

**ROMPETROL RAFINARE S.A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2017**

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**Biannual Report of the Board of Directors  
for the first half of 2017**

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

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: **LEI 4,410,920,572.6**  
Regulated market on which the securities are traded: **Bucharest Stock Exchange**  
Shares market symbol: **RRC**

**Overview and objectives:**

In the first semester of the year 2017, the activity of Rompetrol Rafinare, a company of the Group KMG International, was in line with the main premises of the budget. Also, the company continued the process of streamlining of the production process, this being supported by the smooth operation of all installations in the sectors of oil Refinery and Petrochemical Plant.

The amount of raw materials processed in the first half of the year 2017 by Rompetrol Refining (Petromidia and Vega, as well as the Petrochemical Plant) was approx. 2.43 million tons, of which approx. 1.93 million tons of oil, compared with a level total of 2.796 million tons, of which approx. 2.468 million tons of crude oil, for the first half of the year 2016.

For the full year 2017 the Petromidia Refinery proposed itself to process a quantity of raw material of approximately 5.65 million tons, of which 4.92 million tons of crude oil, Vega oil Refinery approximately 0.34 million tons and the Petrochemical Plant proposed itself to process a quantity of raw material of approximately 0.199 million tons.

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➤ **The objectives of Rompetrol Rafinare investment program for the first half of 2017:**

**The investment program of Rompetrol Refinery accomplished in the first semester of 2017 was in the amount of USD 27.5 million, as follows:**

**I) From the category of compulsory investments required by environmental and safety regulations, in the first semester of 2017:**

- The project **"Expire authorization ISCIR for static equipment's (ISCIR 2017-2018 PEM)"** started, a project that consists in the reauthorization of pipes and technological units equipment, according to the ISCIR requirements in force. The project will be finalized in December, 2018.
- Project **"De-clogging discharge channel"** was started. Project consists in: unclogging a length of 1.5 km by removing the deposited sludge on the bottom of the channel and the vegetation on the slopes. The project is in progress and will be finalized on September, 2017.
- The implementation of project **"V26/2 Tank Rehabilitation"** continued (phase II) project as part of the General Master Plan Program, the objective of which is to maintain to an optimal value the storage capacity for Petromidia refinery products and the alignment with the safety requirements. The project estimated finish date in July, 2017.
- The project **"Fire-fighting Water Main Replacement, section A and I"** was started. The project scope is to replace and rehabilitate the fire fighting infrastructure according to the Master Plan for Aand I, based on the project design. The project estimated finish date in May, 2018.

**II) In the Development category, one of mainly project is "G1 section 1 pumping station modernization" (continuing with phase II), who consist in new pumps acquisition, Detail Design for execution for foundations and metallic structures in order to reducing the maintenance cost and energy consumption. The project estimated finalizing date is November 2017.**

- The project **"Increase Coker severity by introducing HCGO recycle"** was started. The project scope is to replace the actual spray system with state of the art technology to allow reducing gasoil flowrate by improving material dispersion, to procure equipment (sprays) and materials. The project estimated finish date in December, 2018.

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**III)** In the capital maintenance category, a very important place is to continuing **Refinery 2017 Shutdown** project, technological shut down for equipment's periodic inspections, catalysts replacement, maintenance, etc.

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

To reach the refinery goal of having a high mechanical availability and for compliance with authorizations, the refinery must have high reliability. This can frequently be assured by performing mechanical works only in conditions of shutdown of refinery activity.

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:

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

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

**Rehabilitation of degassers and skids in Rail ramp.**

By the implementation of this project the following benefits resulted:

- Increasing the reliability entire Area 300 and both collectors 18 and 17 by implementing of double block and bleed valves (DBB) (valves, Pulsation Dampers;
- Fulfil the Trading forecasted sales plan by ensuring an increased ramp capacity;
- Fulfil the Trading forecasted sales plan by ensuring optimum operating conditions for Vega and complying with delivery requirements of Jet A1 to AirBP.

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➤ **The objectives of Rompetrol Rafinare regarding quality, health, labour security and environment (QHSE), set for 2017 are the following:**

- Maintaining the QHSE integrated management system certification, according ISO&OHSAS standards;
  - 100% training for QHSE auditors with the reviewed OHSAS requirements
  - "Zero" accidents and professional diseases on Petromidia & Vega Platforms, by obtaining the following values for safety indicators established by KMG Group: 0%(FIR); 1.25% (LTIF, TRIR, MVCR); 0.50% (HSE Index- $50\%*FIR+40\%*TRIR+10\%*MVCR$ );
  - Identification of significant hazards associated with operational activities by conducting at least 5 HAZID / HAZOP studies.
  - Increase the effectiveness of the "1.LIFE" safety project by remodeling the structure of the safety sub-committees and performing at least 2000 safety audits.
  - Establishment and monitoring of safety indicators specific to turnaround period
  - Revision of the Integrated Environmental Permit for Petromidia site
  - Alignment to the BAT-BREF legislation on gas and VOC emissions, through the implementation of projects specific to the Petromidia and Vega Platforms.
  - Evaluation and updating of the Safety Data Sheets associated with Petromidia and Vega products placed on the market in accordance with EU regulations.
  - A product compliance indicator of at least 99% for the Refinery Plant and at least 98.7% (PP & LDPE 1 quality) for the Petrochemical Plant.
  - Obtaining fuels according to the requirements of the new European and Romanian standard specifications - gasoline production with min. 8% bio-component volume, starting with 2018.
  - Certification/Recertification/maintain certification for fuels, as well as for bitumen and CITOM, according to legal and regulatory requirements.

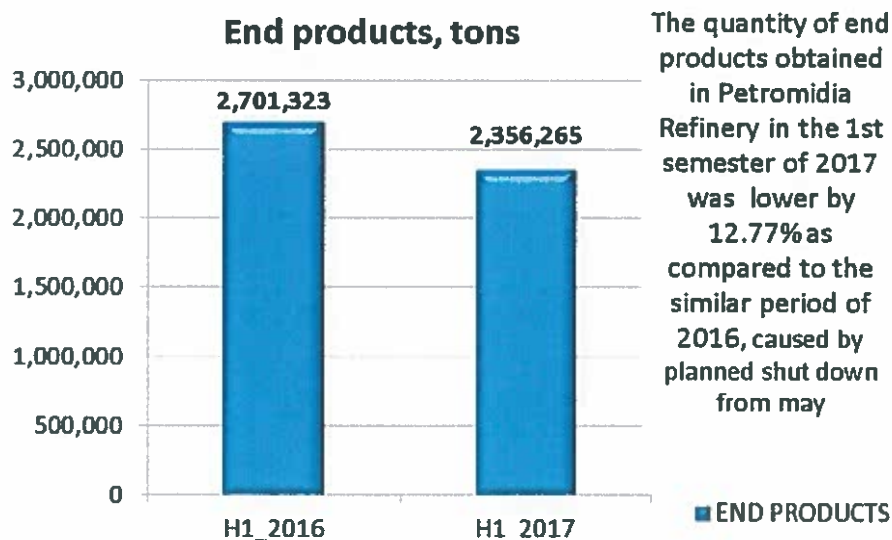
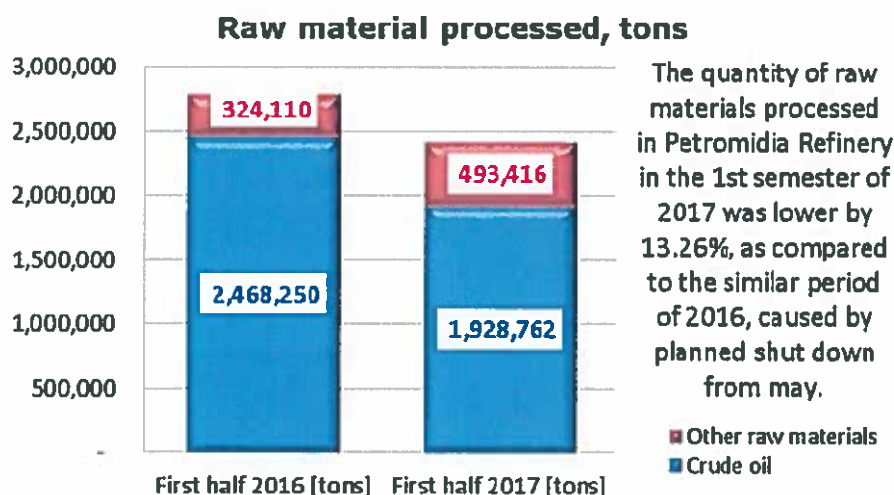


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**PRODUCTION ACTIVITY of Rompetrol Rafinare – Năvodari Work Point (Petromidia Refinery)**





