



ANNUAL REPORT 2018

OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2018

Company ROMPETROL RAFINARE S.A.

Registered office: 215 Năvodari Blvd.,
Administrative Pavilion,
Năvodari, Constanța county

Nr. Telephone/Facsimile No.: +(40) 241 506100
+(40) 241 506930

Tax Identification Number at the Trade

Register Office by the Law Court of Constanța: 1860712

Registered with the Trade Register under No.: J13/534/1991

The shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the BUCHAREST STOCK EXCHANGE¹

Subscribed and paid-in share capital: 4,410,920,572.60 lei

The main characteristics of the securities issued by Rompetrol Rafinare S.A.:

- **Dematerialized nominal common shares, the record of which is held by the Depozitarul Central S.A. Bucharest**
 - **Total number of shares:** 44,109,205,726
 - **Nominal value:** 0.10 lei
 - **Symbol of shares at the Bucharest Stock Exchange:** RRC

¹Starting 5th of January 2015 the shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the Bucharest Stock Exchange (Bursa de Valori București - "BVB"). Up to this date they have been traded within category II of BVB.



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REMARKABLE OPERATIONAL PERFORMANCE IN 2018, IN A VOLATILE MARKET ENVIRONMENT

Rompetrol Rafinare managed to achieve remarkable operational results in 2018, with 22 records reached in one year, half of them at the Petromidia Năvodari refinery. The main active asset in Romania of the KMG International Group has impressed on the technological and production parameters, such as:

- ✓ Total feedstock ~ 5.92 million tonnes, a historical record that exceeds the level reached 2017 by 263 kt;
- ✓ record production level for crude unit - 5.08 million tonnes. It is the first time in history when the 5 million tonnes threshold is exceeded, much because of the refining operations, through the "Delfin" optimization program;
- ✓ record level of Auto gasoline production - 1.36 million tonnes, over the previous record by 92 kt;
- ✓ record production of Jet Group - 317 kt, a significant increase compared to 2017, when the refinery produced 251 kt of Jet fuel. The yield was 5.4% wt, compared with 4.4% in 2017;
- ✓ record Diesel production level - 2.75 million tonnes, over the record of the previous year by 16 kt;
- ✓ the lowest technological loss in the whole history, 0.83% wt below the level of 2017;
- ✓ record level for energy intensity index - 96.1%;
- ✓ record level for mechanical availability 96.7%;
- ✓ energy consumption reached the lowest point in the refinery's history - 2.97 GJ/mt;

Rompetrol Rafinare continued to be the largest exporter of petroleum products in Romania, the quantities delivered to the export by the refining and petrochemical divisions to the KMG International subsidiaries in Bulgaria, Moldova and Georgia and to the partners in the Black Sea region increasing last year by 27%, up to 1.7 billion dollars.

Vega Refinery, the oldest robust processing unit in Romania with 114 years of tradition, has also reached major operational records. The only domestic bitumen and hexane producer reported a total feedstock of 406 kt (up 9%). It's for the first time in history when the 400 kt threshold is exceeded. The Ploiesti refinery impressed on the following parameters:

- ✓ historical record for total feedstock of about 406 kt, over the record of 2017 by 33 kt;
- ✓ new record reached for hexane production of about 85 kt, above the previous record with 5 kt;
- ✓ historical record for ecological solvent production of 44 kt, 3 kt above the 2017 level;
- ✓ bitumen production has reached a historical level of 102 kt;
- ✓ the lowest technological loss ever recorded - 0.93% wt;
- ✓ the lowest energy consumption ever recorded - 2.43 GJ/mt.



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Vega works in perfect synergy with the **Petromidia - Năvodari** refinery, the largest in Romania and one of the most modern in the Black Sea region. Thus, **Petromidia** provides to the refinery in Ploiesti the raw materials/semi-finished products needed to obtain special products with high added value.

The Petrochemical Division of the refinery managed to increase the total feedstock (propylene, ethylene) by about 3% last year. **The Petrochemical segment** thus recorded a new year with very good operational performance:

- ✓ record level of total feedstock of approximately 203.5 kt, 5 kt better than the result of 2017;
- ✓ a record production of 89.5 kt of polypropylene, above the threshold of the previous year, mainly due to the increased operational availability of the Polypropylene Plant;
- ✓ the energy intensity index was 18.1 GJ/mt, down 0.6 GJ/mt compared to 2017;
- ✓ technological losses of 2.2% wt in 2018, 0.5% less than in the previous year.

The petrochemical segment is the only polypropylene and polyethylene producer in Romania, constantly increasing its market share and the secondary products categories. Its dynamic development strategy provides the company with a competitive position both on the domestic market and on the regional market - the Black Sea and the Mediterranean, Central and Eastern Europe.

Gross turnover of the refining segment amounted to more than US 4.46 billion dollars in 2018, up 28% year-on-year, in line with the evolution of international quotations for raw materials and petroleum products, but also of volumes production units.

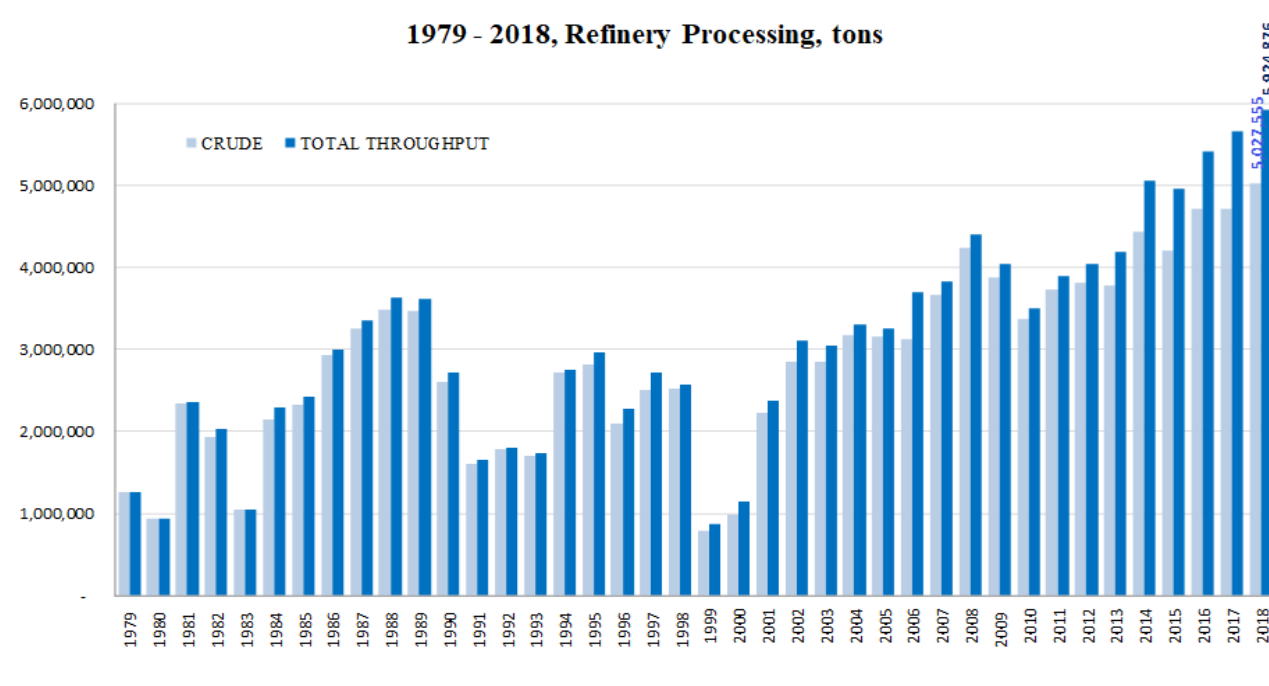
Despite the historical and operational results, the financial results of refining in 2018 were negatively influenced by unfavorable market conditions, especially in the fourth quarter, which affected the annual result of the segment.

The evolution of the international refining margins, the volatility and the difference in raw materials and petroleum products, the revision in the last quarter of the year also led to a 3% decrease in the gross margin of processing of the Năvodari unit compared to 2017 and 15% net refining margins.



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The evolution of the processed feedstock starting from 1979 (the year of starting up the first installation within the Petromidia Refinery - Atmospheric and Vacuum Refinement) up to 2018 is rendered by the graphic below:



IMPORTANT PROJECTS INITIATED BY THE COMPANY – DOLPHIN PROJECT

In 2014, a consultancy contract was issued, having as scope the detailed analysis of Petromidia refinery and of main companies related to the functioning of the refinery, on the following activity flows: Supply Chain Planning, Production and Engineering Processes, Energy, Maintenance, Organizational Efficiency.

Following the analysis completion the Dolphin Project was initiated with the scope to increase the operational results of Petromidia and Vega Platforms and to identify new opportunities and future projects that will support the achievement of the long term strategic goals of both refineries, established at group level.

The initiatives defined in Delfin Project during 2015-2016 were continued in 2017 within the 5 workstreams: No Cost – Low Cost, Capex, Continuous Improvement, Maintenance and Organizational Effectiveness.

The conclusions resulted from the analysis rolled-out by the consultancy team were took over, developed and implemented within the 5 workstreams. The role of the consultancy team was mainly



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focused on monitoring the initiatives' implementation and on supporting the workstreams with the project management activities.

In 2018, the implementation of both the initiatives developed in the previous stage and of the new initiatives, continued. The teams were reorganized into 6 working teams: Energy, Production, Continuous Improvement, Maintenance, Organizational Efficiency, Smart Refinery.

This stage was carried out exclusively with internal resources, without the assistance of an external consultancy team.

All the streams have a common scope:

- Increase operational performance in Petromidia and Vega - *maximize refinery profitability without CAPEX investments;*
- Develop, update and implement new processes / structure / systems - *implement a modern way of working and sustain constant development*
- Identify and look out for new opportunities, drive for continuous improvements - *assess and develop ideas and profitable investments for the future*

The total benefits of 14.14 millions USD achieved during 2018 from the initiatives implemented in all 6 workstreams exceeded with 8.64 millions USD, the 5.5 millions USD benefit target planned for 2018.

In addition to the financial benefit, the project had a significant impact on the working methods of the project teams improving communication, collaboration and teamwork, as well as their project management skills (benefits planning, drafting clear and detailed action plan, clear process for analyzing and implementing ideas, according to the specifics of each stream, recurrent meetings to track progress, monthly benefits reporting and recognition of achievements).

All the workstreams have contributed with expertise, specialty skills, know-how and internal resources in achieving Delfin targets/objectives, in addition to their existing roles in the organization and contributing at the same time to the defining and promoting of an organizational culture driven by performance.



1. THE ANALYSIS OF THE ACTIVITY OF THE COMPANY

1.1. a) The description of the basic activity of ROMPETROL RAFINARE S.A.

Rompetrol Rafinare, a company member of the KMG International Group, operates the Petromidia refinery located in Navodari, Constanta County, as well as the Vega Refinery in Ploiești, Prahova county.

As of 01.01.2014, Rompetrol Rafinare S.A. took over the operational plants (polymer and utilities production) of Rompetrol Petrochemicals S.R.L.

In accordance with the provisions of the Articles of Incorporation of the Company Rompetrol Rafinare S.A. (Hereinafter "The Company" or "RRC"), the main object of activity is "manufacturing of the products obtained from the processing of crude oil " (CAEN code 192), and the main object of activity is represented by the "manufacturing of the products obtained from the processing of crude oil" (code CAEN 1920). Other secondary objects of activity are being detailed in the Articles of Incorporation of the Company.

Rompetrol Rafinare holds the quality as authorized warehousekeeper, in accordance with the applicable tax legislation. The Refineries Petromidia and Vega are authorized as production tax warehouses being manufacturers of energetic products, observing the tax rules governing the production of energetic products.

Rompetrol Rafinare also holds Integrated Environmental Authorizations, issued by the competent environmental authorities in accordance with the legislation regarding the environment, for the 2 operated work points: Petromidia (Refinery and Petrochemical plants) and Vega.

I) The Production Activity in the Year 2018

Rompetrol Rafinare is a business unit composed by three production capacities: Petromidia (located in Năvodari) and Vega (located in Ploiești) refineries and Petrochemicals plant (located in Năvodari).

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Rompetro Rafinare - work point Năvodari (Petromidia Refinery)

The production plan of ROMPETROL RAFINARE S.A. for 2018 was designed with a total processing of 5,445,849 tons, of which 4,846,000 tons crude oil and 599,849 tons other raw materials.

This program formed the basis for the preparation of the 2018 income and expense budget.

The processing carried-out in 2018 is 5,924,876 tons, of which 5,027,556 tons crude oil and 956,075 tons other raw materials.

This processing represents 108.8% as compared to the schedule set up for the 2018 budget.

Tons

2018	Budget	Achieved
Total throughput	5,445,849	5,924,876
Processed crude oil	4,846,000	5,027,556
Other raw materials	599,849	897,320

The situation of processing, per quarters, is presented in the table hereinbelow:

Processing	1st quarter	2nd quarter	3rd quarter	4th quarter	Total 2018
Plan (tons)	1,399,244	1,525,366	1,483,370	1,037,868	5,445,849
Achieved (tons)	1,526,598	1,560,112	1,650,826	1,187,339	5,924,876
Achieved/Budget (%)	109.10	102.28	111.29	114.40	108.80

The action of attracting other raw materials (*e.g.* diesel and heavy fuel oil of first distillation) into processing was also classified under the same strategy, of ensuring an ongoing operation and at a plant loading as good as possible.

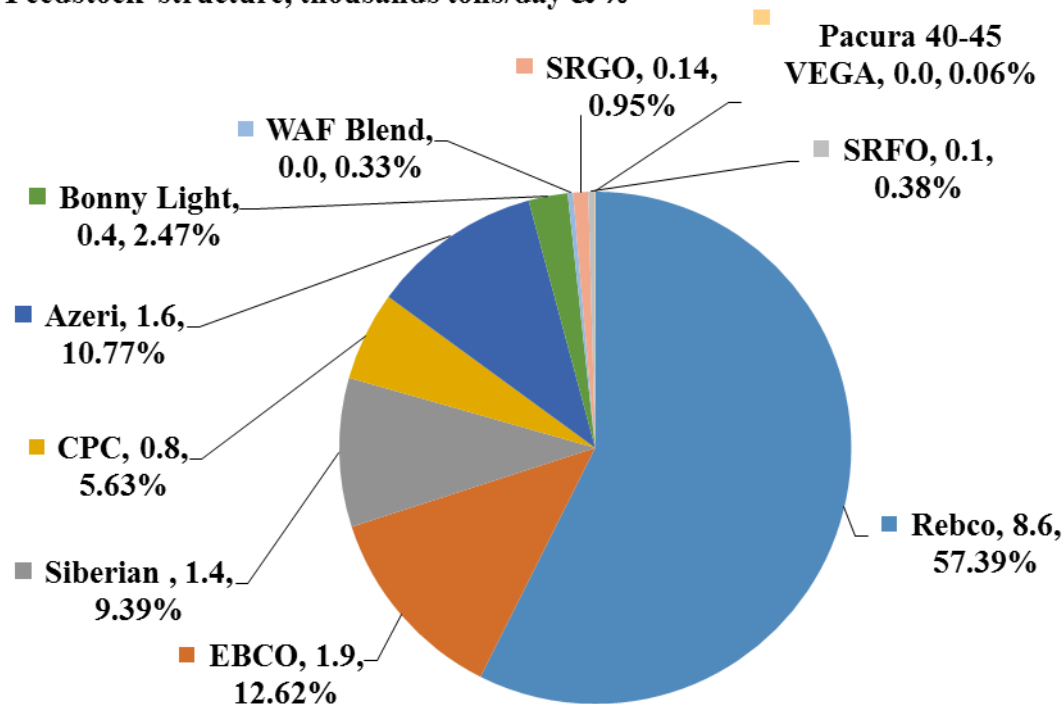
In operational terms, the refinery worked at full output of 17,332.6 tons of raw materials per day, related to the actually worked time, registering record performances.

Petromidia Refinery succeeded in capturing the market opportunities, diversifying the structure of the raw materials processed, taking into account the technological and operational flexibility of the refinery.



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Feedstock structure, thousands tons/day & %



The yields for diesel ranked at 46.49% in 2018, while the yields for fuels (gas, diesel, Jet, automotive LPG fuel) reached the level of 75.5% in 2018.

Petromidia Refinery produced 2.75 million tons of diesel in 2018, the highest level it has ever reached since its commissioning in 1979.

The reduction of the operation costs in parallel with the increase in the mechanical and operational availability allowed an improvement of the Energy Intensity Index, which reached 96.1 points.

The improvement of the operational results as well as Petromidia refinery’s registering the historical records in 2018 were supported by the completion in 2012 of the wide program of revamping and increasing the processing output up to 5 million tons per annum, as well as of the technological works performed during the planned overhaul in March – April 2013 and the general overhaul performed in October 2015.

Following the general overhaul performed in 2015 and the implementation of the initiatives within the “Dolphin” project, the equipment functioned in 2017 and 2018 at a high level of safety, with a low maintenance cost, featuring a mechanical availability of 96.95%.

The operation of the refinery facilities shall be carried out in accordance with the highest performance standards ensuring at the same time the fulfillment of the commitments assumed relating to the environmental protection.

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The structure of the physical production as compared to the Budget, in 2018, is as follows:

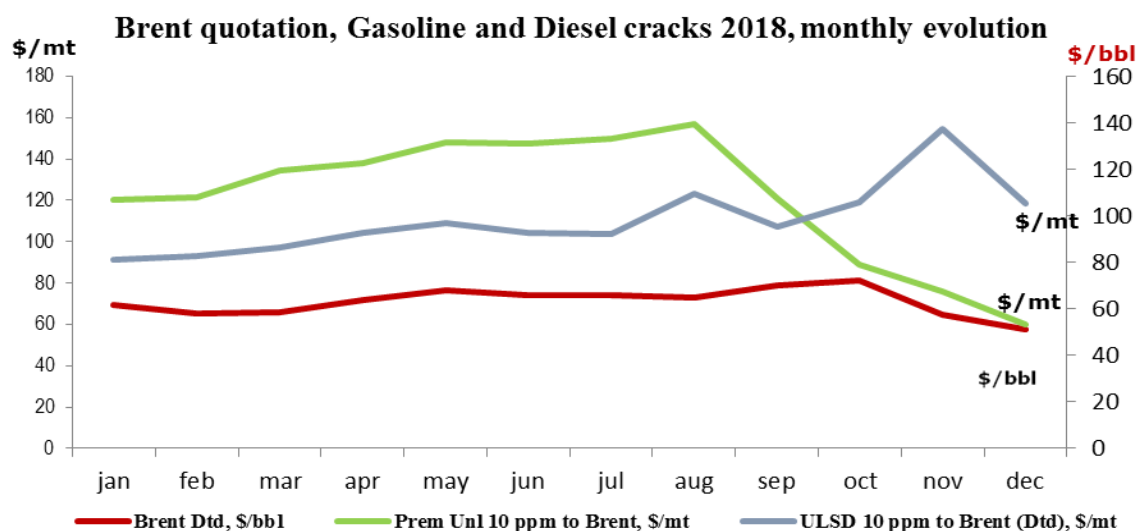
YEAR 2018	Measurement Unit	Budget	Achieved
Finished Products	tons	5,306,219	5,788,051
Gasoline	tons	1,367,243	1,567,127
Diesel Fuel	tons	2,589,355	2,746,478
Jet	tons	258,250	316,725
Fuel Oil	tons	147,105	157,667
Propylene	tons	140,353	142,402
Liquefied Petroleum Gas (LPG)	tons	242,619	264,702
Coke	tons	257,462	267,684
Sulphur	tons	43,557	55,342
Other Products	tons	260,275	269,925
Total Consumption:	tone	139,630	147,699
White products obtained	%	85.61	86.20

In 2018, a crude oil purchase price of USD 363.27/ton was budgeted, with an average final price of USD 516.59/ton.

The average value of the finished products was budgeted for 2018 at USD 445.66/ton and an average price of USD 616.33/ton was achieved.

As one can notice, the evolution of the crude oil market as compared to the budget forecast registered an annual increase of 42.2%, and the price of oil products followed the same increasing trend as compared to the budget, the increase being of 38.3%.

In 2018, the gas crack exceeded the diesel one in average by approx. USD 23.66/ton, the trend being slightly upward during the period comprised between January and July 2018, and downward during September – December 2018.

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Source: Platts

In 2018, the lowest consumption of energy was recorded (~2.97 GJ/ton) related to the ton of throughput, being lower by approximately 2.4% as compared to 2017.

The utilities cost increased by USD 1.5/ton from USD 7.6/ton in 2017 to USD 9.2/ton in 2018, correlated with an increase in the prices of utilities, the internal production of refinery gas, and with the operation of internal steam sources.

The quantitative structure of the deliveries is summarized in the following table:

OIL PRODUCTS	TOTAL DELIVERIES	DELIVERIES					
		DOMESTIC *		EXPORT		TRANSFER	
		[tons]	[%]	[tons]	[%]	[tons]	[%]
Gasoline	1,363,752	305,275	22.38	1,058,477	77.62	0	-
Gasoline for chemical use	206,623	0	0.00	12,412	6.01	194,211	93.99
Petroleum	316,585	271,012	85.60	36,231	11.44	9,342	2.95
Auto diesel fuel	2,760,624	1,639,077	59.37	1,121,546	40.63	0	-
Fuel oil	160,991	3,948	2.45	24,346	15.12	132,698	82.43
Vacuum distillation	12,545	0	-	12,545	100.0	0	-
Propylene	142,402	0	-	0	-	142,402	100.0
Liquefied Petroleum Gas LPG	264,948	264,948	100.0	0	-	0	-
Petroleum Coke	266,445	190,210	71.39	76,235	28.61	0	-
Petroleum Sulphur	56,636	32	0.06	56,603	99.94	0	-
Other Products	119,064	49,355	41.45	0	-	69,710	58.55
TOTAL	5,670,614	2,723,857	48.03	2,398,395	42.30	548,362	9.67

* The quantities delivered for domestic consumption include the petroleum products marketed on the domestic market. The deliveries to Vega and Petrochemical are included under the heading "transfer"

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Rompetrol Rafinare – work point Vega Refinery

The 2018 production schedule of ROMPETROL RAFINARE S.A., work point Vega Refinery was designed for a total processing output of 387,095 tons, out of which 387,025 tons raw materials of KMG International Group and 70 tons raw materials acquired outside the Group.

This schedule formed the basis for the preparation of the 2018 income and expense budget.

The processing carried out in 2018 amounts to 406,004 tons, out of which 405,959 tons from KMG International Group and 45 tons non-Group.

The processing represents 104.88% as compared to the schedule established for the 2018 budget, according to the available raw materials from Petromidia Refinery and correlated with the market demand.

The situation of processing, per quarters, is presented in the table hereinbelow:

THROUGHPUT	1st quarter	2nd quarter	3rd quarter	4th quarter	Total 2018
Achieved (tons)	76,676	117,253	119,870	92,204	406,004
Budget (tons)	70,425	116,849	117,991	81,829	387,095
Achieved/Budget (%)	108.9%	100.3%	101.6%	112.7%	104.9%

In 2018 the processed quantity was by 4.9% higher than budgeted quantity, the monthly average being 33,834 tons as compared to 32,258 tons according to the budget.

Structure of physical production as compared to the Budget, in 2018, is the following:

YEAR 2018	Budget [tons]	Achieved [tons]
Finished products	382,831	397,147
Gasoline + Solvents	153,482	164,107
n-Hexane	82,604	84,539
White spirit and P Fuel	13,982	6,507
Calor Extra I	3,971	3,255
Light oil fuel type III	4,797	3,047
Heavy fuel oil	24,426	33,946
Bitumen	99,569	101,746

From the comparison Plan – Achieved, the concern is noted regarding the obtainment of petroleum products in accordance with the market requirements.

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In 2018, the energy consumption reported to throughput ton suffered a decrease by approximately 3% as compared to 2017, the influence resulting from the different functioning of the plants as compared to the previous year, as well as of the measures taken to reduce the consumptions.

The quantitative structure of the deliveries of petroleum products in 2018 is summarized in the following table:

Group of products	TOTAL DELIVERIES 2018		DOMESTIC		EXPORT	
	[tons]	% of total sales	[tons]	%	[tons]	%
Naphtha gasoline	120,638	30.92	37,203	30.84	83,435	69.16
Bitumen	101,328	25.97	100,142	98.83	1,186	1.17
Heating fuels	6,223	1.60	6,174	99.21	49	0.79
Hexane	83,617	21.43	2,725	3.26	80,892	96.74
Heavy fuel oil	28,786	7.38	27,266	94.72	1,520	5.28
Petroleum and White spirit	6,587	1.69	5,319	80.74	1,269	19.26
Ecologic solvents	42,938	11.01	502	1.17	42,435	98.83
Total	390,117	100.00	179,331	45.97	210,786	54.03

Rompetrol Rafinare – Work Point Nāvodari (the Petrochemical Plant)

The production plan of ROMPETROL RAFINARE S.A. – Petrochemical Plant for year 2018 was prepared for the functioning of the Polypropylene (PP) and low pressure Polypropylene (LDPE) plants during the entire year of 2018 and high pressure Polypropylene (HDPE) beginning from April 2018.

This schedule formed the basis for the preparation of the 2018 income and expenses budget.

The polymer production realized in 2018 amounted to 147,953 tons, out of which PP – 89,533 tons. LDPE – 51,691 tons and HDPE – 6,730 tons.

The structure of processed raw materials as compared to the 2018 Budget is as follows:

YEAR 2018	Budget tons	Achieved tons
Raw materials	262,255	203,459
Propane propylene mixture	140,214	143,483
Ethylene	122,041	59,976

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The structure of the physical production as compared to the 2018 Budget is as follows:

YEAR 2018	Budget tons	Achieved tons
Finished products	205,180	147,953
PP	86,410	89,533
LDPE	72,600	51,691
HDPE	46,170	6,730
Production of polymerizable propylene	23,177	22,055

The comparison budget-achieved shows that the PP production reached 104% as compared to the budget, while the LDPE production reached 71% as compared to the budget and the HDPE production reached 15% as compared to the budget.

The situation of polymer production, per quarters is presented in the table hereinbelow:

		1st quarter	2nd quarter	3rd quarter	4th quarter	2018
PP	Budget (tons)	23,190	22,880	23,140	17,200	86,410
	Achieved (tons)	24,215	23,674	23,860	17,784	89,533
	Achieved/Budget (%)	104%	103%	103%	103%	104%
LDPE	Budget (tons)	19,140	19,360	19,580	14,520	72,600
	Achieved (tons)	18,772	8,253	13,332	11,333	51,691
	Achieved/Budget (%)	98%	43%	68%	78%	71%
HDPE	Budget (tons)	0	16,720	16,910	12,540	46,170
	Achieved (tons)	0	6,730	0	0	6,730
	Achieved/Budget (%)		40%	0%	0%	15%

The average value of the cost for processed raw materials, in 2018, was for:

- Propane-propylene mixture – budgeted at USD 696/ton and USD 838/ton was achieved;
- Ethylene – budgeted at USD 1,118/ton and USD 1,190/ton was achieved.

