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ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2018

The figures for 2018 include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS"). Consolidated financial statements of Rompetrol Rafinare Group include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

Rompetrol Rafinare owns the main refining facility of the Rompetrol Group (renamed "KMG International" in 2014) located in Navodari, Constanta. Starting with December 1, 2007, the company also operates Vega refinery, located in Ploiesti. "Complexul Petrochimic Midia Navodari" (the former name of Rompetrol Rafinare S.A.) was part of the large oil refining plants which appeared after 1975. The plant was designed between 1975 and 1977. In 1991, Combinatul Petrochimic Midia Navodari became a joint stock company, by taking over all the assets of the former unit. In February 2001, as a result of the privatization of the company by the State Ownership Fund, KMG International NV became the main shareholder. In 2003, by Decision no. 50640 of Trade Registry Directorate, based on the General Shareholders' Meeting as of February 20, 2003, the company was renamed S.C. Rompetrol Rafinare S.A. The company processes a variety of crude oils with different content of sulfur, reaching an average percent of 1.26% sulfur. The crude oil feeding (more than 98%) is carried out mainly through the marine terminal built by the KMG International Group, close to Petromidia Refinery, and the rest is carried out through Oil Terminal facilities in Constanta port. The products obtained can be delivered by railway, road and by sea.

At the end of 2008 the company also finalized the operations for the 350% expansion of the transit capacity for finished products through Midia harbor, by building two new loading and offloading berths, Berth 9B and Berth 9C.

In 2012 Rompetrol Rafinare SA completed the extensive process of modernization that allowed expanding refining capacity to 5 million tonnes/year and efficient production and focus on the petroleum products required by the market.

Following the significant investments made by the KMG International Group and KazMunayGas in modernizing and increasing the processing capacity, optimization of production processes and increase energy efficiency, Rompetrol Rafinare has recorded historical records on the operational side since 2014.

The improved operating results and achievement in 2018 and 2017 by the Petromidia and Vega refineries of historical processing records were sustained by completion in 2012 of the extensive modernization program and increase in the processing capacity to 5 million tonnes per year, and technological work carried out both in turnaround during March-April 2013 and in also in general turnaround (conducted in October 2015) that takes place every five years.

Trade Registry No: J 13/534/1991 IBAN: RO22BACX0000000030500310
Fiscal Identification No: RO1860712 UniCredit Bank S.A.- Constanta

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COMPANY SHARES AND LISTING

Since April 7, 2004, the Company's shares are traded on the regulated market administrated by the Bucharest Stock Exchange SA ("BVB").

The Company's shares are traded on BVB Standard category. On 31.12.2018, the total number of shares issued by the Issuer is 44,109,205,726, representing a total share capital of 4,410,920,572.6 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti.

According to the law and the Articles of Incorporation, each share held entitles the holders to one vote at the General Meeting of Shareholders, the right to vote and to be elected in the management of a company, the right to participate in the distribution of benefits and social asset at the dissolution of the company and other rights established by law. Ownership and any other actions of its attributes are given under capital market law. Regarding the shares, the transfer is not restricted, shall be in accordance with applicable laws and the Articles of Association of the Company.

The symbols of Rompetrol Rafinare shares:	
The Bucharest Stock Exchange	RRC
Bloomberg	RRC RO

The Rompetrol Rafinare shares	2016	2017	2018
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, mil. lei[1]	2,514.225	2,346.61	2,108.42
Stock exchange capitalization, mil. Euro[2]	553.66	503.60	452.07
Maximum price, lei[3]	0.0598	0.06	0.06
Minimum price, lei[4]	0.04	0.0496	0.044
Price at the end of the year, lei	0.057	0.0532	0.0478

[1] *Calculated on the basis of the price of the share on the last transaction day of the year under consideration, respectively on December 31st 2018;*
[2] *Calculated at the euro exchange rate (4.6639) of the last trading session of the year under consideration, respectively December 31st 2018;*
[3] *Recorded on February 16th 2018, January 9th 2017, respectively December 16th 2016;*
[4] *Recorded on September 3rd 2018, July 10th 2017, respectively May 11th and 23rd 2016.*