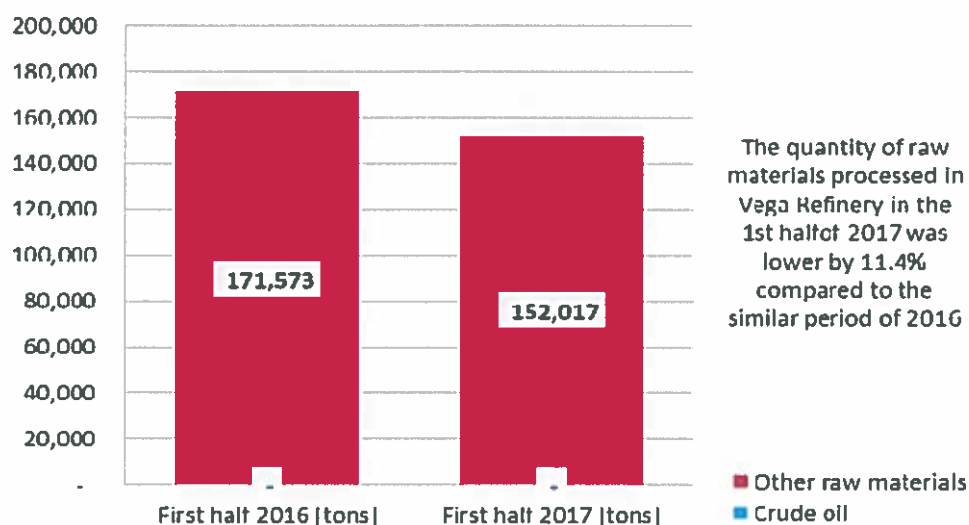
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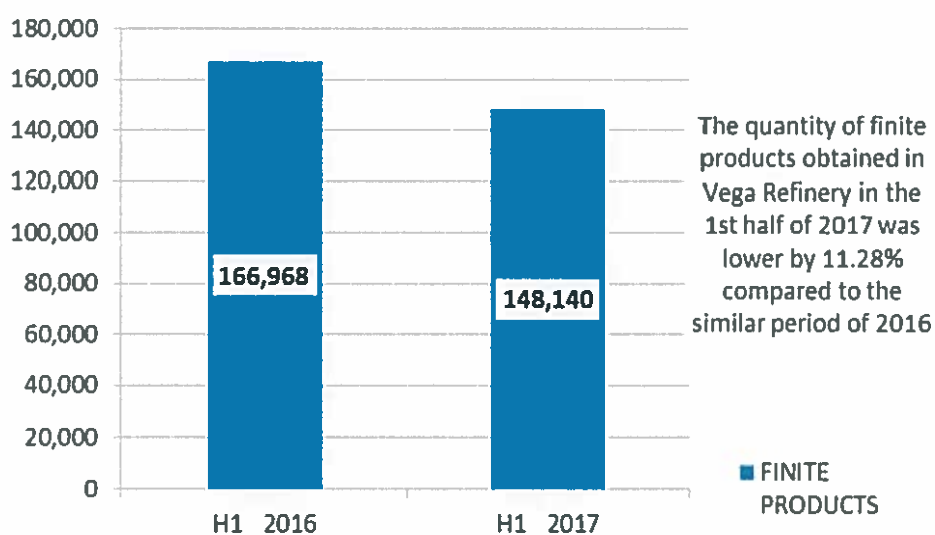
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**PRODUCTION ACTIVITY of Rompetrol Rafinare – Vega Refinery  
Work Point (located in Ploiesti)**

**Submitted raw materials, tons**



**Finite products, tons**





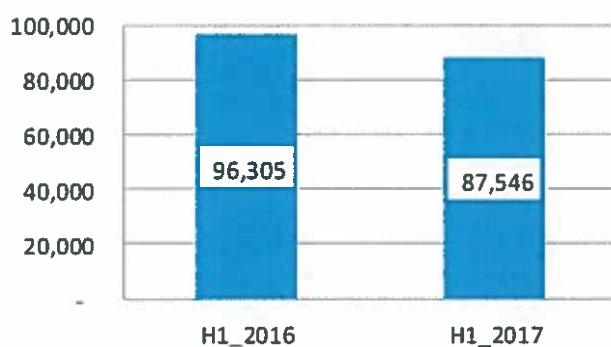
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**PRODUCTION ACTIVITY of Rompetrol Rafinare – Petrochemicals area**

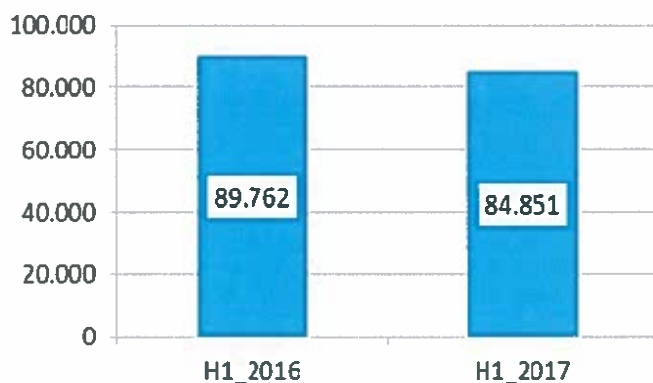
**Processed raw materials, tons**



The quantity of raw materials processed in Petrochemicals in the 1st semester of 2017 was lower by 9.1 % compared to the similar period of 2016, cause by planned shutdown from May

■ Total raw materials

**End products, tons**



The quantity of end products obtained in Petrochemicals in the 1st semester of 2017 was lower by 5.47 % compared to the similar period of 2016, cause by planned shutdown from May

■ Total Products



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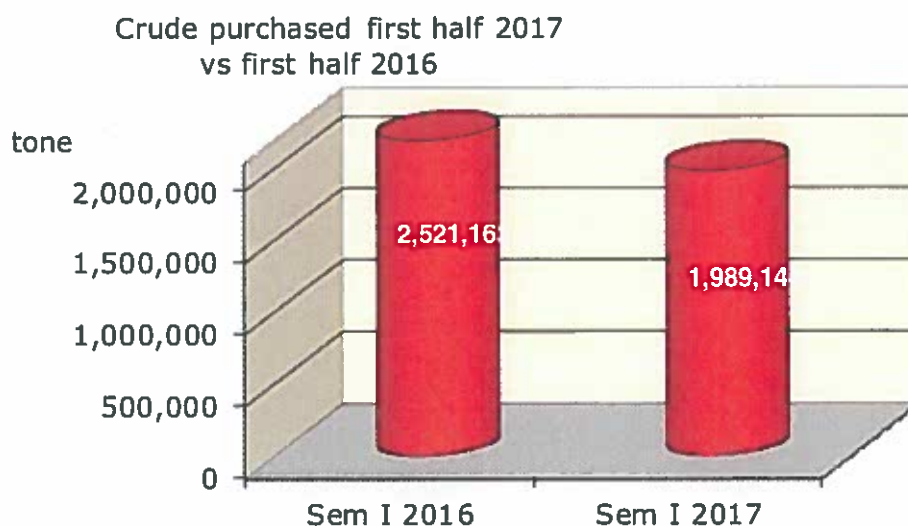
**COMMERCIAL ACTIVITY carried out at Năvodari Work Point  
(Petromidia Refinery) in the 1<sup>st</sup> Half of 2017**

**A. Feedstock supply**

In the first half of 2017, Rompetrol Rafinare S.A. – Petromidia Refinery purchased crude oil and other feedstock from external and domestic sources, as indicated in the tables below:

<b>Feed stock purchases</b>	<b>Quantity (tons)</b>
1. Crude oil	<b>1,989,144</b>
2. Other feedstock	439,332
<b>3. Total external purchases (1+2)</b>	<b>2,428,476</b>
<b>4. Total internal purchases</b>	<b>35,077</b>

In the first half of 2017, crude oil purchases were lower than the same period of last year due to the turnaround performed in may 2017.





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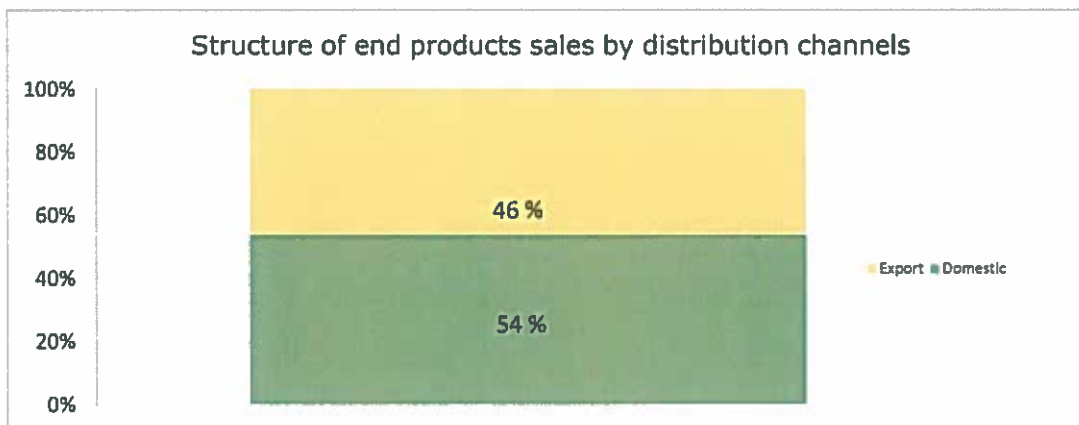
The supplier of imported feedstock (crude) was KazMunayGas Trading AG.  
The main internal suppliers of feedstock were:

- Prio Biocombustibil
- Expur SA.
- Mitsubishi International
- Bio Fuel Energy

## B. Sales

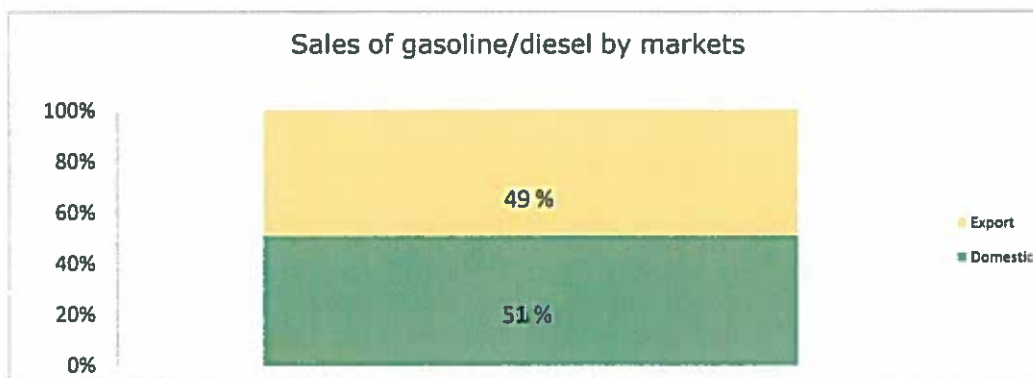
The sales in the first half of 2017 amounted to a total of 2,096,033 tons as compared to 2,367,267 tons in the same period in 2016. The net value of end product sales was 978,938,424 USD as compared to 881,021,169 USD in the first half of 2016, respectively 4,107,695,419 RON as compared to 3,540,748,692 RON in the first half of 2016. Volumes of sales were lower in 2017 due to turnaround performed in the refinery during of the month of may. The higher value in 2017 is due to the higher prices on the international markets as compared to 2016.

In terms of sales markets, the domestic sales were higher than the external ones, 54% of total sales.

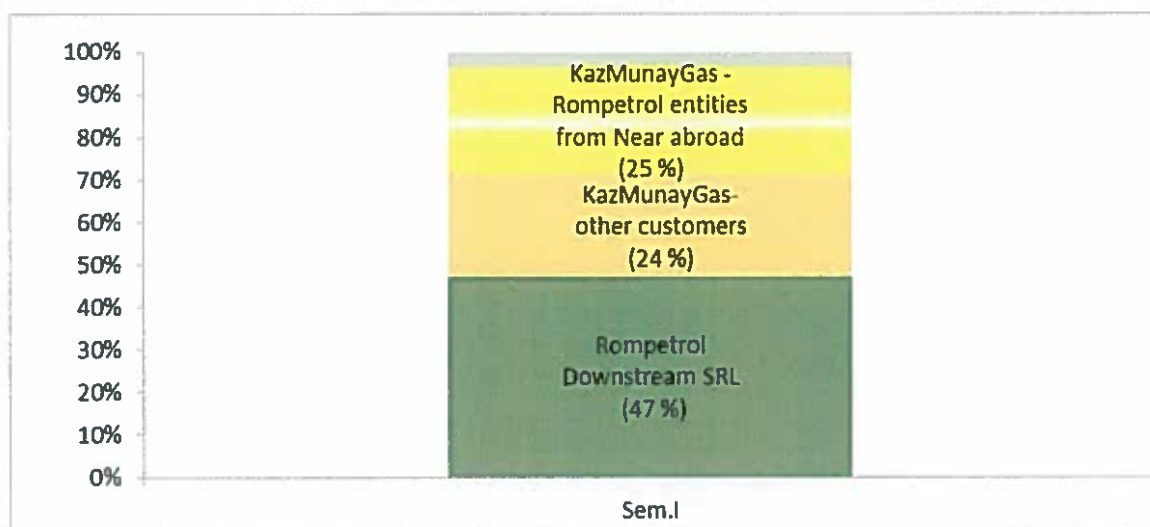


Approximately 81% of the total quantity of end products sold was represented by gasoline and diesel sales (1,693,985 tons). As concerns the distribution channels, the percentage of the sales on the domestic markets was slightly higher than that on the external ones (51%). 834,733 tons of motor fuels (gasoline and diesel) were sold on external markets.

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As concerns the distribution channels, the highest volume of gasoline/diesel was sold to Rompetrol Downstream, followed by export sales made through the affiliate KazMunaiGaz Trading AG.



## Gasoline

Of the total quantity of 510,821 tons of gasoline sold, approx. 71% was sold on the external market, whereas the remaining percentage was sold on the domestic market. Approx. 73% of the total quantity of gasoline was unleaded Europlus gasoline 10 ppm sulphur

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**Diesel**

Between January and June 2017, 1,183,164 tons of motor diesel was sold, the percentage of domestic sales (60%) exceeding that of external sales.

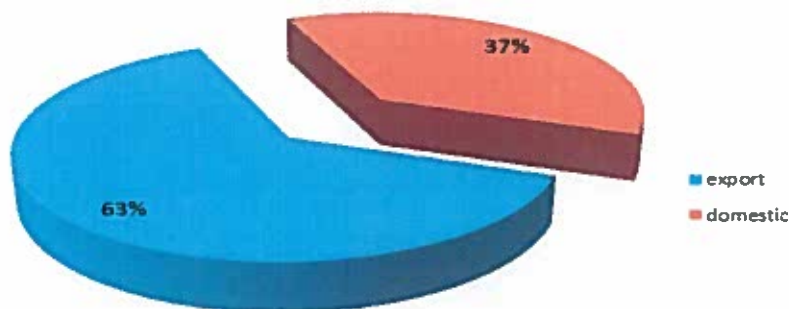
**LPG**

A total of 107,333 tons of liquefied petroleum gas was sold to Rompetrol Gas. As concerns the other groups of products, the domestic sales were higher than the external ones (jet) and lower than the external ones (petcoke, sulphur).

**COMMERCIAL ACTIVITY carried out at Vega Refinery (in Ploiești)**

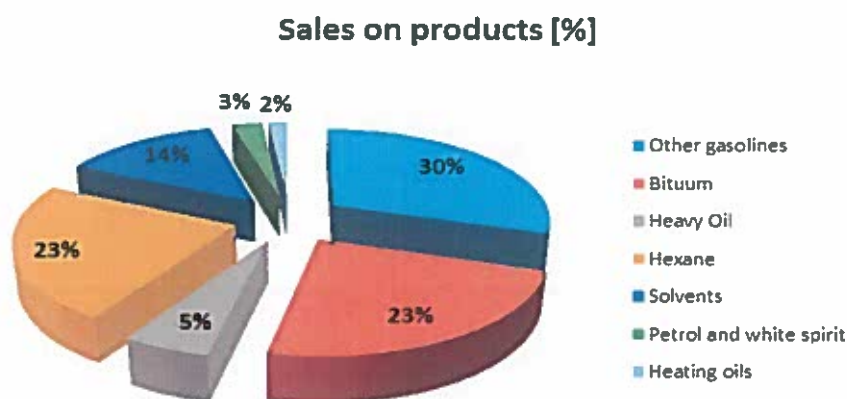
The sales of Vega Refinery in Ploiești in the first half of 2017 amounted to a total of 151,230 tons. By sales market, the external sales were higher (63%) than the internal ones (37%). 95,591 tons were sold on the external market.

**Sales on distribution markets [%]**



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White product sales (gasoline naphtha, ecologic solvents, n-hexane, white spirit) represented about 70% of the total sales in first half of 2017.



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

### COMMERCIAL ACTIVITY carried out in Petrochemicals Area

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

During the analysis, the petrochemical activity was carried out through PP and LPDE installations.