The average sale price for finished products, in 2018, was for:

- PP budgeted at USD 1,236/ton and USD 1,296/ton was achieved
- LDPE budgeted at USD 1,375/ton and USD 1,256/ton was achieved
- HDPE budgeted at USD 1,456/ton and USD 1,208/ton was achieved

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The quantitative structure of the deliveries of polymers is summarized in the following table:

PRODUCTS	LIVRĂRI				
	TOTAL DELIVERIES	DOMESTIC		EXPORT	
	[tons]	[tons]	[%]	[tones]	[%]
PP	87,287	33,718	39%	53,569	61%
LDPE	49,311	24,736	50%	24,574	50%
HDPE	2,669	100	4%	2,569	96%

II) Investment activity

The investment activity in the year 2018 was focused, in accordance with the program, on the following:

- The increase of the processing capacity of the refinery and the generation of fuels, with the specification in line with the European standards as also an increase of the white products efficiency;
- The alignment with the requirements of the European Union, the environmental standards in force, and in particular with the aim of reducing emissions.
- The alignment with safety regulations
- Projects for static and dynamic equipment revamp and modernization in order to keep them in good condition for safe operation

The investments performed in **2018** added up to **59.652.131 USD**.

The main projects **completed in the year 2018** in Rompetrol Refinery:

➤ **Revamp Fuel Oil ramp to relocate black products from automated ramp**

The implementation of project „Rehabilitation of fuel oil ramp facilities” has as scope 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



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➤ **Replacement of stripping column 185C2**

The scope of the project is to purchase and mount a new column, according execution project in accordance with R3.341.100 project up-to date PED 97/23/EC and ASME CODE, on existing equipment, change the interiors column in accordance with the procurement specification interiors column - 0830.DG.02-40-0411.MR-3, issued by IPIP for modernization stripping column 185C4, but to modify in accordance with design project 185C2, the necessary adjustments to restore the technological pipeline connections of the column will be done based on a repair project, the fire system will be rehabilitated according on a project executed by a certified designer.

➤ **100 T3 tank rehabilitation**

The project scope is to rehabilitate the 100T3 crude tank and reintegrating revamped tank in normal operation, at an increased inlet flow for Crude Unit. By assuring necessary storage capacity for the crude oil, it can be supplied a wider category of feedstock for refinery to respect Group strategy within crude oil importing or other alternative feedstock. Alignment with the latest requirements imposed by legislation on environmental protection.

➤ **LPG recovery from DCU gases**

The implementation of project “LPG (Liquefied Petroleum Gas) recovery from DCU (Delayed Coker Unit) gases” has as objective 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.

➤ **Refinery and Petrochemicals 2018 Shutdown**

Under the planned 2018 Refinery Shutdown project have been performed only activities that could be carried with units out of operation.

The main works packages consist in:

1. Catalyst acquisition/regeneration and Catalyst services:
 - Replacement of catalysts in 5 units: 122 DHT, 125 DHT and 220 MHC-R1, 402 - N2-O2 (HPN), 190 - SRU (TGT).
 - 1 unit, catalyst regenerating, Platforming Unit (Catalytic Reformer);
2. Operational work:
 - Washing, cleaning, inspection of air coolers, heat exchanger, vessel and column;
 - Washing and filters element replacement;
3. Maintenance – Usual repairs and inspection necessary for equipment dynamic/static and pipes that cannot be performed during operation.



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The projects Refinery and Petrochemicals 2018 Units Shutdown and replacement of Refinery catalyst project, had as scope the technological shut down for equipment's periodic inspections, catalysts replacement, maintenance, etc.

To reach the refinery and petrochemicals objectives of having a high mechanical availability ~96,6% and for compliance with authorizations, the refinery and petrochemicals units 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 Rafinare 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

➤ **Expire authorization ISCIR for equipment's from Refinery, Petrochemicals and Vega Platforms**

The project “Expire authorization ISCIR (State Inspection for Control of Boilers, Pressure Vessels and Lifting Installations) for static equipment Refinery, Petrochemicals and Vega Platforms” has as scope 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 with due lifespan.

➤ **HDPE Restart**

Restating HDPE unit, Rompetrol market will consolidate because of increased production of polymers.

The implementation of the project has as scope HDPE plant restart in total safety conditions, operating with pressurised equipment, pipes and lifting equipment with ISCIR authorisation according to legislation, prolonging equipment functionality time according to HG 2139/2004, avoid unexpected shutdown.

➤ **Vega units Shut Down 2018**

The project Vega Refinery 2018 Units Shutdown had as scope the technological shut down for equipment's periodic inspections, maintenance, etc.

To reach the refinery objectives of having a high mechanical availability ~97,5% and for compliance with authorizations, the refinery units must have high reliability. This can frequently be assured by performing mechanical works only in conditions of shutdown of refinery activity.



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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:

- Refinery operation at nameplate capacity, until next planned shutdown with at least 97,5% mechanical availability.
- Maintain Refinery at its nominal monthly capacity;
- Reduce routine maintenance costs;
- The units safety operation until next planned shutdown;
- Improve efficiency of plant within high mechanical availability;
- Increase reliability / availability of equipment during operation;
- Safety– zero incidents (human accidents or damage to equipment);
- Maximum 30 days total shutdown duration, so:
- The Hexane, Rectification and Dezaromatization will stop together. For the Hexane and Dezaromatization unit 12 days shutdown duration.
- For the Rectification unit 30 days shutdown duration (Replaced columns 140-C1 and 140-C2).
- For the DV and Bitumen plants will stop running when bitumen sales cease.

➤ **Replacement of 140-C1 and 140-C2 columns Hexane Unit, Vega**

The scope of the project of replacement 140-C1 and 140-C2 columns in Hexane Unit, Vega was for design and execution and installation of new 140-C1 and 140-C2 columns and building a new network of pipe-lines, strengthening the foundation of column 140-C2. All performed activities lead to fulfilling the main objective of the project of framing 140-C1 and 140-C2 columns from Rectification Unit in the ISCIR prescriptions and conformity to IPIP report and ISCIR requirements, for necessity to replace the columns 140-C1 and 140-C2 from Rectification unit.

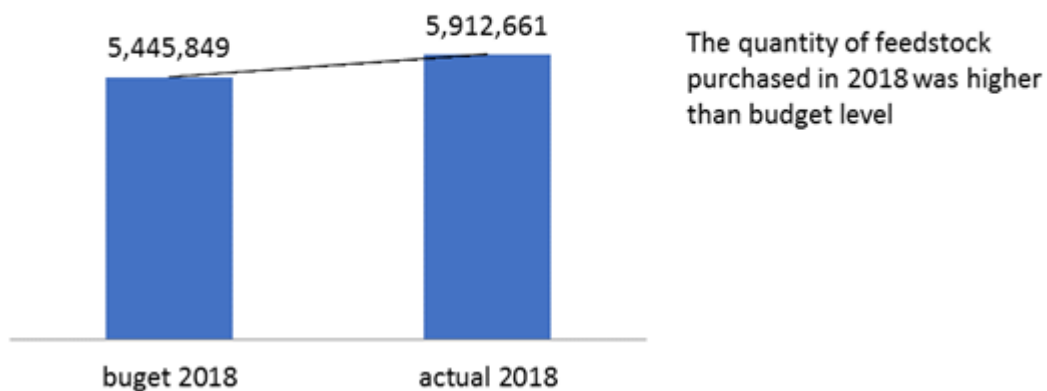


III) Commercial Activity

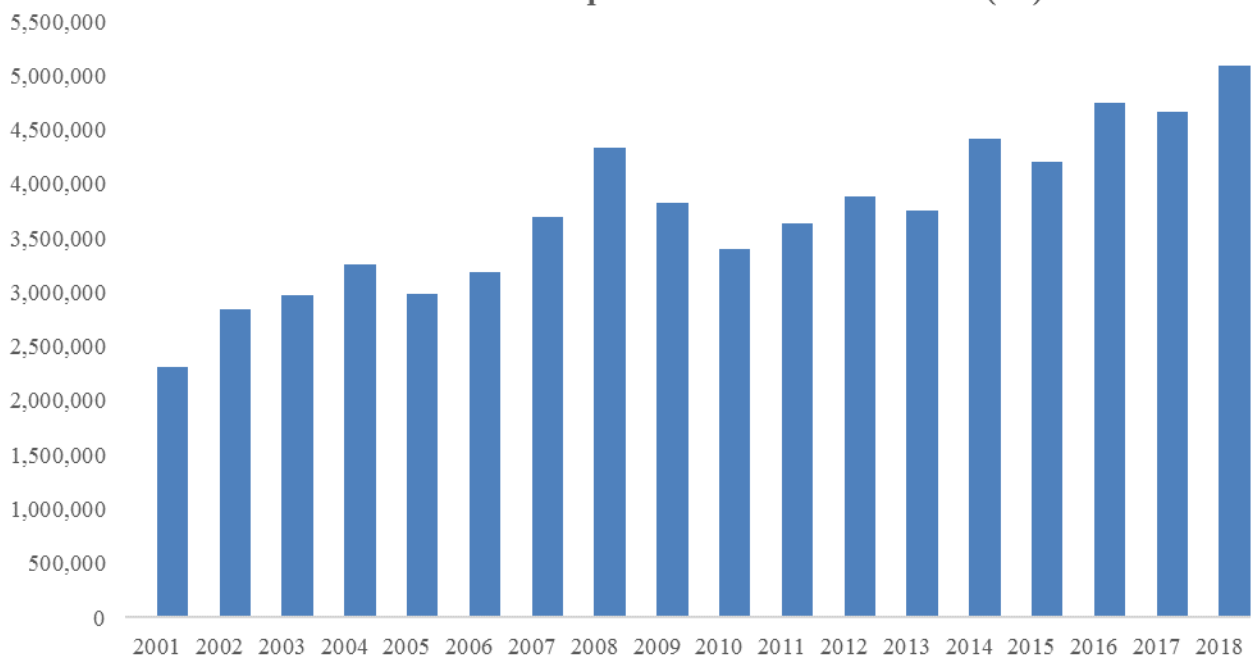
Rompetrol Rafinare – work point Năvodari (Petromidia Refinery)

1. Supply of Raw Materials

Feedstock acquisitions (tons)



Evolution of crude oil acquisitions from 2001 forward (mt)



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In the year 2018, crude oil acquisitions were higher (5,091,736 mt) than the last year (4,669,513 tons). In 2018 an overhaul took place in October. Crude acquisitions have been exclusively carried out by the trading company of the Rompetrol Group - KazMunayGas Trading A.G.

All feedstock volumes purchased in 2018 from external sources (5,794,693 tons) were higher than in 2017 (5,469,452 tons).

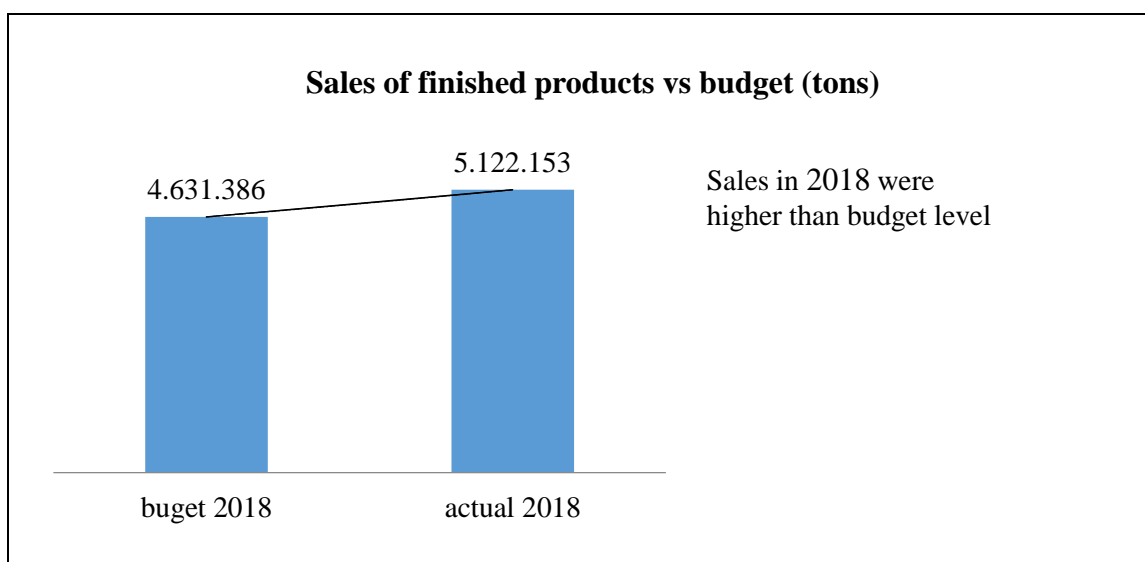
Average price of acquisition for crude was in 2018 higher (512 USD/ton) than in 2017 (393 USD/ton) due to increase of international quotations (in 2018 average for Brent was 71 USD/bbl (537 USD/ton) compared to 54 USD/bbl (411 USD/ton) in 2017).

Domestic acquisitions in 2018 amounted to 117,968 tons compared to 102,857 tons in the previous year. Added to these, there were also volumes transferred from Vega refinery in amount of 41,637 tons (30,957 tons in 2017).

Domestic suppliers have been:

- Mitsubitshi; Socar Petroleum - methanol
- Prio Biocombustibil/Expur - biodiesel
- OMV Petrom - gasoline RON 92/naphtha

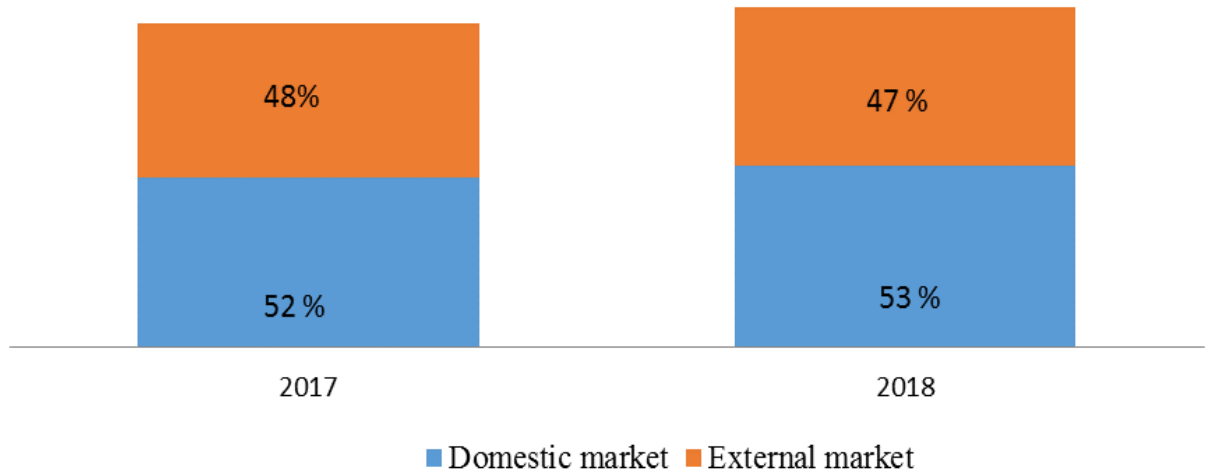
2. Sales



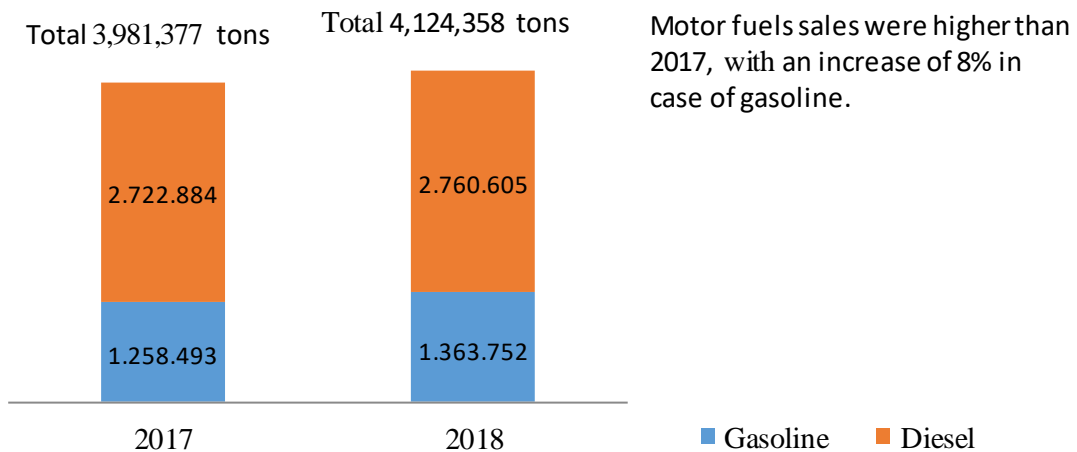


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Structure of total sales



Gasoline + Diesel sales (tons)



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Rompetro Rafinare – work point Vega Refinery

Structure of sales in 2018 is shown as below:

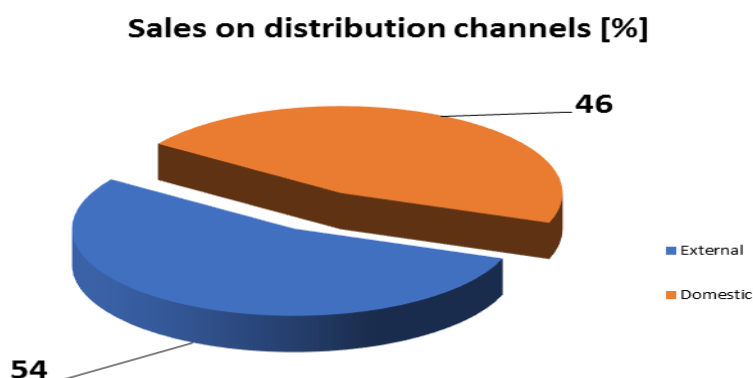
Product Group	Total sales 2018		Domestic		External	
	[tons]	% of total sales	[tons]	% of total sales	[tons]	% of total sales
Naphtha gasoline	120,638	30.92	37,203	20.75	83,435	39.58
Bitumen	101,328	25.97	100,142	55.84	1,186	0.56
Heating oils	6,226	1.60	6,177	3.44	49	0.02
Hexane	83,617	21.43	2,725	1.52	80,892	38.38
Fuel Oil	28,786	7.38	27,266	15.20	1,520	0.72
Petrol and White spirit	6,587	1.69	5,319	2.97	1,269	0.60
Ecological solvents	42,938	11.01	502	0.28	42,435	20.13
Total	390,120	100.00	179,334	100.00	210,786	100.00

The main markets for external channel were:

- Hungary, Slovakia, Poland, Bulgaria, Moldova for naphtha;
- India, Turkey, Serbia, Ukraine, Bulgaria, Russia for n- hexane;
- Germany, Ukraine, Moldova, Poland, Bulgaria for ecological solvents;
- Bulgaria, Moldova for white spirit;
- Bulgaria for heavy fuel oil.
- Moldova, Bulgaria for bitumen

Sales

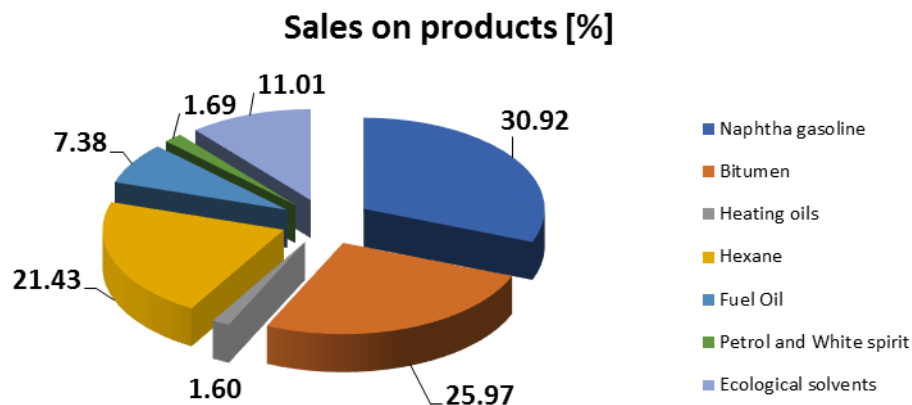
In 2018, sales amounted to 390,120 tons, on external markets 210,786 tons and on domestic market 179,334 tons. Share on distribution channels is shown as below:





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White products sales (naphtha, ecological solvents, n-hexane and white spirit) represented about 65% of total sales in 2018.



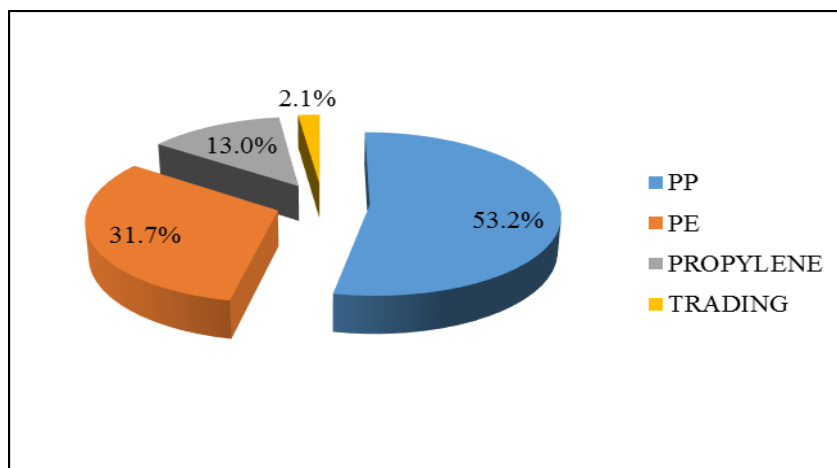
Rompetrol Rafinare – work point Năvodari, the Petrochemical Plant

Rompetrol Rafinare SA, the Petrochemical Plant, is the sole polypropylene (PP) and polyethylene (LDPE, HDPE) producer of Romania.

Besides its own products, the Company is now actively selling a wide range of petrochemical products which are not currently produced by the Rompetrol 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.

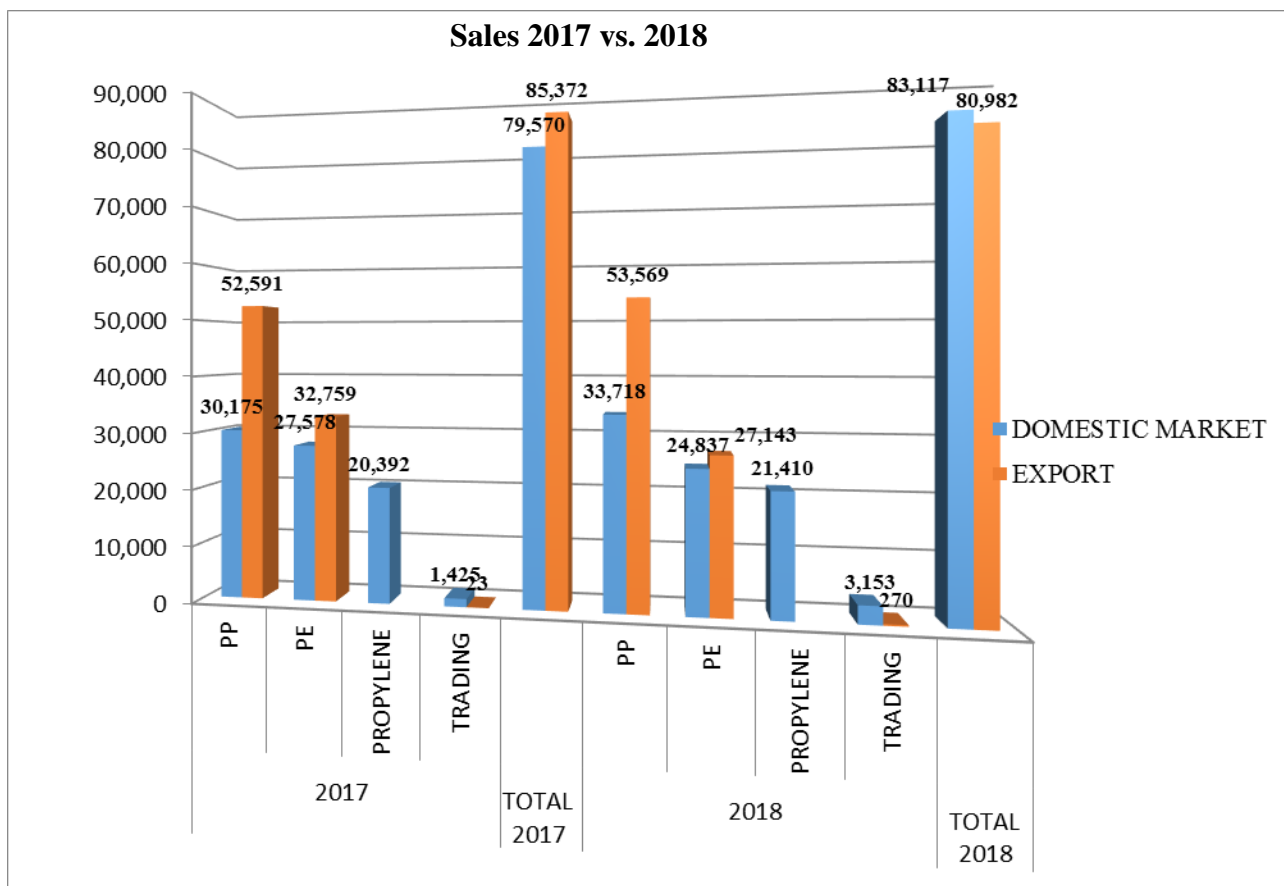
The sales of Rompetrol Rafinare – Petrochemical Plant amounted in 2018 to a quantity of 164,099 tons.

In 2018, 53% of total sales stand for polypropylene (PP), 32% stand for polyethylene (PE) and the remaining 15% represents sales of propylene and trading activity.

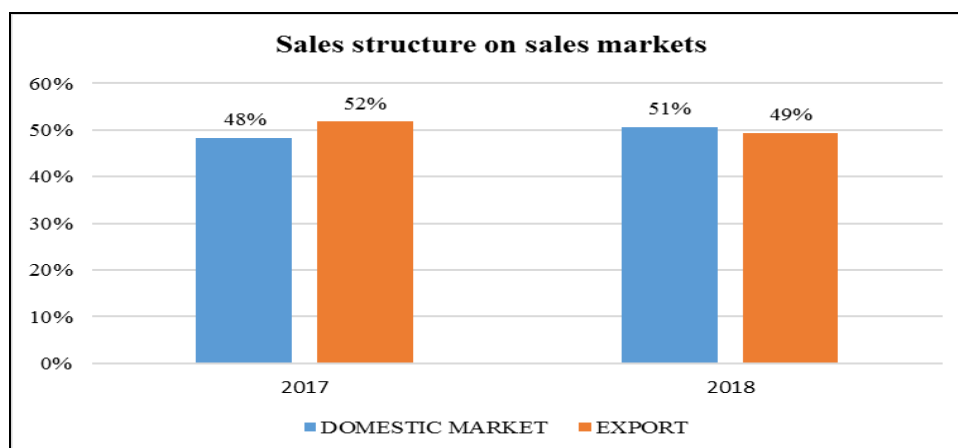


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Sales growth, compared to 2017, were recorded in trading products (+136%), polypropylene (PP) (+5%) and propylene (+5%).



Out of total sales, 51% is the domestic market and the rest of 49% represents exports. There is a change in the sales structure compare to 2017 in terms of distributing a larger percentage of products on the domestic market.