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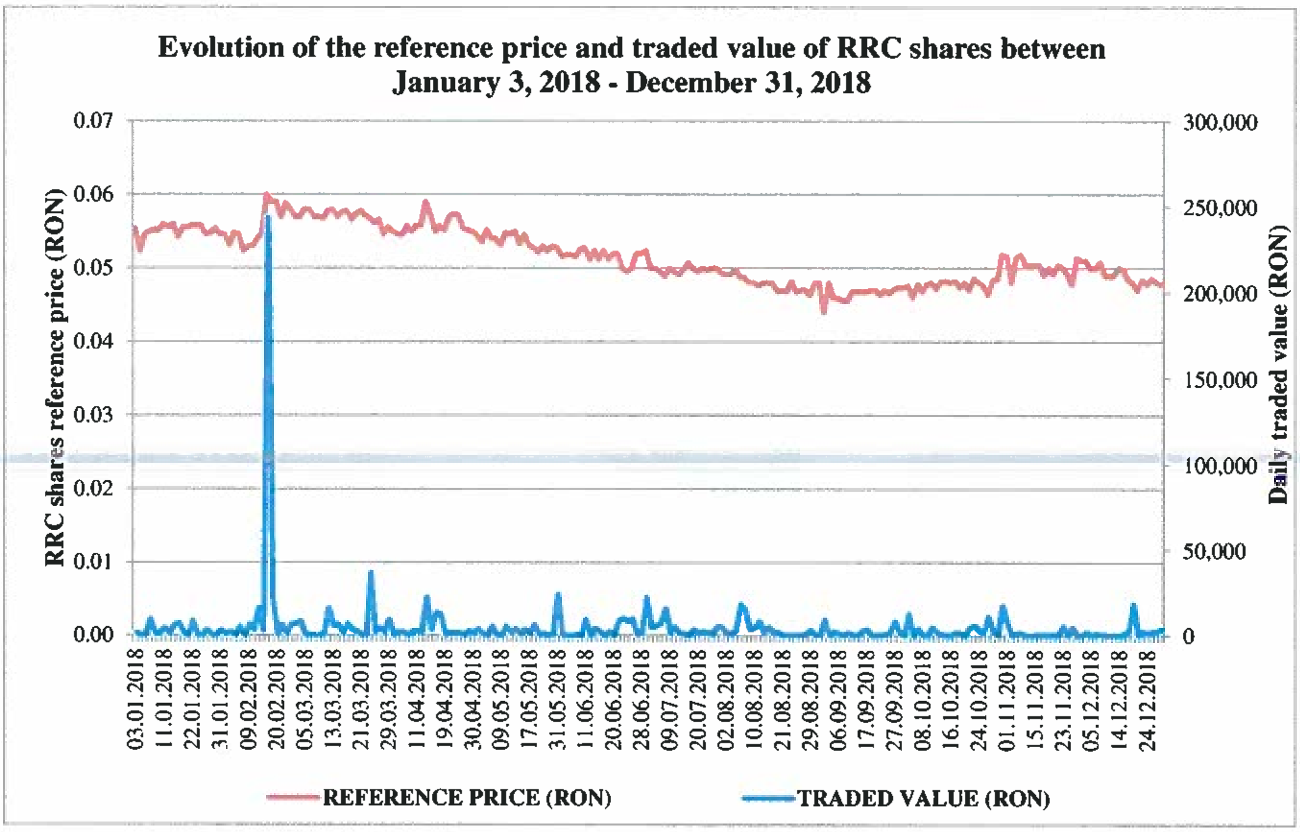

Weighted Average Price (WAP) of RRC shares during 2018 = 0.053583917 lei/share;

The volume traded in February 2108 represents 31% of the entire volume traded in 2018 (total traded volume in 2018 = 1,026,164.22 lei)

Rompetrol Rafinare Shareholders Structure

In the period under review there were no changes likely to influence the share capital of the Company.

