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**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2018**

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**Biannual Report of the Board of Directors  
for the first half of 2018**

**Prepared by in accordance with Annex 14 of Regulation no. 5/2018 issued by the Financial Supervisory Authority**

Name of the trade company: **ROMPETROL RAFINARE S.A.**  
Registered office: **215 Năvodari Blvd., 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 2018, 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 2018 by Rompetrol Refining (Petromidia and Vega, as well as the Petrochemical Plant) was approx. 3.08 million tons, of which approx. 2.67 million tons of oil, compared with a level total of 2.43 million tons, of which approx. 1.93 million tons of crude oil, for the first half of the year 2017.

For the full year 2018 the Petromidia Refinery proposed itself to process a quantity of raw material of approximately 5.44 million tons, of which 4.84 million tons of crude oil, Vega oil Refinery approximately 0.38 million tons and the Petrochemical Plant proposed itself to process a quantity of raw material of approximately 0.262 million tons.



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➤ **The objectives of Rompetrol Rafinare investment program for the first half of 2018:**

The investment program of Rompetrol Refinery accomplished in the first semester of 2018 was in the amount of USD 13.06 million, as follows:

I) From the category of **compulsory investments required by environmental and safety regulations**, in the first semester of 2018:

- The project “**Expire authorization ISCIR (State Inspection for Control of Boilers, Pressure Vessels and Lifting Installations) for static equipment Refinery Platform (ISCIR PEM 2018 from 2019)**” started, a project that consists in the reauthorization of pipes and technological units equipment, according to the ISCIR requirements in force; in addition will carry out VTP (Technical Periodic Verification) activities and elaborate technical documentation for the extension of ISCIR due date to equipment due in 2019. The project will be finalized in June, 2019.
- The implementation of the project “**Fire-fighting Water Main Replacement, section A and I**” continued. The project scope is to replace and rehabilitate the fire fighting infrastructure according to the Master Plan for A and I, based on the project design. The project finished in May, 2018.
- The implementation of project “**LPG (Liquefied Petroleum Gas) recovery from DCU (Delayed Coker Unit) gases**” continued. The project goal is to reduce amount of organic sulphurs in the fuel gas before the amine scrubbing. By implementing this project Refinery will comply with environmental regulations - Law 278/2013 Art 21 (4) that is amended by Decision 738/2014 regarding the best available techniques (BAT) under Directive 2010/75 / EU of the European Parliament and of the Council on industrial emissions for the refining of mineral oil and gas that the operators have 4 years (from the publication of BAT decision-2014), to reduce the content of organic sulphur compounds in DCU gas before the amine scrubbing, below 20mg/Nm3 for all furnaces (exception SRU (Sulphur Recovery Unit), FCC (Fluid Catalytic Cracker), FH2 (Hydrogen Plant)) at stacks. Reducing total sulphur in the fuel gas will result in reduction of SO2 content in the stack. The project estimated finish date is April 2019.
- The implementation of project “**Pressurization system upgrading in control rooms at Railcar Loading Point black-white products**” (phase II) continued. The project scope is to replace the existing system of ventilation and pressurization with a modern system of air conditioning, ventilation and pressurization, in accordance with the specific legislation for the two control rooms at Railcar Loading Point,

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black-white products; the system contains elements that ensure a continuous operation in order to eliminate any explosion danger and a suitable working environment for the operating personnel. The project estimated finish date is September, 2018.

**II) In the Development category**, one of mainly project is “**Increase Coker severity by introducing HCGO (Heavy Coker Gasoil) recycle**“. 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 is December, 2018.

- The implementation of the project “**Maximize usage of 185 unit (Amine and Sulphur Recovery Unit) condensate thermal potential**” (phase I) continued. The project objective is to increase Refinery Energy Efficiency Index (EII), reducing EII with 0.29 points, by maximizing usage of condensate from amine unit. The estimated finish date for phase I is December 2018.

**III) In the Capital Maintenance category**, a very important place is **Refinery 2018 Units 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;
- Safety– zero incidents (human accidents or damage to equipment);
- Maximum 20 days shutdown duration
- Achieve a 96.60 % mechanical availability after restarting the plants.

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

- It was finalized the project **„Rehabilitation parking on entry and ADR area (Control ramp) from IPPA (Truck Loading Facilities) – Zone 1”**. The main activity was the execution of platforms with rigid pavement, rainwater collection system according to execution project and related markings for area between waiting area and entry/exit kiosk. This project aims at increasing the quality of customers satisfaction, raising the standards of service offered with impact on image in marketing aspects with and on terminal operating times.
- It was started the project **„Rehabilitation of fuel oil ramp facilities”**. The scope of this project is to rehabilitate the facilities from Fuel oil Ramp in order to have an operable railway fuel oil ramp where will be loaded vacuum residue and diesel for export. This will allow extra 15kt/month of diesel loadings on automated railway ramp and other extra 15kT/month on Railway fuel oil ramp. Main activities are:
  - Rehabilitation of the PSI system from Fuel Oil ramp
  - Rehabilitation of the Sewage system
 The estimated finish date is April 2019.

➤ **The objectives of Rompetrol Rafinare regarding quality, health, labour security and environment (QHSE), set for 2018 are the following:**

- Certification/recertification of:
  - ✓ QHSE Integrated Management System, according ISO&OHSAS standards;
  - ✓ Energy Management System, according ISO 50001 standard
  - ✓ ISCC (International Sustainability & Carbon Certification) Management System in terms of the sustainability requirements of Directive 2009/28 / EC (RED)
- 100% training for QHSE auditors with the reviewed OHSAS requirements and training of internal auditors for the ISO 50001 standard
- Increasing the profitability of the refinery by processing 5.44 million tons of raw materials per year and achieving a white product yield of 85.6%
- Certification/Recertification for fuels, as well as for bitumen and CITOM (grund for protection of buried metal pipes), according to legal and regulatory requirements.
- Exclusive use of sustainable biofuels in fuel production
- Strengthen the polymer market by diversifying the value-added assortment
- Maintain customer satisfaction and increase loyalty through loyalty programs
- “Zero” accidents with fatality and “Zero” professional diseases on Petromidia & Vega Platforms, by obtaining the following values for safety indicators established by KMG



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- 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 2 HAZOP studies
  - Increase the effectiveness of the "1.LIFE" safety project by performing at least 2000 safety audits
  - Improvement of the management system by testing the implementation of the Electronic Permit and extending the LOTO project to the Petromidia platform
  - Environmental Permits revision:
    - ✓ Integrated Environmental Permit and Water Permit for Petromidia site
    - ✓ Integrated Environmental Permit and GES Permit for Vega site
  - Compliance with legal requirements by aligning with BAT-BREF conclusions and REACH Regulation.
  - Improve waste management by reaching targets set for waste disposal
  - Satisfying the expectations of internal and external stakeholders by upgrading the emission dispersion modeling software resulting from the ongoing activity
  - Achieving an energy consumption for BU Refining at the planned level of 3.56 GJ / t throughput
  - Increasing energy efficiency by obtaining a 98.6% energy intensity indicator for the Petromidia refinery and an energy index of 2.59 GJ / t for the Vega Refinery and 16.81 GJ / t for Petrochemicals.

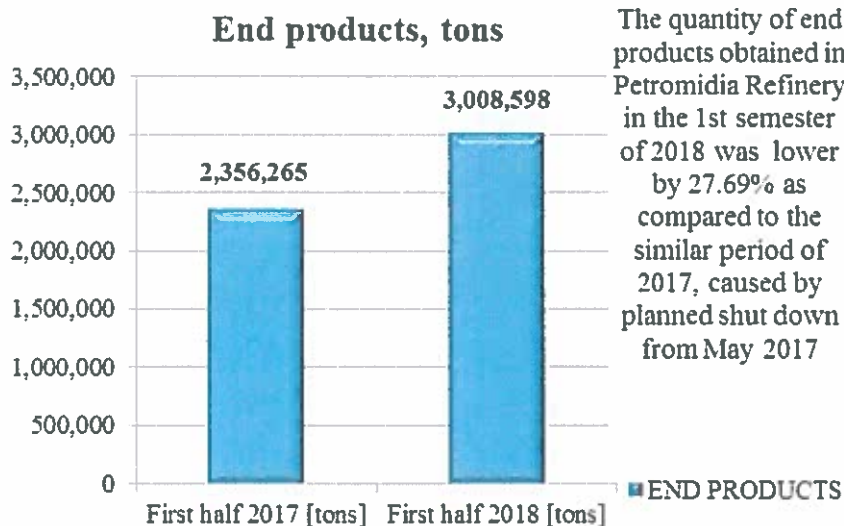
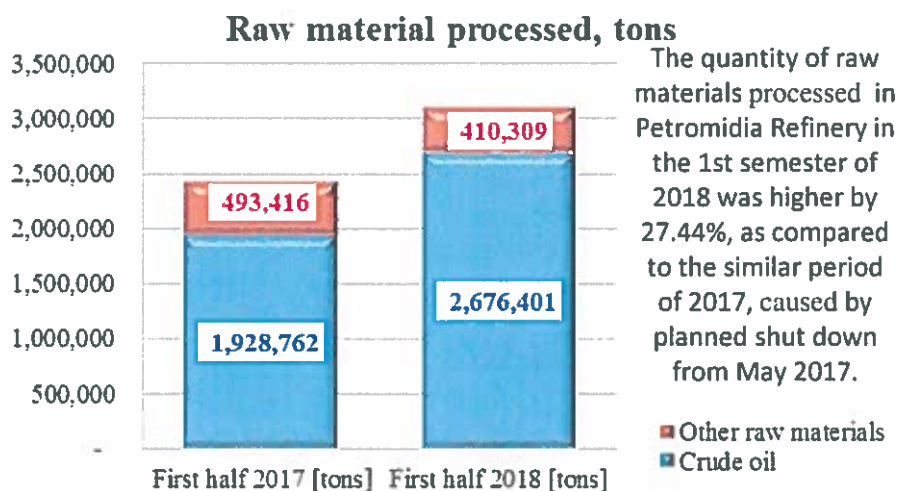


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**PRODUCTION ACTIVITY of Rompetrol Rafinare – Năvodari Work Point  
(Petromidia Refinery)**