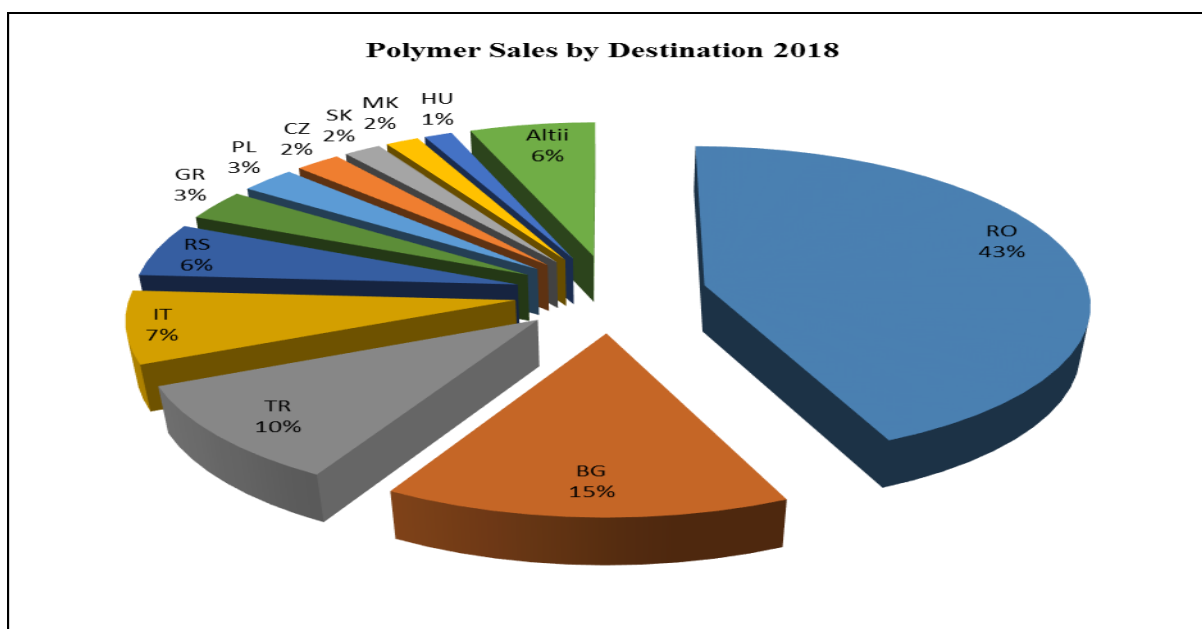


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The most important distribution channels for polymers (PP, LDPE, HDPE, PET and PVC) are Romania, Bulgaria, Turkey, Italy.

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 66% of the total export sales of finished goods, the difference representing the export sales on the non EU markets.

The distribution of petrochemical products sold by Rompetrol Rafinare was done by means of auto and railway in the case of sales on the domestic market and, in the case of sales on the foreign market, the distribution of these products was made both by means of automotive and maritime transport through the ports of Agigea and Constanta.



IV) Activity regarding quality, health, work safety and environment protection (QHSE)

Through QHSE specific activities it has been followed to achieve the objectives set for the year 2018. All these have materialized by **maintaining** the integrated management system quality-environment-health and occupational safety, as confirmed by **the supervision audit**, carried out by DNV-GL representatives (June 2018).



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Thus, in 2018 there were no cases of safety incidents related to operational activities and those carried out during the planned maintenance period, no accidental pollution or fuel quality complaints were recorded.

Major activities carried out in 2018 in order to achieve the QHSE objectives (detailing of the environmental and safety activities are to be found in the relevant chapters of this report):

- Issue, approve and communicate Rompetrol Rafinare QHSE Policy aligned with the strategic direction of the KMG Group and in accordance with the requirements of the ISO & OHSAS standards in force;
- System documents have been maintained/developed/revised/reviewed (procedures / work instructions / regulations, etc.) in compliance with the requirements of the KMG International Group Policy no 1 and new ISO 9001 & 14001 standards, OHSAS 18001 and ISO 50001;
- Active involvement in the implementation and certification of the energy management system according to the ISO 50001 standard;
- There were performed internal audits, safety audits, inspections in accordance with the planning, in order to identify both weak points and improvement opportunities;
- There have been drawn up specific statistics and reports, with various frequencies (weekly/monthly/quarterly/half-yearly/annual/upon request), in order to meet as well internal requirements as also and legislative requirements and the requirements of other interested parties;
- The certifications on vehicle fuels and bitumen were kept in compliance with the legal requirements / regulations of the European Union;
- ISCC Certification for fuels with biocomponent
- The activity at the two work points - Petromidia refinery, with two plants (Refinery and Petrochemical), and Vega refinery have been monitored for purposes of environment protection, pursuant to the Integrated Environment and Water Management Authorizations, as well as in what regards the compliance requirements under the Greenhouse Gas Authorization;
- The safety awareness program for Petromidia and Vega employees was continued.
- Behavior Based Surveys (BBS) have been continued focusing on behavioral audit, both in the workplace and in driving cars for Rompetrol Rafinare employees;
- For the first time, contractors/subcontractors personnel have been evaluated (tested) after training for 2018 access to the Platform.
- Continued collaboration with ophthalmic services firms for free optometric consultations for employees.
- There have been taken actions for personnel recognition and motivation, there were organized and our employees join in CSR projects:
- International Safety Day:
 - “Risk management” - presentation as speaker invited by ITM Constanta.;
 - Improve the safety and health of young workers”- QHSE safety presentation for RRC employees.



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- Organizing a safety event with the participation of ITM PH representatives – as first event of such type in Vega, highly appreciated by local competent authority.
- Safety action - " Scoala Altfel" action with primary school children.
- Celebrate "Europe Day" event – with this occasion Vega refinery has made a trees planting action; this being part of the lagoons project;
- "Thinks green, Thinks clean!" - partnership at the 10th edition of the ecological education contest for students from Prahova;
- Active implication in “Bird watching” event – organized for the first time , respectively the event for the promotion of the National Day of Romania.

**STATEMENT
OF THE MAIN ECONOMIC-FINANCIAL INDICATORS
AND OTHER INFORMATIVE DATA, ON DECEMBER 31ST, 2018, AS
COMPARED WITH THE INCOME AND EXPENDITURE BUDGET
APPROVED IN THE GENERAL MEETING OF THE SHAREHOLDERS OF
THE COMPANY 2018**

Crt. No.	INDICATOR'S NAME	LEI	
		OMFP nr. 2844/2016	
		Carried out 2018	BVC 2018
1	Crude oil processed and other raw materials (tons)	5,924,876	5,445,849
2	Net turnover	14,115,915,691	10,969,577,759
3	Cost of sold production	(13,609,234,206)	(10,467,765,310)
4	Gross profit/ (Loss)	506,681,486	501,812,449
5	Distribution and general administrative expenses	(326,753,920)	(235,701,164)
6	Other incomes/operational expenses	(68,837,668)	(1,056,626)
7	Profit / (Loss) operational	111,089,898	265,054,659
8	Financial expenses	(173,755,558)	(133,340,579)
9	Financial incomes	14,718,404	8,118,877
10	(Losses)/ Gains on exchange rate variations, net.	(181,901,099)	-
11	Gross profit/ (Loss)	(229,848,355)	139,832,958
12	Incomes on tax on postponed profit/ Minority interest	(357,275)	-
13	Profitul/(Loss) on exercise	(230,205,630)	139,832,958
14	Fixed assets	5,432,644,764	-
15	Stocks	816,566,125	-
16	Receivables	1,530,215,763	-
17	Cash	19,450,444	-
18	Total debts (including provisions)	5,464,921,200	-
19	Own capitals	2,340,153,161	-
20	Average number of employees	1,126	1,179

From the data presented in the above table, comparing the results recorded at 31.12.2018 with those approved in the Income and Expense Budget (Bugetul de venituri și cheltuieli - BVC), the following results:



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1. In 2018, Rompetrol Rafinare processed a quantity of crude oil and other raw materials of 5,924,876 tons, higher by 9% to that foreseen in the Income and Expense Budget, respectively, by 479,027 tons more than budgeted.
2. The turnover recorded at 31.12.2018 is by 29% higher than foreseen in the budget, mainly due to increased volumes on finished goods sold, in comparison to the provisions in the budget, as well as due to the increase in sales prices on finished goods compared to the budget stipulations.
3. The cost of the production sold was by approximately 30% higher than the value foreseen in the budget, an aspect mainly due to the raise of prices on crude than the provisions in the budget, as well as the quantities of crude oil and other raw materials processed compared to the budgeted.
4. The result of the operational activity is positive (profit) in amount of **111,089,898 lei**; The financial expenses records values higher than budgeted, by 30%;
5. The net differences of exchange rate recorded in 2018 are unfavourable, their value reaching (181,901,099) lei, given the continuous depreciation of the national currency to the USD;
6. **At the end of 2017, Rompetrol Rafinare records a net negativ result (loss) of (230,205,630) lei.**
7. The total amount paid in 2018 to the state budget and to the local budgets was of 6,151,766,245 lei (equivalent of 1,561,616 thousand USD) mainly representing duties, VAT, taxes and salary taxes, local levies and others. Of the levies and taxes paid by the Company to the state budget, important amounts, quotas established by the legislation that regulates local budgets, are directed to the local authorities on whose territories the company performs.

b) Date on which the Rompetrol Rafinare S.A. has been established.

Rompetrol Rafinare SA is the most important asset of KMG International NV in Romania, with a significant economic impact on and contribution to energy security. The Company has an experience of 40 years in the field of making products obtained from crude oil processing and a history that began in 1979, upon the commissioning of the first unit, the AD unit (atmospheric distillation unit).

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Please find hereinbelow a brief presentation of the most important times in the Company's history:

1975 - 1977	<ul style="list-style-type: none"> • Midia Năvodari Petrochemical Plant (the first name of Rompetrol Rafinare S.A.) was deigned on the basis of Romanian refining technologies and of certain foreign licenses.
1979	<ul style="list-style-type: none"> • The first unit - the Atmospheric Distillation Unit- is commissioned
1991	<ul style="list-style-type: none"> • Midia Petrochemical Plant turns into a joint stock company, the assets of the former unit being entirely taken over. The newly-formed company, under the name of PETROMIDIA SA, was established under Government Decision No. 1176/1990, issued under Law No. 15/1990 on the reorganization of State economic operators as <i>regies autonomes</i> and business companies. Annex No. 1 to the regulatory act mentions the headquarters of the joint stock company, as being located in Constanta, Str. DN 228 km 23, Constanța County.

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	<ul style="list-style-type: none">The Company is registered with the Constanta Trade Registry under No. J13/534/1991 and has sole registration code 1860712.
2000	<ul style="list-style-type: none">Government Decision No. 540/2000 on the approval of the classification into functional categories of public roads and private utility roads open to public traffic, road DN 228 was re-categorized as a county road under the name of County Road 226. The regulatory act resulted in the amendment of the Company's Articles of Incorporation and Registration Certificate.
2001	<ul style="list-style-type: none">Change of the Company's name from "PETROMIDIA S.A." into "ROMPETROL RAFINARE-COMPLEXUL PETROMIDIA S.A."
2003	<ul style="list-style-type: none">The Company changes its name into "ROMPETROL RAFINARE S.A."
2004	<ul style="list-style-type: none">Shares listing at the Bucharest Stock Exchange, under the "RRC" symbol
2007	<ul style="list-style-type: none">The Extraordinary General Meeting of the Shareholders of September 17, 2007 decided to acquire the full ownership over the machinery and equipment within the Vega Refinery, located in Ploiești, Str. Văleni No. 146, Prahova County.Acquiring the ownership over and resuming the possession of the plot of land and all the assets from the premises of the Vega Refinery, the Company established its own Work Point at Ploiesti and obtained effective December 1, 2007, the capacity of Warehousekeeper authorized for the production of energy products also in relation to the Vega Refinery from Ploiesti.
2010	<ul style="list-style-type: none">Decision No. 2 of the Board of Directors dated October 19, 2010 approved the change of the address of the registered headquarters from Navodari, County Road 226, km 23, Constanta county into Navodari, Blvd. Navodari No. 215, Administrative Pavilion, Constanta county further to Decision No. 187/24.07.2009 issued by the Navodari Local Council on the granting of names to streets and alleys which are not included in the list of street names, and to the addresses communicated by the City Hall of Navodari City in relation to the assignment of street numbers to the Company's property located in Navodari.
2013	<ul style="list-style-type: none">Decision No. 6/2013 issued by the Extraordinary General Meeting of the Shareholders approved the obtainment, by means of purchasing, of the ownership right over the assets consisting in intangible assets, tangible assets, fixed assets (buildings and constructions, technological equipment, measurement machinery and plants, office equipment, IT equipment, transportation means, other tangible assets), investments in progress and stocks, assigned or related to the main activity of petrochemistry, found in the property of Rompetrol Petrochemicals SRL.

**ROMPETROL RAFINARE S.A.
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2018*****c) Significant mergers or reorganizations of the Company, its subsidiaries or controlled Companies, during the course of the financial year.***

Throughout 2018, the Company did not take part in any merger or significant reorganization.

d) Assets acquisitions and sales.

Throughout 2018, the Company did not register participations to other companies, purchased assets such as fixed assets and did not sell assets.

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

Rompetrol Rafinare S.A. recorded in 2018 net turnover of RON **14,115,915,691**, on the background of higher volumes of oil products sold and increased sales prices and recorder a net loss **RON (230,205,630)**, mainly due to losses generated by negative exchange rate differences, on the background of continuous depreciation of the national currency against US Dollar.

Rompetrol Rafinare S.A. continued the improvement of the efficiency of the refining activity as well as the reduction of technological losses and consumption.

1.1.1. Elements of general assessment

The income of the company originates mainly from the production and delivery of petroleum products obtained from the processing of crude oil and other raw materials: 14,075,705,731 lei.

Indicators (LEI)	2018
Loss	(230,205,630)
Operating result - profit	111,089,898
Net turnover, of which:	14,115,915,691
Export	6,689,998,228
Cost of sold production	(13,609,234,206)
Market share (%) ²	29%
Liquidity (effective amounts in accounts and cash equivalents)	19,450,444

a) Loss

At the end of 2018, Rompetrol Rafinare registered a negativ result (loss) of **Lei (230,205,630)**.

²Fuels sales (gasoline and diesel) on the domestic market segment are exclusively delivered by the Group authorized trader – ROMPETROL DOWNSTREAM SRL Bucharest which owns a 29% market share of Romanian fuel distribution.

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2018**

b) Turnover

In 2018, the company net turnover was of **14,115,915,691** lei, higher by 29% to that foreseen in the budget and by 26% higher to that recorded at the end of 2016, mainly due to:

- Increase of sales prices on finished goods sold by comparison to that foreseen in the budget; as well as increasing sales volumes above the budgeted level.

c) Export

In 2018, the share of international sales in total sales represented approximately 47%, coming to a value above that at the end of 2017.

The total amount achieved in 2018 from international sales of finished goods was of Lei 6,689,998,228 (afferent to the two refineries Petromidia and Vega and the Petrochemistry Plant).

d) Cost of sold production

The cost of sold production was by approximately 30% higher than the amount foreseen in the budget, mainly due to the increase of price on crude oil by comparison to the provisions in the budget, as well as increasing sales volumes above the budgeted level.

e) Market share owned

From the data which we hold, the market share we estimated in the year 2018 reached about 29% (through distribution to retail), and is not influenced by major changes in the structure of the other distributors on the internal market.

f) Liquidity

As regards liquidity, the company maintained its capacity to cover the current debts from the current assets, the liquid ratio increased from 0.54 in 2017 to 0.55 in 2018.

1.1.2. The Assessment of the Technical Level of the Company***The main products produced by Rompetrol Rafinare S.A in the year 2018:***

The Production Nomenclature of *Rompetrol Rafinare S.A.*, work point *Năvodari - Petromidia Refinery*, includes a wide range of finished products, marketed both on the internal as well as on the external market, grouped into the following categories:



ROMPETROL RAFINARE S.A.

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1. Liquid fuels

a) Gasoline

- RON 92 Gasoline
- Euro Super 98 Gasoline
- RON 98 Gasoline
- Eurostandard Gasoline
- Europlus 50 ppm Gasoline
- Europlus 10 ppm Gasoline
- Europlus 10 ppm BIO Gasoline
- Efix S 98 Gasoline
- Efix S 95 Gasoline
- Raffinate for chemical use

b) Diesel fuels

- Euro 5 Diesel
- 51 EFIX Diesel
- 51 EFIX Diesel Winter
- 55 Diesel
- 55 Winter diesel
- 55 Efix S Diesel
- Euro 5 Diesel (Winter Diesel)
- Marked Euro 5 Diesel (Winter Diesel)
- Euro 5 Diesel (Euro 5 Super Diesel)
- Euro 5 Diesel (Euro 5 Super Diesel) with biodiesel

- Slurry

c) Petroleum

- Aviation turbine fuel jet A1

d) Fuel oil

2. Gaseous fuels

a) Liquefied Petroleum Gas

- GPL
- Automotive LPG
- Propane fuel
- Commercial Propane-Butane

b) Gases

- C5-C6 Fraction
- Refinery fuel gasses



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- Propylene/propane-propylene mixture

3. Solid fuels

- Petroleum coke
- Petroleum Sulphur

The Production Nomenclature of *Rompetrol Rafinare S.A. work point Ploiesti - Vega Refinery* includes a wide range of finished products grouped into the following categories:

1. Liquid fuels

a) Solvents

- Ecological solvents
- Normal hexane
- Naphtha Gasoline
- Light naphtha type II
- Light naphtha type A

b) White spirit and petroleum

- White Spirit
- Non-industrial fuel type P

c) Diesel fuels

- Calor Extra I

d) Fuels

- Light oil fuel type III
- Calor Economic 3

e) Fuel oil

f) Bitumen

- Roads Bitumen
- Special Bitumen
- Polymer-modified Bitumen

g) Additives

The production classification of *Rompetrol Rafinare S.A. - Năvodari Unit – Petrochemical Unit*, contains a large array of petro-chemical finished goods, grouped into the following categories:

1. Polypropylene (PP)

- a)** Injection sorts – J500, J600, J700, J800, J900, J1000, J1100, J1200, J1300, J1400, RHC40
- b)** Sorts of Raffia – F301, F401, F501



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- c) Sort thermos-forming – RTF-3
- d) Sorts of film – F500, F600, RCF9 , F400BO
- e) Sorts of fibers – S711, S1001, RSB25

2. Polyethylene of low density (LDPE)

- a) Sorts of thin film – B20/2, B21/2, B20/3, B21/3
- b) Sort of film for thick bags – B20/03,
- c) Sort of film for liquid packaging – B21/05
- d) Sorts of thin film for thermo-contracting foil – B22/025, B22/07
- e) Sorts of agro-film for greenhouses - RGH-035 UV

The Description of the main Services of Rompetrol Rafinare:

During 2018, the company provided the following services:

➤ Energy distribution and utilities services. These services have been performed by Thermo-Hydro Unit together with the Electric Unit for the companies on Petromidia platform as well as for other companies outside the platform, consisting of:

- Instrumental air, technical air, fire extinguishing water, drinkable water, hot water, condensed return water, waste water treatment, demineralized water, raw water, filtered water, combustible refinery gases, electric energy, thermal energy, drinkable water, propane for heating.

Services provided to third parties: waste water Treatment in Water Purification Plant.

All these utilities are transported and distributed by the pipeline network exploited by the Utilities Plant. Transport and distribution costs are included in the price of the utilities, except for:

- electric energy – electric energy distribution tariffs on the two voltage levels of low voltage and high voltage are regulated by the National Energy Regulatory Agency;
- drinkable water – the tariff for the distribution of drinkable water is regulated by the National Regulatory Authority for Community Services of Public Utilities

Concurrently, the company purchased services consisting of: take over, transport, for the purpose of the final elimination in authorized installations of hazardous sludge waste having waste codes: 05 01 09* and 19 08 13*.



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a) The main distribution markets for each product or service and methods of distribution:

In 2018, the share of the domestic market of the total sale was about 53%. The domestic market absorbed approx 47% of the total quantity of gasoline and diesel fuels traded in 2018. The sales of vehicle fuels for the domestic market through the petrol stations network covered all geographical areas of Romania. The highest share (approx. 84%) in the sales of vehicle fuels traded on the Romanian market was on the sale of Diesel fuels.

The external sales were targeted to both the European Union and non UE countries. In 2018, the intra-communitarian deliveries increased their share (approx. 32% of the total finished goods sold), more than the previous year (39%).

International sales had the following main destinations:

Gasoline	- Greece, Georgia, Lebanon, Bulgaria, Moldova
Diesel fuels	- Bulgaria, Moldova, Turkey, Georgia, Greece
Jet fuel	- Moldova, Georgia, Bulgaria
Petcoke	-Moldova, Ukraine, Serbia
Sulphur	- Egypt

The sold petroleum products have been shipped mostly by means of road trucks and on rail, but also by barges, in case of domestic sales. On external channel, most of the sales were largely dispatched by the sea via the Midia and Constanta ports, but also by road and rail transportation means.

The polymer sales on the international market had as destinations both the community space, as well as the non-community. The deliveries within the community represented approximately 66 % of the total finished goods sold on the international market, the difference representing the sales on the non-EU markets.

By country, the polymere sales (PP, LDPE, HDPE, PET and PVC) had the following main destinations: Romania, Bulgaria, Turkey and Italy.

The distribution of the petrochemical products sold by Rompetrol Rafinare was performed by road and railway in the case of the sales on the domestic market, and for the international sales, the distributin of these products was performed both by road as well as by sea, via Agigea and Constanța ports.

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b) The share of each category of products or services in the revenue and in the total turnover of the company, for the last 3 years.

Indicators	Value-million LEI			% in turnover		
	2016	2017	2018	2016	2017	2018
Net turnover, of which:	8,774	11,193	14,100	100.0%	100.0%	100.0%
Gasoline and diesel fuels	6,757	8,639	10,880	77.0%	77.2%	77.2%
Other petroleum products	1,252	1,681	2,401	15.1%	15.0%	17.0%
Petroleum products	729	765	779	7.5%	6.8%	5.5%
Goods	14	32	19	0.3%	0.3%	0.1%
Utilities	8	54	8	0.1%	0.5%	0.1%
Services	15	22	13	0.1%	0.2%	0.1%

The most part of the Rompetrol Rafinare S.A. income is represented by the sale of petroleum products, mainly automotive fuel.

c) The new products taken into account for which a substantial volume of assets shall be used in the future financial year as well as the development stage of these products.

In the year 2019, Rompetrol Rafinare shall continue to deliver on the domestic market only Euro 5 fuels (max Sulphur content 10 mg/kg) and a content of biofuel of minimum 8 % in volume for gasoline and minimum 6,5% in volume for Diesel fuel (in compliance Law No. 311/2018).

The Euro 5 fuels are:

- Efix S 98 Gasoline
- RON 98 Gasoline
- Efix 95 Gasoline
- Europlus Gasoline
- Efix S Diesel 55
- Diesel 55
- Efix Diesel 51
- Euro 5 Diesel

For the year 2019, Rompetrol Rafinare does not envisage any increase of portfolio on processed products.

In Petrochemical area, 2018 was the year of consolidation of specialty grades, mainly for the Polypropylene Unit (PP). Now, about 20% of PP products are specialty grades.

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Following trials and improvements, at the end of 2018, polypropylene film grade F400BO was included in current production and the first hundreds of tons were delivered to external customers. Following year, the grade will be introduced on domestic market, too.

It's good to mention that 24% of the quantities of RTF3 grade sold on domestic market is delivered in bulk, saving this way packaging materials (bagging film and wood europallets), otherwise consumed in traditional packaging way.

For 2019 we intend to increase the percent of specialty grades from overall production and also increase of bulk deliveries, reducing the packaging materials placed on the market.

In 2018, Vega Refinery, production focused on solvents (SE 30/60, n-Hexane, White spirit), naphtha, heating fuels and normal road bitumen and modified bitumen.

There are no planned new development products in the production program for the year 2019.

1.1.3. The Assessment of the Tehnnical-Material Supply Activity

The Petromidia refinery relies on raw materials purchased under important contracts concluded, both on import and on the domestic market. The main raw material of Rompetrol Rafinare, oil, comes exclusively from import, based on firm contracts signed on an annual basis. This ensures the stability and safety that the refinery needs to operate at maximum capacity. The main source of oil is Kazakhstan, and the large volumes obtained from the Kazakh fields reach Romania through Midia Marine Terminal. Other raw materials come from both external and internal sources.

When it comes to the purchase of raw materials, the Group follows the tendency of quotations on international markets, and, as a rule, the reference quote calculation (Brent, Ural) is used. Yearly, the level is determined by fluctuations in the market, by the international context influenced by geopolitical or economic factors. All factors are ultimately reflected in the level of purchase prices of raw materials.

Ethylene is a raw material for polyethylene (LDPE, HDPE) and it is purchased from the foreign market at prices following the trend of quotations.

Information with regard to the safety of sources of purchase and prices of raw materials and to the dimensions of raw material stocks and materials.

The stability of the oil supplies required for the optimal operation of the Petromidia Refinery was determined by the acquisition by KazMunayGaz of Kazakhstan of the entire stake previously owned by the parent company of the Rompetrol Group³ (Rompetrol Holding N.V.) in the Dutch company The Rompetrol Group N.V. (now called KMG International N.V.). At the same time, the takeover of the Kazakh Oil and Gas national company also led to considerable financial support from the majority shareholder to finance the investments.

³ With currently name KMG International Group



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KazMunayGas Trading A.G., the trader of the KMG International Group, was the one who contracted the amount of crude oil required for the year 2018. KazMunayGas Trading A.G. is located in Switzerland and is a specialized form in commercial operations with crude oil and petroleum products. The role is well defined: it ensures imports of crude oil and other raw materials, and on the downstream side, it takes over oil products for sale on foreign markets.

The Petromidia refinery relies on raw materials purchased under important contracts concluded, both on import and on the domestic market. The main raw material of Rompetrol Rafinare, oil, comes exclusively from import, based on firm contracts signed annually. This ensures the stability and safety that the refinery needs to operate at maximum. The main source of oil is Kazakhstan, and the large volumes that go into the Kazakh fields reach Romania through the Midia Marine Terminal. Other raw materials come from both external and internal sources.

When it comes to the purchase of raw materials, the Group follows the tendency of quotations on international markets, and as a rule, the reference quote calculation (Brent, Ural) is used. Yearly, the level is determined by fluctuations in the market, by the international context influenced by geopolitical or economic factors. All factors are ultimately reflected in the level of purchase prices of raw materials. Currently, estimates show that the supply of raw materials and other materials will not undergo major changes in 2019.

For discharging crude oil from Kazakhstan, Rompetrol Rafinare S.A uses a modern marine terminal, which belongs to the KMG International group and is located near the Petromidia Refinery.

For loading and unloading of raw materials and petroleum products in the ports of Constanta and Midia, contracts were signed with service providers such as Conpet S.A. and Midia Marine Terminal S.R.L.

The chemicals purchased by Rompetrol Rafinare S.A. (for the two refineries) during 2018 can be grouped into:

- catalysts
- additives
- chemical services for water treatment
- other chemicals (inhibitors, process chemicals, and so on)
- reagents/reactives
- oils

1.1.4. The Assessment of the Sales Activity

a) The trend in sales on the internal and/or external market and their estimate on medium and long term.

