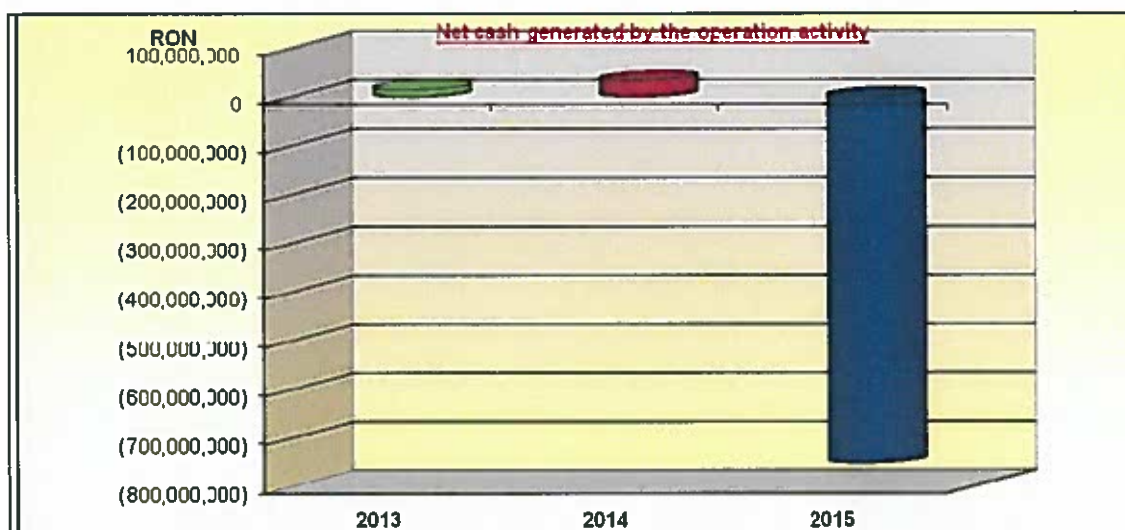
Cash flows from the exploitation operations were influenced both by the increase in the trade receivables, and by the decrease in stocks and trade liabilities. At the end of the first half of 2015, Brent crude oil reached USD 61.05 /barrel, whereas at the end of the first half of 2014 it was USD 111.02 /barrel.



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In 2013, the company completed a wide program consisting in the refinery upgrade and capacity increase, so that, in 2015, the investments level was lower and the company focused its financial resources mainly on the ISCIR programs and on legal compliance programs (e.g. "Midia Port Dredging", "Homogenizer Repair", "Rehabilitation of Storage Tanks", etc.). Also, the "2015 Refinery Shutdown" project started, as one of the projects included in the category of operational support, and technological shutdown projects for the regular inspection of machinery, change of catalysis, machinery maintenance, etc.