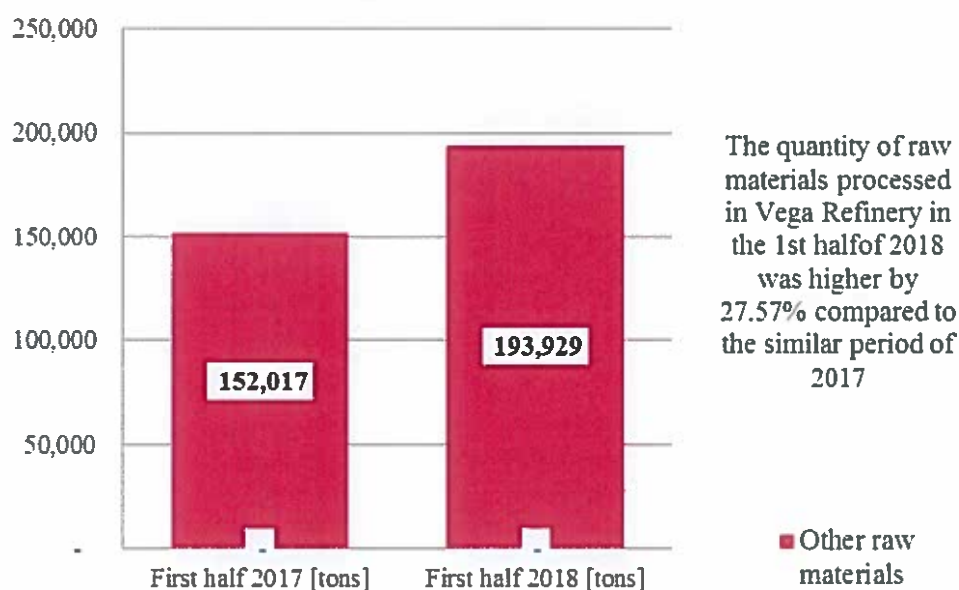
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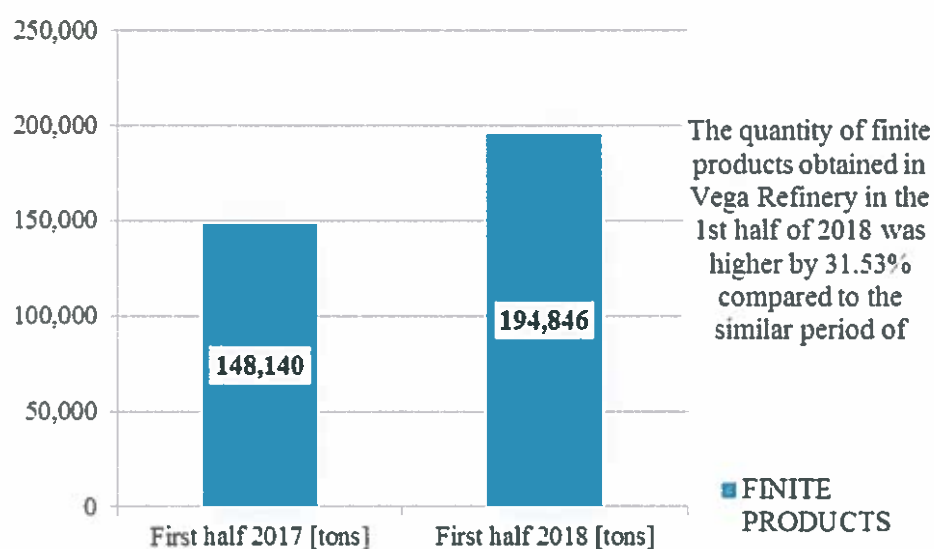
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**PRODUCTION ACTIVITY of Rompetrol Rafinare – Vega Refinery Work Point (located in Ploiesti)**

**Submitted raw materials, tons**



**Finite products, tons**



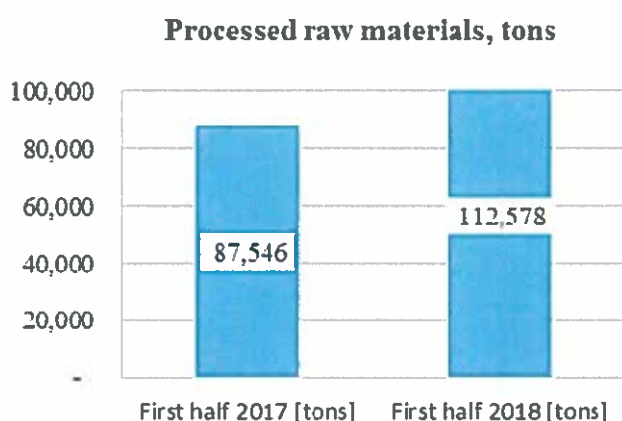


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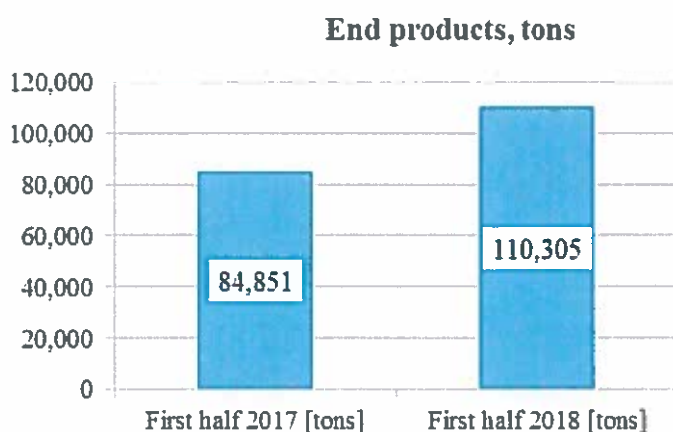
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**PRODUCTION ACTIVITY of Rompetrol Rafinare – Petrochemicals area**



The quantity of raw materials processed in Petrochemicals in the 1<sup>st</sup> semester of 2018 was higher by 28.6 % compared to the similar period of 2017, cause by planned shutdown from May 2017 and restarted of HDPE unit in April 2018

■ Total raw materials



The quantity of end products obtained in Petrochemicals in the 1<sup>st</sup> semester of 2018 was higher by 30 % compared to the similar period of 2017, cause by planned shutdown from May 2017 and restarted of HDPE unit in April 2018

■ Total End Products



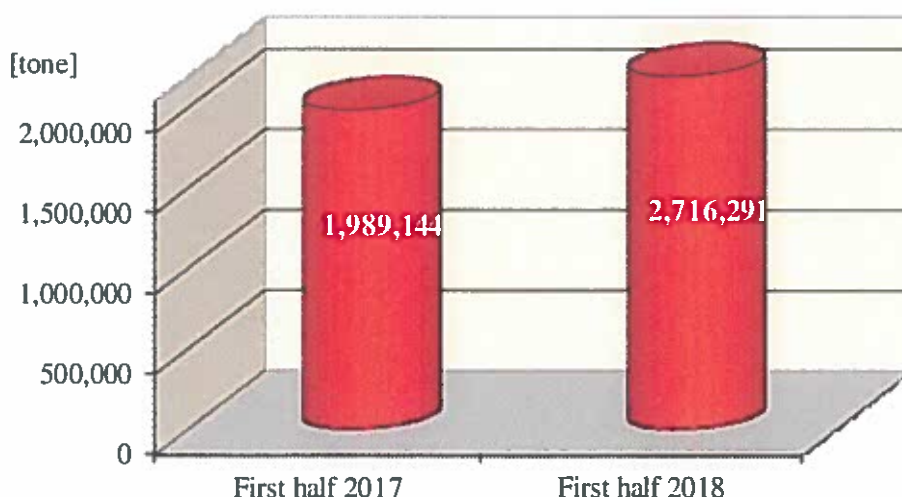
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REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2018****COMMERCIAL ACTIVITY** carried out at Năvodari Work Point  
(Petromidia Refinery) in the 1<sup>st</sup> Half of 2018**A. Feedstock supply**

In the first half of 2018, Rompetrol Rafinare S.A. – Petromidia Refinery purchased crude oil and other feedstock from external and domestic sources, as indicated in the table below:

Feed stock purchases	Quantity (tons)
Crude oil	2,716,291
Other feedstock	327,619
<b>Total external purchases (1+2)</b>	<b>3,043,910</b>
<b>Total internal purchases</b>	<b>50,025</b>

In the first half of 2018, crude oil purchases were higher than the same period of last year.

**Crude purchased first half 2018  
vs first half 2017**





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The supplier of imported feedstock (crude) was KazMunayGas Trading AG.

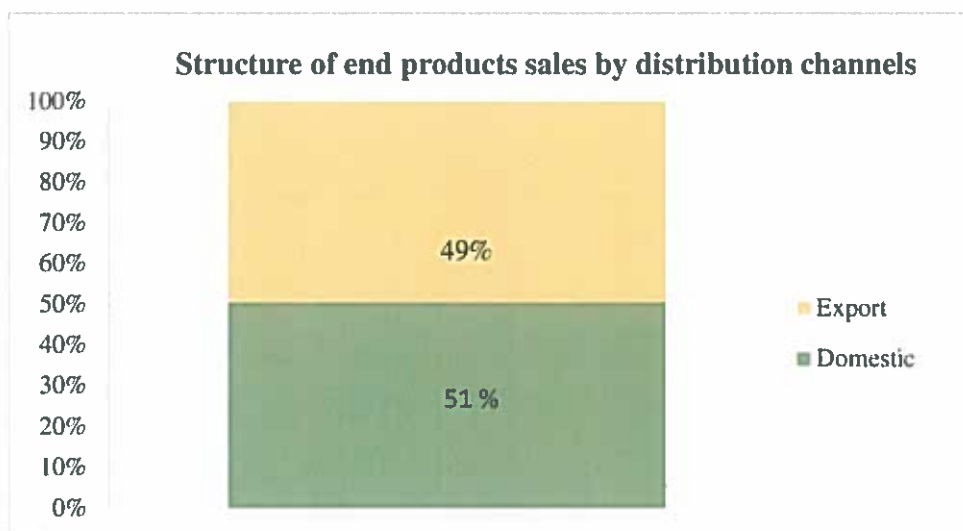
The main internal suppliers of feedstock were:

- OMV Petrom
- Prio Biocombustibil
- Expur S.A.
- Mitsubishi International

## **B. Sales**

The sales in the first half of 2018 amounted to a total of 2,663,845 tons as compared to 2,096,033 tons in the same period in 2017. The net value of end product sales was 1,616,268,633 USD as compared to 978,938,424 USD in the first half of 2017, respectively 6,225,413,215 RON as compared to 4,107,695,419 RON in the first half of 2017. Volumes of sales increased by about 27% in the first half of 2018 as compared to the the same period of 2017.

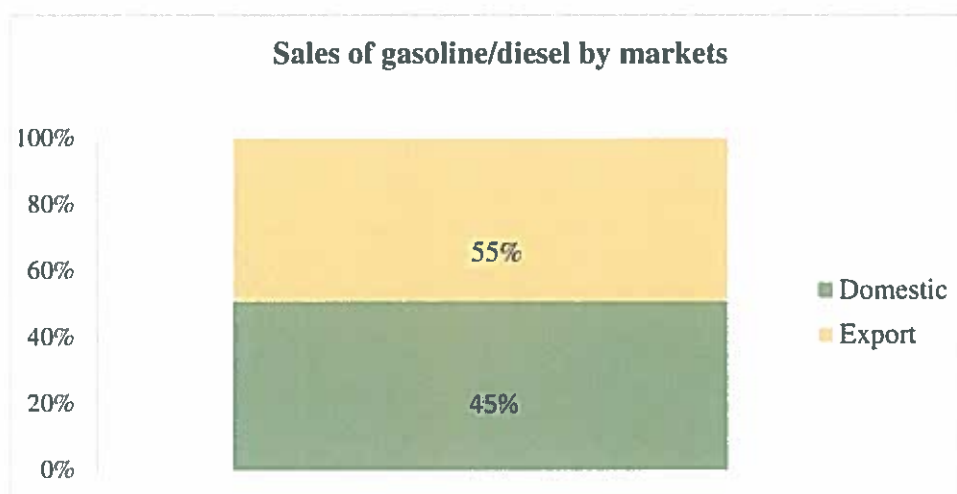
In terms of sales markets, the shares were relatively the same, with a small increase (51%) for the domestic market. On the external markets, sales amounted to a total 1,315,716 tons and a net value of 792,105,817 USD.