Total sales in 2018 increased as compared to 2017, with a significant increase on the domestic market, particularly at gasoline, diesel fuels and petcoke. On the foreign market, the traded volumes



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were higher, with an important increase in the sales of gasoline, diesel fuels and jet. The regional markets (Greece, Georgia, Turkey, Bulgaria, Moldova) consolidated; however, important quantities were sold on other markets, as well (Middle East, Central America). For 2019 as well, the target is represented by the consolidation of existing markets, as well as by the penetration on other markets. For the domestic market, the marketing strategies continue to aim at increasing the market share through an extended national network of gas stations.

b) The description of the competition in the field of activity of the Rompetrol Rafinare, the market share of the products and the services of the company and the main competitors

The main **competitors** (who are also producers) on the internal market are:

- OMV Petrom S.A.
- Lukoil Romania S.A.

The main **competitors** on the foreign market are: OMV, Shell, Mol, Agip, Lukoil.

The main **competitors** (which are also producers, but located outside of Romania) for petrochemical products on the domestic and external markets are:

- TVK
- Slovnaft
- HIP Pancevo
- Lukoil Burgas
- Borealis
- Sabic
- DOW
- Petkim

c) The description of any significant dependency of the company towards a single client or group of clients the loss of which would have a negative impact on the income of the company.

From the point of view of the significant dependence towards a single client or group of clients:

- ✓ KazMunayGaz Trading A.G. - performs more than 10% of the company's external sales.
- ✓ Customers with more than 10% of the company's sales on the internal market: Rompetrol Downstream S.R.L.

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1.1.5. The Assessment of the Aspects regarding the employees/staff of the Company.

a) the number and level of training of the employees of the company as well as the degree of unionising the employees.

On December 31st, 2018, Rompetrol Rafinare S.A., Năvodari Work Point (Petromidia Refinery) had a number of 982 employees, of which: 220 - higher education staff.

On December 31st, 2018, in the Vega Refinery Work Point, Ploiești, the company had a number of 190 employees, of which: 35 - higher education staff.

TOTAL: On December 31st, 2018, Rompetrol Rafinare S.A. had a total of 1172 employees, of which: 255 - higher education staff.

The trade union membership rate was 84.13 % (986 employees are Trade Union members).

The following trade unions activate in the company: Petrochimistul Free Trade Union (677 members), Vega Free Trade Union (70 members), Midia Năvodari Industrial Platform Workers Trade Union (239 members).

Break down of employees on age groups:

- Rompetrol Rafinare Petromidia Unit

Age Range	Number of employees	Percent of the total number of employees
< 30	109	11.10%
30 - 39	137	13.95%
40 - 49	242	24.64%
50 - 59	458	46.64%
>60	36	3.67%

- Rompetrol Rafinare Vega Unit

Age Range	Number of employees	Percent of the total number of employees
< 30	12	6.32%
30 - 39	11	5.79%
40 - 49	73	38.42%
50 - 59	83	43.68%
>60	11	5.79%



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Also, in the reported period several training programs were carried out for the employees in the following areas: functional competences; general knowledge; legislation; communication; QHSE certifications; safety; professional knowledge - support functions, etc.

A total number of 300 employees attended the trainings, which totaled 7,132 hours, meaning an approximate average of 23.6 hours of training/employee.

The total cost of training for 2018 was USD 86,916.

b) The description of the relations between the manager and the employees as well as any conflicting elements which characterise these relations.

The relationships between the company management and employees are normals, having no negative impact on the economic performances of the company. There is a regular dialogue between the company management and the employees' unions.

In 2018, an addendum was made to the Collective Labor Contract made between Rompetrol Rafinare and "Petrochimistul" Free Union, in consideration of the provisions of Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, as well as the applicable internal legislation.

1.1.6. The Assessment of the Aspects relating to the impact of the main activity of Rompetrol Rafinare on the environment

The synthetic description of the impact of the basic activities of the Company on the environment as well as any existing or planned disputes with regard to the violation of the legislation concerning the protection of the environment.

The Company owns and operates the Petromidia Refinery, located in Năvodari, Constanța County and the Vega Refinery located in Ploiești, Prahova County.

Through the nature of the activities carried out (processing of the crude oil), the company has an impact on the environment, and for this reason the management is continuously preoccupied with the prevention and control of the impact of the activities carried out, on the environment factors, allocating considerable financial resources for investments to this purpose.

The environment strategy of Rompetrol Rafinare is based on the compliance with the legislation, through permanent monitoring and regular reporting of the compliance degree and the continuation of the investment programs and shall be based on the following principles:

- Compliance with legislation and other applicable requirements, the permanent monitoring of the degree of legal compliance;

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- Using the environmental management system in order to integrate performance criteria as well as criteria regarding air, water, soil and natural resources protection;
- The continuation of the investment program in order to comply with the legislation in the field of environment protection;
- The assessment of the environment performances of the company, the communication with the interested organizations as well as with the local communities, with regard to the continuing improvement of the environmental performances.
- Promoting information and awareness among the employees of the company, with regard to the measures for prevention and reduction of the emissions in the atmosphere, water and soil, including the measures concerning the waste management for the activities carried out and which may have an impact on the environment.
- Participation in voluntary projects and social responsibility projects in the neighboring communities.

Integrated Environmental Permit

Throughout 2018 Rompetrol Rafinare SA – Năvodari Unit operated based on the Integrated Environmental Permit no 1/10.05.2013 valid up to 10.05.2023 (Refinery Plant) and respectively AIM no 9/3.10.2011 valid up to 02.10.2021 (Petrochemicals Plant). Also, in 2017 and throughout the year 2018, was initiated and is in progress the procedure of reviewing the environmental permit for the integration of the activities of the refinery and petrochemical plant as well as of the gas bottling plant (Rompetrol Gas SRL, Petromidia working point - as a result of its takeover by Rompetrol Rafinare)

Vega Refinery functioned based on the Environment Integrated Permit no 9/08.07.2015 issued by APM Prahova, valid until 08.07.2025. The Integrated Environmental Authorization is in the review procedure.

Environmental Agreement

During 2018 all investment projects were completed within the assessment procedure of impact on the environment together with the receipt of the regulation documents (Decisions/environmental agreements) on the project category level) from the competent authority on environmental protection.

Project “Rehabilitation and layout of the field area on the premises of ROMPETROL RAFINARE S.A. - Rafinăria Vega Ploiești on which we have located acid pits and petroleum refuse” on the Environment Permit no 1/18.02.2015 being in progress, was requested the revision of the regulatory act in 2018 - the request was rejected by APM Prahova.

The Water Permit

In 2018 was carried out the procedure of renewal of the Water Management License, obtaining from ANAR a new license (no.222 / 05.09.2018), valid for 2 years.

Rompetrol Rafinare SA - Vega Refinery obtained the Water Management Permit no. 1 / 03.01.2018 issued by SGA Prahova having a validity of 3 years.



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The Greenhouse Gas (CO₂) Permit

The Greenhouse Gas Permits are valid until the end of 2020 (Stage III – 2013-2020), both for Rompetrol Rafinare – Petromidia Unit, and Rompetrol Rafinare – Vega Unit.

The GHG Authorization for the Vega Refinery was revised on December 20, 2018.

During 2018, the National Plan for Monitoring and Reporting of CO₂ Emissions for the Year 2019 was prepared and submitted to the National Environmental Protection Agency. These were all approved in December 2018.

In March 2018, the 2017 emission associated certificates were returned to the European Register of CO₂ Gases Emissions (EUTL).

Compliance with the REACH Regulation – as required by the European Chemicals Agency (ECHA)

- ECHA requirements were complied on updating files for the manufactured and marketed petroleum products.
- Safety Data Sheets on all petroleum products introduced to the market were updated, in the context of applying the requirements of the EU Regulations 830/2015.
- The chemicals and chemical mixtures procured from the external market (EU and non-EU) were monitored from the point of view of complying with the REACH Regulation (registration of ECHA, MSDS, according to EU Regulation 830/215).

In 2018, at Rompetrol Rafinare - Work Point Petromidia continued the emptying of lagoon no.1.

For the projects and activities performed, Rompetrol Rafinare proactively develops and implements management strategies on the risks which may potentially affect the company and the interested parties.

Rompetrol Rafinare approaches risk management in an orderly manner, iteratively accessibly and with consequence, following the steps below:

1. Implement the new risk policy and new methodologies developed by KMGI, aligned with best practices and professional standards from a global perspective.
2. Identification and assessment of risks in due time, in compliance with the risk management methodological instruments, by keeping a *Risk Register* to contain detailed information and analyses of all risks of the company, as well as a description of those factors whose change might influence or determine the occurrence of risks;
3. Quarterly quantitative and qualitative risk assessment to determine their impact on the achievement of established targets, and to assess the likelihood of risk by maintaining, for each identified risk, the Risk Factor Report;
4. Manage and implement the established measures for the control of the risks related to the implementation of the processes through the quarterly evaluation of the progress achieved;
5. Provide complete and timely information on the risk status and performance of risk control measures to management and the risk management department;
6. Ensure that there are specific risk management mechanisms, adequate process control procedures (standards, regulations, corporate policies for managing certain types of risk) and aiming at reducing the level of risk.



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The purpose of the company is to identify, assess and minimize the risks associated to communities, employees, contractors, environment and our business.

The company is concerned with maintaining and continuous improvement of the Quality Environment Health and Safety Management Integrated System, with results on the improvement of the organization image, improvement of relations with the public authorities, socio-economic community as a whole, limitation of civil and penal responsibility, by meeting the clients, legal requirements and regulations on Quality Environment and Safety.

In this respect, Rompetrol Rafinare holds certifications on all vehicle fuels on the market and the QHSE Management Systems was maintained throughout 2018 as well. The management system for the Sustainability Requirements Management System (ISCC) has also been recertified according to International Sustainability & Carbon Certification System (ISCC).

Rompetrol Rafinare S.A has taken all the appropriate actions to achieve the objectives regarding health and occupational safety and also activities necessary to comply with the legal requirements and regulations.

In 2018, the company still continued to identify and assess the major dangers generated by normal operation as well as accidental circumstances, as well as to assess their probability and severity, to this purpose performing HAZOP type risk analysis, for a technological plant, "Azote-Oxygen-Compressed Air" and for the "CL-433-002 AFPE" pipe system.

The implementation of the Change management (MOC) also continued with the help of a dedicated application, so that the identification/tracking/communication/review and approval of the changes could be secured before implementation.

"The operation authorization" of the rescue Stations from both Industrial platforms, has been maintained through the surveillance audit carried out by INCD INSEMEX Petroșani. The operative staff who work within the rescue Station were reauthorized by INSEMEX Petrosani.

For the training of the staff operating on platforms, and on the basis of the scenarios from the Internal Emergency Plan, there are carried out regularly simulation exercises of a major accident in which there are also involved the subcontractors. Also, during 2018, practical exercises have been carried out with the staff, having as a subject "the use of extinguishers of all types".

The safety awareness program "Safety Rompetrol" has been continued, pursuing the development and implementation of the management of health and occupational safety to the highest standards and the achievement a level of safety comparable to the levels of the most famous companies in the world.

The program is aimed to improve the activity regarding work safety, in order to raise the awareness of workers, including the subcontractors, in respect with adopting a safe behavior and reducing the risks of injury and/or professional illness specific to all activities on the platforms Petromidia and Vega.

1.1.7. The assessment of the research and development activity

The statement of expenditure under the financial year as well as of those which are to be expected for the next financial year for research and development.

Expenditure carried out in the year 2018

Expenditure for studies and technical assistance 1,255,404 USD

Expenditure planned for the year 2019

Expenditure for studies and technical assistance 1,573,750 USD

The main studies performed in 2018:

- *Mild Hydrocracking Unit increase capacity Study*
- *Re-evaluation of Safety Valves in CDU (Crude Distillation Unit)*
- *Member of CONCAWE Association (European Petroleum Refiners Association)*
- *Solution Study to build a Bitumen Plant in Petromidia*
- *ISO 50001 Certification - Energetic Management*
- *Feasibility Study - Wind Farm*
- *Steam Boilers Chemistry Control*
- *Study regarding biocide treatment necessity and its effect in refinery, depots and gas stations*
- *Technology selection for the Alkylation Unit*

From **the studies list proposed by Rompetrol Rafinare to be carried out in 2019** we can mention:

- *FCC Process Main Column, Gas Concentration Section and MEROX (LPG & Gasoline)*
- *Crude Distillation Unit (Atmospheric Distillation Section + Vacuum Distillation Section) Evaluation Study*
- *Study for Refinery Units capacity reclassification*
- *Analysis of continuous operation at minimum flow of CO Boiler*
- *2018 Solomon Benchmark Study*
- *Study on increasing the processing capacity of the plant Dearomatisation - Modernization of the 141-C1 in Vega Refinery*
- *Heat Recovery Study on 120-H Bitumen in Vega Refinery*
- *Study Increase processed capacity in VD (Vacuum Distillate) unit in Vega Refinery / technological calculation regarding the technological reserves of the unit*



1.1.8. Assessment of the company's risk management activity

The description of the company's exposure to the price risk, credit risk, liquidity and cash flow risk.

The company is exposed to the risk induced by the high volatility of the prices of crude oil and petroleum products, with a direct impact on the gross margin on sales. For this reason management developed a hedge policy, which was implemented within Rompetrol Rafinare S.A. starting with January 2011. According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Rafinare) is hedged using future contracts traded on ICE Exchange and some OTC instruments.

From the point of view of liquidity, on the background of a volatile market of petroleum and refined products, the company has made efforts to maintain the coverage of current debts from current assets, the current liquidity indicator being in 2018 at a value of 0.55.

Description of the policies and objectives of the company regarding the risk management

The Company's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Company's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Company.

Interest rate risk

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk.

Foreign exchange risk

The Company's reporting currency is Romanian LEU (RON). The fact that most of the acquisitions represented by crude oil imports and other feedstock, also a significant part of petroleum products sold are all denominated principally in US Dollars, but almost half of the Company's sales are made in national currency (RON), generates a significant foreign currency exposure risk. The Company's management is working on identification of certain methods of reduction and management of foreign currency risk with impact in the individual financial statements in RON, which will be brought to the knowledge of the Board of Directors of Rompetrol Rafinare SA. Certain assets and liabilities are denominated in foreign currencies, which are translated at the prevailing exchange rate

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at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Treasury department is responsible for handling the Company's foreign currency transactions.

Liquidity and cash flow risks

The liquidity risk consists in not having financial resources available in order to fulfill company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfillment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. During 2018 the company enjoyed continuous financing resources at the needed levels and ensured that no cases of temporary lack of financial resources or of lack of liquidity of the company occurred, as a result of selling products guaranteed with payment instruments and negotiating receipt terms from clients and payment terms to suppliers that are advantageous, maintaining at the same time a good relation with the business partners. Rompetrol Rafinare is part of the cash pooling facility of the KMG I Group and therefore can cover unexpected cash outflows by drawing from the facility.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

- *Trade receivables*

The Company is exposed to credit risk. Overdue customer receivables are regularly monitored. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

- *Financial instruments and bank deposits*

Credit risk from balances with banks and financial institutions is managed by the treasury department in accordance with the Group's policy.

Commodity price risk

The Company is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Company started on January 2011 to hedge commodities held by Rompetrol Rafinare.

According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Company, hence price fluctuations will not affect the cash-flow. Based on the expectations of crude



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oil price increase, the hedge strategy for 2018 was split between futures and options while a certain quantity above base operating stock left unhedged.

Trading activities are separated into physical effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Company sells or buys the equivalent number of future contracts based on the current position at that particular moment. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. The company also had hedge operations for refinery margins.

Operational risk

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality – environment – security.

For the projects and activities performed, Rompetrol Rafinare proactively develops and implements management strategies on the risks which may potentially affect the company and the interested parties.

Rompetrol Rafinare approaches risk management in an orderly manner, iteratively accessibly and with consequence, following the steps below:

1. Implement the new risk policy and new methodologies developed by KMGI, aligned with best practices and professional standards from a global perspective.
2. Identification and assessment of risks in due time, in compliance with the risk management methodological instruments, by keeping a *Risk Register* to contain detailed information and analyses of all risks of the company, as well as a description of those factors whose change might influence or determine the occurrence of risks;
3. Quarterly quantitative and qualitative risk assessment to determine their impact on the achievement of established targets, and to assess the likelihood of risk by maintaining, for each identified risk, the Risk Factor Report;
4. Manage and implement the established measures for the control of the risks related to the implementation of the processes through the quarterly evaluation of the progress achieved;
5. Provide complete and timely information on the risk status and performance of risk control measures to management and the risk management department;
6. Ensure that there are specific risk management mechanisms, adequate process control procedures (standards, regulations, corporate policies for managing certain types of risk) and aiming at reducing the level of risk.



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The purpose of the company is to identify, assess and minimize the risks associated to communities, employees, contractors, environment and our business.

The company is concerned with maintaining and continuous improvement of the Quality Environment Health and Safety Management Integrated System, with results on the improvement of the organization image, improvement of relations with the public authorities, socio-economic community as a whole, limitation of civil and penal responsibility, by meeting the clients, legal requirements and regulations on Quality Environment and Safety.

In this respect, Rompetrol Rafinare holds certifications on all vehicle fuels on the market and the QHSE Management Systems was maintained throughout 2018 as well. The management system for the Sustainability Requirements Management System (ISCC) has also been recertified according to International Sustainability & Carbon Certification System (ISCC).

Rompetrol Rafinare S.A has taken all the appropriate actions to achieve the objectives regarding health and occupational safety and also activities necessary to comply with the legal requirements and regulations.

In 2018, the company still continued to identify and assess the major dangers generated by normal operation as well as accidental circumstances, as well as to assess their probability and severity, to this purpose performing HAZOP type risk analysis, for a technological plant, "Azote-Oxygen-Compressed Air" and for the "CL-433-002 AFPE" pipe system.

The implementation of the Change management (MOC) also continued with the help of a dedicated application, so that the identification/tracking/communication/review and approval of the changes could be secured before implementation.

"The operation authorization" of the rescue Stations from both Industrial platforms, has been maintained through the surveillance audit carried out by INCD INSEMEX Petroșani. The operative staff who work within the rescue Station were reauthorized by INSEMEX Petrosani.

For the training of the staff operating on platforms, and on the basis of the scenarios from the Internal Emergency Plan, there are carried out regularly simulation exercises of a major accident in which there are also involved the subcontractors. Also, during 2018, practical exercises have been carried out with the staff, having as a subject "the use of extinguishers of all types".

The safety awareness program "Safety Rompetrol" has been continued, pursuing the development and implementation of the management of health and occupational safety to the highest standards and the achievement a level of safety comparable to the levels of the most famous companies in the world.

The program is aimed to improve the activity regarding work safety, in order to raise the awareness of workers, including the subcontractors, in respect with adopting a safe behavior and reducing the risks of injury and/or professional illness specific to all activities on the platforms Petromidia and Vega.



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1.1.9. Elements of perspective regarding the activity of Rompetrol Rafinare

a) Presentation and analysis of the trends, elements, events or factors of uncertainty which affect or could affect the liquidity of the company as compared to the same period of the previous year

The company made efforts to maintain its capacity to cover the current debts from the current assets; the liquidity ratio increased from 0.54 in 2017 to 0.55 in 2018.

The liquidity risk derives from the possibility that the financial sources may not be available in such a way as to meet the obligations of the company in due time. The Company management follows the liquidity level daily, as well as ensuring that its obligations towards suppliers, the state budget, local budgets, etc. are met in accordance with their maturity, with the aid of the expected cash. The coefficients of current and immediate liquidity are monitored at all times.

Knowing the effects of these liquidity risks constitutes one of the concerns of the management of the company Rompetrol Rafinare S.A. in conducting the economic-financial activity in a smooth way. Ensuring continuous funding sources also to the planned levels has been made possible by an appropriate credit-granting policy related to identifying the current needs and the needs for investments.

The activity of the company will continue to be influenced by developments in the international situation as far as the market of crude oil and petroleum products is concerned, as well as by a series of internal macroeconomic factors.

In the specific market context of petroleum products, marked by a high volatility of prices, the management of the company has implemented a policy of risk management with the main objective: the mitigation of risk regarding the price of crude oil and petroleum products in the financial results of the company. In addition, a major concern has also been granted to the policy of risk management regarding the development of the exchange rate and the interest rate.

The Company is affected by the volatility of crude oil, oil product and refinery margin prices.

Its operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as supplies to its customers. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Starting with January 2011 the Group implemented the hedge policy within Rompetrol Rafinare.



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b) Presentation and analysis of the effects of capital expenses, current or anticipated on the financial situation of the company as compared to the same period last year

The investment activity in the year 2018 has focused, in accordance with the program, on the following:

- The increase of the processing capacity of the refinery and the generation of fuels, with the specification in line with the European standards as also an increase of the white products efficiency;
- The alignment with the requirements of the European Union, the environmental standards in force, and in particular with the aim of reducing emissions.

The main projects completed in the year 2018, in the Petromidia Refinery:

➤ **100 T3 tank rehabilitation**

The project scope is to rehabilitate the 100T3 crude tank and reintegrating revamped tank in normal operation, at an increased inlet flow for Crude Unit. By assuring necessary storage capacity for the crude oil, it can be supplied a wider category of feedstock for refinery to respect Group strategy within crude oil importing or other alternative feedstock. Alignment with the latest requirements imposed by legislation on environmental protection.

➤ **Expire authorization ISCIR for equipment's from Refinery, Petrochemicals and Vega Platforms**

The project “Expire authorization ISCIR (State Inspection for Control of Boilers, Pressure Vessels and Lifting Installations) for static equipment Refinery, Petrochemicals and Vega Platforms” has as scope 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 with due lifespan.

c) The presentation and analysis of the events, transactions economic changes which significantly affect the income from the main activity.

The turnover on 31.12.2018, in amount of Lei 14,115,915,691, is bigger than the one forecast in the budget by 9%, and bigger than the one registered at the end of 2017, by RON 2,923,160,377. This is due mainly to increasing in finished goods price sold compared with budget provisions, as well as increasing sales volumes above the budgeted provisions.



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d) Others:

I. Procedures in which the Company, Rominserv SRL and employees of the 2 companies are involved, following the procedure of the technical incident at Petromidia Refinery on August 22nd 2016:

On August 22nd 2016, a technical incident occurred on the Vacuum and Atmospheric Distillation followed by fire extinguished by the refinery personnel together with the private and public fire-fighting brigades. Following the incident, two employees of Rominserv SRL, member company of the Group KMG International, suffered burns and two persons died. The competent authorities initiated investigations trying to establish the circumstances and causes that generated the technical incident, the accident and death of the Rominserv SRL employees. As far as the work accident is concerned, the Public Prosecutor's Office attached to the Court of Appeal was notified *ex-officio*, opening file no 586 / P / 2016, within which, the employees of the two companies were interviewed and a technical expertise was ordered. Following the conclusion of the criminal investigation, Rompetrol Rafinare S.A., Rominserv SRL and 4 employees of the 2 companies were sent to trial on account of: not having taken the occupational health and safety measures, guilty bodily injury, manslaughter, accidental pollution. At the same time, the Rompetrol Rafinare S.A. file also features as responsible civil party. Following the initial stage of the trial, of preliminary hearings, on 01.03.2017 the court ascertained the relative nullity of indictment no 586/P/2016 of 07.12.2016 Public Prosecutor's Office attached to the Court of Appeal Constanța, the non-regularity that attracted the impossibility of establishing the object or court limitations on indictment no 586/P/2016 of 07.12.2016, and ruled that the investigation body notify if they maintained their disposition of going to trial or if they requested the restitution of the cause. At the same time, the Territorial Labour Inspectorate notified the Company with the Minutes of March 10th, 2017, document based on which, the Company was sanctioned with a fine in amount of 18,000 lei, sanction contested in court, the litigation being under trial at the time of drafting the report. The minutes of finding and sanctioning of the contravention were challenged in to the court, at the date of the present report, the litigation being suspended until the criminal case will be finally resolved. Following the decision of the court, the file was returned to the Prosecutor's Office attached to the Constanta Court of Appeal, during 2018 year procedural acts were carried out in the criminal prosecution and in December the file was submitted to the Constanta Court, the courts being notified by the indictment issued on December 20th 2018. At the date of the present report, the litigation is in the preliminary camera stage, the first term being set.

II. Procedures regarding the Company's obligations to the environment

On November 15th, 2017 Garda Nationala de Mediu, performed an inspection at Vega refinery to ascertain the implementation stage of the acidic pitch pits remediation project, for which an environment agreement had been obtained. Following the inspection, the ascertainment notice was issued, based on which the Company was sanctioned with a fine in amount of 100.000 lei. At the same time, Garda Nationala de Mediu informed the Environment Protection Agency Prahova requesting to analyze the situation and order accordingly. On November 21st, the Environment Protection Agency Prahova sent to the Company the prior Notification requesting it to observe the provisions of the Integrated environment Permit regarding the remediation of the acidic pitch pits,



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setting December 21st 2017 as compliance term, the sanction established by the environment authority in case of non-compliance being the suspension of the regulation document.

Against the documents issued by the environment authority, the Company initiated prior procedures regulated by the Contentious Law and procedures in front of the court.

During the year 2018 the Company initiated correspondence with the competent environmental authorities regarding the fulfillment of the environmental obligation in order to establish jointly the concrete modalities of implementation of the rehabilitation technologies.



2. TANGIBLE ASSETS OF ROMPETROL RAFINARE

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

The company ROMPETROL RAFINARE S.A. is located about 20 km North of the Constanța County, between the Black Sea and the lake Năvodari (Tașaul), on a plot of land partly recovered from the sea and from the lake, in the vicinity of the port Midia and the Poarta Albă – Midia channel.

The Petromidia Refinery is the only profiled unit in Romania located at the Black Sea, and thus having a competitive advantage due to the immediate access to the sea and river transport routes, namely:

- Strategic placement in the Black Sea area, near the Constanța Port - one of the biggest in the region;
- Direct access to the Danube - Black Sea Channel;
- Direct access to the Midia Port;
- Near the network of crude oil pipes;
- Own railway infrastructure system;
- Logistical facilities (Midia Marine Terminal S.R.L.) which allow for reception and delivery of the liquid products by ships, barges, rail tankers and auto tankers.

➤ Nominal project capacity from 1975: **3.5 million tonnes raw material**

➤ Utilized capacity: **5.925 milion tonnes raw materials in 2018** (pursuant to the refining capacity expansion project)

➤ Future capacity starting from the year 2019: **6.026 milion tonnes/year**

➤ Infrastructure:

The Petromidia platform has a surface of 480 hectares where more than 20 companies (also including sub-contractors from outside the Group) operate in various business areas.

The supply of crude oil and other raw materials is mainly carried out through the marine terminal located in the vicinity of the Petromidia Refinery, at a distance of about 8 km from shore and through the Midia port. As an alternative, the supply may also be made through the port of Constanța (one of the biggest in the region), through the OIL TERMINAL S.A. pipe, for a distance of approximately 40 km.



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As of 2014 the Petrochemical sector joined the Refinery in the Refining Business Unit. The Petrochemical sector is specialized in the production of polymers, with a production capacity of 80,000 tonnes/year of polypropylene, 60,000 tonnes/year of high-density polyethylene and 60,000 tonnes/year of low density polyethylene. It is the sole national producer on this market segment. It delivers on both internal and external markets (the Black Sea and the Mediterranean regions, Central and Eastern Europe).