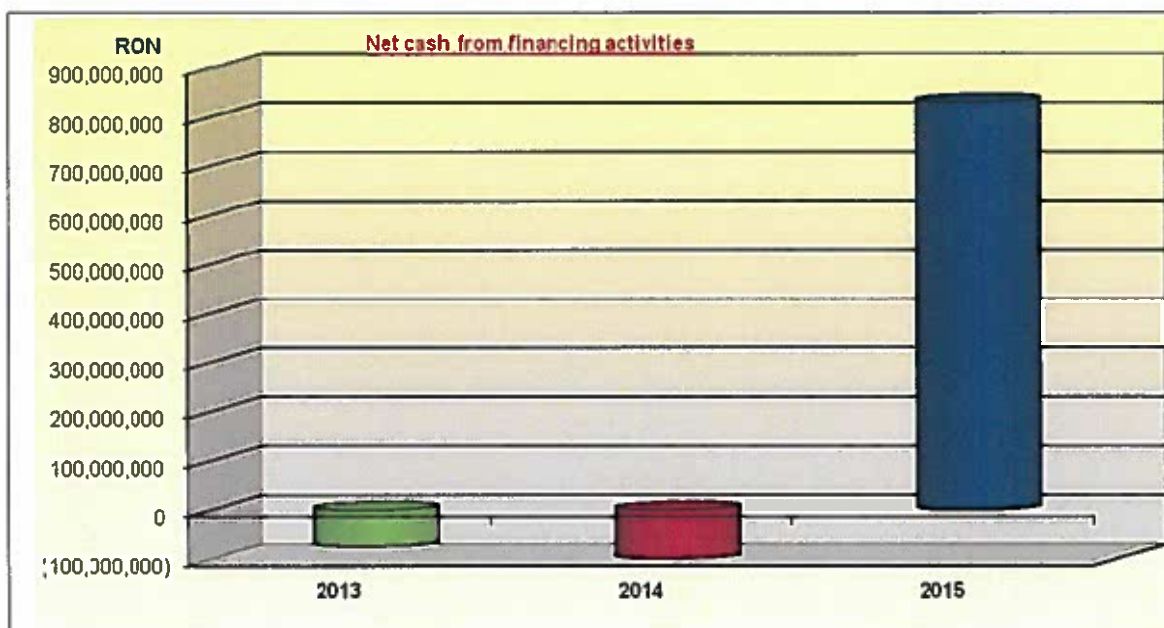


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The cash flow from financing operations is influenced by the fact that the Company repaid a part of the loans granted by Raiffaisen and Banc Post Banks for its investment activity and for the development of the refinery's operations. Also, the Company benefited from a Cash pooling contract for the implementation of the cash balance improvement system and from a syndicated loan facility.



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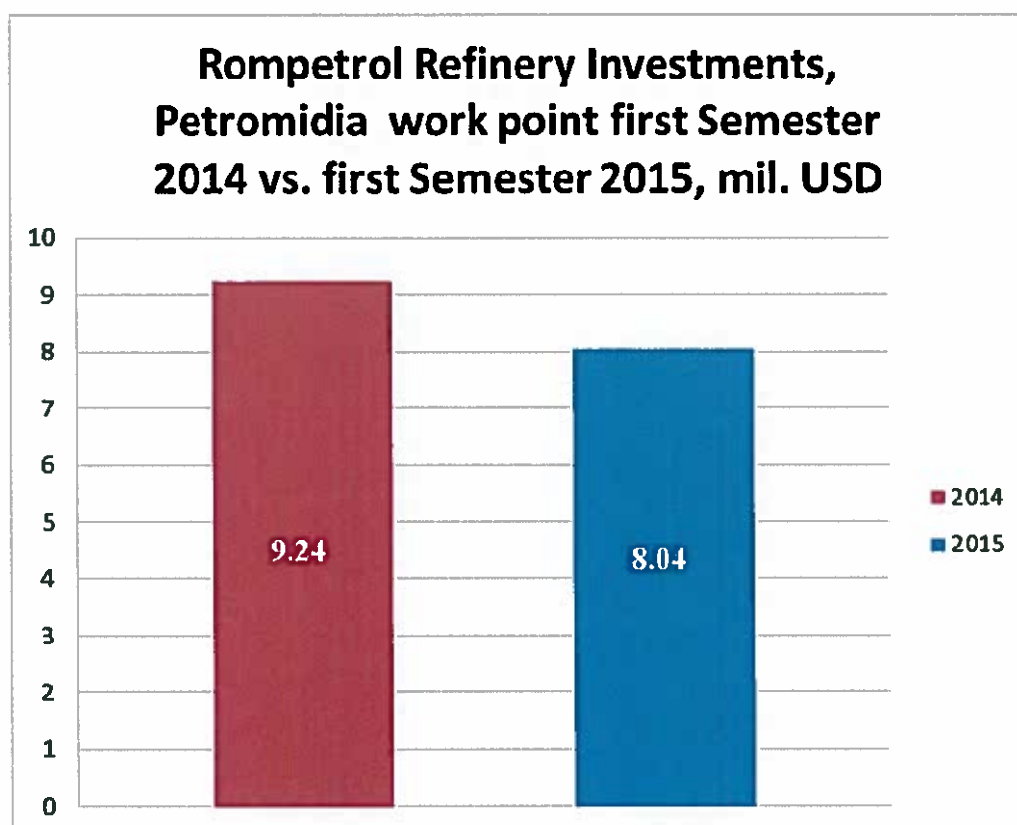
2. Analysis of the company's activity

2.1. As regards liquidity, the company has taken efforts to maintain its capacity to cover the current liabilities from the current assets, with an acid test ration slightly lower than in the same period last year, i.e. 0.48 in 2015 versus 0.53 in 2014.