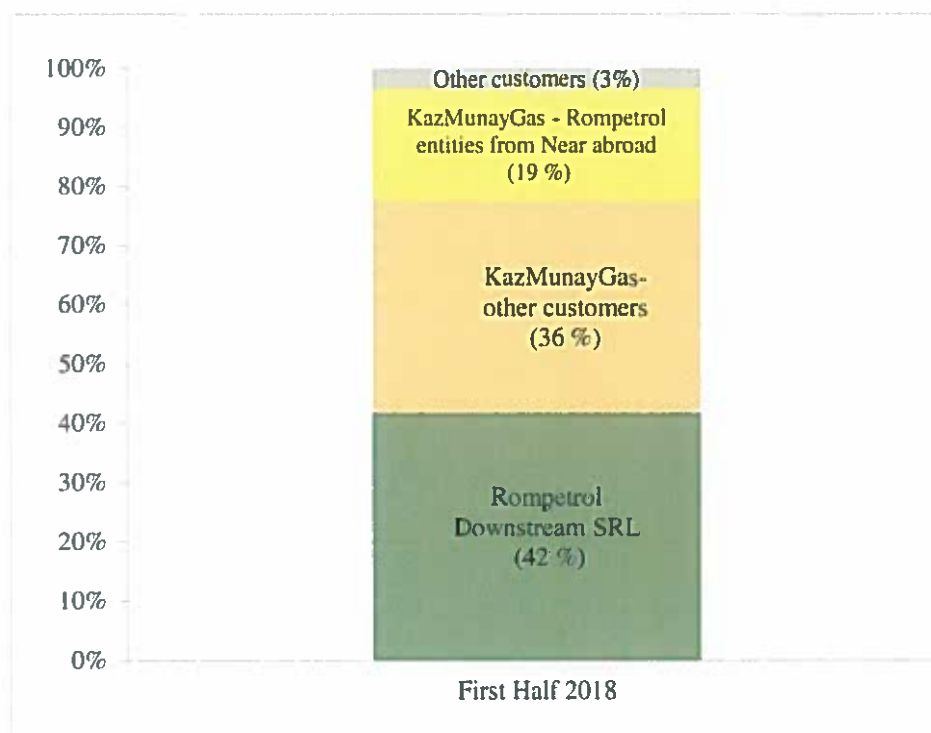
Approximately 80% of the total quantity of end products sold was represented by gasoline and diesel sales (2,138,964 tons). As concerns the distribution channels, the percentage of the sales

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on the external markets was higher than that on the domestic ones (55%). 1,180,160 tons of motor fuels (gasoline and diesel) were sold on external markets.



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.





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### **Gasoline**

Of the total quantity of 720,433 tons of gasoline sold, approx. 78% was sold on the external market, whereas the remaining percentage was sold on the domestic market. Approx. 75% of the total quantity of gasoline was unleaded Europlus gasoline 10 ppm sulphur.

### **Diesel**

Between January and June 2018, 1,418,530 tons of motor diesel was sold, the percentage of domestic sales (56%) exceeding that of external sales.

### **LPG**

A total of 147,690 tons of liquefied petroleum gases was sold to Rompetrol Gas S.R.L..

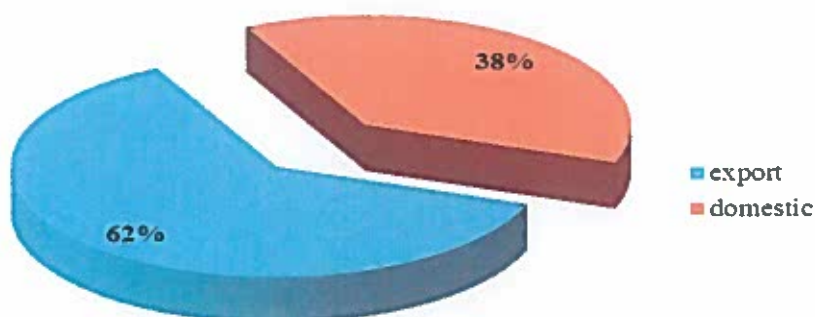
As concerns the other groups of products, the domestic sales were higher than the external ones (jet, petcoke) and lower than the external ones (sulphur).

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

The sales of Vega Refinery in Ploiești in the first half of 2018 amounted to a total of 185,733 tons.

By sales market, the external sales were higher (62%) than the internal ones (38%). 115,225 tons were sold on the external market.

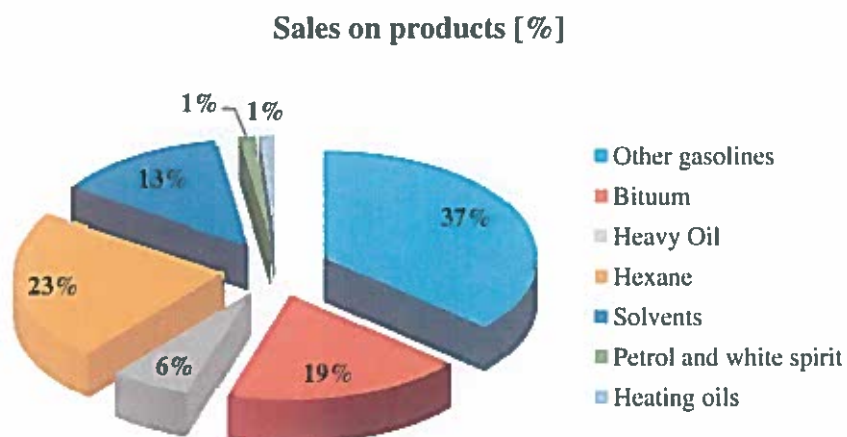
**Sales on distribution markets [%]**



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White product sales (gasoline naphtha, ecologic solvents, n-hexane, white spirit) represented about 74% of the total sales in first half of 2018.



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

## **COMMERCIAL ACTIVITY carried out in Petrochemicals Area**

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

Besides its own products, the Company is now actively selling a wide range of petrochemical products which are not currently produced by the Rompotrol Rafinare – the Petrochemical Plant, but which are in demand on the Romanian market, namely: High density polyethylene variants (HDPE pipe variants), linear low density polyethylene (LLDPE), PVC, PET and PP.

The sales of the Petrochemicals Area in the first half of 2018 amounted to a total quantity of 92,284 tones, up by 31% over the same period of last year.

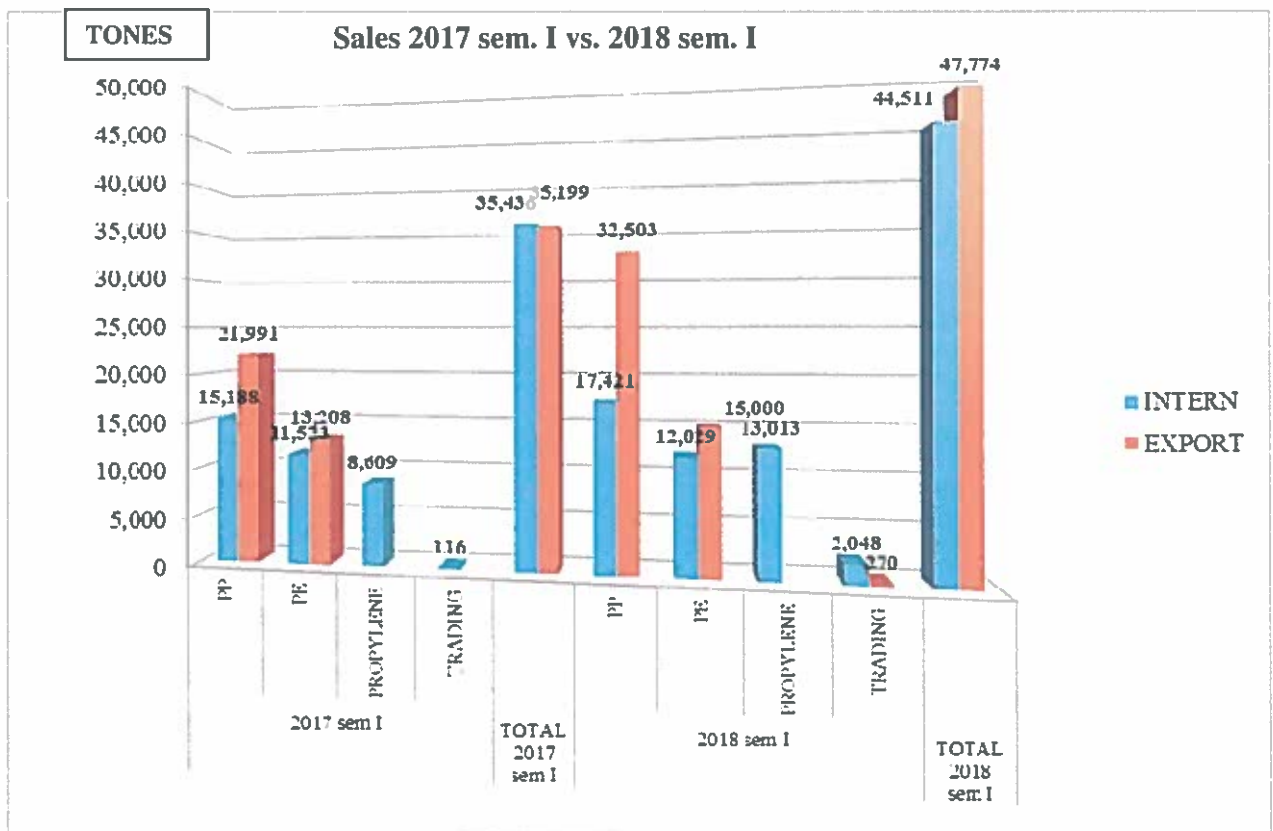
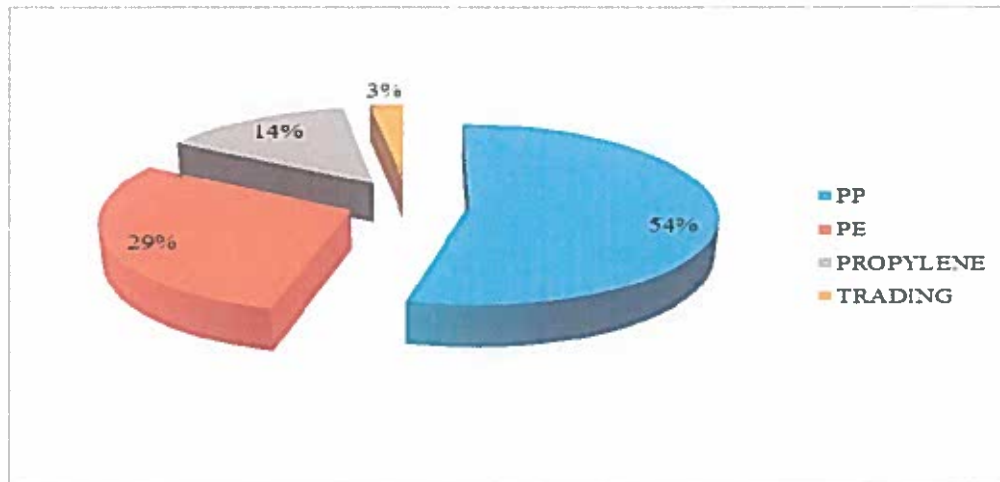


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In the first half of 2018, 54% of the total sales were represented by polypropylene (PP), 29% by polyethylene (PE: LDPE and HDPE) and the remaining 17% represents the sales of propylene and trading activity.