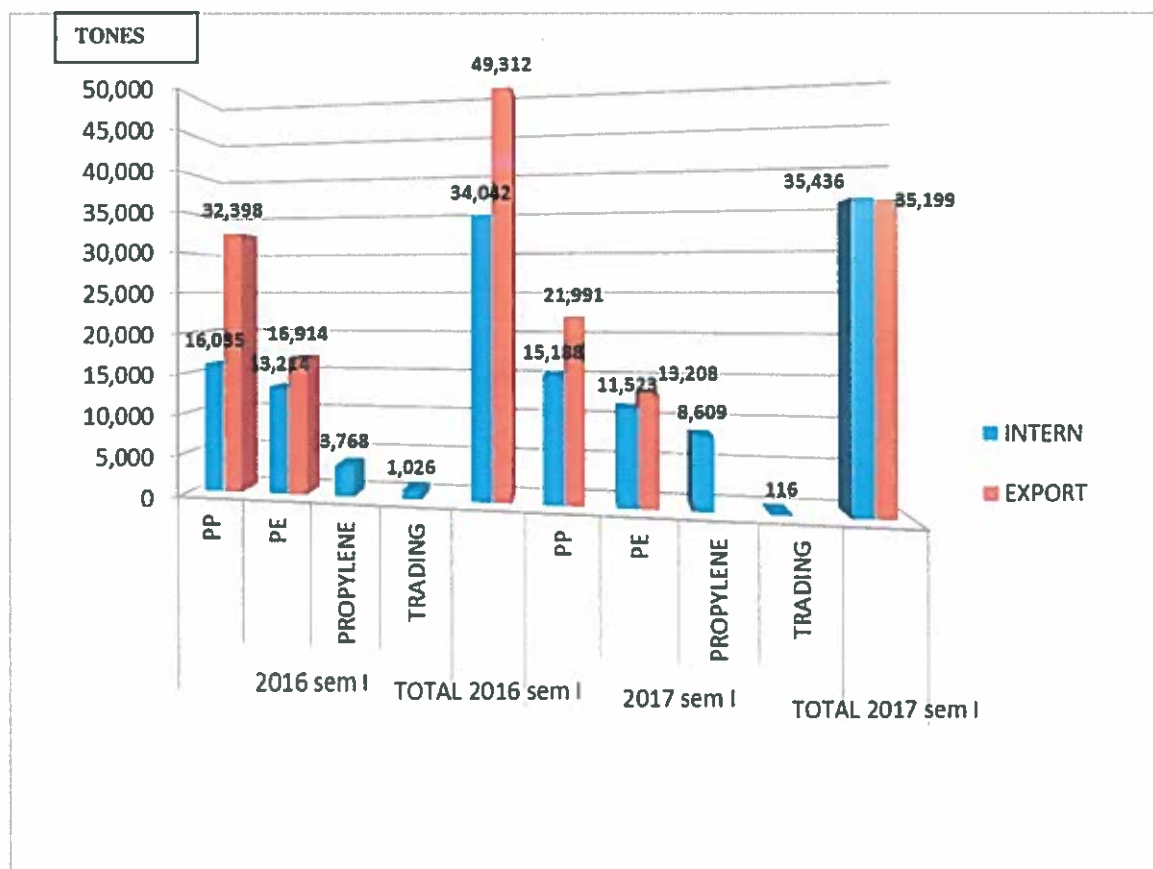
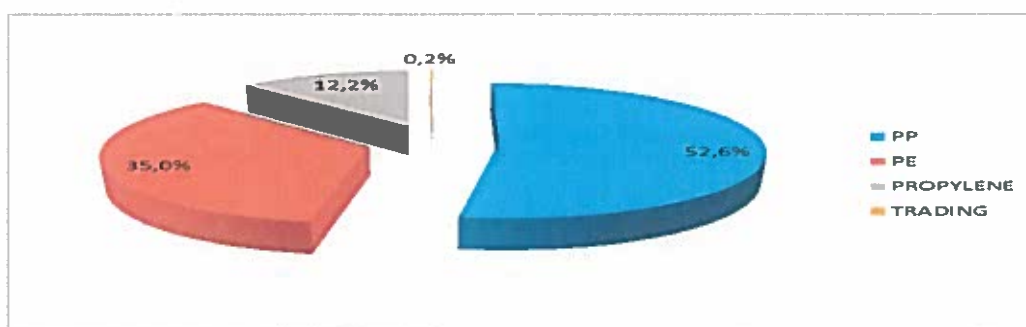
Besides its own products, the company also carries out important trading in a wide range of petrochemicals which currently are not part of the production portfolio of Rompetrol Rafinare – Petrochemicals Area, but for which a demand exists on the Romanian market: types of high density polyethylene (HDPE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

The sales of the Petrochemicals Area in the first half of 2017 amounted to a total quantity of 70.635 tones, down by 15% over the same period of last year. The main reason for this decline is the level of polymer production that was below the first half of 2016.

Internal sales of produced polymers decreased by approx. 9% as compared to internal sales in the first half of 2016, whereas the external sales decreased by approx. 29% as compared to external sales in the same period of last year.

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In the first half of 2017, approx. 53% of the total sales were represented by polypropylene (PP), approx. 35% by polyethylene (PE: LDPE și HDPE) and the remaining 12% represents the sales of propylene and trading activity.



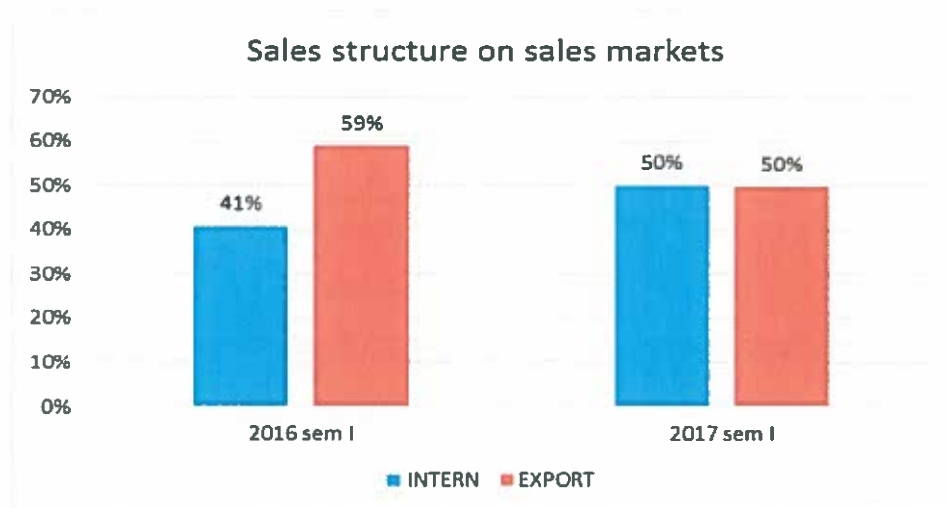


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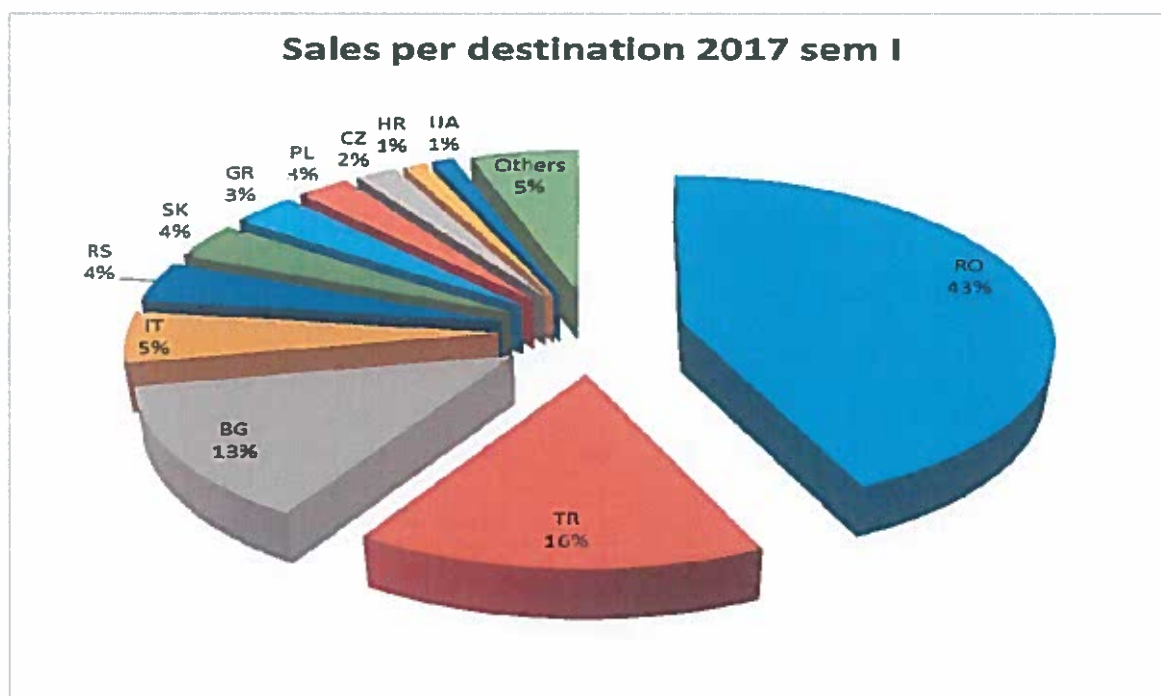
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Out of total sales, approx. half is the domestic market and the other half represents exports. There is a change in the sales structure over the similar period last year in terms of distributing a larger percentage of products on the domestic market.



The most important distribution channels for polymers are Romania, Turkey, Bulgaria, Italy.





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**1. The economic and financial situation**

The turnover registered as of 30.06.2017 amounts to RON 4,729,016,743, as compared to RON 4,133,145,499, reached in the first semester of 2016 (rising by 14.4%), even though a lower quantity of crude oil and of other raw materials (and implicitly quantities of production and sales) was processed than in the first semester of 2016 (approx. 13% less) at the level of the Petromidia Refinery because of the planned shutdown from May 2017. The quantity of finished products obtained has decreased accordingly, however the sales, even though in lower quantities than in the first semester of 2016, have cumulated a net value higher than in the first half of 2016. The greater value obtained in 2017 is owed to the higher rates on the international markets as compared to 2016.

**In the first semester of 2017, the Company has registered net profit amounting to RON 171,150,855 and, in the first semester of 2016, it registered profit amounting to RON 142,866,645. The result net positive registered in the first semester of 2017 was mainly owed to gains from favorable foreign exchange differences.**

We must mention that, from the operating activity, the Company has registered losses amounting to RON 20,856,943, as compared to the similar period in 2016 when Rompetrol Rafinare registered profit of RON 136,769,268. From the point of view of the exploitation activity, the planned stoppage period had a negative impact compared to the first semester of 2017.