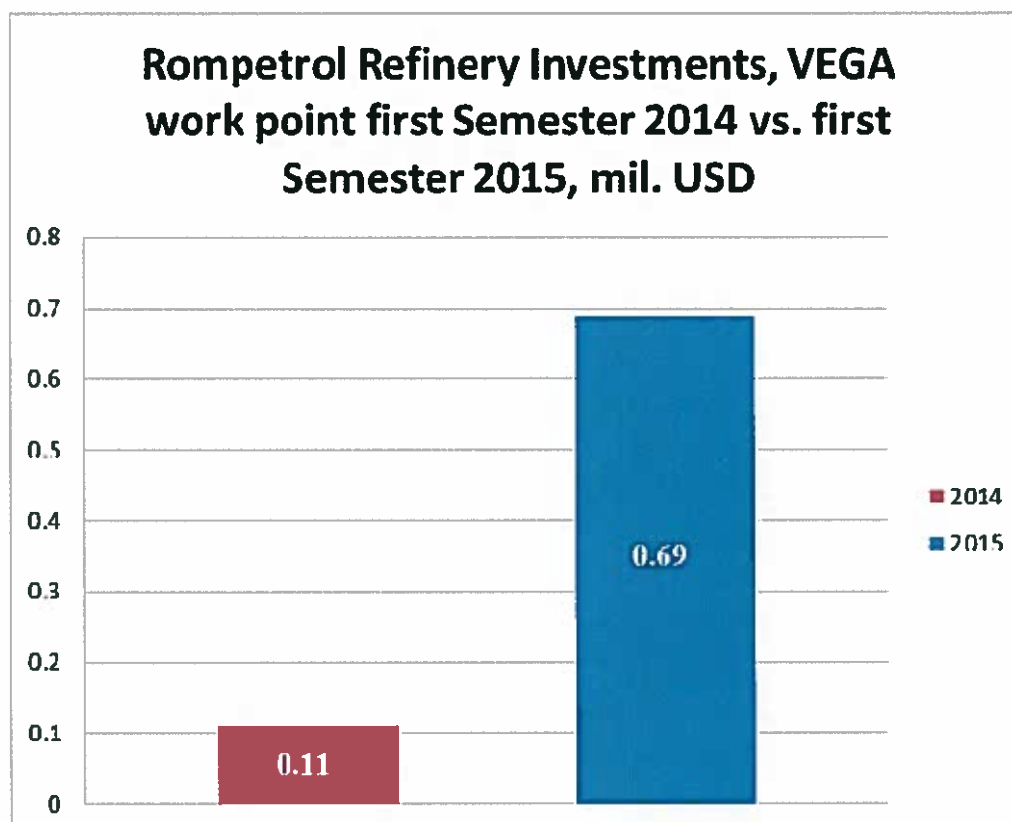
2.2. Between January and June 2015, the company spent a total of approx. USD 8.72 million.

Out of this amount, USD 8.04 million was used by Petromidia Refinery in its investment projects described in the "Objectives of the Investment Program" Section.

A comparative analysis of the investments in the first half of 2015 vs. the first half of 2014 for both the Petromidia and VEGA refineries is shown in the diagrams below:



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2.3. In the first half of 2014, the operational revenues decreased by approx. 18% as compared to the same period of last year, due to the pronounced reduction of the average crude oil purchase prices as well as of the average selling prices of end products (diesel and gasoline).

In the first half of 2015 the quantity of processed crude oil exceeded the one of the first half of 2014 by 226 thousand tons.