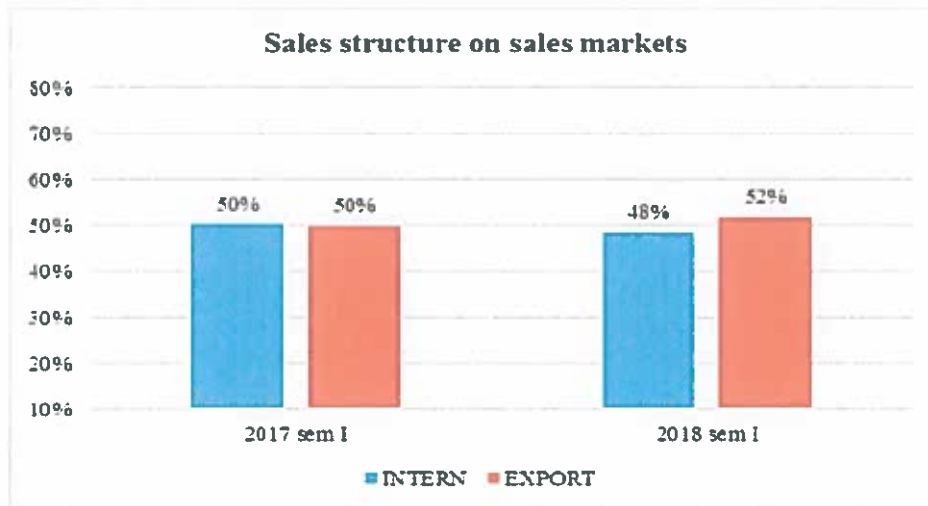


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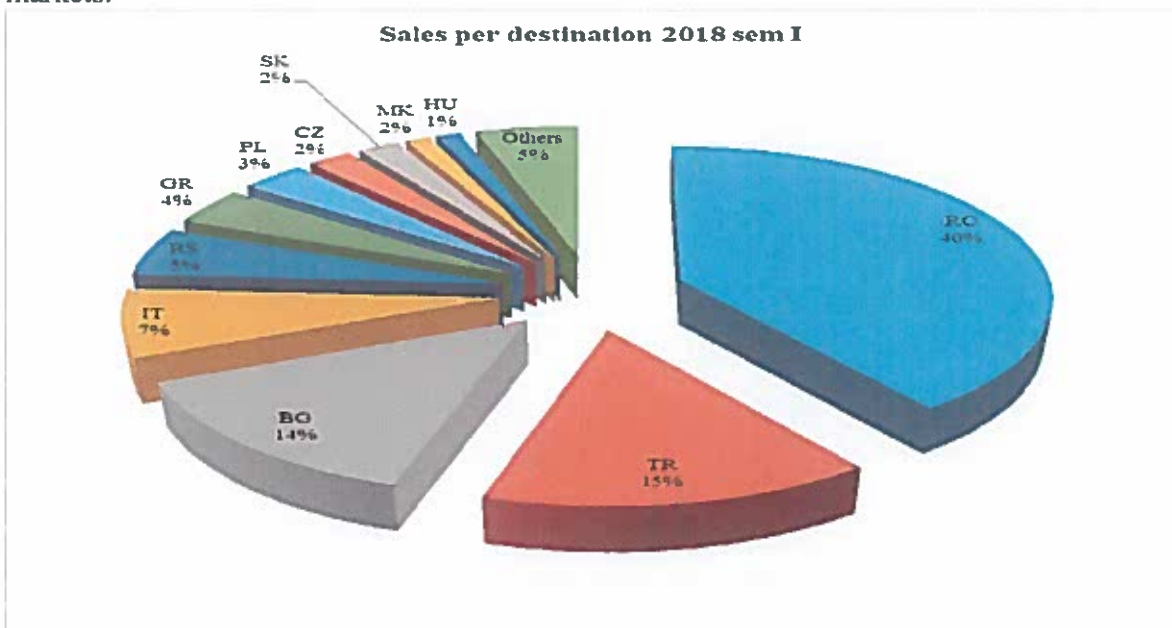
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Out of total sales, 48% is the domestic market and the rest of 52% represents exports.



The most important distribution channels for polymers (PP, LDPE, HDPE, PET and PVC) are Romania, Turkey, Bulgaria, Italy.

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 62% of the total export sales of finished goods, the difference representing the export sales on the non EU markets.



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**IMPORTANT EVENTS - FIRST SEMESTER 2018**

**1. RELATED PARTIES**

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the exercise ended at 30 June 2018, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties (2017: zero). This assessment is performed every year, by analyzing the financial position of the related party and the market in which it is carrying on its activity.

A. At 30 June 2018 and 31 December 2017, Rompetrol Rafinare SA had the following balances with the related parties:

	<u>Receivables and other assets</u>	
	<u>June 30, 2018</u>	<u>December 31, 2017</u>
KazMunayGas Trading AG	586,792,429	658,908,913
Rompetrol Downstream S.R.L.	643,569,438	586,070,373
Rompetrol Petrochemicals S.R.L.	1,667	1,657
KMG International N.V.	5,717,410	3,268,860
Rompetrol Gas SRL	7,898,364	10,047,709
Rompetrol Moldova ICS	29,777,615	-
Rompetrol Bulgaria JSC	1,369,141	3,111,148
Rominerv S.R.L.	7,067,015	3,672,459
Rompetrol Quality Control S.R.L.	125,163	129,968
Rompetrol Logistics S.R.L.	1,371	48,853
Midia Marine Terminal S.R.L.	1,270,188	1,040,455
Uzina Termoelectrica Midia S.A.	4,335,418	8,467,191
KMG Rompetrol SRL	2,052,202	7,555,392
Global Security Systems S.A.	606,363	606,637
Kazmunaygas – Engineering LLP (former Rominerv Kazakhstan(RKZ))	673,223	654,422
Rompetrol Energy S.A.	601	-
Palplast S.A.	5,051,334	5,340,002
Byron Shipping Ltd.	3,383	3,924
Rompetrol Ukraina	15,159	14,736
Oilfield Exploration Business Solutions S.A.	6,661,808	1,932,419
Rompetrol Financial Group SRL	10,394	10,340
KMG Rompetrol Services Center SRL	51,387	50,516
TRG Petrol Ticaret Anonim Sirketi	23,807,084	10,521,367
<b>Total</b>	<b>1,326,858,157</b>	<b>1,301,457,341</b>

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	<b>Payables, loans and other liabilities</b>	
	<b>June 30, 2018</b>	<b>December 31, 2017</b>
KazMunayGas Trading AG	2,789,184,223	2,784,983,327
Rompetrol Downstream S.R.L.	59,203,437	43,115,612
Rompetrol Petrochemicals S.R.L.	7,691,309	7,685,137
KMG International N.V.- loans(note12)	377,274,587	494,663,734
KMG International N.V.-interest	1,612,000	1,830,480
KMG International N.V.-trade debts	14,077,815	13,976,078
Rompetrol Gas SRL	2,695,553	2,744,523
Rompetrol Moldova ICS	16,907,483	14,231,107
Rominerv S.R.L.	79,849,881	121,931,041
Rompetrol Quality Control S.R.L.	9,712,992	17,245,271
Rompetrol Logistics S.R.L.	393,084	905,223
Midia Marine Terminal S.R.L.- loans(note12)	27,211,100	27,211,100
Midia Marine Terminal S.R.L.-interest	5,773,192	4,896,117
Midia Marine Terminal S.R.L.-trade debts	158,516,108	142,234,826
Rompetrol Well Services S.A. - loans (note 12)	34,300,000	34,300,000
Uzina Termoelectrica Midia S.A.	11,550,751	14,154,735
KMG Rompetrol SRL- debt cash pooling	414,910,501	410,707,468
KMG Rompetrol SRL-interest cash pooling	3,410,162	1,328,165
KMG Rompetrol SRL-trade debts	13,859,796	32,002,902
Global Security Systems S.A.	617,957	1,406,484
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note12)	115,000,000	115,000,000
Rompetrol Financial Group SRL-interest	6,275,822	5,239,886
KMG Rompetrol Services Center SRL	1,841,693	1,407,558
TRG Petrol Ticaret Anonim Sirketi	1,837	565
<b>Total</b>	<b>4,151,871,349</b>	<b>4,293,201,405</b>

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "Coordinating company" and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2018.

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B. In the first semester of 2018, respectively in the first semester of 2017, Rompetrol Rafinare had the following transactions with the related parties:

Name of related party	Nature of transaction , sales / purchases	Sales		Purchases	
		S1 2018	S1 2017	S1 2018	S1 2017
KazMunayGas Trading AG	Raw materials / Petroleum products	2,497,575,231	1,377,375,403	5,840,991,217	3,840,751,816
Rompetrol Downstream S.R.L.	Petroleum products, rent, utilities and other	2,369,567,394	1,775,110,705	1,262,880	1,257,165
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	8,377	8,169	-	-
KMG International N.V.	Loan interest, management services	-	-	12,795,174	16,757,645
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	238,074,021	150,873,327	263,566	9,418
Rompetrol Moldova ICS	Sales intermediary services	401,987,891	327,203,689	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	18,605,458	34,885,944	-	462,673
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	1,226,051	1,303,640	111,013,303	154,105,170
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	660,063	692,062	11,654,692	12,593,978
Rompetrol Logistics S.R.L.	Transport, rent/Rent, utilities	6,898	6,130	82,162	77,597
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, re invoicing, loan interest ,others	1,003,884	721,253	40,491,737	35,175,190
Rompetrol Well Services S.A.	Loan interest	-	-	906,140	665,478
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	35,771,819	33,619,832	62,813,692	54,715,596
KMG Rompetrol S.R.L.	Loan interest, management services	3,010,574	18,312,146	57,804,727	50,015,866
Global Security Systems S.A.	Security and protection services	692	750	5,309,493	4,834,958
Byron Shipping S.R.L.	Demurrage /Rent, re invoices of other services	19,013	18,836	2,828	2,828
Rompetrol Financial Group SRL	Loan interest	-	-	3,035,936	2,229,435
KMG Rompetrol Services Center SRL	Shared services	249,040	269,318	7,786,983	7,896,474
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	61,608,315	32,975,712	-	-
		<b>5,629,418,210</b>	<b>3,753,376,916</b>	<b>6,156,218,531</b>	<b>4,181,551,288</b>

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, based on a

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Government Ordinance, the Ministry of Economy Trade and Business Environment ("MECMA") became shareholder until May 2013 when, following the reorganization of MECMA, the Ministry of Economy ("ME") became the new shareholder. The ministry was later renamed as Ministry of Energy, Small- and Medium-sized Enterprises and Business Environment. Its current name is Ministry of Energy.