Strategically located on the Black Sea coast, the Petrochemical section includes a maritime terminal for the unloading of ethylene, cryogenic ethylene and propylene storage tanks, and various solutions for delivery to ships, rail wagons or trucks.

As of December 2007, the **VEGA Refinery** was transformed into a production tax warehouse for Rompetrol Rafinare SA.

The VEGA Refinery is located on the national road DN 1A, at a distance of approximately 60 km from Bucharest, the capital of Romania, near the European road E 60, with access to both the road and the railway network.

The Vega Refinery is located in the northern part of Ploiești city, about 1 km from the Ploiești North railway station, with which it is directly connected. The exploitation of the railways lines as also the manoeuvre and transport operations shall be carried out by the Romanian railway company Group Feroviar Român, the owner of the railways lines being Rompetrol Logistics S.A.

The Vega Refinery is currently operating the following facilities: Vacuum distillation, Bitumen, Hexane, Rectification, Dezaromatization Unit, AFP Unit. Auto platforms and railways related to AFP Unit are operated by Midia Marine Terminal S.R.L.

Currently, the raw materials are brought in the refinery in railway reservoirs from the Petromidia Refinery and are discharged through raw material-specific railway platforms. From the specially prepared platforms, the raw material is pumped through the pipes towards the storage reservoirs of the AFP area, where they are taken up by each plant separately.

The Refinery has a fleet of reservoirs of raw material and finished products, auto platforms and the railway platform for the delivery of petroleum products. At the moment, the supplies of petroleum products from the Vega Refinery are made in both railway reservoirs and in auto tanks.

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2.2. Description and analysis of the depreciation extend, regarding the company's properties.

On December 31st, 2018, the accumulated depreciation of the fixed assets, tangible assets (expressed in lei) is as follows:

Depreciation of tangible assets	Balance on 01.01.2018	Balance on 12.31.2018
Lands-(developments)	25,900,827	27,557,579
Constructions	0	97,507,255
Technical equipment and machinery	1,817,186,245	2,036,264,871
Other facilities, equipment and furniture	6,999,575	7,956,079
Total	1,850,086,648	2,169,285,783

2.3. Potential problems related to the ownership right regarding the tangible assets of Rompetrol Rafinare S.A..

1. On September 10, 2010, ANAF issued a decision of distraint on all the share packages held by Rompetrol Rafinare in its affiliated companies, as well as on the movable and immovable assets of Rompetrol Rafinare, except for the stocks, bank accounts and the receivables of the company. This measure is still in force; however, on the issue date of this report, this distraint has no direct effects on the Company's current operations.

On the preparation date of this report, the Romanian State waived the trial of all pending disputes on the dockets of the courts of law with regard to the method of applying the provisions of GEO No. 118/2003, as approved and amended under Law No. 89/2005.

The termination of the debts of Rompetrol Rafinare SA to the Romanian State, generated by the method of applying GEO No. 118/2003, as subsequently amended, makes us foresee that the distraint presented in this chapter shall be waived shortly, on lack of grounds.

2. On May 6, 2016, the Public Prosecutor's Office attached to the High Court of Cassation and Justice – Investigation Office of Organized Crime and Terrorism issued the Order of distraint on all the share packages held by Rompetrol Rafinare in its affiliated companies, as well as on the movable and immovable assets of Rompetrol Rafinare, except for the stocks, bank accounts and receivables.

The Dobrogea Inspectorate for Emergency Situations filed with the Constanța Court of Law, an action at law on the grounds of: a) ascertainment of its capacity of holder of the ownership right over the following assets belonging to Rompetrol Rafinare SA: C4 – Midia firehouse and the related



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total surface of 7,774 sqm, including the surface of 7,050 sqm covered in concrete; b) rectification of the land book and ordering on whose right is preemptive and better characterized in relation to these immovable assets. The action was rejected.

3. In 2016, Marway Fertilchim SA, currently known as Novifert SRL, filed against Rompetrol Rafinare SA two actions at law:

- An action for the delimitation of property pending on the dockets of the Constanța Court, regarding setting the delimitation between the secondary headquarters of Rompetrol Rafinare SA from Năvodari and the building belonging to the plaintiff, having a surface of 51,873 sqm, identified with land book No. 103053, and for compelling Rompetrol Rafinare to leave in the quiet enjoyment and peaceful possession over the plot of land resulting from measurements as belonging to Novifert. The action is pending for settlement on the date when these specifications are made.
- An application for arbitration on the dockets of the International Commercial Arbitration Court within the Chamber of Commerce and Industry of Romania, requesting that Rompetrol Rafinare SA should be compelled to restore and repair the pipe system that is the property of Novifert, and which was decommissioned by Rompetrol. Also, they requested that Rompetrol Rafinare should be compelled to execute all the construction, repair and maintenance works undertaken by the Parties' Covenant authenticated under No. 1548/11.06.2001. Under the same action at law, they requested that Rompetrol Rafinare SA should be compelled to return to Novifert SRL the immovable assets that formed the object of the 2001 Commodatum Agreement. On the preparation date of this report, the application for arbitration filed by plaintiff Novifert SRL was admitted in part, Rompetrol Rafinare SA being compelled to return the assets that formed the object of the Commodatum Agreement and the assets which were the plaintiff's property and which existed on the plot of land related to the secondary headquarters of the defendant. However, at the same time, the claims of plaintiff Novifert SRL to compel Rompetrol Rafinare SA to repair the pipes which were the property of Novifert SRL were rejected. Also, the counterclaim filed by Rompetrol Rafinare SA was admitted in part, being ascertained the cessation of the easement right of Novifert SRL over the land of Rompetrol Rafinare SA. The ruling made by the arbitration court was challenged by an action for annulment filed by Novifert SRL, which action was rejected.
- In 2018, Novifert SRL filed with the Constanța Tribunal, against Rompetrol Rafinare SA, a new action at law, having, however, the same object as that specified by the plaintiff in its application for arbitration, solved by the International Arbitration Court within CCINA Romania. The Constanța Tribunal re-sent the case for competent ruling, to the International Arbitration Court within the Chamber of Commerce and Industry of Romania.

4. File no 28860/281/2014 is pending for judgment on the dockets of the Ploiești Court of Law, having as its object the action at law filed by the Ploiești Hospital for Children, requesting the court of law to ascertain the hospital's ownership right over the clinic building found on the premises of the Company's work point from Ploiești. The action at law was suspended and maintained this status also in 2018.



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5. The plot of land related to the Fuel Supply Station located in Constanța, Str. Primăverii corner of Str. Soveja, is in the State's private property and Rompetrol Rafinare has a right to use it under a joint venture agreement concluded by, on the one hand, the Constanța Local Administrative Unit, through the mayor, and by Rompetrol Rafinare SA, then named Petromidia SA. During November 2018, the Company was informed about the existence of a court decision which received a final resolution, ascertaining that the Constanța City Hall concluded, *inter alia*, the joint venture agreement with Rompetrol Rafinare SA, in breach of the provisions of Law 215/2001. Discussions were held with the Constanța City Hall to remedy any legal deficiencies. No agreement was reached in this respect, given that the court decision is not relied on as against us, the Company was not a party in the dispute and was unable to express its point of view on the joint venture that took place in 2000.

3. SECURITIES ISSUED BY THE COMPANY

The issuers whose securities are admitted for trading on a regulated market shall include the Declaration of compliance or non-compliance with the provisions of the Corporate Governance Code. Thus, all relevant information on corporate governance practices was included in the Corporate Governance section and in the “Corporate Governance Declaration” related to the 2018 Annual Report.

3.1. The markets in Romania and in other countries on which the securities issued by the company shall be negotiated

Effective April 7, 2004, the Company's shares are traded on a regulated market operated by the Bucharest Stock Exchange (Bursa de Valori București SA - “BVB”) under the “RRC” symbol.

The shares of Rompetrol Rafinare are traded at the Standard category of the Bucharest Stock Exchange. On 31.12.2018, the total number of shares issued by Rompetrol Rafinare is 44,109,205,726, representing a total value of the share capital of Lei 4,410,920,572.6. The Company's shares are common, nominative, issued in dematerialized form, whose records are held by DEPOZITARUL CENTRAL SA Bucharest.

According to the legal provisions and to the Articles of Incorporation, each held share grants the shareholders the right to one vote within the General Meeting of Shareholders, the right to one dividend, the right to elect and be appointed in the Management Bodies of the Company, the right to participate in the sharing of the Company’s profit and share capital upon the Company’s dissolution, as well as other rights established by law. The ownership right and any other attributes thereof on the shares shall be transferred in accordance with the provisions of the legislation of the capital market.

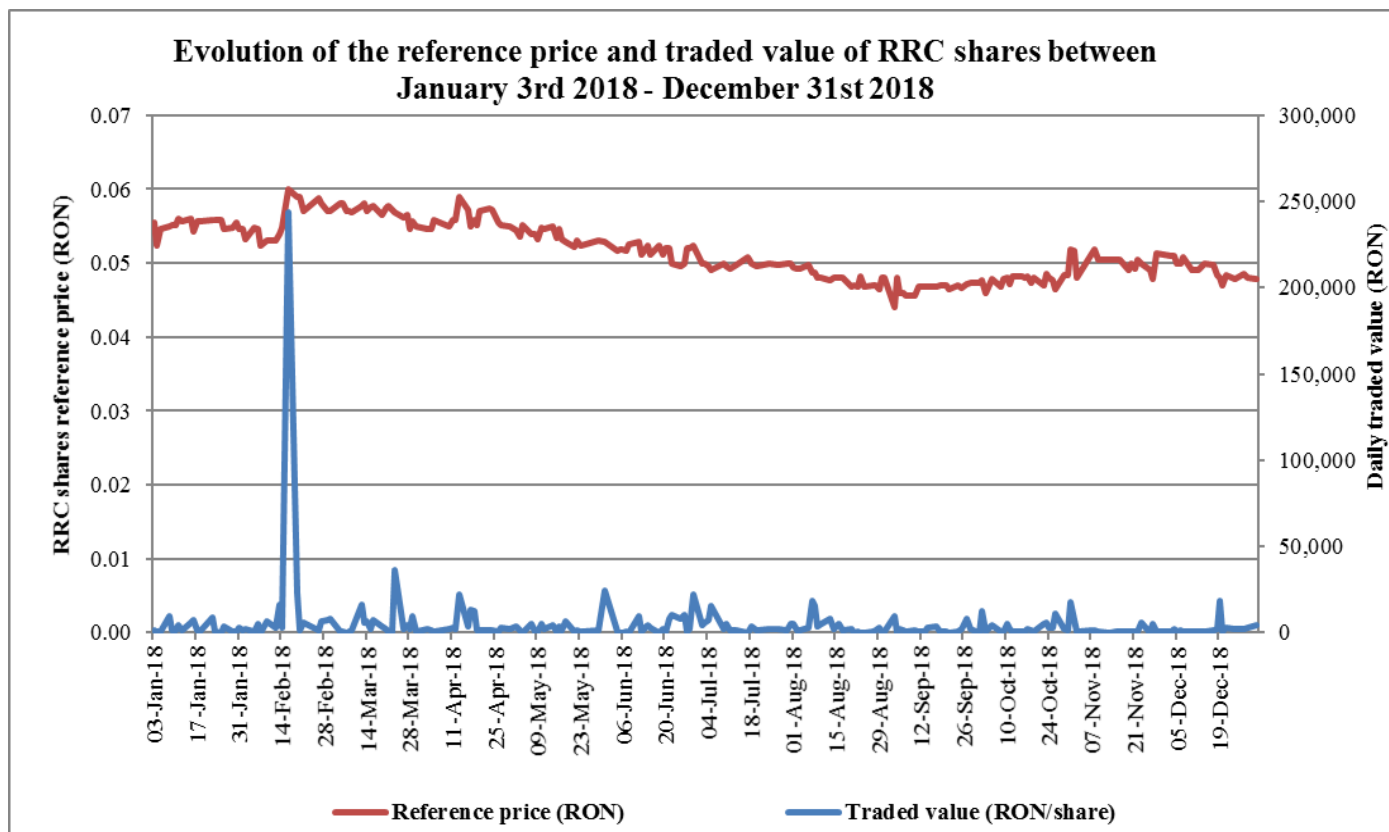
As regards the shares, their transfer is not restricted; it shall be carried-out in accordance with the laws and regulations in force and with the provisions of the Company’s Articles of Incorporation.

Symbols of Rompetrol Rafinare shares:	
Bucharest Stock Exchange	RRC
Bloomberg	RRC RO



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Shares of Rompetrol Rafinare	2016	2017	2018
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, Lei mil. ⁴	2,514.225	2,346.61	2,108.42
Stock exchange capitalization, Euro mil. ⁵	553.66	503.60	452.07
Maximum price, Lei ⁶	0.0598	0.06	0.06
Minimum price, Lei ⁷	0.04	0.0496	0.044
Price at yearend, Lei	0.057	0.0532	0.0478



The weighted average price (WAP) of the RRC shares during 2018 = Lei 0.053583917/share. The volume traded in February 2018 represents approximately 31% of the total volume traded in 2018 (total volume traded in 2018 = Lei 1,026,164.22)

⁴ Calculated on the basis of the share price on the last trading day of the year under consideration, respectively December 31, 2018.

⁵ Calculated at the euro exchange rate (Lei 4.6639) from the last trading session of the year under consideration, respectively December 31, 2018.

⁶ Registered on February 16, 2018, January 9, 2017, respectively December 16, 2016

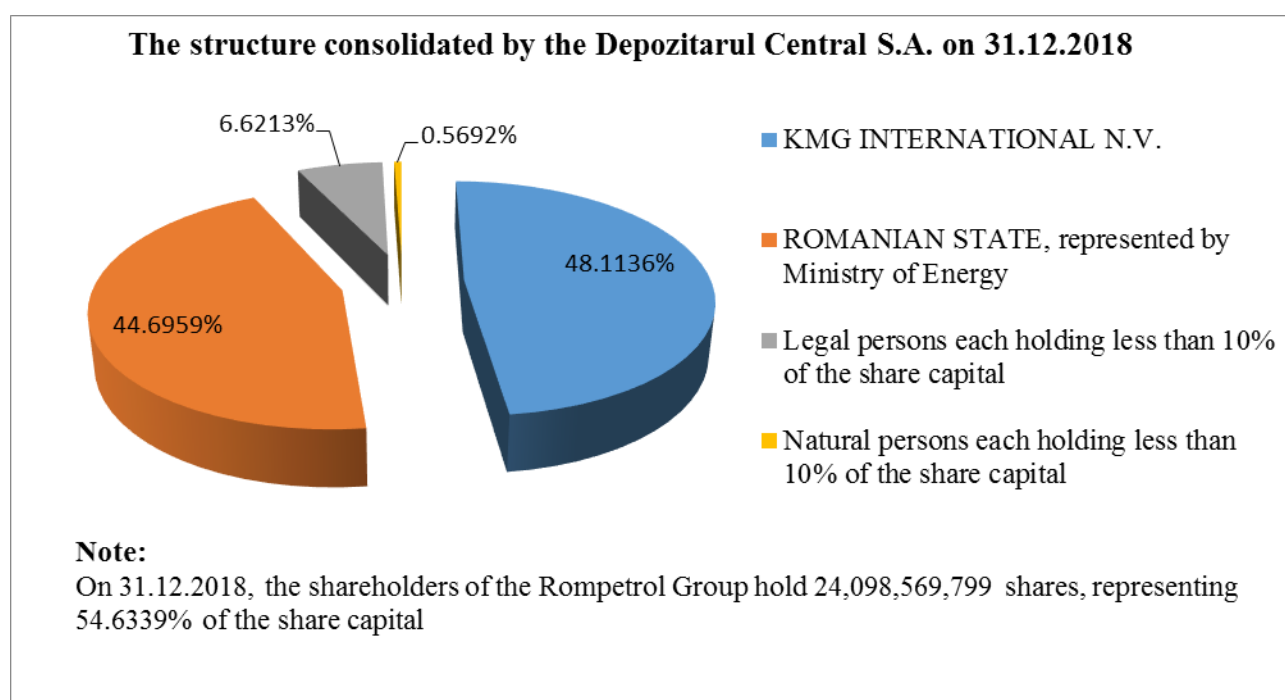
⁷ Registered on September 3 2018, July 10, 2017, respectively May 11 and May 23, 2016.

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Shareholders of the Rompetrol Rafinare

In the analyzed period, there were no changes liable to influence the value of the Company's share capital.

According to the Register of Shareholders with the consolidation date on December 31, 2018, made available by Depozitarul Central, the structure of the Company's significant shareholders is presented in the chart below:



Source: Depozitarul Central, Rompetrol Rafinare SA

3.2. Dividends.

As of December 31, 2016, ROMPETROL RAFINARE registered a profit of Lei 70,001,508, approved by the Ordinary General Meeting of the Shareholders of Rompetrol Rafinare of April 27, 2017, to be distributed as follows:

- Legal Reserve Lei 3,500,075
- Coverage of accounting loss in the previous years Lei 66,501,433.



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As of December 31, 2017, ROMPETROL RAFINARE registered a profit of Lei 418,336,728 , approved by the Ordinary General Meeting of the Shareholders of Rompetrol Rafinare of April 27, 2018, to be distributed as follows:

- Legal Reserve Lei 20,916,836
- Coverage of accounting loss of the previous years Lei 397,419,892.

On December 31, 2018, ROMPETROL RAFINARE registered a net loss of Lei (230,205,630).

In consideration of the abovementioned, the Company was unable to grant dividends to its shareholders for any of the following financial years: 2016, 2017 and 2018.

3.3. Own shares

ROMPETROL RAFINARE S.A. held on December 31st, 2018 a number of 6,134,701 own shares with a nominal value of Lei 0.10 each, amounting Lei 613,470.10, representing 0.0139% of the registered capital of the Company.

In 2018, the company did not trade (bought, respectively sold) own shares.

3.4. The number and nominal value of the shares issued by the parent company, owned by subsidiaries.

In 2018, the company's subsidiaries did not hold any shares issued by Rompetrol Rafinare.



4. THE MANAGEMENT OF THE COMPANY

4.1. The company management

The Board of Directors is responsible for the taking of all the measures necessary for the performance and monitoring of the Company's activity. Its membership, duties and responsibilities are established under the Company's Articles of Incorporation, available on our website (www.rompetro-rafinare.ro, section Relation with Investors/Corporate Governance, subsection Corporate Governance Documents).

In 2018, the following changes were made in the Board of Directors:

- *January 15, 2018:* Decision No. 1/2018 adopted by the Ordinary General Meeting of the Shareholders approved the election of Mrs. Nicoleta Viorica Soisun as a member of the Company's Board of Directors in the stead of Mr. Marius Mitruș. The term of office of Mrs. Nicoleta Viorica Soisun was established as beginning with the date of this general meeting and ending with 30.04.2018 (the expiry date of the term of office of the other directors in office on the election date).
- *April 27 2018:* further to the termination by expiry on May 1, 2018 of the term of office of all the Company's directors, Decision No. 3/2018 adopted by the Ordinary General Meeting of the Shareholders approved the election of the new Board of Directors formed of 5 members for a term of office of 4 years, *i.e.* until April 30, 2022. The membership of the Board of Directors elected under Decision No. 3/2018 OGMS of April 27, 2018 was the following:
 - Cătălin Dumitru;
 - Alexey Golovin;
 - Yedil Utekov;
 - Mihai-Liviu Mihalache;
 - Nicolae Bogdan Codruț Stănescu.
- *May 3, 2018:* by Decision No. 1, the new Board of Directors elected Mr. Cătălin Dumitru to the office of Chairman starting from May 1, 2018, until April 30, 2022;
- *September 1, 2018:* by Decision No. 1, the Board of Directors took act of Mr. Cătălin Dumitru's waiver of his term of office of director and chairman of the Board of Directors starting from September 1, 2018 and found that a position of director was vacant;
- *September 1, 2018:* by Decision No. 1, the Board of Directors designated Mr. Meraliyev Saduokhas as interim director, starting from September 1, 2018, until the meeting of the next GMS meeting;

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- *September 1, 2018*: by Decision No. 2, the Board of Directors elected Mr. Saduokhas Meraliyev as chairman of the Board, starting from September 1, 2018 until the adoption date of the Decision issued by the next Ordinary General Meeting of the Shareholders of the Company with regard to the election of a new permanent director of the Company and of a new Decision to be issued by the Board of Directors for the election of the new chairman of the Board of Directors.

On December 31, 2018, the membership of the Board of Directors was as follows:

- **Meraliyev Saduokhas**, a citizen of Kazakhstan, Chairman of the Board of Directors;
- **Alexey Golovin**, a citizen of Kazakhstan, member of the Board of Directors;
- **Yedil Utekov**, a citizen of Kazakhstan, member of the Board of Directors who is also exerting the office of the Company's General Director;
- **Mihai-Liviu Mihalache**, a citizen of Romania, member of the Board of Directors;
- **Nicolae Bogdan Codruț Stănescu**, a citizen of Romania, member of the Board of Directors.

Please find hereinbelow the most relevant items related to the expertise and professional background of the Company's directors in office on 31.12.2018.

The Curriculum Vitae of the current directors of the Company are also posted on the Company's web page www.rompetrol-rafinare.ro, section "Relations with Investors – Corporate Governance – Board of Directors".

Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)
Meraliyev Saduokhas	60	<p>Chairman in the Board of Directors: 01.09.2018 – present date;</p> <p>- elected as interim director under Decision No. 1 adopted by the Board of Directors on September 1, 2018 until the adoption date of the Decision issued by the next Ordinary General Meeting of the Shareholders of the Company with regard to the election of a new permanent director of the Company, further to Mr. Cătălin Dumitru's waiver of his term of office.</p> <p>- starting from the same date, September 1, 2018, he was elected as the Chairman of the Board of Directors (in the stead of</p>	<p>Studies made within the following institutions: Petroleum and Gas University from Moscow, specialization in the chemical technology of petroleum and gas processing; the Institute of Finance and Economy, specialization Economy and Management; California University, business management specialization .</p> <p>He joined the group in 2008 as a deputy CEO, and –in the period comprised between 2009 and 2012- he was designated as the CEO of the Rompetrol Group. From 2012, he has been CEO advisor; and since 2017 and until the present date he has been Chief Production Officer.</p> <p><i>Responsibilities:</i> within the KMG International Group, he is holding the offices of: chairman of the Board of Directors of Rompetrol Well Services SA, ROMINSERV SRL and</p>

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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)
		Mr. Cătălin Dumitru) until the adoption date of the Decision issued by the next Ordinary General Meeting of the Shareholders of the Company in relation to the election of a new permanent director of the Company and of a new Decision to be issued by the Board of Directors for the election of the new chairman of the Board of Directors	ROMINSERV VALVES IAIFO SRL; member of the Board of Directors of KAZMUNAYGAS ENGINEERING BV
Alexey Golovin	40	<p>- Member of the Board of Directors from 13.04.2017 – present date.</p> <p>- Interim member of the Board of Directors in the period comprised between 10.02.2017 and 12.04.2017.</p> <p>-Term of office expiring on 30.04.2022 (expiry date of the term of office of all the directors).</p>	<p>Alexey Golovin is a graduate of the "Adilet" Law School, a Pre-Master's Degree Program of the Oxford University, UK and holds a Master of Arts degree in Business Management within the Essec & Mannheim EMBA program.</p> <p>He joined the KMG International Group in November 2009 as the Group's Corporate Governance Director. In 2011, he was appointed as the Group's Marketing and Communication Corporate Officer, being in charge with the coordination of the Marketing, Brand Management, Public Relations and Internal Communications functions, while between 2013 and 2014 he was the Corporate Development and Communication General Manager, being in charge with the development of the company's long-term strategy. Between January 2015 and December 2016, he coordinated the strategy and activity of the national company KazMunayGas in the processing sector, outside Kazakhstan.</p> <p>Starting from December 2016, Alexey Golovin has been the Vice-President for Strategic and Corporate Development of the KMG International Group. In this capacity, he coordinates the strategic development, the merger and acquisition projects, the public relations, and the relations with the government agencies and with the sole shareholder.</p> <p><i>Responsibilities</i></p> <p>- starting from April 2018 he was elected as a non-executive member of the Audit Committee established under Decision No. 1 of the Board of Directors dated April 13, 2018, and reconfirmed under BD Decision No. 3 dated May 3, 2018, for a term of office until April 30, 2022.</p> <p>- within the companies that are members of the KMG International Group, he is: the vice-president of the Board of Directors of TRG PETROL TICARET ANONIM ŞIRKETI and a member of the Board of Directors of Uzina Termoelectrică Midia SA, Rompetrol Energy SA and Rompetrol France SAS.</p>



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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)
Yedil Utekov	41	<p>- Permanent member of the Board of Directors since 04.03.2015.</p> <p>- Interim member of the Board of Directors between 01.10.2014 and 03.03.2015.</p> <p>Term of office expiring on 30.04.2022 (expiry date of the term of office of all the directors).</p>	<p>A graduate of the Faculty of Resources and Hydrocarbons Chemical Technology within the Astrakhan State Technical University in Russia. With a professional background of more than 10 years in the oil and gas industry, he joined the KMG International Group in January 2010, as a Deputy General Manager of Rompetrol Petrochemicals SRL.</p> <p>He was elected as the General Manager of Rompetrol Rafinare on June 12, 2014, before that time, he was the Company's Deputy General Manager, since January 2013.</p> <p>He started his career in the oil and gas industry back in 2001, as a process operator with Akasaraisky Gas Processing Plant in Russia. Between September 2001 and June 2002, he worked as an operator for ZAO Intergaz Central Asia, Kazakhstan.</p> <p>Starting from June 2002, he gradually advanced from the position of engineer with the Atyrau Refinery, to that of Ecology, Technology, Health and Safety Manager.</p> <p>Between April 2005 and April 2010, he worked for Agip KCO, in Atyrau, Kazakhstan. The last position held in this company was Group Coordinator for Technical Control and Inspection between August 2008 and April 2010.</p> <p><i>Responsibilities:</i> within the KMG International Group, he is also a member of the Board of Directors of Rompetrol Petrochemicals SRL</p>
Mihai-Liviu Mihalache	39	<p>Member of the Board of Directors: 20.07.2015 – present date;</p> <p>Term of office expiring on 30.04.2022 (expiry date of the term of office of all the directors).</p> <p>He was elected as a member of the Board of Directors within the General Meeting of Shareholders of July 20, 2015, and he was re-elected to this office for a term of office expiring on April 30, 2022.</p>	<p>He is the representative of the Ministry of Energy.</p> <p>Bachelor of Arts degree in Legal Studies in 2001.</p> <p>He was a legal advisor with Tehnomon SRL Between 2003 and 2007, and 2010 and 2013 he was an attorney at law with the `Mihalache Mihai Liviu` Law Practice. Between 2007 –and 2010, he was a Parliament's expert with the Permanent Electoral Authority–South-West Oltenia Subsidiary.</p> <p>He was appointed as the head of the Office of the State Secretary within the Ministry of Economy, between July and September 2013 and Deputy Head of the Office for State Ownership and Privatization in Industry (OPSPI) within the same institution, between October 2013 and February 2014. Subsequently, Mr. Mihalache became the head of OPSPI, holding this office until January 2015. From May 2015 to February 2016, he was the Deputy</p>



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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)
			<p>General Director of the General Directorate for Companies with the Ministry of Energy, Small and Medium Size Enterprises and Business Environment (MEIMMMA). Since February 2016, he was employed as an expert of the General Directorate for Privatization and Management of State Ownership in Energy – Ownership Management Directorate – Legal Department Liquidations and Insolvencies within the Ministry of Energy.</p> <p>Since January 2017 and until the present date, he has been the General Director of the General Directorate for Privatization and Management of State Ownership in Energy.</p> <p>He was elected as a member of the Board of Directors within the General Meeting of Shareholders of July 20, 2015, until 30.04.2018, being re-elected under OGMS Decision No. 3/2018 of April 27, 2018, for a new term of office of four years, namely from May 1, 2018 until April 30, 2022.</p> <p><i>Responsibilities:</i></p> <p>- starting from November 8, 2018, the establishment date of company FONDUL DE INVESTITII IN ENERGIE KAZAH-ROMAN S.A., he was elected as a member of the Board of Directors, for a term of office of 2 years.</p>
Nicolae Bogdan Codruț Stănescu	44	<p>Member of the Board of Directors: starting from 27.04.2018</p> <p>He was elected as a member of the Board of Directors by Decision No. 3/2018 adopted by the Ordinary General Meeting of the Shareholders din data de 27 April 2018.</p> <p>He was one of the Company’s directors also between 12.06.2015 and 27.04.2016</p>	<p>He is the representative of the Ministry of Energy within the Board of Directors of Rompetrol Rafinare.</p> <p>Since 2016 and until the present date, he has been a Strategy Consultant within the Chancellery of the National Bank of Romania. Holder of a Ph. Degree in Law, a Bachelor of Arts degree in Legal Studies in 1996, and also a graduate of the Oil and Gas University, in 1999. He completed Master of Arts programs for “Mediation of Law Conflicts” (Titu Maiorescu University), “National Security and Defense” (National Defense University Carol I), “European Public Space” (National School of Political Science and Public Administration), “Public International Law” (Alexandru Ioan Cuza Police Academy, Bucharest). He is also specialized in the banking field, holding two certificates issued by the Romania Banking Institute– Banking European Certificate and Banking Mediation diploma.</p>



**ROMPETROL RAFINARE S.A.
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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)
			<p>Starting from 1998, he was a legal expert jurist within the State Ownership Fund, a director with APAPS Bucharest, a Director of the Directorate for Privatization Disputes within the Authority for State Assets Recovery, and the General Director of the Legal General Directorate within the same institution (2007 – 2010). Between 2013 and 2014, he was an expert with the Procurement Division of the Nuclearelectrica National Company.</p> <p>Starting from 2010 he served as an advisor of the Vicegovernor of the National Bank of Romania, and between 2013 and January 2014 he was the personal advisor of the Minister of Economy on legal matters.</p> <p>From January 2015 to August 2016 he was the General Director of the General Directorate for Privatization and Management of State Ownership (DGPAPSE) within the Ministry of Energy.</p> <p><i>Responsibilities:</i> - starting from May 1, 2018 he was elected as an independent non-executive member of the Audit Committee, for a term of office until April 30, 2022.</p>

b) any agreement, understanding or family connection between the Director in question and another person, due to which the person has been appointed as Director.