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3. Changes affecting the capital and the Company management

3.1. The company fulfilled all its financial obligations for the first half of 2015.

3.2. No modifications influencing the share capital of the Company occurred in the period.

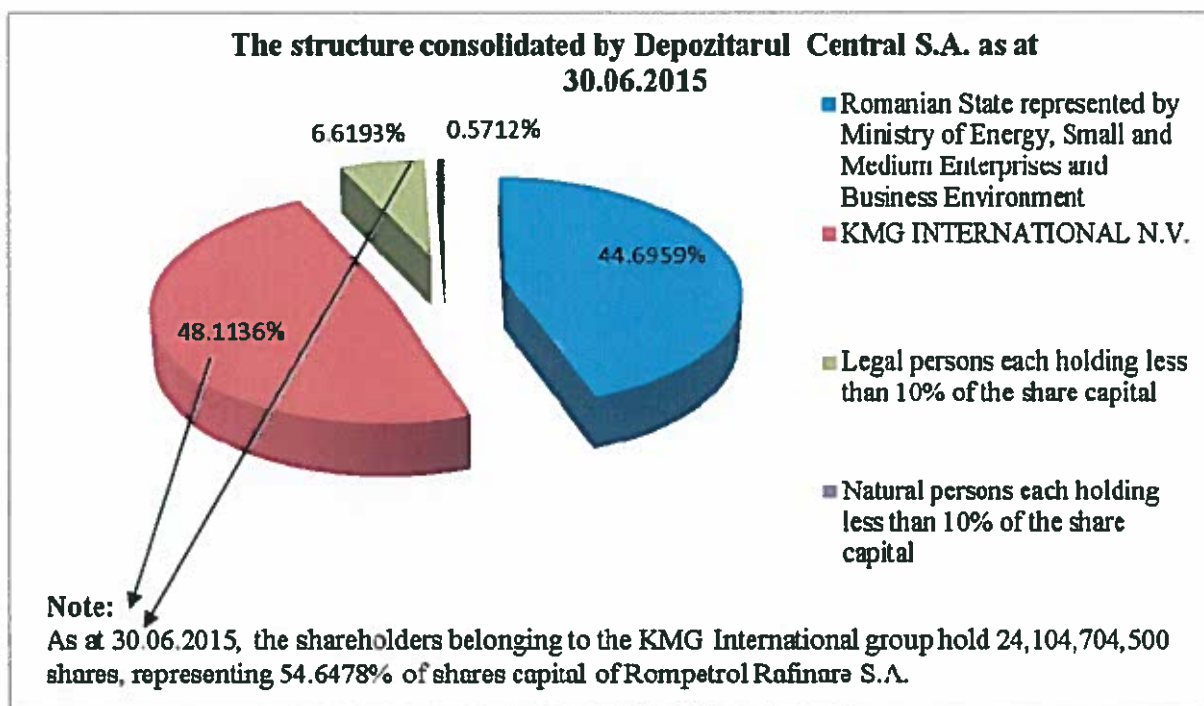
As at 30.06.2015, the share capital of the company recorded with Depozitarul Central S.A. consisted of 44,109,205,726 shares, with a nominal value of RON 0.10/ share, amounting to a total of RON 4,410,920,572.60.

The synthetic consolidated shareholding structure of Company ROMPETROL RAFINARE S.A., as recorded in the consolidated Shareholder Register as on 30.06.2014, issued by Depozitarul Central S.A., is the following:

SHAREHOLDER (as at 30.06.2015)	NO. OF SHARES (as at 30.06.2015)	SHARE IN THE REGISTERED CAPITAL (as at 30.06.2015)
KMG INTERNATIONAL N.V. ¹	21,222,506,422	48.1136%
THE ROMANIAN STATE, represented by the Ministry of Energy, Small and Medium-Sized Enterprises and the Business Environment ²	19,715,009,053	44.6959%
Shareholders – Legal persons – each holding less than 10% of the share capital, and collectively holding:	2,919,734,646	6.6193
Shareholders – Natural persons – each holding less than 10% of the share capital, and collectively holding:	251,955,605	0.5712
TOTAL	44,109,205,726	100%

¹ Formerly called The Rompetrol Group N.V until March 2014.