During the first semester of 2017, financial revenues have exceeded the financial expenses, in the end obtaining gross profit from financial activities amounting to RON 192,007,798 (the major impact arising from favorable foreign exchange differences).

The financial indicators registered as of 30.06.2017 include the results from the activity of the Refinery and Petrochemistry Plants on the Navodari platform, as well as of the Vega Refinery in Ploiesti.

**a) Balance sheet indicators:**

At the end of the first semester of 2017, the Company's non-current assets amount to RON 4,914,544,154, slightly lower as compared to 30.06.2016.



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As of June 30<sup>th</sup>, 2017, current assets are in amount of RON 1,973,097,174, registering an increase of approximately 5% more than the level at the end of 2016.

This is mainly due to the increase in value of the receivables (from RON 1,018,626,207 at 31.12.2016 to RON 1,239,090,639 at 30.06.2017).

The liabilities payable in a period of 1 year have increased from RON 4,905,516,693 as of 31.12.2016 to RON 5,086,010,424 as of 30.06.2017 (by 3.7%). This increase is mainly due to reclassification of the long-term loan in the short-term loan for the balance use of the Syndicated Loan, taking into account that on 30.06.2017 the maturity term (April 23, 2018) is less than 1 year.

As far as provisions are concerned, as of 30.06.2017, they register a similar level as of 31.12.2016.

**Balance sheet indicators**

	<b>(RON)</b> <b><u>June 30th, 2017</u></b>	<b>(RON)</b> <b><u>December 31st, 2016</u></b>
Intangible assets	15,613,500	16,724,850
Goodwill	152,720	152,720
Property, plant and equipment	2,998,384,365	3,018,053,823
Financial assets	1,629,020,055	1,629,020,055
Deferred tax asset	<u>271,373,514</u>	<u>271,373,514</u>
<b>Total non current assets</b>	<b><u>4,914,544,154</u></b>	<b><u>4,935,324,962</u></b>
Inventories, net	724,322,835	816,627,179
Receivables and prepayments, net	1,239,090,639	1,018,626,207
Derivative Financial Instruments	1,292,281	22,980
Cash and cash equivalents	<u>8,391,419</u>	<u>45,891,549</u>
<b>Total current assets</b>	<b><u>1,973,097,174</u></b>	<b><u>1,881,167,915</u></b>

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	(RON) June 30th, 2017	(RON) December 31st, 2016
<b>TOTAL ASSETS</b>	<b>6,887,641,328</b>	<b>6,816,492,877</b>
Subscribed share capital	4,410,920,573	4,410,920,573
Share premium	232,637,107	232,637,107
Other reserves	3,170,938,161	3,169,670,514
Accumulated losses	(6,486,327,206)	(6,556,328,713)
Current year result	171,150,855	70,001,508
<b>Total equity</b>	<b>1,499,319,490</b>	<b>1,326,900,989</b>
Long-term borrowings from banks	-	281,763,783
Provisions	302,311,412	302,311,412
<b>Total non-current liabilities</b>	<b>302,311,412</b>	<b>584,075,195</b>
Trade and other payables	3,696,044,666	3,750,363,002
Short-term borrowings from affiliates	859,686,316	1,065,970,431
Short-term borrowings from banks	530,279,444	89,183,260
<b>Total current liabilities</b>	<b>5,086,010,426</b>	<b>4,905,516,693</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,887,641,328</b>	<b>6,816,492,877</b>

On June 30, 2017, following the recording of positive financial results for the first half of 2017, the equity (net asset) level was higher than the value recorded on 31.12.2016, At the same time, on June 30, 2017, the value of the equity (net asset) was less than half of the share capital. According to Law 31/1990, legal measures are required to regulate the net asset versus share capital ratio.

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**b) Financial indicators**

	(RON) January-June 2017	(RON) January-June 2016
<b>Net turnover</b>	<b>4,729,016,743</b>	<b>4,133,145,499</b>
Gross revenues from the sale of finished oil products	6,248,530,571	5,947,713,847
Revenues from the sale of other merchandise	7,073,624	3,311,207
Revenues from the sale of utilities	4,080,025	4,141,170
Revenues from the sale of other products	761,882	271,635
Revenues from rents and other services	7,084,350	7,101,488
<b>Gross turnover</b>	<b>6,267,530,452</b>	<b>5,962,539,347</b>
Minus sale-related taxes	(1,538,513,709)	(1,829,393,848)
<b>Total</b>	<b>4,729,016,743</b>	<b>4,133,145,499</b>
<b>Cost of sold production out of which</b>	<b>(4,589,342,718)</b>	<b>(3,909,427,704)</b>
Crude oil and other raw materials	4,202,246,667	3,516,844,136
Utilities	162,530,968	169,473,810
<b>Gross profit / (loss)</b>	<b>139,674,025</b>	<b>223,717,795</b>
Commercialization and general administrative expenses	(135,456,052)	(106,713,648)
Other operating revenues / (expenses)	(25,074,916)	19,765,121
<b>Operating profit / (loss)</b>	<b>(20,856,943)</b>	<b>136,769,268</b>
Financial expenses	(83,461,563)	(60,482,772)
Financial revenues	38,090,988	9,274,823
(Losses) / gains from foreign exchange differences, net	237,378,373	57,305,326
<b>Gross profit / (loss) from financial activity</b>	<b>171,150,855</b>	<b>142,866,645</b>

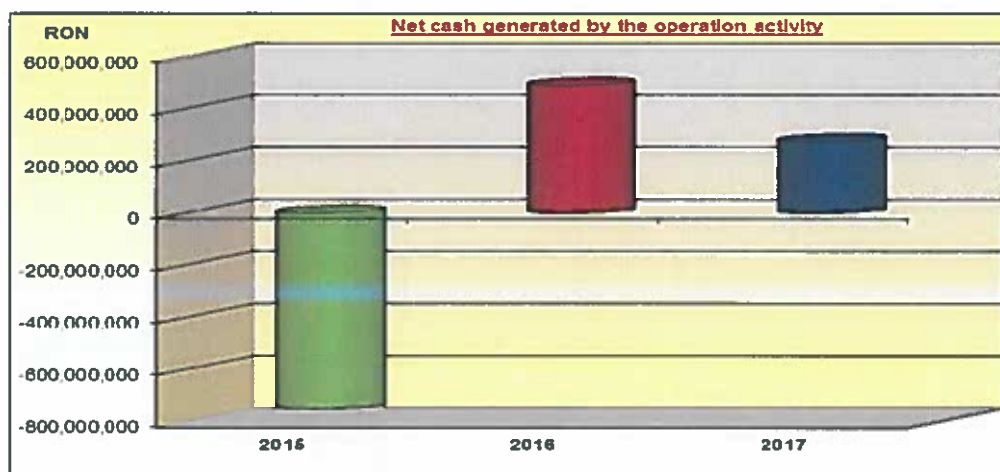
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**c) cash flow: all the changes occurred at the cash level within the basic business, financial investments and operations, the cash level at the beginning and at the end of the period**

In 2017, the net situation of cash flows reflects the company's effort to harmonize efficiently the cash needs from the operating activity with a balanced funding policy.

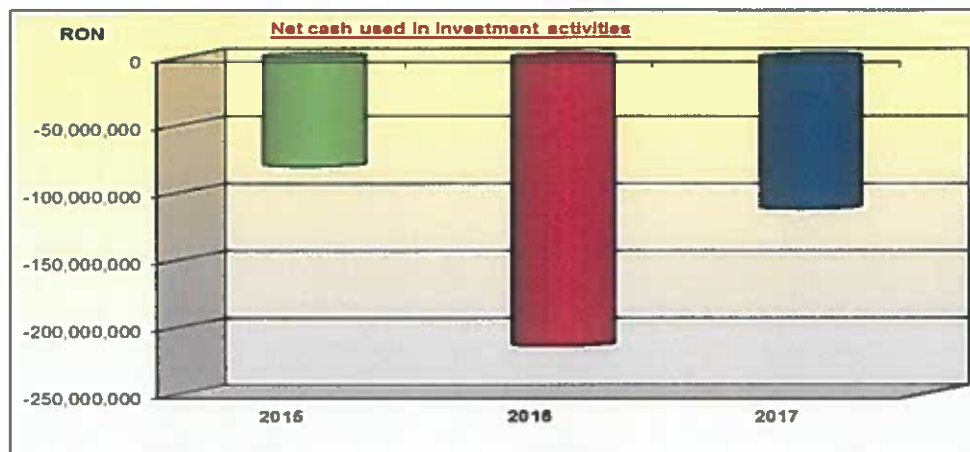
Cash flows from the operating activity have been influenced by both the increase of trade receivables and by the increase of inventories and of trade payables. At the end of the first semester of 2017, the Brent quote of crude oil has reached USD 47.39/barrel, as compared to the end of the first semester of 2016 when it amounted to USD 48.44/barrel.