According to the Shareholders' register consolidated on December 31, 2018, the structure of the Company's significant shareholders is presented in the following graph:

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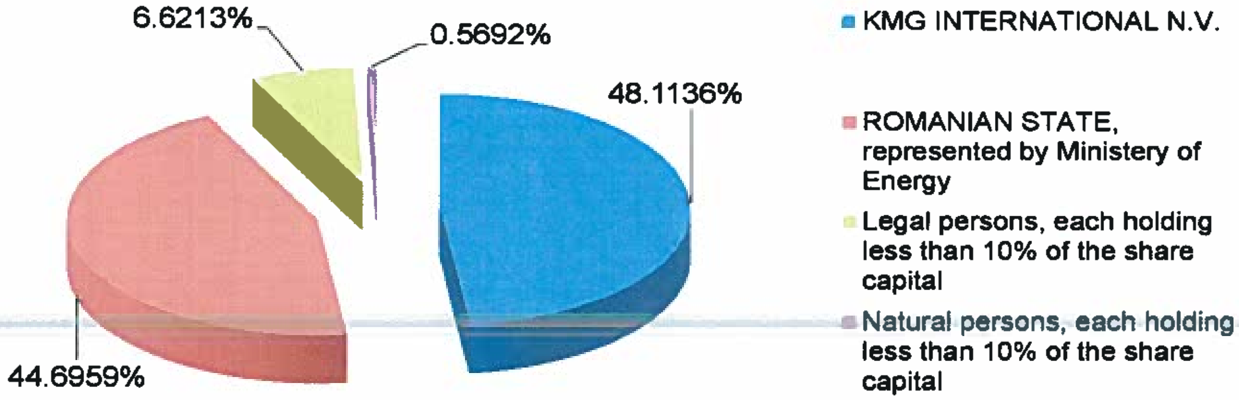
The structure consolidated by the Depozitarul Central S.A. on 31.12.2018



Note:
At 31 December 2018, the shareholders of KMG International Group own a number of 24,098,569,799 shares, representing 54.6339% of the

Company's own shares
At 31.12.2018, ROMPETROL RAFINARE S.A. held a number of own shares of 6,134,701 having a nominal value of RON 0.10 per share and a total value of RON 613,470.10, which represents 0.0139% of Company's share capital.
The Company did not trade (by acquiring or selling) its own shares during 2018.

The number and nominal value of the shares issued by the parent company, owned by subsidiaries.
In 2018, the subsidiaries of society have not held shares issued by Rompetrol Rafinare.

The financial calendar proposed for the year 2019

Financial Calendar	Date
Presentation of the preliminary, unaudited, individual and consolidated results of the year 2018 and fourth Quarter of 2018	*February 27th, 2019*
Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2018	*April 24th / April 25th, 2019*
Publication of the 2018 Annual Report (i.e. publication of the financial results of 2018)	*April 25th, 2019*
Presentation of the results recorded during the first quarter of 2019	*May 14th, 2019*
Presentation of the results recorded during the first semester and second quarter of 2019	*August 14th, 2019*
Presentation of the results recorded during the third quarter of 2019 and between January – September 2019	*November 14th, 2019*
Telephone conferences and / or meetings with investors and financial analysts, as appropriate	*On request*

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

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Corporate Governance

Issuers whose securities are admitted to trading on a regulated market are required to include compliance or non-compliance with the Declaration on the Code of Corporate Governance ("Comply or Explain" Declaration). Therefore, all relevant information relating to corporate governance practices were included in the Corporate Governance section in the "Corporate Governance Statement" relating to the Annual Report 2018.

Investor Relations Contact

Important information and news of interest to the shareholders, analysts and investors, regarding Company's activity, are available on the web- www.rompetrol-rafinare.ro, in the Investor Relations section.

The annual, semiannual and quarterly reports are made available to shareholders upon request. Requests may be submitted electronically, via e-mail at: office.rafinare@rompetrol.com.

STRATEGY

The Group has developed a Long-Term Development Strategy for each area of the business up to the year 2022. This strategy reaffirming the Group's commitment to the chosen direction of growth, by maximizing the economic value through access to end consumers of products manufactured by the Group.