² Formerly called the Ministry of the Economy until the 22nd of January 2015

**ROMPETROL RAFINARE S.A.****REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015****Changes in the Company management:****• Changes in the membership of the Board of Directors**

- In compliance with Resolution no. 1/2015 adopted by the Ordinary General Shareholders' Meeting on 4 March 2015, the appointment of Mr Yedil Utekov as a permanent member of the Company's Board of Directors was approved, Mr Yedil Utekov being appointed as a temporary director of the Board of Directors starting 1 October 2014, following the termination of the mandate and capacity as member of the Board of Directors of Mr. Sorin Graure, by his resignation. By the same Resolution no. 1/2015, Mr. Bogdan-Nicolae Badea was elected member of the Company's Board of Directors following Mr. Károly Borbely's dismissal requested by the significant shareholder The Romanian State represented by the Ministry of Energy, Small and Medium Enterprises and the Business Environment. The mandate of the two new members of the Board of Directors will expire on 30.04.2018 (the expiry date of the mandate held by the other directors in office on the election date).

- In compliance with Resolution no. 5/2015 adopted by the Ordinary General Shareholders' Meeting on 12 June 2015 Mr. Nicolae-Bogdan Codruț Stănescu's appointment as member of the

**ROMPETROL RAFINARE S.A.
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Company's Board of Directors was approved, following Mr. Bogdan-Nicolae Badea's requested by the significant shareholder The Romanian State represented by the Ministry of Energy, Small and Medium Enterprises and the Business Environment. Mr. Nicolae-Bogdan Codruț Stănescu's office was set for a period equal to the one left until the expiry of his predecessor's mandate, namely 12 June 2015 – 30 April 2018.

The Directors of the Company in office as at 30 June 2015 are the following:

- | | |
|--------------------------------------|--|
| - dl. Azamat Zhangulov | - President of the Board of Directors; |
| - dl. Alexandru Nicolcioiu | - Member of the Board of Directors; |
| - dl. Yedil Utekov | - Member of the Board of Directors; |
| - dl. Gabriel Dumitrașcu | - Member of the Board of Directors; |
| - dl. Nicolae-Bogdan Codruț Stănescu | - Member of the Board of Directors. |

As at the date of this Half-Year Report, the membership of the Board of Directors changed based on Resolution no. 6/2015 adopted by the Ordinary General Shareholders' Meeting on 20 July 2015 approving Mr. Mihai-Liviu Mihalache appointment as member of the Company's Board of Directors following Mr. Gabriel Dumitrașcu's dismissal. The Ordinary General Shareholders' Meeting was convened by the significant shareholder The Romanian State represented by the Ministry of Energy, Small and Medium Enterprises and the Business Environment. Mr. Mihai-Liviu Mihalache's mandate will expire on 30.04.2018 (the expiry date of the mandate held by the other directors in office on the appointment date).

• **Changes in the Executive Management**

There were no changes in the Company's executive management during the period.

In compliance with the provisions of the Company's Articles of Association, the only positions to whom the company's management is delegated based on the provisions of Art. 143 of Law 31/1991 on companies are that of Chef Executive Officer and Chief Financial Officer. Any other position within the company (Human Resource Manager, Sales Manager, Administrative Manager, IT Manager etc), irrespective of its name, does not involve the management of the company.

ROMPETROL RAFINARE S.A. REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015

As at 30 June 2015, the two officers to whom the management was delegated in the abovementioned sense were:

Last and first names	Position
Yedil Utekov	Chief Executive Officer
Giani-Iulian Kacic	Chief financial Officer

The term of mandate of the members of the executive management will expire on 30.04.2018 (with the term of office of the directors who appointed in for these positions).

• Changes concerning the Company's financial auditor

There was no change of the Company's financial auditor during the period.

The Financial Auditor of Rompetrol Rafinare S.A. is ERNST & YOUNG ASSURANCE SERVICES SRL (based in 63 – 69 Dr. Iacob Felix Street, 2nd floor, Sector 1, Bucharest, registered with the Trade Register under no. J40/5964/1999, sole registration code 11909783, member of the Financial Auditors Chamber of Romania with authorization no. 77 of 15 August 2001, legally represented by Mr. Garry Rex Collins).