As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. There are no transactions, balance sheets at the year-end in relation with MFPR, MECMA, ME and other Romanian authorities during the time of their affiliation, other than those arising from Romanian fiscal and legislation requirements.

As for the purchases in the relationship with affiliated parties amounting to RON 6,156,218,531 registered in the first half of the year 2018 compared to RON 4,181,551,288 in the first half of 2017, their major increase is mainly due to transactions with KazMunayGas Trading AG, the main supplier of crude oil and other raw materials to Rompetrol Rafinare SA. In the context of the increase in crude oil processed by the Company and the increase of crude oil quotations on international markets in the first half of 2018 compared to the same period of 2017, the value of transactions performed with KazMunayGas Trading AG rose nearly 50% in the first six months of 2018 compared to value registered in the same period of 2017.

Regarding the sales in the relationship with affiliated parties amounting to RON 5,629,418,210 registered in the first half of the year 2018 compared to RON 3,753,376,916 in the first half of 2017, their major increase is mainly due to sales of petroleum products. A significant increase in the quantity of processed crude oil has generated the increase in production and the quantity of oil products sold. The main clients of Rompetrol Rafinare S.A. are represented by KazMunayGas Trading AG, Rompetrol Downstream S.R.L, Rompetrol Gas SRL and Rompetrol Moldova ICS. Thus, in the first 6 months of 2018, compared to the same period of 2017, the Company recorded total sales of oil products with the aforementioned affiliates of about 50% higher. The value of transactions was also significantly influenced by the increase in oil prices on international markets in the first 6 months of 2018.

## **2. LEGAL MATTERS**

### **Litigation with the State involving criminal charges**

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former shareholders directors, managers and external censors of Rompetrol Rafinare S.A. ("RRC") and other individuals; these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized

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judicial expertise), currently undergoing the criminal prosecution phase. At the present date, only one of the former director of the Company who is involved in the investigation, still works for KMG International Group („KMGI”).

The charges brought against the defendants upon the initiation of the criminal investigations were:

- a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Parent;
- b) unlawful statement of excises and other debts to the state budget;
- c) incorrect keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
- d) adoption of GEO no. 118/2003.

Considering the above-mentioned charges, a freezing order were issued by DIICOT and received on 9-10 May 2016 (the “Orders”), whereby it was decided to impose a seizure (freezing of the assets) on the movable and immovable assets of KMG International N.V., Rompetrol Rafinare SA and Oilfield Exploration Business Solutions SA („OEBS” - former Rompetrol SA) as well as over the shares these companies held in their Romanian subsidiaries.

The freezing of the assets does not impact the inventories, receivables and the bank account of Rompetrol Rafinare SA and this allows to the company to continue normally the day by day operations.

The companies submitted the challenges against the Orders within 3 days (namely on 12 and 13 of May 2016).

After two hearings in front of the Constanta Court, the case was assigned to be settled by the High Court of Justice and Cassation, who rejected in full the challenging submitted by Group’s subsidiaries on June 17, 2016.

Meanwhile, the companies also challenged on May 30, 2016 the Orders to the superior prosecutor. The submission was rejected in December 2016.

Considering the nature of the allegations submitted by DIICOT, the KMGI companies applied for a motion of disjoining (*cerere de disjungere* in Romanian) in order to have two different cases which shall settle the allegations for RRC’ privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by RRC (OUG 118/2003). No reply received yet from DIICOT on this topic.

Since the KMGI companies had no capacity in the file till 2016 and it seems the entire process (with minor exceptions) of gathering the evidences by DIICOT have been performed before



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May 2016, the Companies submitted on April 7, 2017 their own application for, on the one hand, evidences to be attached to the file in order to defend and on the other hand to be redone some evidences (such as expertise report) performed before 2016. No reply received yet from DIICOT on this topic.

On April 12, 2017, the companies submitted also their application by which they asked the dismissals of the allegations regarding the OUG 248/200 (regarding the privatization of RRC) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which the Court settled that the legislative process, as well as the aspects regarding the opportunity and/or lawfulness of a deed issued either by the Parliament and Government cannot be subject of a criminal inquiry and the Constitution provides other leverages assigned to other public authorities to control such kind of things. No reply received yet from DIICOT on this topic.

On May 10 and June 28, 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC privatization and post-privatization period, privatization of Vega refinery and the issuance of bonds (OUG 118/2003), intra-companies transactions and budgetary taxes and duties.

On July 17, 2017 DIICOT issued an Ordinance which generally keeps the approach of the Orders issued in 2016 but let the civil parties namely, Ministry of Energy and Ministry of Finance, to provide the figures for the alleged damage they incurred as well as the evidences for supporting any alleged damage. The only alleged damage party which requested the alleged damage is Faber Invest & Trade, by its legal representative, for an amount of USD 96.6 million.

A statement of defence against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.

On April 12, 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated July 17, 2017, September 18, 2017 and December 6, 2017 issued by the in-charge prosecutor of the file by which it was an extension of the inquiry to various individuals and/or some of the criminal offences have been approached in a worse manner for some of the defendants. Considering that those 3 ordinances cancelled have as background the April 2016 Ordinance issued by in-charge prosecutor by which the freezing orders were imposed over the assets of KMGI, the Group companies KMG International N.V., RRC, OEBS have submitted on April 20, 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the seizure. On May 22, 2018 the Court rejected again the challenges submitted. An appeal against this court resolution was submitted to assess from constitutional point of view if a legal provision based on which the challenges were rejected match with the Constitution principles. The first hearing of the appeal was scheduled for October 8, 2018.

A similar challenge against the freezing orders will be submitted to DIICOT to be settled either by the new prosecutor in-charge with the file or by the superior.

On July 22, 2016 National Company KazMunayGas („NC KMG”) and KMGI submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the



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Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty.

The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. Should a settlement between KMG and Romania fail to be reached, the case will be referred to and settled by the International Centre for Settlement of Investment Disputes under World Bank, headquartered in Washington, D.C or to the Arbitration Institute of the Stockholm Chamber of Commerce, in line with the provisions of the treaties and with KMG companies' envisaged reliefs and measures to be obtained.



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**1. The economic and financial situation**

The turnover registered as of June 30, 2018 amounts to RON 7,042,049,375, as compared to RON 4,729,016,743, reached in the first semester of 2017 (rising by 49%), under the conditions of processing a larger quantity of crude oil and other raw materials (also larger quantities of Production and major sales) than in the first semester of 2017 (approx. 27% more) at the level of the Petromidia refinery and the increase of quotations on the international markets of petroleum products sold compared to year 2017. The operational activity of the first semester of the year 2017 was affected by the planned shutdown of the refinery.

**In the 1st semester of 2018, the company registered an operational profit of RON 130,268,291, compared with the first semester of 2017 when recorded a loss of RON 20,856,943.**

In the first semester of 2018, the company recorded a net loss in the amount of RON 61,687,886, compared with the similar period of 2017 when Rompetrol Rafinare S.A. registered a net profit of RON 171,150,855. The net negative result of the first semester 2018 was significantly influenced by the unfavourable exchange rate differences.

During the semester I 2018 the financial expenses have exceeded the financial revenue, finally obtaining a loss of financial activity in the amount of RON 191,956,177 (the major impact coming from unfavourable exchange rates differences).

The financial indicators registered as of June 30, 2018 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 2018, the Company's non-current assets amount to RON 5,383,628,574, slightly lower as compared to December 31, 2017.

As of June 30<sup>th</sup>, 2017, current assets are in amount of RON 2,685,165,784, registering an increase of approximately 3% more than the level at the end of 2017.

This is mainly due to the increase in value of the receivables (from RON 1,577,627,271 on 31.12.2017, to RON 1,675,939,234 at June 30, 2018).

The liabilities payable in a period of 1 year decreased from a value of RON 5,131,964,148 in 31.12.2017 to RON 4,647,972,432 on June 30, 2018 (approximately 9%). This decrease is mainly due to the reclassification of the short-term loan in the long-term loan of the balance relating to the use of the Syndicated Loan, given that at June 30, 2018 the term calculated until maturity (23 April 2021) is more than 1 Year.

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	<u>June 30th , 2018</u>	<u>December 31st, 2017</u>
Intangible assets	13,159,300	14,618,988
Goodwill	152,720	152,720
Property, plant and equipment	3,584,335,022	3,680,205,350
Financial assets	1,629,020,055	1,629,020,055
Deferred tax asset	156,961,477	156,961,477
<b>Total non current assets</b>	<b>5,383,628,574</b>	<b>5,480,958,590</b>
Inventories, net	982,988,880	1,014,258,927
Receivables and prepayments, net	1,675,939,234	1,577,627,271
Derivative Financial Instruments	-	-
Cash and cash equivalents	26,237,670	22,863,280
<b>Total current assets</b>	<b>2,685,165,784</b>	<b>2,614,749,478</b>
<b>TOTAL ASSETS</b>	<b>8,068,794,358</b>	<b>8,095,708,068</b>
Subscribed share capital	4,410,920,573	4,410,920,573
Share premium	232,637,107	232,637,107
Revaluation reserves	580,594,860	600,663,192
Other reserves	3,412,301,949	3,424,144,892
Accumulated losses	(6,069,175,573)	(6,507,244,042)
Current year result	(61,687,886)	418,336,728
<b>Total equity</b>	<b>2,505,591,030</b>	<b>2,579,458,450</b>
Hybrid loan	57,155,251	57,155,251
Long-term borrowings from banks	544,599,664	-
Provisions	313,475,981	327,130,219
<b>Total non-current liabilities</b>	<b>915,230,896</b>	<b>384,285,470</b>
Trade and other payables	3,933,842,572	3,981,167,078
Short-term borrowings from affiliates	567,446,701	683,141,317
Short-term borrowings from banks	134,156,061	467,139,993
<b>Total current liabilities</b>	<b>4,647,972,432</b>	<b>5,131,964,148</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,068,794,358</b>	<b>8,095,708,068</b>

On June 30, 2018, the equity level (net asset) recorded a slight decrease from the value recorded at december 31, 2017 due to the net loss recorded in the first half of the year 2018. In same time, at June 30, 2018, the value of equity (net assets) was greater than half of the value of the social capital.