According to the directors’ knowledge, **there was no agreement, understanding or family connection** between the directors and any other person resulting in their appointment as directors.

c) The participation of the Director in the share capital of the Company;

According to the Registry of the Company’s shareholders, consolidated on 31.12.2018 and made available by Depozitarul Central SA, directors do not hold any shares issued by the Company.

d) The list of persons affiliated to the company;

None of the members of the Company Board of Directors is a person affiliated to the Company, within the meaning of the ASF Regulation No.5/2018.



4.2. The members of the company's Executive Management

a) The period for which the person is part of the Executive Management;

In accordance with the provisions of the Company's Articles of Incorporation, the only offices to be delegated with the company's management on the strength of the provisions of Art. 143 of Company Law 31/1991 are the offices of General Manager and Economic Manager. Any other office of manager within the company (human resources manager, commercial manager, administrative manager, IT manager, etc.), regardless of its name, shall not involve also the company's management.

Yedil Utekov – General Manager

By Decision No. 1 of June 12, 2014, the Board of Directors appointed Mr. Yedil Utekov as the General Manager and delegated to him the Company's management and Company representation duties.

Previously, he was at the same time the deputy general manager of the Company (since December 24, 2012) and general manager of Rompetrol Petrochemicals SRL – a company wholly owned by Rompetrol Rafinare (from November 13, 2013).

By Decision No. 2 of May 3, 2018, Mr. Yedil Utekov was re-elected as the General Manager, for a term of office starting from May 1, 2018 until April 30, 2022.

Vasile-Gabriel Manole – Economic Manager between January 1 and November 14, 2018

By Decision No. 1 of April 1, 2016, the Board of Directors appointed, effective April 11, 2016, Mr. Vasile-Gabriel Manole to the office of the Company's Economic Manager and delegated to him the Company's executive management and Company's representation duties, in the stead of Mr. Giani-Iulian Kacic, who took over the management of the improvement and streamlining projects for the activity of Rompetrol Rafinare. Mr. Vasile-Gabriel Manole was the Economic Manager of Rompetrol Rafinare also between November 1, 2010 and May 31, 2013.

Decision No. 2 adopted by the Board of Directors on May 3, 2018 approved the re-election of Mr. Vasile-Gabriel Manole to the office of Economic Manager, while, by Decision No. 2 of November 12, 2018, the Board took act of the termination as of November 15, 2018 of his term of office and of his capacity of Economic Manager, as a result of his resignation from such office.

Mircea-Ștefan Stănescu – Economic Manager in the period comprised between November 15, 2018– present date.

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By Decision No. 2 of November 12, 2018, the Board of Directors appointed Mr. Mircea-Ştefan Stănescu to the office of Economic Manager of the Company and delegated to him the Company's executive management and Company representation duties, for a term of office starting with November 15, 2018 to expire on April 30, 2022.

On 31.12.2018, the two directors who were delegated to manage for the abovementioned purposes were:

Name and First Name	Office
Yedil Utekov	General Manager
Mircea-Ştefan Stănescu	Economic Manager

Members of the executive management shall exert their offices for a term of office to expire on 30.04.2022 (at the same time with the directors who appointed them to their offices).

b) Any agreement, understanding or family connection between that person and another person due to which the person concerned has been appointed as a member of the executive management;

We have no information about any cases of understandings, agreements of family connections between the members of the executive board and any other persons which resulted in their appointment to their offices.

c) The participation of this person in the Company.

Neither one of the two Managers presented in the Table under Item 4.2.a) has any shares with the Company.

4.3. Any litigations or administrative procedures in which the persons referred to in sections 4.1 and 4.2. have been involved, in the last 5 years

None of the two actual Executives holding the positions on the issue date of this report (General Manager and Finance Manager) has been involved in litigations or administrative procedures.

Starting with 22 March 2005, criminal investigations started related to certain former directors, managers and external censors of Rompetrol Rafinare S.A. («RRC»); these ones were officially performed and materialized in various specific criminal procedural activities (including specific judicial expertise), currently under criminal investigation.

The charges brought upon the inception of the criminal prosecution were: a) failure to fulfil the investment commitments undertaken under the privatization contract concerning the Parent



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Company; b) unlawful declaration of excises and other debts to the state budget; c) incorrect keeping of accounting registries regarding the transactions undertaken at the oil terminal owned by Oil Terminal. These charges concern events occurred during April 2001 – October 2002. d) status of adoption of the Government Emergency Ordinance 118/2003.

The said charges have been disjoined by the prosecutors' office from the initial case file in 2004 (that was sent to trial following such disjoining and which is definitively closed) and are subject to a separate file currently open before Prosecutor's Office attached to the High Court of Cassation and Justice – Directorate for Investigating Organized Crime and Terrorism.

4.4. Changing the Articles of Incorporation

The Articles of Incorporation may be amended by Decision of the General Meeting of Shareholders, according to the provisions of Law no. 31/1990 on companies, in conjunction with the provisions of the Articles of Incorporation. The Articles of Incorporation may also be amended by the Board of Directors of the Company, by delegation of powers by the Meeting of the Shareholders in accordance with the provisions of Art. 114 of Law no. 31/1990 on companies.

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5. FINANCIAL STATEMENT

The presentation of an analysis of the current economical - financial statement as compared to the last 3 years, with reference at least to:

a) The balance sheet items: assets representing at least 10 % of the total assets; cash and other cash equivalent; reinvested profits ; total current assets; total current liabilities;

THE SITUATION OF THE MAIN INDICATORS DURING THE PERIOD 31.12.2016 to 31.12.2018

A. BALANCE SHEET INDICATORS

	2018		2017		2016	
	Lei	%	Lei	%	Lei	%
Intangible assets	17,940,585	0%	14,618,988	0%	16,724,850	0.2%
Goodwill	152,720	0%	152,720	0%	152,720	0.0%
Tangible assets	3,622,505,369	45%	3,680,205,350	45%	3,018,053,823	44.3%
Financial assets	1,629,020,055	20%	1,629,020,055	20%	1,629,020,055	23.9%
Deferred tax assets	163,026,035	2%	156,961,477	2%	271,373,514	4.0%
Total non-current assets	5,432,644,764	68%	5,480,958,590	68%	4,935,324,962	72%
Inventories, net	816,566,125	13%	1,014,258,927	13%	816,627,179	12.0%
Receivables and expenses Registered in advance, net	1,530,215,763	19%	1,577,627,271	19%	1,018,626,207	14.9%
Derivatives Financials Instruments	6,197,265	0%	-	0%	22,980	0.0%
Cash at bank and in hand	19,450,444	0%	22,863,280	0%	45,891,549	0.7%
Total current assets	2,372,429,597	32%	2,614,749,478	32%	1,881,167,915	28%
TOTAL ASSETS	7,805,074,361	100%	8,095,708,068	100%	6,816,492,877	100%
Subscribed Share Capital	4,410,920,573	54%	4,410,920,573	54%	4,410,920,573	65%
Premium related to capital	232,637,107	3%	232,637,107	3%	232,637,107	3%
Revaluation reserve, net of deferred tax impact	566,948,566	7%	600,663,192	7%		
Other reserves	3,408,959,991	42%	3,424,144,892	42%	3,169,670,514	47%
Reported loss	(6,049,107,446)	-80%	(6,507,244,042)	-80%	(6,556,328,713)	-96%
Result of the current financial year	(230,205,630)	5%	418,336,728	5%	70,001,508	1%
Total Equity	2,340,153,161	32%	2,579,458,450	32%	1,326,900,989	19%
Hybrid loan – long term portion	69,291,612	1%	57,155,251	1%	-	0%
Long-term loans from banks	489,405,927	0%	-	0%	281,763,783	4%

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Provisions	335,464,381	4%	327,130,219	4%	302,311,412	4%
Total long term liabilities	894,161,920	5%	384,285,470	5%	584,075,195	9%
Commercial debts & Other debts	3,936,412,324	49%	3,981,167,078	49%	3,750,363,002	55%
Contractual debts	89,334,760	0%				
Derivatives	0	0%	515,760	0%		0%
Short term loans from subsidiary companies	438,118,914	8%	683,141,317	8%	1,065,970,431	16%
Short term bank loans	106,893,282	6%	467,139,993	6%	89,183,260	1%
Total current liabilities	4,570,759,280	63%	5,131,964,148	63%	4,905,516,693	72%
TOTAL LIABILITIES AND EQUITY	7,805,074,361	100%	8,095,708,068	100%	6,816,492,877	100%

- i) Within the assets, an important share (45%) it represents the **tangible assets** – lands, buildings, technical equipment, construction in progress. At the end of 2018, these reached the value of Lei 3,622,505,369, lower by 2% than that recorded in 2017, respectively by 20% higher than that recorded in 2016 especially influenced by the following factors:
- continuation of the new investments;
 - amortisation (depreciation of fixed asset).
- ii) Within the **financial assets** (20%), the entire value (Lei 1,629,020,055) is represented by shares and shares held in the affiliated entities. Their value remained at the same level recorded at the end of 2017.
- iii) **Receivables and prepayments** (19%) are lower than those booked at 31.12.2017 by 3%.
- iv) **Share capital** (54%) has a value similar to that at the end of 2017 and 2016, respectively Lei 4,410,920,573;
- v) **Equity** of Lei 2,340,153,161, reaching a level by 9% lower compared with 31.12.2017 and by 76% higher compared with the equity at the end of 2016.
- At 31 December 2018, respectively 31 December 2017 the Company’s net assets are higher than half of the value of the subscribed share capital in compliance with Law no. 31/1990 regarding the trade companies, as amended.
- vi) **Trade and other payables** at the end of 2018 were lower by 1% as against 2017 and higher by 5% as against 2016.
- vii) In terms of **short-term loans (from affiliates and banks)** their level reached in 2018 a total value of Lei 545,012,197 decreasing as against 2017 with 53% and also lower by 53% as against 2016. The decrease was determined mainly due to the reclassification of utilized Syndicated Facility from short-term credit into long-term credit, considering that at December 31, 2018 the term calculated to maturity (23 April 2021) is more than 1 Year.

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b) The profit and loss account: net sales; gross revenue; elements of costs and expenses incurred with a weight of at least 20% in net sales or gross income; provision of risk and for the various expenditures; reference to any sale or shut down of a segment of activity carried out over the last year or which is to be made in the following year; declared and paid dividends;

Continuous activities	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Turnover	14,115,915,691	11,192,755,314	8,774,321,849
Gross incomes from the sales of petroleum finished goods	18,265,248,407	14,727,580,720	12,478,833,569
Income from sales of goods	18,191,556	31,297,529	13,848,575
Income from sales of utilities	8,313,460	7,915,850	7,744,388
Income from sales of other products	746,271	979,801	626,411
Income from rents and other services	12,958,673	13,892,564	13,954,205
Gross turnover	18,305,458,367	14,781,666,464	12,515,007,148
Minus sales associated taxes	(4,189,542,676)	(3,588,911,151)	(3,740,685,299)
Total	14,115,915,691	11,192,755,314	8,774,321,849
Cost of sold production	(13,609,234,205)	(10,628,344,179)	(8,272,314,522)
of which:			
Crude oil and other raw materials	12,638,548,476	9,783,827,276	7,495,305,590
Utilities	397,646,059	338,134,378	325,316,249
Gross Profit/ (Loss)	506,681,486	564,411,135	502,007,327
Distribution and general administrative expenses	(326,753,920)	(277,870,892)	(215,517,308)
Other operational incomes/(expenses)	(68,837,668)	(63,179,014)	(10,576,941)
Operational Profit / (Loss)	111,089,898	223,361,229	275,913,078
Financial expenses	(173,755,558)	(159,732,555)	(130,189,378)
Financial income	14,718,404	46,439,668	21,170,401
Net (Losses)/ gains on exchange rate difference	(181,901,099)	308,268,386	(140,228,024)
Gross Profit / (Loss)	(229,848,355)	418,336,728	26,666,077
Deferred income tax Revenue	(357,275)	-	43,335,431
Profit / (Loss) exercise	(230,205,630)	418,336,728	70,001,508



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- i) **The net turnover** for 2018 was higher by 26% as compared to last year and by 61% higher as compared to 2016, being supported by an increase of the quantity of finished products sold and also due to the increase of quotations for petroleum product by comparison to the previous year. Thus the average of gasoline prices increased by 21%, in 2018 as compared with 2017 and for diesel with 30%.
- ii) In respect of the **cost of production sold**, it increased by 28% compared to 2017 and by 65% compared to 2016.
- iii) At 31.12.2018, Rompetrol Rafinare S.A. recorded **an operational profit** of Lei 111,089,898, as against to that recorded in 2017 of Lei 223,361,229 and as against to that recorded in 2016 of Lei 275,913,078.
- iv) **Financial expenditures** recorded an increase of 9% in 2018 compared to 2017 and of 33% compared to 2016. To be mentioned that at the end of 2018, the company recorded a net loss from significant exchange rate differences in amount of Lei (181,901,099), compared to the gain recorded in 2017 in amount of Lei 308,268,386 and to the loss of Lei (140,228,024) in 2016. The unfavorable exchange rate differences recorded at the end of 2018 were due to the continuous depreciation of the national currency against US Dollar. Thus, if at the end of 2017 1 USD = 3.8915 lei, on 31.12.2018, 1 USD was equal to 4.0736 lei.

In respect of the **final result of the financial exercise concluded on 31.12.2018, the Company recorded a net loss in amount of Lei (230,205,630).**

c) cash flow: all changes which have taken place at cash level in the main activity, investment and financial activities, the cash at the beginning and at the end of the period

In 2018, the net cash flow show the effort of the company to efficiently match the cash needs from the operation activity with a balanced financing policy.

The cash flows from operating activity were influenced so by the increase in debt level, and also by the decrease in trade receivables as well as the decrease in stocks.

At the end of 2018, Brent crude oil reached the value of 50.57 USD/barrel compared to the end of 2017, when it was located at 66.54 USD/barrel level.

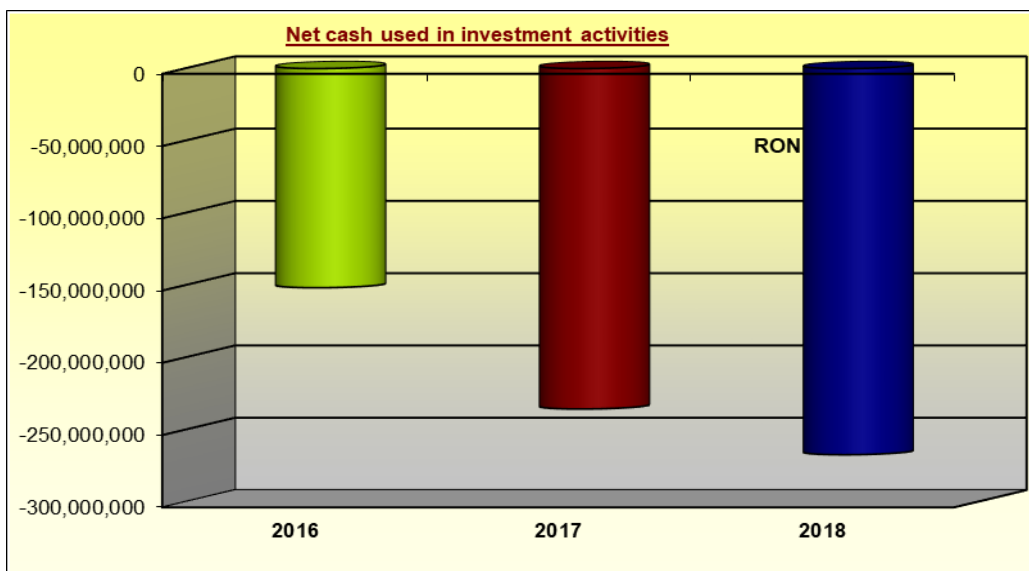


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In 2018 Rompetrol Rafinare continued implementing new technologies allowing processing of various types of crude and obtaining new products at the quality imposed by the European standards, as well as the increase yield in white products. A permanent 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.

Also, in 2018, the scheduled shutdown of the refinery took place, a capital maintenance project that was initiated for the periodic inspection of the machinery, changing of catalysts, machinery maintenance, etc. Other major investment projects concerned ISCIR equipment authorization/re-authorization, restarting the HDPE unit, rehabilitation of tanks and replacement of catalysts at HPM unit.

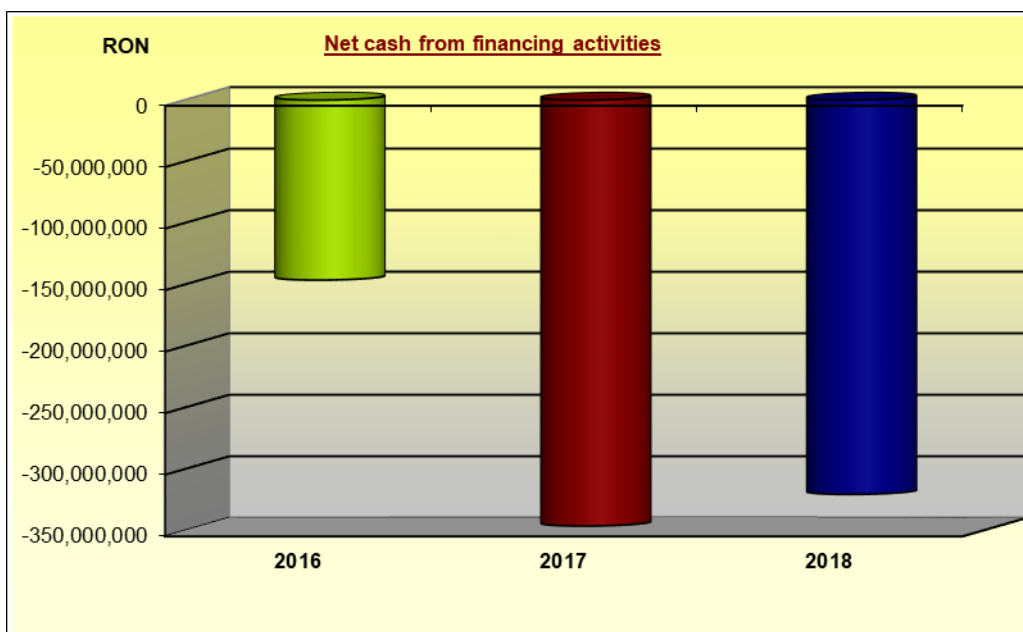




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Cash flow from financing activities was influenced by the fact that the Company benefitted from a Cash pooling contract – a system of optimization of cash balances, aiming to support both the needs generated by the investment activity as well as by the development of the operational activity of the refinery, and a long-term syndicated credit facility. There were also other factors to have influenced the cash flow from the financing activity such as increasing the exposure of the company to Banc Post with concern to the open working capital facility and the short-term loan reimbursements received from the affiliate KMG International N.V., Additional, The Company has benefited in the year 2018 of a working capital facility from Banca Transilvania.





6. CORPORATE GOVERNANCE

Rompetrol Rafinare is a trading company managed in unitary system, issuer of shares listed on the regulated market operated by Bursa de Valori București S.A. (Bucharest Stock Exchange) (“BVB”). The admission to trading of the shares issued by the Company on the operated BVB market was decided by the Decision no. 27 dated 03/25/2004 of the Stock Exchange Council regarding the admission to trading and the trading starting date was 7 April 2004. Prior to this date the Company shares were listed on the regulated market operated by RASDAQ.

The Company shares are traded at BVB under the market symbol “RRC”.

The Corporate Governance report of Rompetrol Rafinare S.A. for the year 2018 is drafted according to the Corporate Governance Code („CGC” or the „Code”), to Law no. 24/2017 on the issuers of financial instruments and market operations, to the regulations and instructions issued by the Financial Supervisory Authority – “FSA” and to the stock exchange regulations.

The scope of the code is to guarantee high transparency and visibility conditions for all shareholders and for all the third parties („stakeholders”).

6.1. The BVB standards regarding the Corporate Governance

Rompetrol Rafinare adhered for the first time to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2010 and continues to improve the good corporate governance principles.

Rompetrol Rafinare complies with most of the provisions stipulated by the Corporate Governance Code issued by the Bucharest Stock Exchange, which came into force on 4 January 2016. Further details about the Company conformity with the principles and recommendations provided by the Corporate Governance Code of the Bucharest Stock Exchange are presented in the Corporate Governance Statement, which is an integral part of this Annual Report.

The company proposes to improve the implementation modality of the principles and recommendations of the CGC of BVB.

The statement “Apply or Explain” (see Appendix 1 to the present report) presents the level of compliance by the Company with the new provisions of CGC BVB. Rompetrol Rafinare shall continue to assess the provisions of the Code and any subsequent progress that the Company shall make in complying with it shall be reported on the market. All the “negative” aspects (from conformity to non-conformity) shall also be reported.



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ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2018

6.2. Information on the Board of Directors

As mentioned at art. 4.1 of the present document, the Board of Directors is liable for fulfilling all the measures necessary to perform the activity of the Company, as well as for supervising its activity. Its structure, organization, tasks and responsibilities are set forth by the *Regulation for the organization and operation of the Board of Directors* and the *Articles of Incorporation of the Company*, both available on the web page of the company (www.rompetrol-rafinare.ro) in Investor Relations section.

The Company activity is managed by a Board of Directors composed of 5 members, appointed by the Ordinary General Meeting of Shareholders, who can also be shareholders of the company, natural or legal entities, having Romanian or foreign citizenship respectively nationality. Out of the 5 members of the Board of Directors, 3 are representatives of the main shareholder - KMG International N.V. (out of whom one is executive) and 2 representatives of the significant shareholder – the Romanian State by the Ministry of Energy (out of whom one is non-executive and independent director). The mandate of the actual directors will end on 30 April 2022.

The directors may be replaced under the following situations:

- a) Upon the expiration of the 4-year mandate or another period established by the General Meeting of Shareholders at the same time with the appointing of the director;
- b) In case of resignation or recalling by the General Meeting of Shareholders.

Upon the mandate expiration, any member of the Board of Directors may be re-appointed by the General Meeting of Shareholders.

The tasks of the Board of Directors, according to the Articles of Incorporation and , are the following:

- a) establishes the main activity and development directions of the company;
- b) establishes the accounting and financial control system and approves the financial planning;
- c) appoints, recalls, concludes and terminates the agreements of the Company managers;
- d) supervises the managers' activity;
- e) prepares the annual report, organizes the general meeting and implements its decisions;
- f) introduces the request for opening the company insolvency procedure, according to Law 85/2006 on the insolvency procedure;
- g) except for the legal documents for whose adoption / conclusion the approval of the General Meeting of Shareholders is necessary, according to the imperative provisions of the law, approves the adoption / conclusion on behalf of the company of the legal documents whose object exceeds the value of:
 - i) **USD 50,000,000** as regards the legal documents having as object the supply of crude oil, respectively the distribution of refined products;
 - ii) **USD 20,000,000** as regards the legal documents having another object than the supply of crude oil, respectively the distribution of refined products, the approval of the participation in the establishment of some trading companies with a contribution exceeding this value, other documents with patrimony content exceeding this value limit;
- h) approves the Company organizational structure.

These tasks may not be delegated to the company managers.

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The Board of Directors also has the following tasks delegated by the Extraordinary General Meeting of Shareholders under the conditions provided by art. 114 of Law no 31/1990, republished:

- a) decides regarding the relocation of the company headquarters;
- b) decides regarding the change of the company business object of activity (except for the main domain and the main activities of the company);
- c) decides regarding the increase of the share capital by the issue of new shares, according to the law.

The Board of Directors also meets other tasks, established de jure under their charge, by virtue of the applicable normative acts.

As regards the issue of shares, the Board of Directors may initiate this operation within the share capital increase operations, exercised based on the tasks delegated according to the provisions of Law no. 31/1990 corroborated with the provisions of Law no. 24/2017.

During 2018, the structure of the Board of Directors faced only one modification.

During the period 1 January 2018 – 14 January 2018, the members of the Board of Directors were the following:

- Mr. Cătălin Dumitru - *non-executive director and Chairman of the Board of Directors* starting with 10 February 2017;
- Mr. Alexey Golovin - appointed as provisional member of the Board of Directors starting with 10 February 2017 and elected permanent member of the Board of Directors starting with 13 April 2017;
- Mr. Yedil Utekov - *executive director*;
- Mr. Mihai-Liviu Mihalache - *non-executive director*;
- Mr. Marius Mitruș - *non-executive and independent director*.