4. Significant transactions

Rompetrol Rafinare reported the legal acts concluded by the Company for the first half of 2015 pursuant to Art. 225 of Law 297/2004 on the capital market and Art. 113 (G) of the C.N.V.M. Regulation no. 1/2006, by the current reports registered by the Company under no. 1888/27.02.2015, 4538/26.05.2015, 5578/29.06.2015, 6120/14.07.2015 and 6417/24.07.2015. The reports have been submitted to the market operator (i.e. the Bucharest Stock Exchange) and have been published on the monthly newsletter of the Financial Supervisory Authority and on the ASF website (www.asfromania.ro) in the section: Supraveghere/Piața de capital/Raportări electronice.

Furthermore, the major transactions concluded by the Company with traders acting jointly or involving such traders, during the period, were the ones approved by the Extraordinary General Shareholders' Meeting ("EGSM") according to the current legal provisions and the provisions of the Articles of Incorporation, as follows :

ROMPETROL RAFINARE S.A.
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- On 29 April 2015, the Extraordinary General Shareholders' Meeting ("EGSM") adopted Resolution no. 3/2015 by which the shareholders present at the meeting **ratified and confirmed by a majority of votes the loan facility agreement governed by the English Law, the maximum amount of which is USD 360,000,000 USD ("the Loan Facility Agreement")** signed by the Company, as main borrower, secondary borrower and guarantor, with:

(i) Rompetrol Downstream S.R.L., a company registered with the Trade Register under no. J40/1716/2000, with sole registration code 12751583 ("Rompetrol Downstream"), as main borrower, auxiliary borrower and guarantor ,

(ii) KazMunayGas Trading AG, a company registered in Switzerland, registered with the Trade Register under no. CHE-112.088.806 ("KazMunayGas Trading"), as main borrower and guarantor,

(the Company, Rompetrol Downstream and KazMunayGas Trading being collectively referred to hereinafter as "Main Borrowers"),

(iii) KMG Rompetrol S.R.L., a company registered with the Trade Register under no. J40/9817/2010, sole registration code 27516586 ("KMG Rompetrol"), as auxiliary borrower and guarantor,

(the Company, Rompetrol Downstream and KMG Rompetrol, being collectively referred to hereinafter as "Auxiliary Borrowers")

(the Main Borrowers and Auxiliary Borrowers being collectively referred to hereinafter as "Debtors")

(iv) KMG International N.V., a joint-stock company organized in compliance with the Dutch Law, registered with the Trade Register by the Amsterdam Chamber of Commerce and Industry under no. 24297754 ("KMG International"), as guarantor,

on the one hand and:

(v) Banca Comercială Română S.A., co-ordinating mandated lead arranger, Main Lender and Auxiliary Lender, together with Raiffeisen Bank S.A., ING Bank NV, Bucharest Subsidiary, each as mandated lead arranger, Main Lender and Auxiliary Lender, UniCredit Tirioc Bank S.A. as mandated lead arranger, Main Lender, Auxiliary Lender for guarantees and the issuing bank and Unicredit Bank AG, London Branch as facility agent,

on the other hand.

**ROMPETROL RAFINARE S.A.
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In compliance with Resolution no. 3/2015, the Loan Facility amounting to up to USD 360,000,000 made available under the Loan Facility Agreement and the Accessory Documents consists of two tranches, as follows:

- (a) Tranche A: a binding facility of up to USD 240,000,000 ("Main Facility") made available by the Main Lenders and used by the Main Borrowers, in USD, EUR or RON, through drawdowns and the issue of letters of credit and guarantee letters by UniCredit Tiriac Bank S.A. There is a sub-limit of USD 150,000,000 as the maximum cumulated amount of all the letters of credit and guarantee letters; and
- (b) Tranche B: a non-binding facility of up to USD 120,000,000 ("Auxiliary Facility"), made available by the Auxiliary Lenders and used by the Auxiliary Borrowers in USD, EUR or RON, through (i) overdraft facilities; (ii) facilities granted based on guarantees, bonds, documentary letters of credit or stand-by letters of credit; and (iii) any other facilities of loans necessary for the activity carried out by any of the Auxiliary Borrowers and agreed upon by the Auxiliary Lender and the Auxiliary Borrower.