The Group relies on four synergic pillars:

- A modern, reliable and highly performing asset base
- Capable management to drive improved performance
- Long-term strategy that links the company's strengths with opportunities on the market
- Adequate access to financial markets to fund strategy implementation

The sound strategy has allowed the Group to significantly improve financial and operational results during 2012 and 2018 period:

- Petromidia refinery achieved record production volumes, well above the designed capacity, and improved technical performance;
- Retail entities sales volumes increased.

OUTLOOK FOR 2019

Market environment: For 2019 the Group budgeted a crude average price of 70 USD/bbl. From the computation of the difference in between main products quotations and Urals quotation, weighted at approved budget 2019 production yields structure (main products represented are: Gasoline, Diesel, Naphtha, LPG, Jet, Fuel oil, Propylene, Coke, Sulphur) results a Market refining margin estimated at 50.5 USD/tonne.

Group operations: Group continues to focus on the growth and optimization business initiatives already in operation, and moreover to enhance the Group's profitability at maximum extent within the daily operations – key strategy sectors: Refining Production & Cost Optimization, including Energy Efficiency and Organizational effectiveness, increase of non-fuel profitability and domestic market fuel sales.

These operational initiatives have as main purpose the improvement of the operational results with minimum investment cost.

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From the production perspective, in 2019, the Group has the following expectations:

- ✓ Total feedstock planned to be processed Petromidia refinery in 2019 estimated at 6.03 million tonnes or 16.97 tonnes/day;
- ✓ White products yield of 86.0%, -0.2% below actual 2018 mainly from different structure of feedstock (crude oil and SRGO);
- ✓ Increase in processing cost by 3.5 USD/tonne compared with 2018, mainly due to utilities expenses caused by higher utilities tariffs.

Based on the Group's budget for 2019, its Long-Term Development Strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

FINANCIAL HIGHLIGHTS – CONSOLIDATED

	2018	2017	%	2018	2017	%
Financial	**USD**	**USD**		**RON**	**RON**	
Gross Revenues	5,259,166,505	4,151,088,337	27%	21,423,740,675	16,909,873,449	27%
Net Revenues	3,980,543,368	3,093,007,328	29%	16,215,141,464	12,599,674,651	29%
EBITDA	148,349,935	210,727,761	-30%	604,318,296	858,420,607	-30%
EBITDA margin	3.7%	6.8%		3.7%	6.8%	
EBIT	24,801,323	57,540,694	-57%	101,030,668	234,397,771	-57%
Net profit / (loss)	(27,675,188)	20,705,457	-234%	(112,737,647)	84,345,749	-234%
Net Profit / (loss) margin	-0.7%	0.7%		-0.7%	0.7%	

Consolidated gross revenues reached over 5.2 billion in 2018 higher by 27% as against 2017, positively influenced by the increase of international quotations for petroleum products and by the increase in the volume of products sold.

The company's consolidated results in terms of EBITDA and Net result were affected by the volatility of oil and gas market environment, with decreasing gross refinery margins in Q4 2018, negatively influencing the full year results also (i.e 45.95$/t vs 50.9$/t).

Y-o-y the results have been supported by an increase in the volume of processed raw materials and of the petroleum products sold, as well as by optimizing and increasing the efficiency of production processes, energy, logistics and distribution.

The consolidated net result in 2018 was negatively impacted by changes in accounting policy, from cost model to revaluation model, as at December 31, 2017 for buildings category in non-current assets.

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ECONOMIC ENVIRONMENT

		2018	2017	%
Brent Dated	USD/bbl	71	54	32%
Ural Med	USD/bbl	70	53	32%
Brent-Ural Differential	USD/bbl	1.19	0.96	25%
Premium Unleaded 10 ppm FOB Med	USD/tonne	662	548	21%
Diesel ULSD 10 ppm FOB Med	USD/tonne	638	490	30%
RON/USD Average exchange rate		3.94	4.05	-3%
RON/USD Closing exchange rate		4.07	3.89	5%
RON/EURO Average exchange rate		4.65	4.57	2%
RON/EURO Closing exchange rate		4.66	4.66	0%
USD/EURO Closing rate		1.14	1.20	-4%
Inflation in Romania*		3.26%	3.32%	-2%

*Source: Platts, * INSSE*

Dated Brent increased by +17.1$/bbl. (+31.6%) in 2018 vs. 2017 and settled to a year average of 71.3$/bbl., with the highest level since October 2014 registered on 4th of October – 86.2 $/bbl.