During the period 15 January 2018 – 30 April 2018, the members of the Board of Directors were as follows:

- Mr. Cătălin Dumitru - *non-executive director and Chairman of the Board of Directors*;
- Mr. Alexey Golovin - *non-executive director*;
- Mr. Yedil Utekov - *executive director*;
- Mr. Mihai-Liviu Mihalache - *non-executive director*.
- Mrs. Nicoleta-Viorica Soisun - *non-executive and independent director* - appointed as member of the Board of Directors starting with 15 January 2018

During the period 1 May 2018 – 31 August 2018, the members of the Board of Directors were as follows:

- Mr. Cătălin Dumitru - *non-executive director and Chairman of the Board of Directors*;
- Mr. Alexey Golovin - *non-executive director*;
- Mr. Yedil Utekov - *executive director*;
- Mr. Mihai-Liviu Mihalache - *non-executive director*.
- Mr. Nicolae Bogdan Codruț Stănescu - *non-executive and independent director* - appointed as member of the Board of Directors starting with 1 May 2018



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During the period 1 September 2018 – present, the members of the Board of Directors were as follows:

- Mr. Saduokhas Meraliyev - *non-executive director* and *Chairman of the Board of Directors*;
- Mr. Alexey Golovin - *non-executive director*;
- Mr. Yedil Utekov - *executive director*;
- Mr. Mihai-Liviu Mihalache - *non-executive director*.
- Mr. Nicolae Bogdan Codruț Stănescu - *non-executive and independent director*

6.3. Information about the members of the Board of Directors of Rompetrol Rafinare on 31.12.2018

Name, year of birth, nationality, the duration of the mandate for each member of the Management Board, responsibilities in the Rompetrol Group, training and professional qualifications.

The membership of the current Board of Directors is the following:

Saduokhas Meraliyev

Born in 1959, citizen of Kazakhstan,

Term of office of interim director: from 01.09.2018 to the enactment date of the Decision issued by the next Ordinary General Meeting of the Company's Shareholders with regard to the election of a new permanent director of the Company.

Non-executive member of the Board of Directors.

Starting from 01.09.2018, he was elected also as a Chairman of the Board of Directors in the stead of Mr. Cătălin Dumitru who submitted its application to waive his office.

Within the companies which are members of the KMG International Group, he is also holding the offices of: chairman of the Board of Directors of Rompetrol Well Services SA, ROMINSERV SRL and ROMINSERV VALVES IAIFO SRL; member of the Board of Directors of KAZMUNAYGAS ENGINEERING BV.

Responsibilities: Starting from 2014, he is the Chief Production and Industrial Services Officer within the KMG International Group. From this office, he is in charge with the management of the Refinery and of the Petrochemical Plant, and with the industrial services operations, in accordance with the strategy of the KMG International Group.

Expertise and professional experience: graduate of the Petroleum and Gas University from Moscow, specialization in the chemical technology of petroleum and gas processing; graduate of the Institute of Finance and Economy, specialization Economy and Management; and of the California University, business management specialization. Mr. Saduokhas Meraliyev joined the group in 2008 as a deputy CEO, and then, between 2009 and 2012, he was designated as the CEO of the Rompetrol Group. Lately, starting from 2012, he has been an advisor to CEO; since 2017 until the present date, he has been Chief Production Officer.



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Alexey Golovin

Born in 1978, citizen of Kazakhstan

The term of office of director: from 10.02.2017 to 30.04.2018, being re-elected for a new four-year term of office, *i.e.* until 30.04.2022⁸.

Non-executive member of the Board of Directors

Within the companies which are members of the KMG International Group, he is also holding the offices of: member of the Board of Directors of companies FONDUL DE INVESTITII IN ENERGIE KAZAH-ROMAN SA (ROMANIAN-KAZAKH ENERGY INVESTMENT FUND), Uzina Termoelectrică Midia SA, Rompetrol Energy SA, Rompetrol France SAS and TRG PETROL TICARET ANONIM ŞIRKETI.

Responsibilities: he is the Vice-president for Strategic and Corporate Development of the KMG International Group.

Expertise and professional experience: a graduate of "Adilet" Law School, a Pre-Master's Degree Program of the Oxford University, United Kingdom and a Master of Arts Degree in Business Management within the EMBA Essec & Mannheim program.

Yedil Utekov

Born in 1976, citizen of Kazakhstan

The term of office of director: from 10.02.2017 to 30.04.2018, being re-elected for a new four-year term, *i.e.* until 30.04.2022⁹.

Executive member of the Board of Directors

Responsibilities: he is also the General Manager of Rompetrol Rafinare SA, and the General Manager and Sole Director of Rompetrol Petrochemicals SRL.

Expertise and professional experience: a graduate of the Faculty of Resources and Hydrocarbons Chemical Technology within the Astrakhan State Technical University in Russia. He started his career in the oil and gas industry in 2001, as a process operator with Akasaraisky Gas Processing Plant in Russia; between September 2001 and June 2002, he worked as an operator for ZAO Intergaz Central Asia, Kazakhstan. Then, starting from June 2002, he gradually advanced from the position of engineer with the Atyrau Refinery, to that of Ecology, Technology, Health and Safety Manager. Between April 2005 and April 2010, he worked for Agip KCO, in Atyrau, Kazakhstan. The last position held in this company was Group Coordinator for Technical Control and Inspection between August 2008 and April 2010. With a professional background of more than 10 years in the oil and gas industry, Mr. Yedil Utekov joined the KMG International Group (formerly known as

⁸ Between 10.02.2017 and 12.04.2017, he held the office of interim director. He was elected a permanent director by Decision No. 1/2017 adopted by the Ordinary General Meeting of Shareholders of 13.04.2017.

⁹ Between 01.10.2014 and 03.03.2015, he held the office of interim director. He was elected a permanent director by Decision No. 1/2015 adopted by the Ordinary General Meeting of Shareholders of 04.03.2015.



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Rompetrol Group) in January 2010, as a Deputy General Manager of Rompetrol Petrochemicals SRL. He was elected as the Company's General Manager on June 12, 2014.

The two new director positions established under Decision No. 7/2011 adopted by the Extraordinary General Meeting of Shareholders of November 29, 2011, for approving the increase in the number of the members of the Board of Directors from 3 to 5, **on 31.12.2018 are occupied by Mihai-Liviu Mihalache and Nicolae Bogdan Codruț Stănescu**. Both of them were elected to hold these offices upon the proposal made by the Romanian State in its shareholder capacity, represented by the Ministry of Energy.

Mihai-Liviu Mihalache was elected as a member of the Board of Directors by Decision No. 6/2015 adopted by the OGMS of July 20, 2015, while Nicolae Bogdan Codruț Stănescu was elected as a member of the Board of Directors by Decision No. 3/2018 adopted by the OGMS of April 27, 2018.

Mihai-Liviu Mihalache¹⁰

Born in 1978, citizen of Romania

The term of office of director: from 20.07.2015 to 30.04.2018, being re-elected for a new four-year term, *i.e.* until 30.04.2022.

Non-executive member of the Board of Directors

Within the companies that are members of the KMG International Group, he is also a member of the Board of Directors of FONDUL DE INVESTITII IN ENERGIE KAZAH-ROMAN SA (ROMANIAN-KAZAKH ENERGY INVESTMENT FUND).

Expertise and professional experience: Holding a Bachelor of Arts Degree in Legal Studies from the Ecological University, Bucharest, in 2001. Between 2006 – 2011, he completed and is a graduate of various post-University training courses/workshops, organized by the Vâlcea Bar and by the Balkan Trust for Democracy, respectively.

Career Benchmarks:

- Expert of the General Directorate for Privatization and Management of State Ownership in Energy – Ownership Management Directorate – Legal Department Liquidations and Insolvencies within the Ministry of Energy (09.02.2016 – present date);
- General Director of the General Directorate for Privatization and Management of State Ownership in Energy with the Ministry of Energy (January 2017- present date). Deputy General Director of the abovementioned Directorate (19.05.2015 - January 2017);
- Head of the Cabinet of the State Secretary within the Ministry of Energy, Small and Medium Enterprises and Business Environment (13.01.2015 - 18.05.2015);
- Head of the Office for State Ownership and Privatization in Industry (OPSPI) within the Ministry of Economy (28.02.2014 - 13.01.2015);
- Deputy Head of OPSPI within Ministry of Economy (2.10.2013 - 28.02.2014);

¹⁰ Proposed within the Company's Board of Directors by Letter No. 102293/04.06.2015 sent by the Minister of Energy, Small and Medium Enterprises and Business Environment (currently, the Ministry of Energy) – Minister's Cabinet.



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- Head of the Cabinet of the State Secretary within the Ministry of Economy (July - September 2013);
- Attorney at law with "Mihalache Mihai Liviu" Law Practice (2010 – 2013 and October 2003 - 01.04.2007);
- Parliament's Expert with the Permanent Electoral Authority–South-West Oltenia Subsidiary (01.04.2007 - October 2010);
- Legal advisor with TEHNOMON SRL (2002 - October 2003)

Nicolae Bogdan Codruț Stănescu¹¹

Born in 1974, citizen of Romania

The term of office of director: from 01.05.2018 to 31.04.2022

Independent and non-executive Member of the Board of Directors

Expertise and professional experience: holder of a Philosophical Dr. Degree in Law of "Alexandru Ioan Cuza" Academy (graduated in 2001); holder of a Bachelor of Arts Degree in Legal Studies of Hyperion University, Bucharest (graduated in 1996) and also a graduate of the Faculty of Oil Processing Technology and Petrochemistry (graduated in 1999). He completed Master of Arts programs for "Mediation of Law Conflicts" (Titu Maiorescu University), "National Security and Defense" (National Defense University Carol I), "European Public Space" (National School of Political Science and Public Administration), "Public International Law" (Alexandru Ioan Cuza Police Academy Bucharest). He is specialized in the banking industry, holding two certificates issued by the Romanian Banking Institute– Banking European Certificate and Banking Mediation diploma. He holds a Public Leaders Certificate and a specialization in "Protocol and Communication."

Career Benchmarks:

- Strategy Consultant within the Chancellery of the National Bank of Romania (2016 – present date)
- Advisor of the Vicegovernor of the National Bank of Romania (June 2010 – present date);
- Personal advisor of the Minister of Economy on legal matters (October 2013 – January 2015);
- General Director of the General Directorate for Privatization and Management of State Ownership within the Ministry of Energy (January 2015 – August 2016)
- and Management of State Ownership in the Energy Department with the Ministry of Economy;
- expert with the Procurement Division of the Nuclearelectrica National Company (September 2013 - September 2014);
- General Director of the Directorate for Privatization Disputes within the Authority for State Assets Recovery (September 2004 – January 2007), and Director of the General Legal Directorate with the same institution (2007 – 2010).
- Starting from 1998, he was a legal expert jurist within the State Ownership Fund ("FPS"), and a director within APAPS Bucharest, (former FPS).

¹¹ Proposed within the Company's Board of Directors by Letter No. 101409/AA/12.04.2018 sent by major shareholder the Ministry of Energy –Minister's Cabinet.

6.4. This presence of the administrators in the meetings of the Board of Directors

According to the Articles of Incorporation, the Board of Directors shall meet at least once every three months and whenever it is necessary. The Members of the Board of Directors have paid at all times the due attention to the duties of diligence and loyalty to the Company. Thus, the members of the Board of Directors and of the Executive Management made the decisions regarding the business of Rompetrol Rafinare considering the Company's best interests. During 2018, the Board of Directors met in 8 meetings, 5 of which were held in the physical attendance of the directors, while the other 3 meetings were organized by means of electronic communication. The agenda of the meetings held by the Board of Directors included matters that referred to the current business conducted by the Company, for instance: in view of approving the Annual Report and organizing the ordinary general meeting for approving the annual financial results, including the informative documents and materials to be subject to approval by GMS; in view of approving the reports and materials related to the biannual, and quarterly financial results for 2018; the approval of the conclusion of significant legal acts for the supply of raw matters, electricity, procurement of maintenance services for 2018, etc. and respectively the sale of oil products; in view of electing Mr. Cătălin Dumitru as the chairman of the Board of Directors as a result of electing the new Board of Directors by OGMS Resolution No. 3 of April 27, 2018; in view of establishing the Audit Committee, as well as electing the members of such consultative committee; the approval of supplementing the items on the agenda of the OGMS of April 27, 2018 in the sense of submitting to GMS's approval the proposals made by the Company's Executive Management for appointing Ernst & Young Assurance Services S.R.L. as the Company's financial auditor for the financial year of 2018, and for appointing Mr. Dan Alexandru Iancu, as an independent member of the Audit Committee; the approval of the conclusions of the evaluation report prepared by PricewaterhouseCoopers Management Consultants SRL and dated February 6, 2018 for the reevaluation of the category of tangible assets accounting group 212 – "Constructions", the reference date of the evaluation being 31.12.2017, in view of entering in the Company's financial statements according to the legal provisions in force; electing the Company's new General Manager and Economic Manager as a result of the termination of their term of mandate on April 30, 2018; in view of designating Mr. Saduokhas Meraliyev as a provisional member of the Board of Directors and as the chairman of the Board of Directors, effective September 1st, 2018 until the enactment date of the Resolution of the next Ordinary General Meeting of Shareholders of the Company with regard to the election of a new permanent director of the Company and of a new Decision of the Board of Directors for electing the new chairman of the Board of Directors, further to Mr. Cătălin Dumitru waiving his mandate; the approval of the proposal made by the Executive Management to schedule the General Reviews and Scheduled Shutdowns between 2018 and 2026 in the sense of reducing the current cycle of 5 years to 4 years, respectively for establishing a Scheduled Shutdown between 2 General Reviews, every 2 years; the approval of the election of Mr. Mircea Ștefan Stănescu as the Economic Manager, further to the resignation of Mr. Vasile-Gabriel Manole, for a term of office starting on November 15, 2018 until April 30, 2022; the approval of the Regulation for the organization and operation of the Board of Directors, as well as the endorsement of the



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Regulation regarding the performance of the general meetings and the observance of the rights of the shareholders of Rompetrol Rafinare SA, etc.

Also, the agenda of the meetings held by the Board of Directors included matters regarding: the approval of the summoning of the Ordinary General Meeting of Shareholders for January 15, 2018 for the election of Mrs. Nicoleta Viorica Soisun as a member of the Board of Directors for a term of office until April 30, 2018 as a result of revoking Mr. Marius Mitruș from this office, summoning requested by the significant shareholder - the Romanian State, represented by the Ministry of Energy, on the strength of the provisions of Art. 119, para. (1) of Law No. 31/1990, and other approvals for the proper performance of both the Company's business, and of its subsidiaries, etc.

During 2018, the membership of the Board of Directors changed three times, *i.e.*: (i) as a result of Resolution No. 1/2018 adopted by the Ordinary General Meeting of Shareholders of January 15, 2018, based on which Mrs. Nicoleta Viorica Soisun was elected as the director of the Company, for a term of office starting on the date of this meeting and until April 30, 2018, as a result of revoking Mr. Marius Mitruș; (ii) as a result of Resolution No. 3 adopted by the Ordinary General Meeting of Shareholders of din April 27, 2018 based on which the new Board of Directors was elected for a term of office of 4 years, composed of the following 5 individuals: Cătălin Dumitru, Alexey Golovin, Yedil Utekov, Mihai-Liviu Mihalache and Nicolae Bogdan Codruț Stănescu; (iii) by Decisions Nos. 1 and 2 adopted by the Board of Directors on September 1, 2018 designating Mr. Saduokhas Meraliyev as provisional director and chairman of the Board of Directors as a result of Mr. Cătălin Dumitru's stepping down from the office of director and chairman of the Board of Directors.

All the meetings of the Board of Directors were held in the attendance of the 5 directors according to the provisions of the Articles of Incorporation and Regulation of the Board of Directors, by direct attendance or under a power of attorney granted to another member of the Board.

The meetings of the Board of Directors were held either by the directors' attendance or in electronic format, by email.

The decisions of the Board of Directors in 2018 were adopted with the unanimity or majority of the votes of the attending members (in some cases, abstention votes were formulated but no vote against was registered). Most of the abstention votes were formulated because account was taken of the fact that the items subject to approval referred to the designation of the director to various offices and, for this reason, he refrained from voting.

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The table below records the attendance in the meetings of the Board of Directors of the directors in office, for the year ended on December 31, 2018:

<u>Name</u>	<u>Attendance</u>
Cătălin Dumitru ¹²	6/6/8
Alexey Golovin	8 ¹³ /8/8
Yedil Utekov	8 ¹⁴ /8/8
Mihai-Liviu Mihalache	8 ¹⁵ /8/8
Marius Mitruș ¹⁶	0/0/8
Nicoleta Viorica Soisun ¹⁷	3/3/8
Nicolae Bogdan Codruț Stănescu ¹⁸	5/5/8
Saduokhas Meraliyev ¹⁹	2/2/8

The first number indicates the number of sessions attended by the individual in its capacity of director, the second number represents the number of sessions held during the term of office in 2018, and the third number represents the total number of sessions held in 2018.

As a result of the request made by Mr. Cătălin Dumitru to step down, effective September 1, 2018, from the office of director and chairman of the Board of Directors, Mr. Saduokhas Meraliyev was designated as the provisional director and chairman of the Board of Directors until the next Ordinary General Meeting of Shareholders, which shall elect the permanent director of the Board of Directors.

6.5. Advisory Committees, non-executive Managing Directors and the independence of the Managing Directors

In its activity, the Board of Directors is supported by a consultative committee, which is the Audit Committee, established under Decision No. 1 issued by the Board of Directors on April 13, 2018.

The Audit Committee fulfills the legal duties provided under Art. 65 of Law No. 162/2017²⁰ consisting mainly in monitoring the financial reporting process, the internal audit process, the risk management process within the Company and compliance assurance, and in supervising the activity of statutory audit of the annual financial statements and in the management of the relationship with the external auditor.

¹² Chairman of the Board of Directors from February 10, 2017 to August 31, 2018

¹³ In a meeting of the Board of Directors granted a representation power of attorney to another member of the Board

¹⁴ In a meeting of the Board of Directors granted a representation power of attorney to another member of the Board

¹⁵ In a meeting of the Board of Directors granted a representation power of attorney to another member of the Board

¹⁶ Member of the Board of Directors until January 14, 2018.

¹⁷ Member of the Board of Directors from January 15, 2018 to April 30, 2018

¹⁸ Member of the Board of Directors from May 1, 2018

¹⁹ Interim member and Chairman of the Board of Directors from September 1, 2018

²⁰ Law No. 162 of July 15, 2017 regarding the statutory audit of the annual financial statements and of the consolidated financial statements and for amending certain regulatory acts

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On the preparation date of this Report, the Board of Directors is analyzing the appropriateness of establishing a new consultative committee, i.e. the Strategy Committee.

A detailed presentation of the duties and responsibilities of the Audit Committee can be found in the related Internal Regulation, which regulation is posted on the Company's webpage www.rompetrol-rafinare.ro, section "*Investor relations – Corporate Governance – Corporate Governance Documents*".

On December 31, 2018, the structure of the Audit Committee was the following:

- Dan Alexandru Iancu – Chairman
- Alexey Golovin
- Nicolae Bogdan Codruț Stănescu

Information about the meetings of the Audit Committee during 2018

In 2018, 3 meetings of the Audit Committee were held with the actual attendance of the Committee's members.

Name and First Name	Actual Attendance
Dan Alexandru Iancu	3
Alexey Golovin	2
Nicolae Bogdan Codruț Stănescu	3

The remuneration of the members of the Board of Directors is established on an annual basis by the Ordinary GMS, for the current year. The remuneration of the members of the Board of Directors and of the managers (executive and non-executive) is disclosed in Explanatory Note No. 23 related to the individual annual financial statements as of 31.12.2018.

The allowances paid to the Company's directors in 2018 were Lei 953,855 (Lei 761,473 in 2017). The salaries and bonuses paid to the Company's management in 2018 (on the average 12 individuals) were Lei 3,960,493 (Lei 2,931,739 in 2017, on the average 12 individuals).

According to the criteria for evaluating the independence of the non-executive members of the Board of Directors, a single member – Mr. Nicolae Bogdan Codruț Stănescu²¹ - in office on 31.12.2018, met the independence criteria provided by the principles and recommendations of the Code.

The criterion of independent non-executive member of the Board of Directors was met also by Mr. Marius Mitrush during the exercise of his term of office in 2018, namely: January 1 – January 14, 2018.

²¹ Elected as director from May 1, 2018 according to OGMS Resolution No. 3/2018 of April 27, 2018



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Evaluation of the Board of Directors

The Board of Directors did not initiate in 2018 any program for evaluating its activity.

6.6. Information on the General Meeting of Shareholders and the Shareholders' rights

The General Meeting of Shareholders (“GMS”) is the main corporative forum of Rompetrol Rafinare S.A. having decision making tasks on detailed activities within the Article of Incorporation of the Company. The Summons, functioning, voting process as well as other provisions related to the GMS are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A.

The General Meeting of Shareholders is called by the Board of Directors, whenever necessary, in accordance with the legal provisions. The convening notices and the GMS Resolutions are sent to Bucharest Stock Exchange and to the Financial Supervisory Authority in compliance with the regulations of the capital market and will be published on the company’s website at “*Investor Relations – General Meeting of Shareholders*”.

According to article 11 of the Company's updated Articles of Incorporation, corroborated with the applicable legal provisions, the Ordinary General Meeting is summoned at least once a year, within the term required mandatorily by the law, and includes the following main tasks:

- a) to discuss, to approve or to modify the annual financial statements, based on the reports presented by the board of directors and by the financial auditor and to establish the dividend;
- b) to appoint and to revoke Company directors;
- c) to appoint and to establish the minimum duration for the financial audit contract, and also to revoke the financial auditor;
- d) to establish for each current financial year the remuneration owed to the directors;
- e) to pass opinion on the directors’ manner of administration;
- f) to establish the income and expenses budget, and, if such is the case, the activity schedule, for the following financial year;
- g) to decide the pledge, the lease or the cancellation of one or more units of the Company;
- h) to approve the maximum limits of the remuneration of the people handling/having managing positions according to the legal provisions in force.

The Extraordinary General Meeting has the following tasks:

- a) to change the Company’s legal form;
- b) to move the headquarters of the company;
- c) to change the company's object of activity;
- d) to set up or to dissolve secondary offices: branch offices, agencies, representations or any other such units without legal personality;
- e) to extend the company duration;
- f) to increase the share capital;
- g) to reduce the share capital or to replenish it by the issue of new shares;
- h) merger with other companies or the division of the company;



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- i) the company's anticipated dissolution;
- j) conversion of shares from one category to another;
- k) conversion of one category of bonds into another one or into shares;
- l) issue of bonds;
- m) any other change of the articles of incorporation or any other decision for which the extraordinary general meeting consent is required;

The Extraordinary General Meeting delegates the Board of Directors to exercise the tasks mentioned at letters b) and c) of the paragraph above from the revised Articles of Incorporation.

Moreover, the Extraordinary General Meeting may delegate to directors the increase of the share capital, according to the provisions of art. 85 of Law 24/2017 on the issuers of financial instruments and market operations.

The rights of the shareholders of Rompetrol Rafinare are those conferred by Law no. 31/1990 on companies, Law no. 24/2017 on the issuers of financial instruments and market operations, Regulation no. 5/2018, F.S.A. regulations and guidelines, Stock Exchange Code and other legal regulations currently in force.

Each share subscribed and paid-up by the shareholders, according to the law, gives them the right to vote within the general meeting of shareholders, the right to appoint and to be appointed by the management bodies, the right to participate in the distribution of profit, in compliance with the provisions of the Articles of Incorporation of the company and the legal dispositions respectively the rights stipulated in the Articles of Incorporation.

The acquisition by a person, directly or indirectly, as provided for by the law, of the ownership right on a share, has an effect the acquisition de jure of the status of shareholder of the company with all their rights and obligations derived therefrom, according to the law and to the Articles of Incorporation.

The shareholder who in certain operation has, either personally or as a representative of another person, an interest contrary to the interest of the Company, will have to refrain from any deliberations on that account.

The General Meeting of the Shareholders of Rompetrol Rafinare S.A., according to its updated Articles of Incorporation:

The General Meeting of Shareholders is summoned by the directors or whenever required, by publishing an announcement in the Romanian Official Gazette, part IV, and in widely distributed local or national publications in the area where the Company is headquartered. The general meetings are summoned by the Board of Directors, and the summoning takes place at least 30 days before the date of holding the meeting. The summons of the general meetings is transmitted simultaneously to B.V.B. and F.S.A. and is available for at least 30 days before the date of holding



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the meeting on the Company's website, at address: www.rompetrol-rafinare.ro at section Investor Relations.

The general meeting may be summoned at the headquarters of the Company or in other places established by the directors according to the summons. At the general meetings of shareholders, only the shareholders registered in the Register of Company Shareholders, held and issued by Depozitarul Central S.A. Bucharest have the right to participate and vote on the reference date established through the summons of the general meeting. According to the legal provisions, the shareholders may be personally represented (by legal representatives) or by representative, based on a special power of attorney or on a general power of attorney, or by correspondence, based on a voting Form by correspondence, both documents being made available to the shareholders, translated into English language. The shareholders may fill in the Special / General Powers of Attorney or the voting Form by correspondence either in Romanian or in English.

The shareholders may also be represented at the general meeting by persons who do not have the condition of the Company shareholders, except for the directors.

The summons of the general meeting includes information on the availability of the forms for special power of attorney, correspondence voting ballot and the deadline to which these documents must be sent / submitted at the Company headquarter, as well as the e-mail address for correspondence.

Each shareholder, regardless of the participation to the share capital, has the right to ask questions referring to the agenda of the general meetings, and the Company may answer the questions asked by the shareholders by posting such answers on the Company website. Questions must be pertinent, be connected to the agenda and not harm the confidentiality and commercial interests of the Company and be in writing, either by mail or courier services, or by electronic means. Furthermore, the summons of the general meeting will comprise the deadline until which shareholders may exercise the above-mentioned rights.

One or several shareholders representing, severally or jointly, at least 5% of the share capital, has/have the right, under the legal conditions, to request to the company Board of Directors: a) to introduce new items in the agenda of the general meeting, provided that each item is accompanied by a justification or by a draft resolution proposed to be adopted by the general meeting and b) to submit the draft resolutions for the items included or proposed to be included in the agenda of the general meetings.

The summons of the general meeting, the documents and information materials regarding the items on the agenda of the general meeting, the forms for Special powers of attorney, the voting Forms by correspondence and the draft resolutions are made available in Romanian, as well as in English to the Company's shareholders at the headquarters of the Company and can be downloaded from the Company website.

The shareholders can request in writing copies of these documents, by courier or e-mail.

The general meeting is presided by the Chairman of the Board of Directors or by a person appointed by this one, who appoints, among the members of the general meeting members or the company shareholders, one to three secretaries, plus a technical secretary among the employees. They will draft the list of presence of shareholders and verify the following:



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- Identity documents of the people attending the General Meeting as shareholders or their authorized representatives;
- special or general power of attorney presented by the authorized representatives of the shareholders. The special power of attorney is valid only for the General Meeting of Shareholders for which it has been requested.
- voting forms by mail.