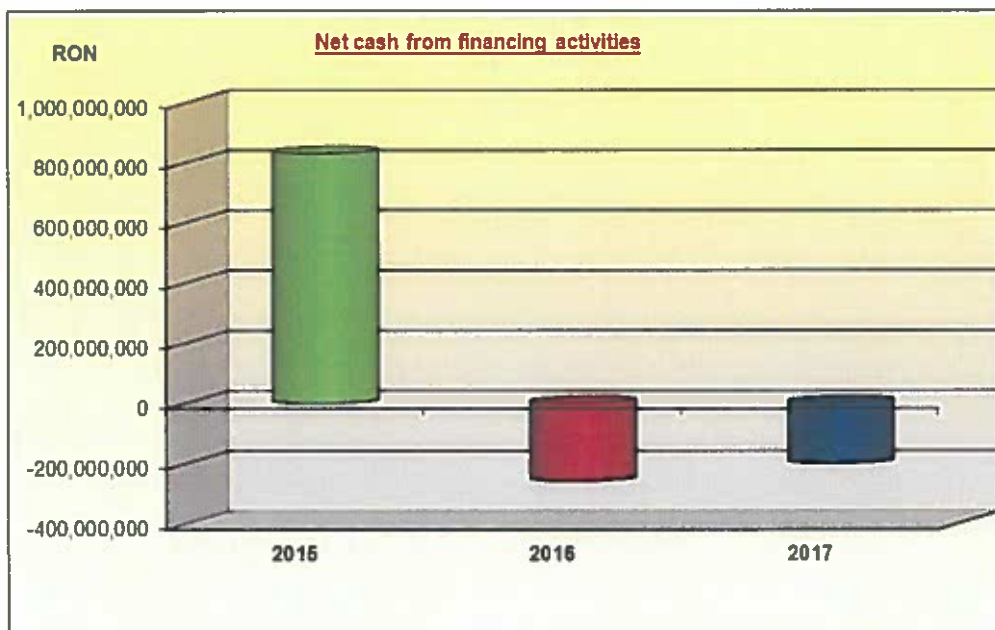
In the first semester of 2017, Rompetrol Rafinare has continued the technological investment projects, for complying and alignment with the legislation in force, a permanent preoccupation being the aligning to the European Union requirements and complying with the requirements of the Directives concerning the promotion and use of bio fuels and of the environmental norms in force, especially for reducing the emissions of nitrogen and sulphur oxides, of volatile organic compounds and of carbon dioxide and concerning the storage of dangerous waste.

The main project in progress is referring to the general maintenance project "Refinery Shutdown 2017" was continued, to ensure a high level of safety for the equipment in operation.

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In the first semester of 2017, the Company has continued to benefit from a cash pooling contract – a system to optimize the petty balances, in order to support both the needs generated by the exploitation and investment activity, as well as from a syndicated loan facility granted by a consortium of banks. In addition, the cash from the funding activity was also influenced by the high exposure on the short-term loan facility from Bancpost. During the first semester of 2017, the Company has reduced its liabilities related to loans from affiliates, increasing the exposure on bank loans.



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

**In the first semester of 2017, the Company has registered net profit amounting to RON 171,150,855 and, in the first semester of 2016, it registered profit amounting to RON 142,866,645. The result net positive registered in the first semester of 2017 was mainly owed to gains from favorable foreign exchange differences.**

**2.1.** From the liquidities point of view, the Company has made efforts to maintain the capacity to cover all current liabilities from the current assets, the current ratio registering an improvement as compared to the same period of the prior year, namely of 0.44 in the first semester of 2017 as compared to 0.38 in the first semester of 2016.

Impact factors on the company's liquidity refer to current assets and liabilities that are directly influenced by the specificity of activity and fluctuation in oil purchase prices and petroleum products sale prices.

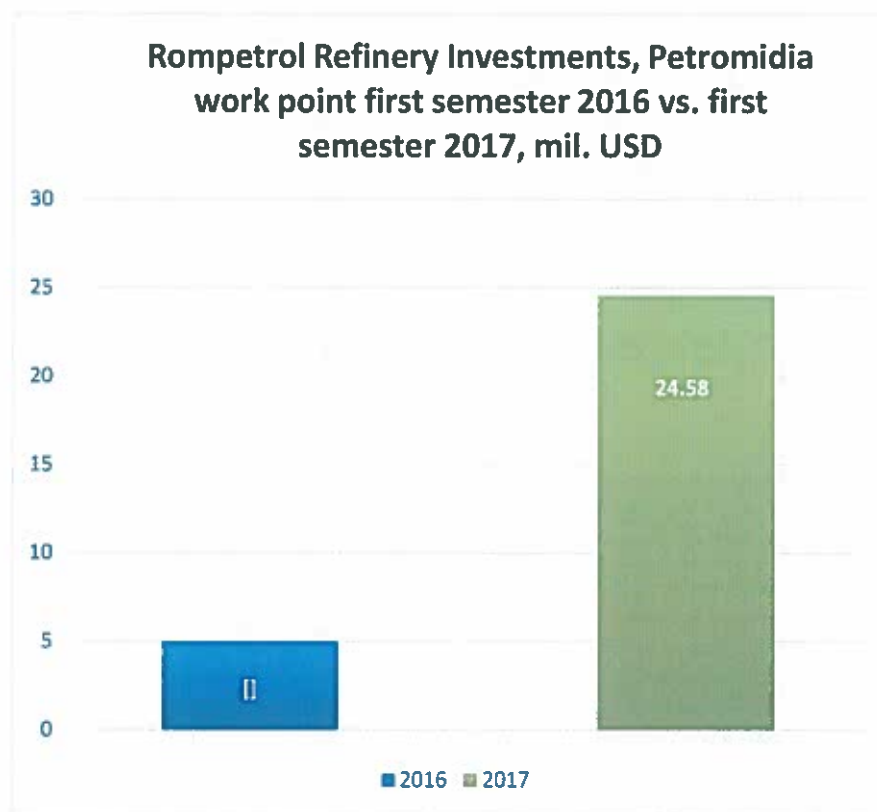
**2.2.** Between **January and June 2017**, the company has made investments in a total amount of approx. **USD 27.49 million**.

Out of this amount, **USD 24.58 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 2016 vs. the first half of 2017 for both the Petromidia and VEGA refineries is shown in the diagrams below:

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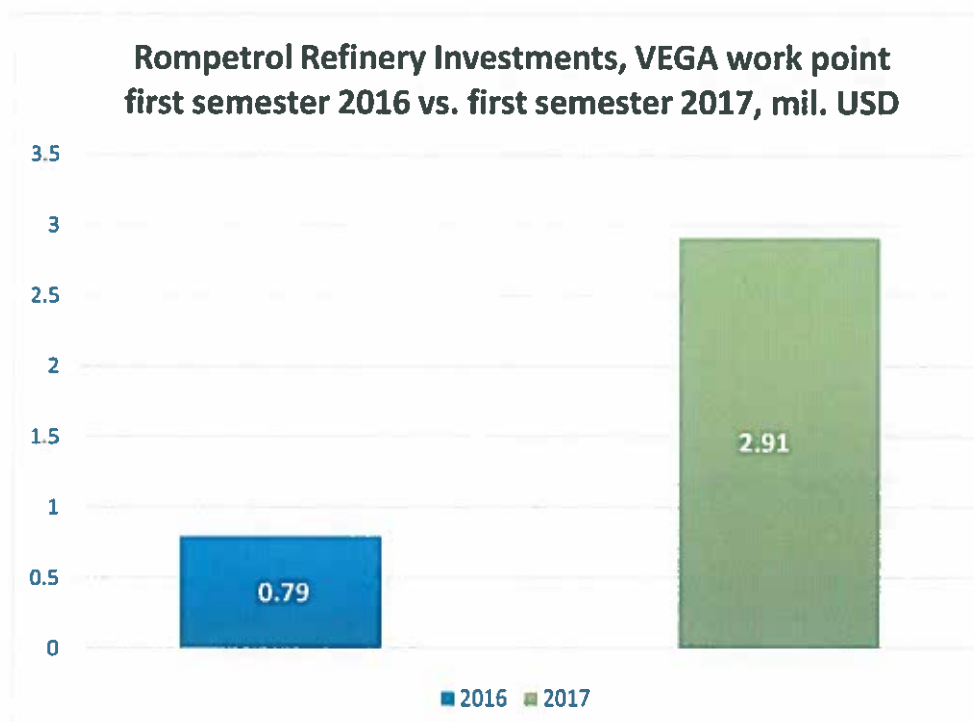
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**2.3.** In the first semester of 2017, the net turnover has increased by 14.4% as compared to the similar period of the previous year because of the higher quotes on the international markets of the oil products sold as compared to the first semester of 2016. Even though the quantity of crude oil and raw materials processed in the first semester of 2017 was smaller than the similar period of the prior year, the turnover has experienced an increase, mainly as a result of the increase of the finished products' (diesel fuel and gasoline) average sales prices.

The quantity of processed crude oil was smaller by 539 thousand tons than in the first semester of 2016.

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### 3. Changes affecting the capital and the Company management

**3.1.** During the period that was analysed, was any cases of impossibility to The company has complied with all its financial obligations for semester I 2017.