OPEC and its allies appear to have accomplished their mission of reducing global oil stocks to desired levels, according to International Energy Agency (IEA), signaling that the market could become too tight if supply remains restrained. The IEA, which coordinates the energy policies of industrialized nations, said stocks in developed countries could fall to their 5-year average - a metric used by OPEC to measure the success of output cuts - as early as May.

In May, the market increased sharply after U.S. President Donald Trump abandoned an international nuclear deal with Iran, likely curbing the OPEC-member's crude exports in an already tight market.
Saudi Arabia was monitoring the impact of the U.S. withdrawal from the Iran nuclear deal on oil supplies and was ready to offset any shortage, but it was not willing to act alone to fill the gap. OPEC was more focused on identifying the right level of oil inventory than the impact on supplies of new U.S. sanctions on Iran.

During June the crude price decreased as OPEC has agreed to boost oil production, achieving a last-minute compromise that overcame Iran's threats to veto any supply hike. "We have an agreement" to make a 1 million barrel-a-day adjustment on paper to the production cuts implemented by the group in cooperation with allies including Russia, Saudi Energy Minister Khalid Al-Falih told reporters in Vienna. In reality, the accord adds 600,000 barrels a day of oil to the market, about 0.5 percent of global supply, because several members are unable to raise output.

Additional downside pressure on crude price came after U.S. crude oil production in the 9-13 July week hit 11 million barrels per day (bpd) for the first time in the nation's history (Energy Department), as the ongoing boom in shale production continues to drive output.

In September the Dated Brent increased sharply to the highest level since November 2014 (83.6$/bbl.) as investors focused on the prospect of tighter markets due to U.S. sanctions against major crude exporter Iran, which are set to be implemented in November.
Dated Brent increased in October by +2.3$/bbl. to an average level of 81.2$/bbl. The bullish run in prices was following a decision by OPEC not to adjust supply ahead of the pending decline of Iranian barrels under US sanctions in November and the continued decline from Venezuela.

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But despite the higher level of October vs September, during the month the crude price had a downward trend from 4th of October (86.2$/bbl. the highest level since November 2014) till the last day (75.5$/bbl.), as the start to U.S. sanctions against Iran's fuel exports was softened by waivers that will allow some countries to still import Iranian crude, at least temporarily.

Dated Brent decreased in November by -16.4$/bbl. (-20.2%) to an average level of 64.7$/bbl., the highest drop in a single month from the last 10 years, due to the following factors:

- ✓ The start of U.S. sanctions against Iran's fuel exports was softened by waivers that will allow some countries to still import Iranian crude, at least temporarily.
- ✓ Russian oil output reached another 30-year high of 11.41 million barrels per day in October. This was up from 11.36 million bpd in September, a previous post-Soviet record high.
- ✓ OPEC has boosted oil production in October to the highest since December 2016; in addition, OPEC has pumped 33.31 million barrels per day in November, up 390,000 bpd from September.

On 7th of December the OPEC agreed to a six-month supply reduction of 0.8 mb/d from October levels (-2.5%). This led to one of the biggest intra-day jump of Dated Brent, +4.3$/bbl.
OPEC oil supply fell in December by the largest amount in almost two years as top exporter Saudi Arabia made an early start to a supply-limiting accord while Iran and Libya posted involuntary declines (Reuters). OPEC pumped 32.68 million barrels per day in December, down 460,000 bpd from November and the largest month-on-month drop since January 2017.

Crude oil prices look likely to trade below $70 per barrel in 2019 as surplus production, much of it from the United States, and slowing economic growth undermine OPEC-led efforts to shore up the market (Reuters). A survey of 32 economists and analysts forecasts the North Sea Brent crude oil benchmark will average $69.13 per barrel in 2019, more than $5 lower than last month's projection.

The European refinery margins decreased during 2018 by -5.9$/MT (-11.1%) vs. 2017 and settled to an average of 47.5$/MT and also decreased during Q4 2018 by -1.7$/MT (-3.5%) vs. Q4 2017.