The secretary of the meeting shall also verify the fulfilment of the legal conditions regarding the quorum of presence of shareholders for validating the general meetings.

If the ordinary or extraordinary general meeting cannot take place because the legal conditions of attendance are not met, the meeting that will take place at a second summoning may deliberate upon the matters of the agenda of the first meeting, regardless of the gathered quorum, passing resolutions with the majority of the expressed votes.

After submitting the materials corresponding to the agenda, the shareholders are invited to ask questions and the issues referred to debate are subject to vote by the chairman of the meeting.

The resolutions of the general meeting are made by open vote, except for the cases when the general meeting decides for the vote to be secret or if the law requires a secret vote.

Each share entitles to express one vote within the meetings of the general meeting of shareholders of Rompetrol Rafinare. The person representing several shareholders based on special powers of attorney expresses the votes of the represented persons by summing up the total number of votes "for", "against" and "abstention" without compensation (ex. "at point x on the agenda I represent "a" votes "for", "b" votes "against" and "c" abstention "). The votes expressed like this are validated or, as the case may be, invalidated, based on the third copy of the special power of attorney, by the secretary of the general meeting. The votes pertaining to the special power of attorney are exercised only in the manner decided by the shareholder.

The secretary or secretaries of the meeting, based on the freely expressed vote by the shareholders, shall draft the minutes of the general meeting.

Within 24 hours as of the date the general meeting of shareholders took place, the company sends to B.V.B. and F.S.A. the current report corresponding to the resolutions made by the general meeting of shareholders and such is published on the Company website together with the vote results. Moreover, the decisions of the general meeting are published in the Romanian Official Gazette, Part IV.

Resolutions adopted by the general meetings of shareholders during 2018:

The Ordinary General Meeting of Rompetrol Rafinare's Shareholders of January 15, 2018 decided the following:

- the revocation of Mr. Marius Mitruş from his capacity of member of the Company's Board of Directors starting from the date when this Ordinary General Meeting of Shareholders is being conducted;



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- the approval of the appointment of Mrs. Nicoleta Viorica Soisun as a member of the Board of Directors, for a term of office starting from January 15, 2018 and ending on April 30, 2018 (the expiry date of the term of office of all the members of the Board of Directors in office on the election date);
- the approval of the date of January 31, 2018 as *ex date* and of the date of February 1, 2018 as a *registration date*;
- the authorization of Mr. Yedil Utekov, General Manager and member of the Company's Board of Directors, with the possibility to grant further powers of attorney to third parties, to conclude and/or sign on behalf of the Company and/or of the Company's shareholders Decision No. 1/2018 adopted by this OGMS and to carry out all the legal formalities for the registration, publicity, enforceability, enforcement and publication of Decision No. 1/2018.

The Ordinary General Meeting of Rompetrol Rafinare's Shareholders of April 27, 2018 decided the following:

- the approval of the individual annual financial statements prepared according to the International Financial Reporting Standards ("IFRS"), as provided in Order No. 2844/2016 issued by the Ministry of Public Finance, as subsequently amended, and the consolidated statements (prepared according to IFRS), audited, related to financial year 2017, based on the Reports of the Board of Directors and on the Reports of the Financial Auditor;
- the approval of the distribution of the net profit related to financial year 2017, according to the proposal made available to the shareholders, according to the following destinations: (i) legal reserve (5% of the 2017 result) amounting to lei 20,916,836 and (ii) coverage of the losses carried forward from the previous years, amounting to lei 397,419,892;
- the release of management of all the Company's directors for the activity carried out in financial year 2017, based on the presented Reports;
- the approval of the income and expense budget and of the Company's activity plan for 2018, including the investment plan for 2018;
- the establishment of the remuneration due for financial year 2018 of the members of the Company's Board of Directors in the sense of maintaining the same net monthly quantum of the directors' remuneration valid for 2017 *i.e.* a net monthly quantum of lei 9,000 for each director;
- the election of the Board of Directors formed of 5 members for a term of office of 4 years starting from May 1, 2018, further to the termination by expiry on that date of the term of office of the members of the Board of Directors, *i.e.* of Messrs: Cătălin Dumitru, Alexey Golovin, Yedil Utekov, Mihai-Liviu Mihalache and Nicolae Bogdan Codruț Stănescu;
- the appointment of company ERNST & YOUNG ASSURANCE SERVICES SRL, represented by LUPEA ALEXANDRU, in his director capacity, as a financial auditor of the Company, for financial year 2018, the term of the audit contract being one year;



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- the appointment of Dan Alexandru Iancu, as an independent member of the Audit Committee, for a term of office equal to that of the Board of Directors, respectively from May 1, 2018 to April 30, 2022, in accordance with Art. 2, item 12, letter a) of Title I, Chapter I of Law 162/2017 and Art. 65 of Title I, Chapter IX of Law No. 162/2017;
- the approval of the date of May 16, 2018, as *a registration date* for the identification of those shareholders affected by the effects of Decisions Nos. 2/2018; No. 3/2018; No. 4/2018 adopted within the OGMS of April 27, 2018 and of the date of May 15, 2018 as *ex date*;
- the authorization of Mr. Yedil Utekov, General Manager and member of the Company's Board of Directors, with the possibility to grant further powers of attorney to third parties, to conclude and/or sign on behalf of the Company and/or of the Company's shareholders Decisions No. 2/2018; No. 3/2018 and No. 4/2018 adopted by this OGMS and to carry out all the legal formalities for the registration, publicity, enforceability, enforcement and publication of these decisions.

The Extraordinary General Meeting of Rompetrol Rafinare's Shareholders of April 27, 2018 decided the following:

- EGMS took note of the Report prepared by the Company's Executive Management with regard to the measures taken within Rompetrol Rafinare SA in order to ensure the protection of individuals' human rights and fundamental freedoms (and particularly of their right to personal data protection) and in order to minimize the risk of applying any sanctions, further to the enforcement of Regulation (EU) 2016/679 effective May 25, 2018.
- the approval of the date of May 16, 2018, as *a registration date* for the identification of those shareholders affected by the effects of Decision No. 5/2018 adopted within EGMS of April 27, 2018 and of the date of May 15, 2018 as *ex date*;
- the authorization of Mr. Yedil Utekov, General Manager and member of the Company's Board of Directors, with the possibility to grant further powers of attorney to third parties, to conclude and/or sign on behalf of the Company and/or of the Company's shareholders Decision No. 5/2018 adopted by this EGMS and to carry out all the legal formalities for the registration, publicity, enforceability, enforcement and publication of this decision.

The Extraordinary General Meeting of Rompetrol Rafinare's Shareholders of June 25, 2018 decided the following:

- the ratification and confirmation of the signing by the Company, as a primary borrower, secondary borrower and guarantor, of the additional agreement made on April 20, 2018, to the Loan Facility Agreement, amounting to USD 360,000,000, dated April 23, 2015, concluded, *inter alia*, by and between the Company, as a primary borrower, secondary borrower and guarantor, KMG International (as defined hereinbelow), as a guarantor, Rompetrol Downstream SRL, as a primary borrower, secondary borrower and guarantor, KazMunayGas Trading AG, as a primary borrower and guarantor (the Company, Rompetrol Downstream SRL and KazMunayGas Trading AG are collectively referred to as the **Primary Borrowers**),



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KMG Rompetrol SRL, as a secondary borrower and guarantor (the Company, Rompetrol Downstream SRL and KMG Rompetrol SRL are collectively referred to as the **Secondary Borrowers**) (the Primary Borrowers and the Secondary Borrowers are collectively referred to as the **Debtors**) and Banca Comercială Română SA, UniCredit Bank SA, Raiffeisen Bank SA, ING Bank NV by ING Bank Amsterdam - Bucharest Branch, as lenders (Banca Comercială Română SA, UniCredit Bank SA, Raiffeisen Bank SA and ING Bank NV by ING Bank Amsterdam - Bucharest Branch are collectively referred to as the **Primary Lenders** or the **Secondary Lenders** or the **Lenders**), UniCredit Bank AG, London Branch, as a facility agent and UniCredit Bank SA, as guarantees agent;

- the approval of the date of July 11, 2018, as a registration date for the identification of those shareholders affected by the effects of Decision No. 7/2018 adopted within the EGMS of June 25, 2018 and of the date of July 10, 2018 as *ex date*;
- the authorization of the Chairman of the Company's Board of Directors or of his replacement, to conclude and/or sign on behalf of the Company and/or of the Company's shareholders the decision adopted by the EGMS, with the possibility to grant further powers of attorney to third parties to carry out the legal formalities for the registration, publicity, enforceability, enforcement and publication of the adopted decision.

Shareholders' right to dividends

If the General Meeting of Shareholders approves the distribution of dividends from the net profit of the company, all shareholders registered in the Register of shareholders at the time of registration decided by the General Meeting which also approves the amount of dividends received and the time limit within which they shall be paid to the shareholders, shall be entitled to receive dividends.

6.7. Information on the Executive Management of Rompetrol Rafinare

Pursuant to Article 16.1 of the latest Articles of Incorporation of the company - updated on 20 December 2016, the company's executive management which was delegated powers of management by the Board of Directors pursuant to the provisions of Article 143 of Law No 31/1991 on trading companies, has been provided by the General Manager and the Finance Manager.

As at 31 December 2018, the executive managers of the company are:

- | | |
|---------------------------|--|
| Mr. Yedil Utekov | – General Manager and member of the Board of Directors |
| Mr. Vasile-Gabriel Manole | – Finance Manager |



6.8. Other elements regarding the Corporate Governance

6.8.1. Transparency, communication and regular and continued reporting

Rompetrol Rafinare grants special importance to the communication and information of shareholders and investors. During year 2018, reports, presentations and press releases related to the financial results, the summoning of the General Meeting of Shareholders and the resolutions adopted by General Meeting of Shareholders, periodical reports (quarterly, semester, annual), significant transactions, etc. were issued. The information included in the current and periodic reports was communicated to the market operator, the Bucharest Stock Exchange, the Financial Supervisory Authority and was made available by posting on the Company's website, www.rompetrol-rafinare.ro at the Investor Relations section.

According to the legal provisions, the separate and consolidated financial statements are audited by the company Ernst & Young Assurance Services S.R.L., independent financial auditor.

6.8.2. Corporate Social Responsibility (CSR) 2018

Sustainability

Rompetrol Rafinare S.A., as part of KMG International Group, regards social responsibility and sustainability as core principles in developing the business strategy and operations management. We strive to become one of the most sustainable oil and gas players in the national and regional market, whilst being constantly involved in the communities we operate in.

Environmental performance

As part of our strategy for sustainable growth, we constantly evaluate and try to reduce our environmental impact through a variety of measures. We conduct business in an environmentally responsible manner, aligned with local, national and international regulations. Reduction of energy use, lowering GHG emissions and improving waste management are top priorities in managing the business. As a result, the investments in maintenance and the integrated QHSE management system has brought us great results in the past years. Petromidia refinery's energetic efficiency has witnessed improvements, leading to lower levels of energy consumption. Energy consumption for both Vega refinery and the Petrochemical Division have been on a downward slide. Water management has also been tackled in our QHSE strategy and we have successfully managed to develop a lifecycle approach to managing this natural resource, from sourcing through disposal.

Health and Safety

Rompetrol Rafinare, as part of KMG International, strives to provide the safest work environment to its employees. The "safety first" principle is applied through strict safety measures for our entire value chain, from employees to supplies and contractors.

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Additionally, in accordance with law no. 319/2006, health & safety committees are active across business units, comprised of management representatives, labor administration and employees, as well as union reps, which make sure the company is compliant with the relevant legislation and involves all stakeholders in the decision-making process regarding the future improvement of health and safety.

Our employees

Rompetrol Rafinare, as part of KMG International, is committed to maintain an effective and healthy organization, by investing in the development of our people and providing an inclusive and respectful workplace, free from discrimination. We plan to continue improving gender diversity within our company and employing local nationals, as part of our policy to support the growth of our communities. We try to offer our employees equal opportunities, thus we offer the same benefits to employees, regardless of the type of contract they hold with the company (full-time or part-time).

Rompetrol Rafinare acknowledges the legal right of employees to form trade unions and join other third-party organizations without fear of coercion. In 2018, the degree of unionized employees was 95.74% (944 employees are members of the Trade Union) in the Refining Business Unit and 82% in the Trading Business Unit (Sindicatul Liber Petrochimistul=25%, Sindicatul Liber Vega -10%, SLPIMN- 46%).

Community

We are solid contributors to economic development of countries and communities where we have operations, as we use local workforce, work with regional suppliers. While it is important to us to have a positive economic impact, we believe investment in communities and people is the main path towards sustainable growth. Therefore, we consistently engage with communities and our stakeholders to understand their concerns and find innovative solutions to their problems.

Our projects aim at leaving a mark on the communities and making a change, whether it is about health and well-being, culture and education, skill development and leadership, or social and environmental involvement. Our traditional projects stand as proof for this commitment. In the past decade, we have been supporting the Romanian healthcare system, maintaining strong partnerships with SMURD & ISU. Moreover, we are constant supporters of cultural development in Romania: in the past 10 years, our partnership with the George Enescu International Festival and Contest has facilitated the promotion of Romanian, Kazakh and international talents.

We have developed strong partnerships with various stakeholders, including NGOs, local authorities and communities, government or actors from the academic environment and civil society, because we believe this is how we can identify the right opportunities for the local communities. For instance, universities from Constanta, Ploiesti and Bucharest have constantly supported us in our various projects related to education investment in Romania.

Professional development of young students and graduates has been a central pillar for our work. In its 16 years of history, the internship program at Vega and Petromidia refineries, as well as the Group's headquarters in Bucharest has brought in more than 1,500 students, working in various business units, with a quarter of them becoming permanent employees after finishing the program.

We strive to innovate in our business, as well as in our community involvement projects. Therefore, this year, we initiated a new scholarships program, through which we aimed to reward performance and determination among the future oil & gas professionals. 100 scholarships were offered with the occasion of 100 years of Great Romania to students who have excellent academic records and high motivation to develop their careers in the energy sector. 47 scholarships out of 100 were offered to



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our interns from Vega and Petromidia refineries based on their performance, while the remaining scholarships were granted through a grants call.

The focus of all our social responsibility projects remains embedded in our communities and people. In Constanta and Ploiesti only, in 2018 we name a few projects Rompetrol Rafinare, as part of KMGI, supported

- We supplied the Inspectorate for Emergency Situations with materials and equipment in Constanta county.
- We organized a birdwatching camp for children at Vadu, close to Petromidia Refinery, in partnership with Milvus Group, a bird and nature protection association.
- Inauguration of two mobile training centers donated by KMG International to SMURD in Blejoi, close to Vega Refinery. SMURD personnel held first aid courses for children from the two schools in Blejoi during the event.
- Training session with violinist Erzhan Kulibaev, laureate of the George Enescu International Competition, at the National Art College Queen Maria in Constanta. Children with ages between 7 and 18 were able to receive individual feedback and advice from the artist during the training sessions.

Internal Control and risk management systems in relation to the financial reporting procedures

The company has permanently adapted the current internal control mechanism as a set of working procedures and methods in order to prevent the contrary of the economic interests of the Company and of the framework covered by the way they do business, for the identification of deficiencies and laying down the measures necessary to restore the framework covered. It refers to relationships, the phenomena and financial processes, having as purpose mainly to ensure the proper functioning of economic activity. The aspects of the opportunity, necessity and exigencies of the operations carried out by the company are also analysed. As regards the financial reporting procedures, procedures for reporting internal and external outside the company are developed at the level of the company. The procedures are regularly reviewed by the specialised departments of the company. The financial reporting systems are based on principles, rules and legal provisions in force. Also, as a member of KMG International Group, the company is audited regularly by the KMG International Group's internal audit department. Also, control and internal audit activity is provided by an internal auditor and employee of the Company.

6.9. Reported legal documents

Rompetrol Rafinare reported the legal documents concluded during 2018 by the Company, pursuant to art. 82 of Law 24/2017 and to art. 144 letter B of the F.S.A. Regulations no. 5/2018, by the

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current Reports registered with the Company under no. 2086 dated March 2nd, 2018, no. 5306 dated June 15th, 2018, no. 6191 dated July 13th, 2018, no. 6590 dated July 27th, 2018, no. 8246 dated September 25th, 2018, no. 9449 dated november 2nd, 2018, no. 10442 dated december 12th, 2018, no. 360 dated January 14th, 2019, no. 664 dated January 23th, 2019 and no. 813 dated January 30th, 2019. The reports were submitted to the market operator (respectively to the Bucharest Stock Exchange), published on the website of FSA (www.asfromania.ro) under section: supervision/Capital market/Electronic reporting as well as on the site www.rompetrol-rafinare.ro under section Investor Relations /Financial Reports, subsection Current Reports.

The major transactions concluded by the Company with individuals acting concertedly or in which these individuals were involved for the reported time frame, were those submitted to the approval of the Extraordinary General Meeting of Shareholders (EGMS) according to the legal provisions and to the dispositions of the Articles of Incorporation.

6.10. Events subsequent to the balance sheet

- Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 13 million has been extended until April 10, 2019;
- Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 11.2 million has been extended until May 28, 2019;
- Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 7 million has been extended until April 14, 2019;
- Facility granted Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 3.1 million has been extended until May 3, 2019;

Description of the policies and objectives of the company regarding the risk management

See information in Chapter "1.1.8. Evaluation work on risk management company", chapter entitled "Description of company policies and objectives of risk management".

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Financial Agenda proposed for year 2019

Financial Calendar	Date
Presentation of the preliminary results, not audited, individual and consolidated, for the year 2018 and for the fourth quarter of 2018	February 27 th , 2019
The Ordinary General Meeting of the Shareholders for the approval of annual financial results 2018	April 24/25 th , 2019
Publication of the Annual Report 2018 (respectively of the related annual financial results 2018)	April 25 th , 2019
Presentation of the results for the first quarter of 2019	May 14 th , 2019
Presentation of the results for the first semester and the II nd quarter of 2019	August 14 th , 2019
Presentation of the results for the III rd quarter and January - September 2019	November 14 th , 2019
Telephone conference and/or meetings with investors and financial analysts, as the case may be	upon request

Important Information and news regarding the interests of the shareholders, analysts and investors with regard to the activity of the company are available on www.rompetrol-rafinare.ro the Romanian and English version, section Relationships with Investors.

Contact for the relationship with investors

The annual, semester and quarterly Reports shall be made available to the shareholders, at their request. Requests may also be carried out in electronic format, by e-mail sent to the address: office.rafinare@rompetrol.com.



7. ANNEXES

a) Amendments to the Articles of Incorporation of the company

The Articles of Incorporation may be amended by the General Meeting of Shareholders, in accordance with the provisions of Law no. 31/1990 on companies, in conjunction with the provisions of the Articles of Incorporation. The Articles of Incorporation may also be amended by the Company Board of Directors, by delegation of powers by the Meeting of the Shareholders in accordance with the provisions of Art. 114 of Law no. 31/1990 on companies.

In 2018, no amendment or update of the Articles of Incorporation occurred. The Articles of Incorporation valid on the issue date of this report was updated on 20 December 2016 and may be consulted on the web page of the Company, section Investor Relations, subsection .

b) The resignation/dismissal of members of the Directors, Executive Management, Auditors.

During the reported year, the following resignation/dismissal acts were filed among the members of the Board of Directors:

- the revocation of Mr. Marius Mitruş as a member of the Board of Directors as of January 15, 2018 following the request no. 104843 / TFP / 20.11.2017 submitted by the Ministry of Energy, Minister's Office;
- the request submitted by Mr. Cătălin Dumitru to waive of the position of director and chairman of the Board of Directors starting with September 1st, 2018.

During the reported year, the request submitted by Mr. Vasile-Gabriel Manole occurred among the Executive Management, namely to waive of the position of financial manager starting with 15 November 2018.

No resignations / dismissals of the financial auditor of the Company occurred.



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c) The list of issuers's subsidiaries and controlled entites or entities controlling the issuer

At the end of the year 2018, the company had two work points, namely:

- i) Work point located in Năvodari, 1 – 283 Năvodari Blvd., Constanța County.
- ii) Work point located in Ploiești, 146 Văleni Str., Prahova county, which carry out their activities in the space which is owned by the Company, called " Rompetrol Rafinare - work point Vega Refinery ".

At present, Rompetrol Rafinare S.A. holds the control position in the following companies:

Directly:

- Rompetrol Logistics S.R.L;
- Rompetrol Petrochemicals S.R.L.;
- ROM OIL S.A.;
- Rompetrol Quality Control S.R.L.
- Rompetrol Downstream S.R.L.

In an indirect way:

- Global Security Sistem S.A.;
- Rompetrol Gas S.R.L.

The list of persons who directy or indirecty controls to the company²²

Rompetrol Rafinare S.A. makes part of the KMG International Group²³.

The Group is registered with the Financial Supervisory Authority and is composed of the composed of the following companies as at 12/31/2018:

- KMG International N.V.²⁴
- Oilfield Exploration Business Solutions S.A.
- Rompetrol Downstream S.R.L.
- Rompetrol Well Services S.A.
- Palplast S.A.
- Rompetrol Logistics S.R.L.
- Rominserv S.R.L.
- Rom Oil S.A.
- Global Security Sistem S.A.

²² At this point there have been listed all of the companies in the KMG International Group

²³ As Rompetrol Group until March 2014

²⁴ As The Rompetrol Group N.V. until March 2014



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- Uzina Termoelectrică Midia S.A.
- Rompetrol Petrochemicals S.R.L.
- Rompetrol Quality Control S.R.L.
- Rompetrol Financial Group S.R.L.
- Rompetrol Gas S.R.L.
- Midia Marine Terminal S.R.L.
- KMG Rompetrol S.R.L.
- Byron Shipping S.R.L.
- DPFOS S.A.
- SPR SA
- Boissonnade Combustibles SAS
- EPPLN SAS (Entrepot Petrolier de Port La Nouvelle)
- Rominserv Valves Iaifo S.R.L.
- Byron Shipping LTD
- Întreprinderea Mixta "Rompetrol Moldova" S.A.
- Rompetrol Georgia LTD
- Rompetrol France SAS
- Dyneff SAS
- Dyneff Espagne SL
- DYNEFF Trading SL
- Dyneff Gas Stations Network SL (DYNEFF CATALOGNE SLU)
- DYNEFF RETAIL SAS (Terminal Midi Pyrenees)
- DPPLN SAS (Depot Petrolier de Port-la Nouvelle)
- Rompetrol Ukraine LTD
- AGAT LTD.
- KazMunayGas-Engineering LLP²⁵
- TRG PETROL TICARET ANONIM ŞİRKETİ
- Rompetrol Bulgaria AD
- KazMunayGaz Trading A.G.
- Rompetrol Energy S.A.
- Rompetrol Albania Downstream Sh.A - în curs de lichidare
- Rompetrol Albania Wholesale Sh.A - în curs de lichidare
- Rompetrol Albania ShA - în curs de lichidare
- Rompetrol Distribution Albania Sh.A. - în curs de lichidare
- KMG Rompetrol Services Center SRL²⁶
- KazMunayGas Engineering B.V.
- KazMunayGas Trading SingaporePTE. LTD
- Oman J.V.²⁷
- Rompetrol Drilling S.R.L.
- KMG ROMPETROL DEVELOPMENT S.R.L.
- Bio Advanced Energy SAS – cu sediul în Montpellier, Franța

²⁵ With the old designation of Rominserv Kazakhstan LLC

²⁶ With the old designation of ROMPETROL EXPLORATION & PRODUCTION SRL

²⁷ With the old designation of Benon Rompetrol



ROMPETROL RAFINARE S.A.

ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2018

- ETS ROSSIGNOL SAS – cu sediul în Route de Saint Juery, Franța
- Global Security Systems – Fire Services S.R.L.
- “Paul Orriols” Combustibles de Cerdagne SAS
- Fondul de Investitii in Energie Kazah-Roman S.A.²⁷

THE BOARD OF DIRECTORS:

Chairman

Saduokhas Meraliyev

Member

Alexey Golovin

Member and General Manager

Yedil Utekov

Membru

Nicolae Bogdan Codruț Stănescu

Membru

Mihai-Liviu Mihalache

Financial Manager

Mircea Ștefan Stănescu

Note: English translation is for information purposes only. Romanian language text is the official text for submission.



**Table concerning status of compliance of the BSE Corporate Governance Code
As of December 31th, 2018¹**

Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES		
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board,	YES		

¹ The statement summarises the main highlights of the Code's provisions. For the full text of the Code please refer to Bucharest Stock Exchange website www.bvb.ro



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KazMunayGas
Group
Member

ROMPETROL RAFINARE S.A.
Bulevardul Navodari, nr. 215,
Pavilion Administrativ,
Navodari, Judetul Constanta,
ROMANIA

phone: + (40) 241 50 60 00
+ (40) 241 50 61 50
fax: + (40) 241 50 69 30
office.rafinare@rompetrol.com
www.rompetrol-rafinare.ro
www.kmginternational.com

Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice.			
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES		
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		NOT	The company will develop a policy/guidance concerning the Board's evaluation, including the purpose, criteria and frequency of the evaluation process.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		



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Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board	YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of nonexecutives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		N/A	The company is included in the Standard category.
B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
B.2. The audit committee should be chaired by an independent nonexecutive member.	YES		
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		Partial compliance	See section B.6
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		Partial compliance	See section B.6



Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		Partial compliance	The Regulation of the Audit Committee approved by the BoD in the meeting of April 13, 2018 contains provisions in relation to this obligation. The Regulation of the Audit Committee has been revised to include provisions on the evaluation of conflict of interest in connection with the Company's transactions with the affiliated parties. The updated Regulation will be submitted for approval of BoD in a meeting subsequent to this statement.
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.		Partial compliance	The responsibility for monitoring the effectiveness of the company's internal control systems, internal audit and risk management systems is specified in the Regulation of the Audit Committee. As the Audit Committee was set up in 2018, for the year of 2018, the Audit Committee carried out a partial evaluation of the effectiveness of the internal control and risk management system.
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		



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B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		NOT	This requirements is to be analysed by the Board of Directors during 2019. After having been development, <i>the Policy on transactions with related parties</i> will be submitted for approval to the BoD in a meeting subsequent to this drafting. Following the approval, the Policy will be published on the Company's website.
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		NOT	The Company does not have a Board formal remuneration policy, but their remuneration is done according to legal requirements. The requirement will be implemented.
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES		



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<ul style="list-style-type: none"> D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; 	YES		
<ul style="list-style-type: none"> D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and nonexecutive Board positions in companies and not-for-profit institutions; 		Partially compliant	The recommendation is not implemented as concerns other professional commitments of the Board's members, including executive and non-executive positions in boards of directors of other companies or non-profit institutions. It will be implemented.
<ul style="list-style-type: none"> D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code 	YES		
<ul style="list-style-type: none"> D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; 	YES		
<ul style="list-style-type: none"> D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; 	YES		
<ul style="list-style-type: none"> D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; 	YES		
<ul style="list-style-type: none"> D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports. 	YES		



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

Legend:

GMS = General Meeting of Shareholders

BoD = Board of Directors

CV = Curriculum Vitae

CHAIRMAN OF THE BOARD OF DIRECTORS,

Saduokhas Meraliyev

GENERAL MANAGER,

Yedil Utekov