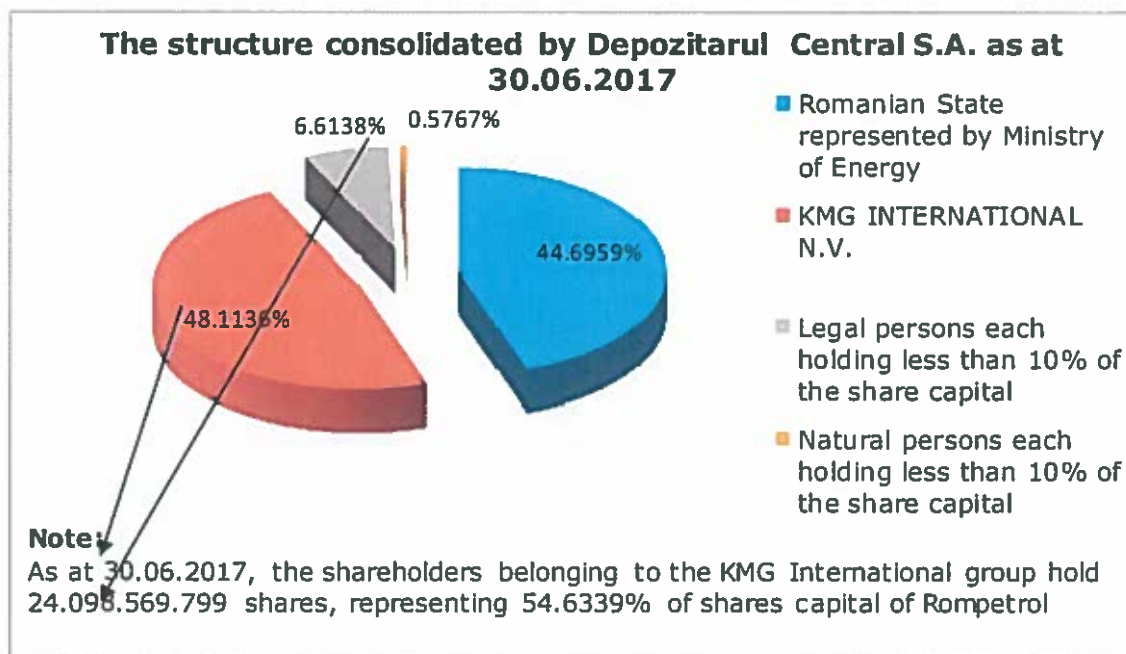
**3.2.** There have occurred no modifications designed to influence the value of the Company's share capital within the analysed period.

On June 30, 2017, the Company's share capital recorded at Depozitarul Central S.A. consisted of 44,109,205,726 shares with nominal value of 0.10 RON/ share, amounting 4,410,920,572.60 RON.

According to the Shareholders' Register consolidated on June 30, 2017, issued by Depozitarul Central S.A., the consolidated synthetic structure of the ROMPETROL RAFINARE S.A. shareholders is the following:

<b>SHAREHOLDER</b> (on June 30, 2017)	<b>NUMBER OF SHARES</b> (on June 30, 2017)	<b>PERCENTAGE OF PARTICIPATION IN SHARE CAPITAL</b> (on June 30, 2017)
KMG INTERNATIONAL N.V.	21,222,506,422	48.1136%
The ROMANIAN STATE represented by the Ministry of Energy	19,715,009,053	44.6959%
Shareholders - Legal persons - each holding less than 10% of the share capital, together holding:	2,917,302,829	6.6138%
Shareholders - Physical persons - each holding less than 10% of the share capital, together holding:	254,387,422	0.5767%
<b>TOTAL</b>	<b>44,109,205,726</b>	<b>100%</b>

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We specify that Rompetrol Rafinare S.A. (part of KMG International Group) operates the Petromidia and Vega Refineries and holds an executive position in the following companies:

directly:

- Rompetrol Downstream S.R.L. (99.994688898% holding)
- ROM OIL S.A. (99.9998505% holding)
- Rompetrol Quality Control S.R.L. (70.91%)a
- Rompetrol Logistics S.R.L (66.1911% holding)
- Rompetrol Petrochemicals S.R.L. (100% holding)

indirectly:

- Global Security Sistem S.A. (by Rompetrol Logistics S.R.L.);
- Rompetrol Gas S.R.L. (by Rompetrol Logistics S.R.L.).

As a result, the holdings of Rompetrol Rafinare S.A. shareholders are automatically reflected upon the companies where Rompetrol Rafinare holds an executive position, directly and indirectly. Rompetrol Rafinare operates the Petromidia and Vega Refineries, Rompetrol Downstream operates the Rompetrol gas stations network, and Rom Oil operates the company's warehouses network.

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**With reference to the modifications within the Company's administration:**

**• Modifications in the compenence of the Administration Board**

- By Decision no. 1 adopted by the Administration Board (hereinafter referred to as "**the Board**"), on February 10, 2017, the Board recorded the request compiled by Mr. Azamat Zhangulov and determined the termination of service, respectively of exercise of the administration position and the Administration Board President position by Mr. Azamat Zhangulov, starting with February 2, 2017.

By the same Decision no. 1 of February 10, 2017, under art. 137<sup>^</sup>2 of Law no. 31/1990 and art. 14.6 of the Company's updated Articles of incorporation, by the unanimous vote of the four administrators holding office on the date of this decision, starting with February 10, 2017, **it is approved the designation of Mr. Alexey Golovin**, citizen of Kazakhstan, **as provisory member of the Company's Administration Board. Moreover, it is approved that Mr. Alexey Golovin shall exercise the position of provisory administrator until the date of adoption of Company Shareholders' Decision concerning the election of a new permanent administrator for the Company.**

As a result of the fact that by Decision no. 1 of the Administration Board, as of February 10, 2017, it is recorded the termination of Mr. Azamat Zhangulov's service as president of the Administration Board and it is approved the nomination/ designation of Mr. Alexey Golovin as provisory administrator, on the grounds of Decision no. 2 of February 10, 2017, **the Company's Administration Board has elected Mr. Cătălin Dumitru, Romanian citizen, for the Administration Board president position. Therewith it is established that Mr. Cătălin Dumitru's presidency mandate for the Administration Board shall begin on February 10, 2017 and expire on April 30, 2018 (date of expiry of administrator mandate).**

By Decision no. 1/2017 adopted by the Ordinary General Meeting of Shareholders on April 13, 2017, **it is approved the termination of the administration and presidency mandate of Mr. Azamat Zhangulov for the Company's Administration Board, as a result of his request of withdrawing from this position as of February 2, 2017.**

**By the same Decision no. 2/2017, it is approved the election of Mr. Alexey Golovin as permanent member of the Company's Administration Board, for a mandate starting as of April 13, 2017 and expiring on April 30, 2018 (date of expiry of the mandate of current Administration Board members).**

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**The Company Administrators holding office on June 30, 2017, are:**

- Mr. Cătălin Dumitru      - President of Administration Board;
- Mr. Alexey Golovin      - Member of Administration Board;
- Mr. Yedil Utekov              - Member of Administration Board;
- Mr. Marius Mitruș              - Member of Administration Board;
- Mr. Mihai Mihalache      - Member of Administration Board;

• **Modifications concerning the Executive**

**There have been no modifications in the Company's executive structure during the analysed period.**

On June 30, 2017, the two managers appointed for the executive positions to the meaning set out above, were:

<b>Last name and first name</b>	<b>Position</b>
Yedil Utekov	General manager
Vasile Gabriel Manole	Economic manager

The members of the executive exercise their positions for a mandate expiring on April 30, 2018 (together with the appointing administrators).

• **Modifications concerning the Company's Financial Auditor**

**In the analysed period, there occurred the Ordinary General Meeting of Shareholders on April 13, 2017, which, by Decision no. 2/2017 approved the nomination of company ERNST & YOUNG ASSURANCE SERVICES SRL** (headquartered in Bucharest Tower Center, bd. Ion Mihalache nr. 15-17, etaj 21, sector 1, Bucharest, registered with the Trade Register under no. J40/5964/1999, with sole registration code 11909783, member of the Chamber of Financial Auditors of Romania under authorisation no. 77 of August 15, 2001, represented by Mrs. CORA ANAMARIA, born in sector 3, Bucharest municipality, on March 16, 1975, with domicile in sector 3, Drm. Malu Spart, nr. 88C, sector 3, Bucharest,

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owner of identity card series RR no. 778776 issued by SPCLEP sector 3 on July 27, 2011) **as financial auditor for the Company for the fiscal year 2017, with an audit agreement term of one year.**

#### **4. Considerable transactions**

Rompetrol Rafinare reported the legal documents concluded throughout semester I 2017 by the Company, in conformity with art. 225 of Law 297/2004 concerning the capital market, art. 82 of Law no. 24/2017 and art. 113 letter G of C.N.V.M. (Romanian National Securities Commission) Regulation no. 1/2006, by the current Reports recorded at the Company under no. 5147 of May 30, 2017, no. 5850 of June 22, 2017, no. 6766 of July 19, 2017, no. 6784 of July 20, 2017. The reports have been transmitted to the market operator (respectively to the Bucharest Stock Exchange), posted on the company's website in section Relations with Investors [www.rompetrol-rafinare.ro](http://www.rompetrol-rafinare.ro) subsection Current reports and on ASF website ([www.asfromania.ro](http://www.asfromania.ro)) in section: Supervision/ Capital markets/ Electronic reports.