In compliance with Resolution no. 3/2015 adopted by EGSM on 29 April 2015, the terms and conditions governing the Main Facility are the following:

- the Main Facility is made available by the Main Lenders, each contributing a commitment of 25% of the value of the Main Facility (i.e. USD 60,000,000 per each Main Lender);
- Each of the Main Borrowers is entitled to completely use the Main Facility, without any maximum limit of use; thus, if only the Company makes drawdowns under the Main Facility it may draw down up to USD 240,000,000 in its capacity as Main Borrower;
- The Main Facility is valid 3 years from the date of the Loan Facility Agreement;
- The interest rate for each loan drawn down under the Main Facility shall be the annual percentage rate, i.e. the cumulated total of: (i) 2.75% per year and (ii) LIBOR or, for any loan in EUR, EURIBOR or, for any loan in RON, ROBOR;
- As a rule, each interest period for each loan drawn down under the Main Facility shall be selected by the Main Borrower in the request for use concerning that loan, and such period can be one month, three months or six months.

The terms and conditions below govern the Auxiliary Facility in compliance with the same Resolution no. 3/2015:

- The Auxiliary Facility is made available by the Auxiliary Lenders, each contributing a commitment of 25% of the Auxiliary Facility value (i.e. up to USD 30,000,000 per each Auxiliary Lender);

**ROMPETROL RAFINARE S.A.****REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015**

- Each Auxiliary Borrower is entitled to completely use the Auxiliary Facility, without any maximum limit of use; thus, if only the Company makes drawdowns under the Auxiliary Facility it may draw down up to USD120,000,000 in its capacity as Auxiliary Borrower;
- The Auxiliary Facility is valid 1 year from the date of the Loan Facility Agreement, and its validity period may be extended to 3 years starting on the date of the date of the Loan Facility Agreement;

The maximum value of the Main Facility, Auxiliary Facility and any other amounts representing costs, charges, fees, interests and other expenses that may become payable by the Company based on or relating to the Loan Facility Agreement, the Accessory Documents and the other financing documents: (i) did not exceed, as at the signing date of the Loan Facility Agreement, and will not exceed half of the book value of the Company's assets in compliance with Article 155²² of the Company Law no. 31/1990 (as amended) and (ii) did not exceed, on the signing date of the Loan Facility Agreement and will not exceed 20% of the value of the Company's non-current assets (less receivables) in compliance with Art. 241 of Law no 297/2004 on the capital market (as amended).

The same Resolution no. 3/2015 adopted by the EGSM of 29 April 2015, ratified and confirmed the following:

“(i) the Company's obligation to provide guarantees and compensation to the Main Lenders, Auxiliary Lenders and the other funding parties and

(ii) the mortgage agreement signed by the Company, as mortgager, and the Main Lenders, Auxiliary Lenders and the other funding parties as mortgagee (“the Mortgage Agreement”) by which the Company mortgaged some of its personal properties as described in the Mortgage Agreement

The obligations to provide guarantees and compensation under the Loan Facility Agreement and the Mortgage Agreement are undertaken in order to guarantee the obligations of the Company and the other Debtors to the Main Lenders, the Auxiliary Lenders and the other funding parties, under the Loan Facility Agreement, the Accessory Documents and the other financing documents.

Based on the Mortgage Agreement, the Company mortgaged, in favour of all the mortgagees, the following personal property, both present and future: (i) stocks and receivables related to the products of Vega Refinery (a Company's unit) and to the petrochemical operations carried out by the Company, (ii) debts entered in the accounting records, receivables or other types of debts that may be owed or payable to the Company by third parties, at a certain time, arising from any commercial agreements signed by the Company with its customers and any other agreements signed in connection with the Company's business, under which the Company is entitled to claim and receive an amount of money in exchange for goods or services supplied, (iii) bank accounts of the Company opened with any of the Lenders in Romania and all the amounts which may be

**ROMPETROL RAFINARE S.A.****REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015**

credited at a certain time in these accounts or which may exist, at a certain time, in the balances of these bank accounts, (iv) insurance agreements or policies and all the replacement or renewed policies under the Romanian Law, which are issued or which may be issued to the Company at a later date concerning any of its assets and properties assigned or which may be assigned, at a certain time to the Guarantee for the Transaction (as defined in the Loan Facility Agreement) and all the rights, benefits and income resulted therefrom, including any receivables, irrespective of their nature, and repayments of insurance premiums, income, rights to request and receive payments, benefits of any type and (v) any income made, benefits, properties and other products made or derived from the properties mentioned at (i)-(iv) above.