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	<u>January - June</u> <u>2018</u>	<u>January - June</u> <u>2017</u>
<b>Net revenues</b>	<b>7,042,049,375</b>	<b>4,729,016,743</b>
Gross revenues from the sale of finished oil products	9,073,642,867	6,248,530,571
Revenues from other merchandise sales	11,989,117	7,073,624
Revenues from utilities sold	4,411,695	4,080,025
Revenues from the sale other products	300,321	761,882
Revenues from rents and other services	6,696,280	7,084,350
<b>Gross Revenues</b>	<b>9,097,040,280</b>	<b>6,267,530,452</b>
Less sales taxes	(2,054,990,905)	(1,538,513,709)
<b>Total</b>	<b><u>7,042,049,375</u></b>	<b><u>4,729,016,743</u></b>
<b>Cost of Sales</b>	<b>(6,753,284,460)</b>	<b>(4,589,342,718)</b>
out of which		
Crude oil and other raw materials	6,318,058,378	4,202,246,667
Utilities	204,062,085	162,530,968
<b>Gross profit/(loss)</b>	<b>288,764,915</b>	<b>139,674,025</b>
Selling, general and administrative expenses	(148,336,813)	(135,456,052)
Other operating expenses	(33,252,613)	(28,013,754)
Other operating income	23,092,802	2,938,838
<b>Operating profit/ (loss)</b>	<b><u>130,268,291</u></b>	<b><u>(20,856,943)</u></b>
Financial expenses	(78,522,932)	(83,461,563)
Financial revenues	6,355,816	38,090,988
Net foreign exchange gains / (losses)	(119,789,061)	237,378,373
<b>Profit before income tax</b>	<b><u>(61,687,886)</u></b>	<b><u>171,150,855</u></b>
Deferred tax	-	-
<b>Net Profit/(Loss)</b>	<b><u>(61,687,886)</u></b>	<b><u>171,150,855</u></b>



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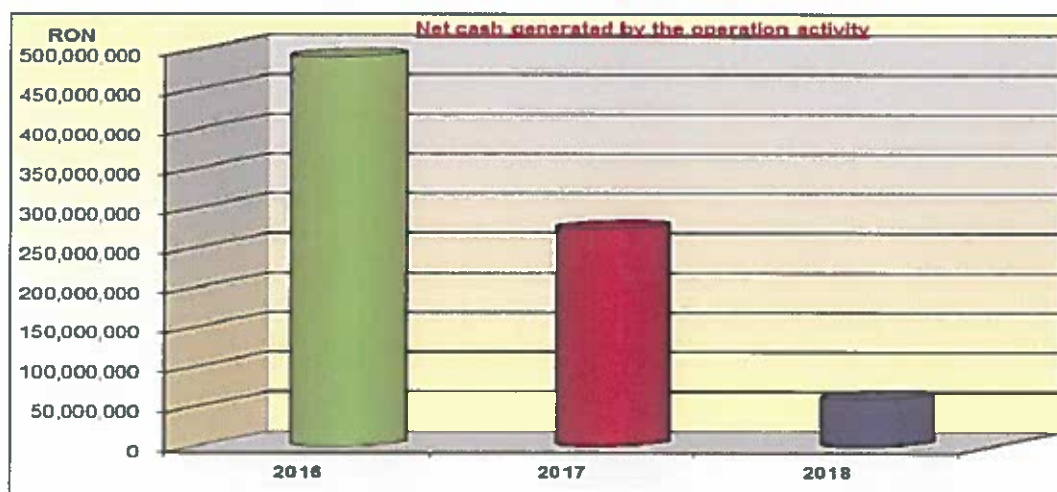
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**c) cash flow: all the changes occurred at the cash level within the basic business, financial investments and operations, the cash level at the beginning and at the end of the period**

In 2018, 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 decrease of inventories and of trade payables. At the end of the first semester of 2018, the Brent quote of crude oil has reached USD 77.9/barrel, as compared to the end of the first semester of 2017 when it amounted to USD 47.39/barrel.



In the first semester of 2018 Rompetrol Rafinare SA continued implementing new technologies allowing processing of various types of crude and obtaining new products at the quality imposed by the European standards, as well as the increase yield in white products. A permanent concern was the aligning with the requirements of the European Union and compliance with the requirements of the EU Directives regarding the promotion and use of bio-fuels and of the environment regulations in force, especially aiming to reduce the emissions of nitric oxides, volatile organic compounds and carbon dioxide and of depositing dangerous waste.

Major investment projects from the first semester of 2018 concerned the authorisation/reauthorization of equipment from ISCIR point of view, the restarting of the HDPE plant, the rehabilitation of tanks, the replacement of catalysts at the HPM installation and planned shutdown of the refineries for the capital maintenance works.

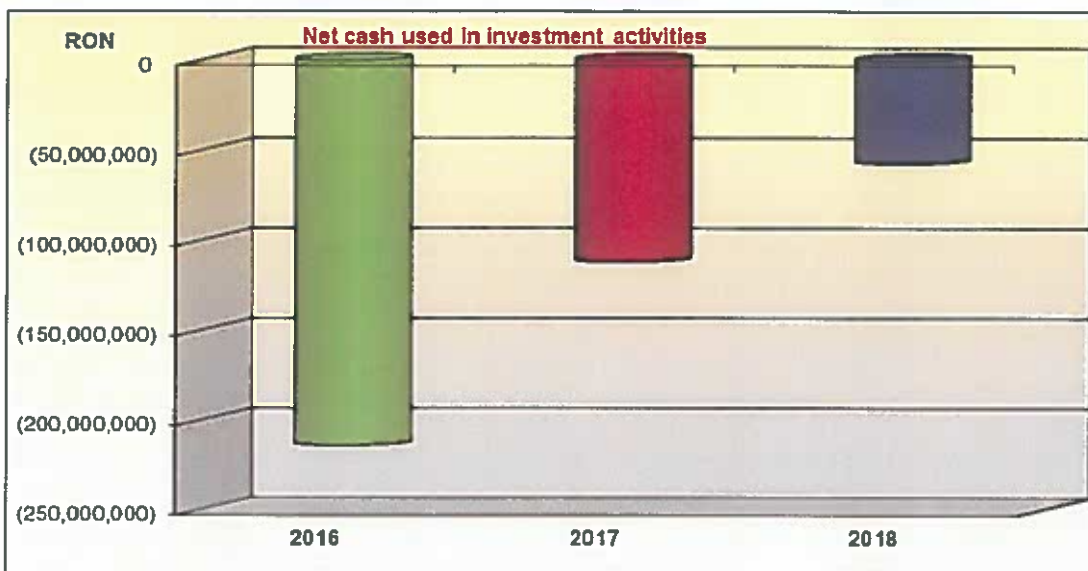




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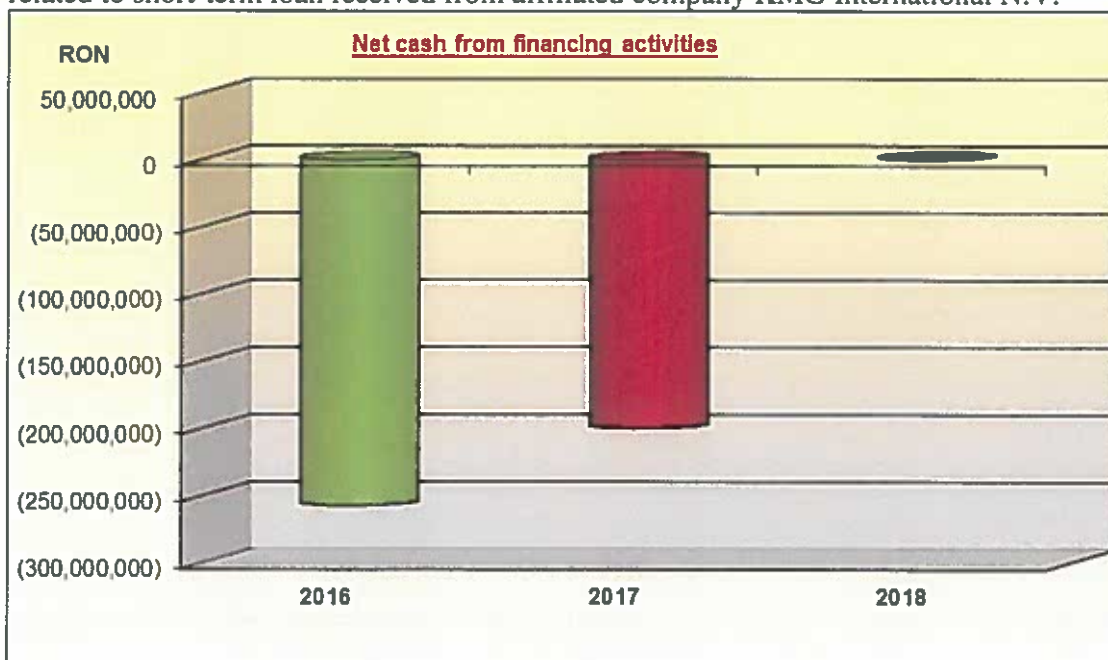
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In the first semester of 2018, the Company has continued to benefit from a cash pooling contract – a system to optimize the cash balances, in order to support both the needs generated by the exploitation and investment activity, as well as from a syndicated 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 and the by the reimbursements made by the Company related to short-term loan received from affiliated company KMG International N.V.



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## 2. Analysis of the company's activity

In the first semester of 2018, the Company has registered a net loss amounting to RON 61,687,886 and, compared with the similar period of 2017, when Rompetrol Rafinare SA registered a net profit amounting to RON 171,150,855. The net negative result registered in the first semester of 2018 was significantly influenced by the unfavourable foreign exchange differences.

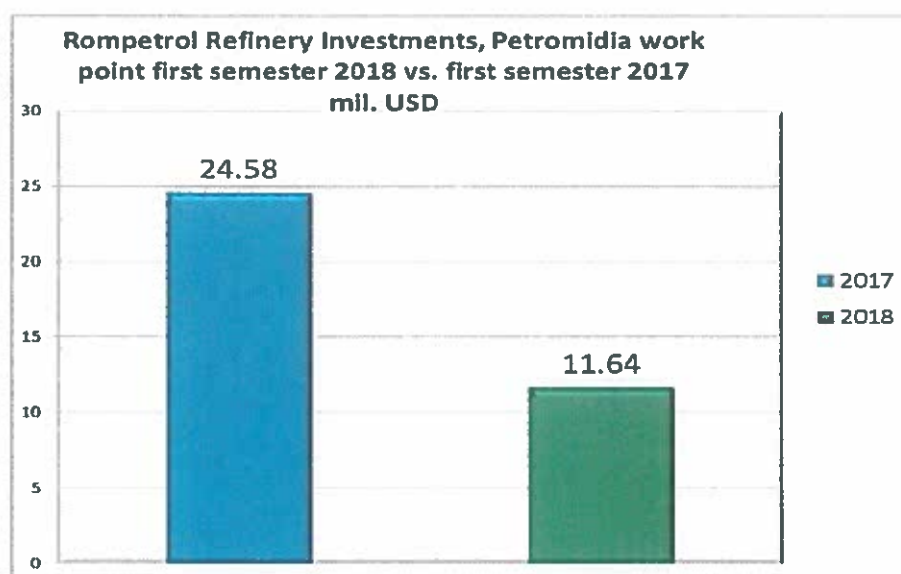
2.1. From the liquidities point of view, the Company has made efforts to maintain the capacity to cover all current liabilities from the current assets, the current ratio registering an improvement as compared to the same period of the prior year, namely of 0.61 in the first semester of 2018 as compared to 0.44 in the first semester of 2017.