Moreover, the primary transactions concluded by the Company with persons acting concertedly or the transactions involving these persons within the reported period were the transactions subject to approval by the Administration Board, in conformity with the legal provisions and dispositions of the Articles of incorporation, as follows:

- On May 11, 2017, the Administration Board adopted the Decision no. 2 which, by unanimous votes expressed by the administrators, **approved the conclusion of Addendum no. 2 of April 21, 2017 for an extension of 1 (one) year, respectively until April 23, 2018, of the Non-Employed Auxiliary Facility, overdraft, amounting up to \$ 25,000,000, granted under the auxiliary facility agreement of May 18, 2015, concluded with Banca Comercială Română S.A.**

**The above mentioned facility is a component of the Loan facility agreement governed by the English law, amounting maximum up to \$ 360,000,000 ("Loan Facility Agreement")** - approved by Company's Administration Board Decision of February 17, 2015 and ratified by Decision no. 3/2015 adopted by the Extraordinary General Meeting of Company's Shareholders of April 29, 2015 - concluded on April 23, 2015 between the Company, as primary borrower, secondary borrower and guarantor, together with the following companies within the KMG International Group:

- (i) Rompetrol Downstream S.R.L., a limited liability company, with registered office in Bucharest, Sector 1, City Gate Northern Tower, Piața Presei



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Libere nr. 3-5, etaj 2, registered with the Trade Register under no. J40/1716/2000, with sole registration code 12751583 ("**Rompetrol Downstream**"), as primary borrower, auxiliary borrower and guarantor,

- (ii) KazMunayGas Trading AG, company registered in Switzerland, with registered office in VIA Cassarinetta 9, CH - 6900 Lugano, Switzerland, registered with the Trade Register under no. CHE-112.088.806 ("**KazMunayGas Trading**"), as primary borrower and guarantor,

(Companies Rompetrol Downstream and KazMunayGas Trading being collectively "**Primary Borrowers**"),

- (iii) KMG Rompetrol S.R.L., a limited liability company, with registered office in Bucharest, sector 1, Piața Presei Libere nr. 3-5, City Gate Northern Tower, etaj 5, room 2, registered with the Trade Register under no. J40/9817/2010, with sole registration code 27516586 ("**KMG Rompetrol**"), as auxiliary borrower and guarantor,

(Companies Rompetrol Downstream and KMG Rompetrol being collectively "**Auxiliary Borrowers**"),  
(Primary Borrowers and Auxiliary Borrowers being collectively "**Borrowers**"),

- (iv) KMG International N.V., a joint-stock company under the Dutch legislation, with registered office in Strawinskylaan 807, Tower A-8, 1077XX Amsterdam, the Netherlands, registered with the Trade Register of the Chamber of Commerce of Amsterdam under no. 24297754 ("**KMG International**"), as guarantor,  
on one side, and:

- (v) Banca Comercială Română S.A., as primary arranger empowered as coordinator, Primary Lender and Auxiliary Lender, together with Raiffeisen Bank S.A., ING Bank NV, Bucharest Branch, each as empowered primary arranger, Primary Lender and Auxiliary Lender, UniCredit BANK S.A. as empowered primary arranger, Primary Lender, Auxiliary Lender, securities agent and issuing bank, and Unicredit Bank AG, London Branch, as facility agent,  
on the other side,

The loan facility of up to \$ 360,000,000 put at disposal based on the Loan Facility Agreement and Auxiliary Documents (compound of two tranches), as follows:

- (a) **Tranche A:** engaging facility of up to \$ 240,000,000 ("**Primary Facility**") which is put at disposal by the Primary Lenders and which shall be used by



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the Primary Borrowers, in USD, EUR or RON, by the means of drawdown and issuing of bills of credit and letters of indemnity by UniCredit Tiriac Bank S.A. There exists a sub-limit of \$ 150,000,000 as maximum cumulated amount of all bills of credit and letters of indemnity; the interests applied to the drawdowns are LIBOR/ EURIBOR/ ROBOR 1M + 2.75%; The Maturity of the Primary Facility is 3 years from the date of the agreement, respectively until April 23, 2018.  
and

- (b) **Tranche B:** a non-engaging facility of up to \$ 120,000,000 ("**Auxiliary Facility**"), put at disposal by the Auxiliary Lenders and which is used by the Auxiliary Borrowers, in USD, EUR or RON, by the means of (i) overdraft facilities; (ii) facilities granted based on securities, bonds, documentary or stand-by bills of credit; and (iii) any other facilities or loans required in relation to the activity developed by any of the Auxiliary Borrowers, agreed upon by the Auxiliary Lender and Auxiliary Borrower.

Currently, Rompetrol Rafinare SA has four concluded auxiliary facilities (overdraft) of \$ 25,000,000 each, under the following conditions:

- For the facilities granted by Banca Comercială Română S.A. and ING Bank NV Amsterdam - Bucharest Branch, the applied interests are: ROBOR 1M + 2% for RON drawdowns and LIBOR/ EURIBOR 1M + 2.5% for USD and EUR drawdowns.
- For the facility granted by Unicredit Bank SA, the applied interests are: ROBOR O/N + 2% for RON drawdowns and LIBOR/ EURIBOR O/N + 2.5% for USD and EUR drawdowns.
- For the facility granted by Raiffeisen Bank SA, the applied interests are: ROBOR 1M + 2% for RON drawdowns and LIBOR/ EURIBOR 1W + 2.5% for USD and EUR drawdowns.

## **5. Subsequent events**

On July 17, 2017, Rompetrol Rafinare SA and the affiliates thereof KMG International NV and Oilfield Exploration Business Solutions SA received an ordinance issued by DIICOT which mandates the continuation of the criminal investigation of deeds attributed to the 1998-2003 period and of the grounds for the company's civil liability for part thereof.

As before, the company will further cooperate with the authorities in a transparent with the aim that the investigations complete in in due course and in full observance of the company's rights.

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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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This new procedural deed does not affect the daily activity of Rompetrol refineries the operations of which are being carried out in the normal course.

However, the company continues to work with its local and international legal advisors to use all legal means to protect its investments, activities and current operations as well as its reputation.

The company will provide further information once there will be clarified the aspects related to the company's liability for the deeds currently pending investigation.

The national oil and gas company of Kazakhstan - KazMunayGas became in August 2007 the majority shareholder, and in 2009 the sole shareholder, of The Rompetrol Group (currently named KMG International NV) that the company is a part of.

## **6. Administration Board measures for balancing the Company's net worth indicator**

As:

- (i) according to Rompetrol Rafinare S.A. financial status for the year 2015, the net worth has decreased to less than half of the Company's issued share capital;
- (ii) according to art. 153<sup>24</sup> of Companies Law no. 31/1990 (hereinafter referred to as "**Companies Law**"), if the Administration Board ascertains that the company's net worth, determined as the difference between the total of assets and the total of its debts, has decreased to less than half of the issued share capital, it shall call an extraordinary general meeting of shareholders in order to decide if the Company needs to be dissolved,

**The Company's Administration Board ("the Board") has undertaken the following steps, namely:**

1. On November 10, 2016, the Board decided to call the Extraordinary General Meeting of Shareholders to confirm the continuance of the Company's activity and to approve the date of December 31, 2017 as deadline for the Company for the adoption of all measures required for the resolution of this circumstance;

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On December 19, 2016, the Extraordinary General Meeting of Company's Shareholders confirmed the continuance of the Company's activity and approved the date of December 31, 2017 as deadline for the Company for the adoption of all measures required for the resolution of this circumstance;

2. Subsequently, the Administration Board internally analyzed the options for recovering the net asset, namely: increase of share capital, decrease of share capital, revaluation of fixed assets and debt restructuring. In addition, for proactivity and diligence purposes, the Company's Administration Board undertook various steps related to this subject as follows:
  - (i) it has empowered external attorneys to analyse the Company's net worth adjustment methods in order to comply with the provisions of art. 153<sup>24</sup> of Companies Law;
  - (ii) it has requested from a reputable third party specialized company a report for the analysis of the extent to which the existing circumstance could be resolved by the reassessment of Company's assets;
  - (iii) it has requested from a reputable third party specialized company to compile a report describing the impact of the undersigned's share capital reduction procedure upon the Company's shareholders, from the point of view of accountancy..
3. Given the above mentioned, only the Company's shareholders have the right to adopt a decision regarding the means of restructuring the net worth in order to represent at least half of the share capital; further the shareholders shall be called for a meeting to make a decision, based on the mandates granted at that moment;
4. Consequently, the Board set forth that, in the following period, it shall call for a new extraordinary general meeting of shareholders for the Company's shareholders' approval of the available options so that the Company's net worth be restructured until December 31, 2017, to a value at least equal to half of the share capital.

**Note:**

***1) During the period, the Company's Articles of Incorporation were not amended.***



**rompetrol**

ExxonMobil  
Group  
Member

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***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.**

\_\_\_\_\_  
Cătălin DUMITRU

**Chief Executive Officer**

\_\_\_\_\_  
Yedil UTEKOV

**Chief Financial Officer**

\_\_\_\_\_  
Vasile-Gabriel MANOLE