The mortgage created by the Mortgage Agreement guarantees all the amounts and obligations undertaken by any of the Mortgagers (either current or potential and owed either jointly or severally or in any other capacity), as owed at the present time or as they may be owed at a certain time to the mortgagees based on or in relation to the Loan Facility Agreement, the Auxiliary Documents and the other funding documents, including the repayment of the principal and payment of the interests, charges, enforcement costs and any other costs and expenses as well as the appropriate and on-time execution by the Company of all the obligations undertaken to each mortgagee under the Mortgage Agreement, together with all the expenses, charges and costs incurred by the mortgagees and/ or the guarantee agent for defending and exercising their rights under the Mortgage Agreement or for the preservation and/or sale of any part of the property mortgaged under the Mortgage Agreement.

The maximum amount of the obligations guaranteed under the Mortgage Agreement is USD 468,000,000.

The value of the goods mortgaged under the Mortgage Agreement and any amounts of money representing costs, charges, fees, interests and other expenses owed by the Company under or in connection with the Mortgage Agreement: (i) does not exceed, on the signing date of the Mortgage Agreement, and will not exceed half of the book value of the Company's assets in compliance with Article 155²² of the Company Law no. 31/1990 (as amended) and (ii) does not exceed, on the signing date of the Mortgage Agreement and will not exceed 20% of the value of the Company's non-current assets (less receivables) in compliance with Art. 241 of Law no 297/2004 on the capital market (as amended)".

**ROMPETROL RAFINARE S.A.
REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015**

Note:

I) During the period, the Company's Articles of Incorporation were amended as follows:

A) By Resolution no. 2 adopted by the Board of Directors on 14 April 2015 the Company's Article of Incorporation was amended and then, on 15 April 2015 it was updated, as a result of the registration on 22.01.2015, by Depozitarul Central, of the transfer of 19,715,009,053 shares (representing 44.69% of the share capital) issued by Rompetrol Rafinare S.A., by the Romanian State, represented by the Ministry of the Economy, to the Romanian State, represented by the Ministry of Energy, Small and Middle Companies and Business Environment. The transfer was recorded following the implementation of Government Emergency Ordinance no. 86/2014.

B) Based on Resolution no. 4/2015 adopted by the Extraordinary General Shareholders' Meeting on 29 April 2015 the Company's Article of Incorporation was amended and then, on 30 April 2015 it was updated, as a result of the entry into force starting on 9 January 2015, of the Government Emergency Ordinance no. 90/2014, amending and supplementing Law no. 297/2004 on the capital market ("GEO no. 90/2014").

The amendments and supplements to the articles of the new Articles of Incorporation updated on 30 April 2015 are the following:

- Article 13.2 was amended for the change of the regime applicable to the increase in the share capital by contribution in cash and in kind, by increasing the preferential right of shareholders in the case of capital increases by contribution in cash, with the participation of the shareholders holding at least 3/4 of the subscribed share capital (*previously, of the total number of shareholders*) and the approval of the share capital increases by contributions in kind by the EGSM at which shareholders representing 3/4 of the share capital are present (*previously, of the total number of shareholders*); for the both types of increases, the resolution was adopted with the votes of shareholders holding at least 2/3 of the voting rights (*previously, 3/4 of the voting rights*).
- Article 13.9 was updated for the change of the regime concerning the representation of shareholders at the General Shareholders' Meeting in the case of companies the shares of which are admitted for trading; such companies may also be represented by persons other than shareholders, based on a special or general power of attorney (*previously, only special*).



rompetrol

KazMunayGas
Group
Member

**ROMPETROL RAFINARE S.A.
REPORT OF THE BOARD OF DIRECTORS FOR THE 1st HALF OF 2015**

II) The individual financial statements were drafted in accordance with the International Financial Reporting Standards and have not been audited.

**Chairman of the Board of Directors
of ROMPETROL RAFINARE S.A.**



Azamat Zhangulov

Chief Executive Officer



Yedil Utekov



Giani-Iulian Kacic