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 2018, the company has made investments in a total amount of approx. **USD 13.06 million**.

Out of this amount, **USD 11.64 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 2018 vs. the first half of 2017 for both the Petromidia and VEGA Refineries is shown in the diagrams below:

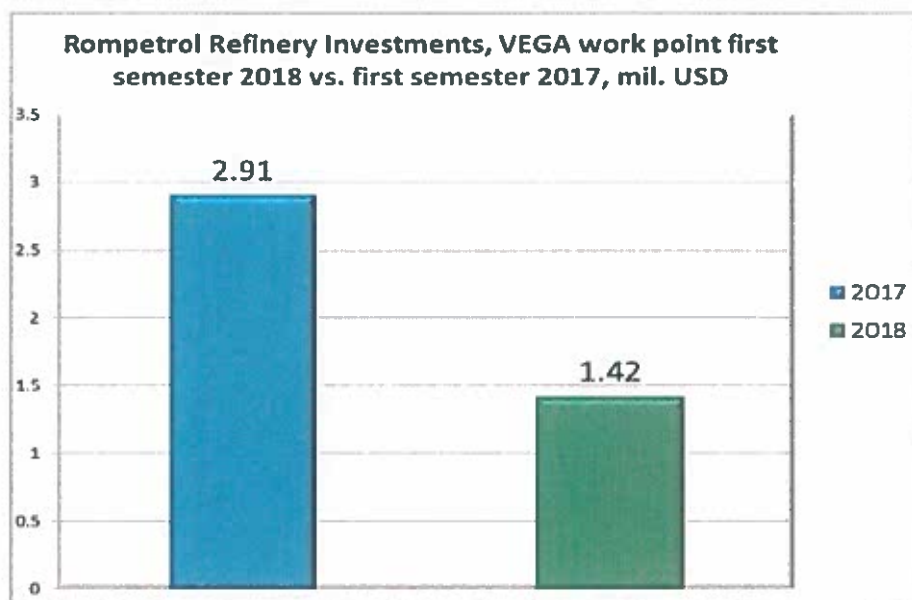




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**2.3.** In the first semester of 2018, the net turnover has increased by 49% as compared to the similar period of the previous year, under the conditions of processing a larger quantity of crude oil and other raw materials (also larger quantities of Production and major sales) than in the first semester of 2017 (approx. 27% more) at the level of the Petromidia refinery and as a result of the increase of the finished products (diesel fuel and gasoline) average sales prices compared to 2017. The operational activity of the first semester of the year 2017 was affected by the planned shutdown of the refinery.

The quantity of processed crude oil in the first semester of 2018 was higher by 748 thousand tons than in the first semester of 2017.

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

**3.1.** During the analysed period, there were no situations in which the company could not meet its financial obligations.

**3.2.** During the analysed period, there were no changes that could influence the Company share capital value.

On June 30, 2018, the Company share capital, as recorded with *Depozitarul Central S.A.* consisted in 44,109,205,726 shares, with a nominal value of Lei 0.10 /share, reaching a total amount of Lei 4,410,920,572.60.

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The synthetic consolidated structure of the shareholders of ROMPETROL RAFINARE S.A., as per the Consolidated Shareholders' Register issued by *Depozitarul Central S.A.* on 30 June 2018 is the following:

<b>SHAREHOLDER</b> (on 30 June 2018)	<b>SHARE NUMBER</b> (on 30 June 2018)	<b>% OF PARTICIPATION TO THE SHARE CAPITAL</b> (on 30 June 2018)
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 entities - each holding less than 10% of the share capital and together reaching:	2,919,970,425	6.6199%
Shareholders - Natural persons - each holding less than 10% of the share capital and together reaching:	251,719,826	0.5707%
<b>TOTAL</b>	<b>44,109,205,726</b>	<b>100%</b>

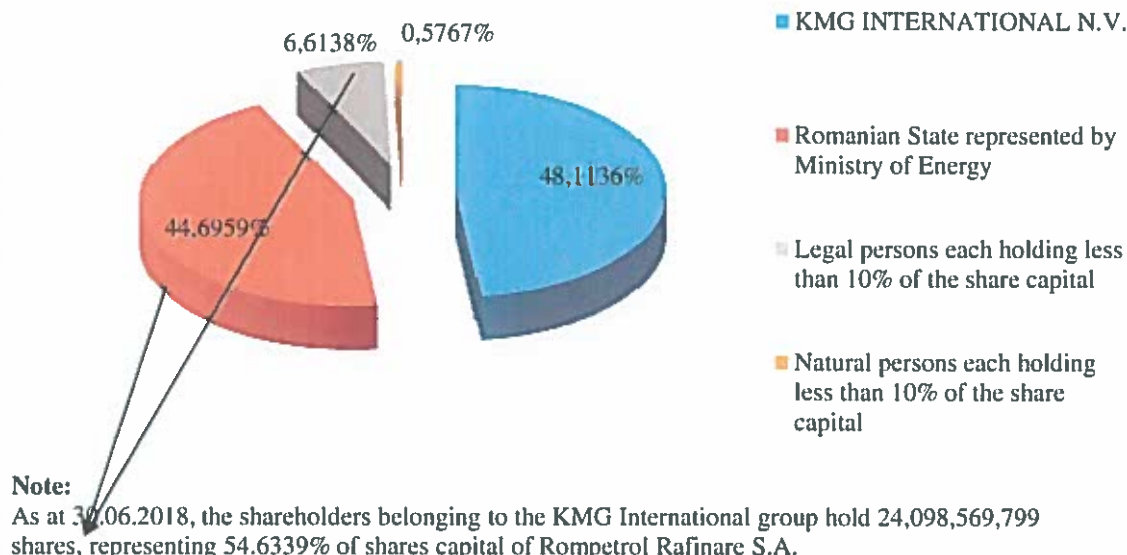


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**The structure consolidated by Depozitarul Central S.A. as at  
30.06.2018**



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

**Directly:**

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

**Indirectly:**

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

Therefore, the holdings of the shareholders of Rompetrol Rafinare S.A. are automatically affecting the companies in which Rompetrol Rafinare has a controlling position, directly or indirectly. Rompetrol Rafinare operates the Petromidia and Vega refineries, Rompetrol Downstream operates the Rompetrol fuel station network and Rom Oil operates the company warehouse network.

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**In relation to the changes in the Company management:****• Changes in the Board of Directors' structure**

- By Resolution no. 1/2018 adopted by the Ordinary General Meeting of Shareholders on 15 January 2018, the discharge of Mr. Marius Mitruș from the position of Member in the Company Board of Directors was approved as from 15 January 2018 and Mrs. Nicoleta Viorica Soisun was elected as Member of the Board of Directors of Rompetrol Rafinare S.A., for a mandate starting with 15 January 2018, until 30 April 2018 (when the mandate of the entire Board of Directors expires)

- By Resolution no. 3/2018 adopted by the Ordinary General Meeting of Shareholders ("OGMS") on 27 April 2018, the election of the whole Board of Directors was approved, consisting in 5 members holding a 4 year-mandate, as from 1 May 2018, as a result of mandate expiry for the Board Members.

During the abovementioned mandate, the Board of Directors will include the following persons:

- Mr. Cătălin Dumitru, a Romanian citizen residing in Bucharest, Romania;
- Mr. Alexey Golovin, a Kazakh citizen residing in Bucharest, Romania;
- Mr. Yedil Utekov, a Kazakh citizen residing in Constanta, Romania;
- Mr. Mihai-Liviu Mihalache, a Romanian citizen residing in Ramnicu Valcea, Romania;
- Mr. Nicolae Bogdan Codruț Stănescu, a Romanian citizen residing in Bucharest, Romania;

By Decision no. 1 adopted by the Board of Directors on 3 May 2018, the election of Mr. Catalin Dumitru as Chairman of the Board of Directors was approved, for a 4 year-mandate, from 1 May 2018 to 30 April 2022.

**The Company Directors, in office as at 30 June 2018 are the following:**

- Mr. Cătălin Dumitru – Chairman of the Board of Directors;
- Mr. Alexey Golovin - Member of the Board of Directors;
- Mr. Yedil Utekov - Member of the Board of Directors;
- Mr. Mihai-Liviu Mihalache - Member of the Board of Directors;
- Mr. Nicolae Bogdan Codruț Stănescu - Member of the Board of Directors;



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**• Establishment of the Audit Committee**

**The Board of Directors of ROMPETROL RAFINARE S.A. approved, on 13 April 2018, the establishment of an Audit Committee, made up of 3 members.**

- Alexey Golovin, Non-Executive Director;
- Independent member who was going to be appointed by the Ordinary General Shareholders' Meeting on 27 (30) April 2018 according to the provisions of art. 65 para (2) of the Audit Law no. 162/2017;
- Independent non-executive director who was to be proposed by the company's significant shareholder, the Romanian State, by means of the Ministry of Energy.

The shareholders attending the Ordinary General Shareholders' Meeting of 27 April 2018 approved the appointing of Mr. Dan Alexandru Iancu as Independent Member in the Audit Committee, for a mandate equal to the mandate of the Board of Directors.

On 3 May 2018, the Board of Directors approved the appointing of Mr. Alexey Golovin as non-executive member of the Audit Committee established by Decision no. 2 of 13 April 2018, for a 4-year mandate, from 1 May 2018 until 30 April 2022.

The same Decision, no. 2 of the Board of Directors of 3 May 2018, approved the appointing of Mr. Nicolae Bogdan Codruț Stănescu as independent non-executive member of the Audit Committee, for a 4-year mandate, from 1 May 2018 until 30 April 2022.

**Therefore, on 30 June 2018, the Audit Committee consisted in the following members:**

- **Mr. Dan Alexandru Iancu**, a financial auditor registered in the Chamber of Financial Auditors of Romania, **acting as independent member of the Audit Committee, elected based on Resolution no. 5 of the OGMS of 27 April 2018**, for a mandate equal to the one of the Board of Directors, i.e. from 1 May 2018 until 30 April 2022;
- **Mr. Alexey Golovin, Non-Executive Director, re-elected by Decision no. 3 adopted by the Board of Directors on 3 May 2018**, for a 4-year mandate, from 1 May 2018 until 30 April 2022.
- **Mr. Nicolae Bogdan Codruț Stănescu, Non-Executive Independent Director, re-elected by Decision no. 3 adopted by the Board of Directors on 3 May 2018**, for a mandate equal to the one of the Board of Directors, i.e. from 1 May 2018 until 30 April 2022.

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**• Changes in the Company Executive Management**

Whereas, by Resolution no. 3/2018 adopted by the Ordinary General Meeting of Shareholders, the election of a new Company Board of Directors was approved, consisting in 5 members with a 4 year-mandate, as from 1 May 2018,

Whereas on 30 April 2018 the mandate of the CEO and that of the Finance Manager expired, as well as the mandate of the Directors who appointed the persons holding these positions,

By Decision no. 2 adopted by the Board of Directors on 3 May 2018, the election of Mr. Yedil Utekov as Chief Executive Officer of the Company was approved, for a mandate which started on 1 May 2018 and is going to expire on 30 April 2022 (along with the mandate of the directors who appointed him).

By the same Decision no. 2 adopted by the Board of Directors on 3 May 2018, the election of Mr. Vasile-Gabriel Manole as Finance Manager of the Company was approved, for a mandate which started on 1 May 2018 and is going to expire on 30 April 2022 (along with the mandate of the directors who appointed him).

According to the provisions of the Company's Articles of Incorporation, the only positions who are delegated the company management under art. 143 of the Companies Law no. 31/1991 are the Chief Executive Officer and the Finance Manager. Any other position as manager within the company (Human Resource Manager, Marketing Manager, Administrative Manager, IT Manager, etc.), regardless of its name, does not imply managing the company.

Therefore, as at 30 June 2018, the two managers who have been entrusted with the company management, in the abovementioned sense, were the following persons:

Name and Forename	Position
Yedil Utekov	Chief Executive Officer
Vasile Gabriel Manole	Finance Manager

The Members of the executive management exercise the functions for a mandate expiring on 30 April 2022 (along with the directors who have appointed them).

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- **Changes in the Company Financial Auditor**

During the analysed period, the Ordinary General Meeting of Shareholders as of 27 April 2018 passed Resolution no. 4/2018, which approved the appointment of ERNST & YOUNG ASSURANCE SERVICES S.R.L. (a Romanian legal entity, with registered office in Bucharest, 15-17 Ion Mihalache Blvd., Bucharest Tower Center, 21<sup>st</sup> floor, Sector 1, registered with the Trade Register Office opened with the Bucharest Court under no. J40/5964/1999, Sole Registration Code 11909783 and authorization no. 77 of 15.08.2001 issued by the Chamber of Financial Auditors or Romania), represented by Mr. LUPEA ALEXANDRU, as Director, a Romanian citizen residing in Bucharest, as **Financial Auditor of the Company for the 2018 financial year, under a one-year audit agreement.**

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

Rompetrol Rafinare reported the legal documents concluded throughout semester I 2018 by the Company, in conformity with art. 82 of Law 24/2017 and art. 144 letter B of A.S.F. (Financial Supervisory Authority) Regulation no. 5/2018, by the current Reports recorded at the Company under no. 2086 of March 2<sup>nd</sup>, 2018, no. 5306 of June 15, 2018, no. 6191 of July 13, 2018 and no. 6590 of July 27, 2018. 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 Board of Directors, in conformity with the legal provisions and dispositions of the Articles of Incorporation, as follows:

- On March 22, 2018, the Board of Directors adopted the Decision no. 7 which, by unanimous votes expressed by the directors, **approved the signing and performance, and as the case may be, ratification by the Company of some addendums and documents in connection with the Loan Facility Contract in the amount of 360,000,000 USD**, governed by the English law, concluded on 23.04.2015 by entities, being members of the KMG International Group and Banca Comercială Română S.A., UniCredit Bank S.A., Raiffeisen Bank S.A., and ING Bank NV through ING Bank NV Amsterdam - Bucharest Branch as arrangers, ancillary and non-ancillary lenders (Banca Comercială Română S.A., UniCredit Bank S.A., Raiffeisen Bank S.A. and ING Bank NV through ING Bank NV Amsterdam - Bucharest Branch all

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together as “Non-Ancillary Lenders” and the “Ancillary Lenders” or the “Lenders”), (ii) Unicredit Bank AG, London Branch, as facility agent of the other Finance Parties (as defined in the Facility Agreement) (the “Facility Agent”) and (iii) UniCredit Bank S.A., as security agent of the Secured Parties (as defined in the Facility Agreement) (the Facility Agreement);

- In connection with the legal acts mentioned above, on 25 June 2018, the Extraordinary General Meeting of Shareholders adopted the Resolution no. 7/2018, by which the following approved:

*in relation to the USD 360,000,000 facility agreement dated 23 April 2015, entered into, among others, by and between, the Company, as non-ancillary borrower, ancillary borrower and guarantor, KMG International (as such term is defined below), as guarantor, Rompetrol Downstream S.R.L., as non-ancillary borrower, ancillary borrower and guarantor, KazMunayGas Trading AG, as non-ancillary borrower and guarantor (the Company, Rompetrol Downstream S.R.L. and KazMunayGas Trading AG are collectively referred to as the **Non-Ancillary Borrowers**), KMG Rompetrol S.R.L., as ancillary borrower and guarantor (the Company, Rompetrol Downstream S.R.L. and KMG Rompetrol S.R.L. are collectively referred to as the **Ancillary Borrowers**) (the Non-Ancillary Borrowers and the Ancillary Borrowers are collectively referred to as the **Obligors**) and Banca Comercială Română S.A., UniCredit Bank S.A., Raiffeisen Bank S.A., ING Bank NV through ING Bank Amsterdam – Bucharest Branch, as lenders (Banca Comercială Română S.A., UniCredit Bank S.A., Raiffeisen Bank S.A., ING Bank NV through ING Bank Amsterdam – Bucharest Branch are collectively referred to as the **Non-Ancillary Lenders** or the **Ancillary Lenders** or the **Lenders**), Unicredit Bank AG, London Branch, as facility agent and UniCredit Bank S.A., as security agent (the **Facility Agreement**), consisting of two tranches, as follows:*

(a) **Facility A:** *a secured committed multicurrency revolving loan facility of up to USD 240,000,000 made available by the Non-Ancillary Lenders, as further detailed in the Facility Agreement; and*

(b) **Facility B:** *a secured uncommitted and discretionary multicurrency revolving loan facility of up to USD 120,000,000 made available by the Ancillary Lenders, as further detailed in the Facility Agreement. Except for the general terms of the Ancillary Facilities (as defined in the Facility Agreement) contained in the Facility Agreement, the other terms and conditions for the granting of the Ancillary Facilities are detailed in separate ancillary documents entered into between each Ancillary Borrower and each Ancillary Lender (collectively, the **Ancillary Documents**)*

**ratification and confirmation of the signing by the Company, as non-ancillary borrower, ancillary borrower and guarantor, of the supplemental agreement entered into on 20 April**

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*2018, to the Facility Agreement between, among others, the Company, KMG International NV, a public limited liability company incorporated under the laws of the Netherlands, having its registered office at Amsterdam, the Netherlands, and its office address at Strawinskylaan 807, Tower A-8, 1077 XX Amsterdam, the Netherlands, and registered with the Commercial Register of the Chamber of Commerce and Industry for Amsterdam under number 24297754 (KMG International) and, among others, the Lenders, UniCredit Bank AG, London Branch, as facility agent and UniCredit Bank S.A., as security agent (the **Supplemental Agreement**), and which includes the form of the Facility Agreement as amended and restated (the **Amended Facility Agreement**) and including the confirmation by the Company under the Supplemental Agreement for the benefit of the Lenders and the other finance parties that the guarantee and indemnity obligations assumed by the Company pursuant to Clause 22 of the Facility Agreement continue in full force and effect on the terms of the Amended Facility Agreement and that the guarantee extends to the obligations of the Obligors (other than KMG International) under the Finance Documents (as such term is defined in the Facility Agreement) (including the Amended Facility Agreement) subject to any limitations set out thereunder; the object of the Supplemental Agreement is to amend and restate the provisions of the Facility Agreement so as to, among others: (i) extend the availability period for both Facility A and Facility B; (ii) amend certain terms and conditions of the Facility Agreement; (iii) extend the termination date from the Facility Agreement for both Facility A and Facility B (the **Termination Extension**).*

*- approved the ratification and confirmation of the signing by the Company of all and any amendments which have been entered into in order to amend the Ancillary Documents, concluded among others, between the Company, as ancillary borrower and each of the Ancillary Borrowers, for the purpose of reflecting the terms and conditions of the Supplemental Agreement and of the amendment letter concluded on 22 March 2018, in relation to the amendment of the Facility Agreement (the **Amendment Letter**) (the **Amendments to the Ancillary Documents**).*

*- approved the ratification and confirmation of the signing of the amendment entered into on 20 April 2018 by and between the Company, as mortgagor, and Lenders and the other finance parties, as mortgagees, to the existing movable mortgage agreement signed on April 23, 2015 (the **Existing Movable Mortgage Agreement**) in order to confirm that the mortgage created under the movable mortgage agreement signed on April 23, 2015 is in full force and the lists of the mortgaged assets are updated (the **Existing Movable Mortgage Agreement Amendment**).*

*- approved the ratification and confirmation of the signing of the new movable mortgage agreement dated 20 April 2018, entered into, among others, the Company, as mortgagor, the Lenders and the other finance parties, as mortgagees, in order to secure any and all amounts*



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*and obligations of each Obligor, as further detailed in the movable mortgage agreement concluded by the Company, other than KMG International, as are now or shall from time to time be owed or due to the Lenders and the other finance parties under the Amended Facility Agreement, the Ancillary Documents (as they may be amended to reflect the terms and conditions of the Amendment Letter and the Supplemental Agreement) or any other finance document resulting out of the Termination Extension, and any other obligations resulting out of the Amendment Letter, the Supplemental Agreement and the Amendments to the Ancillary Documents, and any other obligations resulting out of the Amendment Letter, the Supplemental Agreement and the Amendments to the Ancillary Documents, such as expenses, taxes and any costs incurred as interest costs and fees, the maximum secured amount being 132,600,000 USD over certain movable assets of the company as such assets are described in the movable mortgage agreement under which the Company creates in favour of all the secured lenders a movable mortgage over the following present and future assets: (i) inventories and receivables related to the products of the Vega refinery (working point of the Company) and related to the petrochemicals business of the Company, (ii) debts booked in accounting, receivables or other type of debts that can be due or payable to the Company by any third party arising from any commercial contracts concluded by the Company with its customers and any other contracts concluded by the Company in relation to the Company's business and based on which it can arise any right of the Company to ask and collect any amounts in exchange of the provided goods and services, (iii) bank accounts of the Company opened at any of the Lenders in Romania and any amounts of money with which these bank accounts can be credited or which can exist at any moment in time as cash balance, (iv) insurance policies or insurance contracts and all the replacing or renewed insurance policies, governed by the Romanian law delivered or which can be delivered to the Company in respect of any of its assets or properties in connection with any of its assets and properties which are or will from time to time be subject to the Transaction Security (as such term is defined in the Facility Agreement) and any rights, benefits and revenues that can arise from these, including any receivables, whatsoever nature and reimbursements of the insurance premiums, revenues, rights to ask and to collect payments, benefits of any type, and (v) any revenues, proceeds, properties and any products realised or arising from the utilization of the properties mentioned above at points (i)-(iv), as further detailed in the movable mortgage agreement concluded by the Company (the New Movable Mortgage Agreement).*

**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.





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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.

This new procedural deed does not affect the daily actiity 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 apects 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.

**Note:**

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

***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

**General Manager**

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Yedil UTEKOV



**Financial Manager**

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Vasile-Gabriel MANOLE