European margins started 2018 at a record low level, around 30$/MT. This pressure was coming from the high run rates in US amid still elevated European runs. US refineries were pumping at maximum taking advantage of the cheaper feedstock (i.e. WTI- Dated Brent differential up to -7$/bbl.) putting pressure on European margins.

But in February and March the refinery margins recovered consistently and even reached 62$/MT due to heavy maintenance in U.S. which helped the European cracks. Despite this increase in the last part of Q1, the average level of the margins (approx. 45.8$/MT) was 7% lower than Q1 2017.

In Q1, Jet cracks surged to high levels (16.3$/bbl.) last seen in 2014 as the European market remained tight due to low imports from other regions.

Gasoline cracks decreased during the first part of Q2 by -1.7$/bbl. to 10$/bbl. The fall was less pronounced in the Med as the unplanned outage of a 46,000 b/d FCC at the Bilbao refinery in Spain (Reuters) likely provided some support.

European ULSD cracks have been on a downward trend during April, but overall remained close to the high levels reached in March (12.5$/bbl.).

In the second part of Q2 the European refinery margins recovered as import requirements remained high with tightness in the Americas and limited Russian exports keeping European cracks supported. Europe remains the main source of global middle distillate cracks strength. During Q3 the Gas oil/diesel cracks hit record highs, spiking to almost $17 per barrel.

By the end of Q3, the European gasoline cracks decreased from 11.3$/bbl. to 6.4$/bbl. (-43%). The European gasoline market saw a lack of demand, as buying interest from the US was lackluster despite the looming hurricane season. The issue is a weak overall gasoline market that has too much production versus demand. Global stocks were up around 8% y-o-y, and European gasoline balances are about to lengthen considerably,

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with the European Q4-2018 balance averaging around 11% longer q-o-q. Also, with the US looking very well-supplied, it's expected exports to North America to fall. September's figures put European gasoline outflows to North America at just 293,000 b/d, down 39% y-o-y (Reuters).

Q4 2018 shows that Global oil markets are increasingly over-supplied with light distillates, such as gasoline, while there are not enough middle distillates, such as diesel, which has opened a big price differential between the two fuels. To keep meeting healthy demand for mid-distillates, refiners are processing high volumes of crude and creating a glut of gasoline.

The seasonal decline of demand in the West of Suez and ample supply globally have weighed further on the market. ARA (Amsterdam-Rotterdam-Antwerp) gasoline stocks were at a record high for this time of the year (Reuters) and US stocks-built counter-seasonally.

This pressure will persist till January, when Europe's gasoline balance will reach its longest point in at least five years, up 110,000b/d y-o-y. Cracks will have limited upside as European volumes will continue to need to price competitively into export markets.

During the autumn maintenance, the refinery margins touched 72$/MT, helped by sharp fall in crude price and by the Gas oil/diesel cracks which rose to multi-year highs, breaking the 21 $ per barrel barrier in the Med.
At the beginning of December, the refinery margins decreased consistently to 34$/bbl. as most European refineries have returned post-maintenance.

Thereupon, the Diesel cracks slide to 15$/bbl. amid ample upcoming volumes from Primorsk in December, the suspension of the strike at French refineries and less spot buying appetite.

Heavier crudes such as Urals continue to trade at a premium to light, sweet grades such as Brent, while gasoline cracks hover just above multi-year lows. Looking forward, market surveyors are expecting to see margins starting to face pressure as diesel and fuel oil lose some of their recent strength.

The RON/EUR exchange rate remained on a generally upward path in the first part of Q1 2018, witnessing, at the same time, stronger fluctuations, before stabilizing at an average level of 4.66 RON/EUR, somewhat following the return of international financial markets to a state of relative calm.

Looking at the average annual exchange rate dynamics in Q1 2018, the domestic currency (i.e. RON) saw a widening in its nominal depreciation against the EURO (i.e. 2017 average around 4.57 RON/EUR), but especially in its appreciation against the US dollar (i.e. Q1 2018 average around 3.79 RON/USD while 2017 average was around 4.05 RON/USD).

The RON/EUR exchange rate saw wider fluctuations in Q2 2018, tending however to stick to the range of values recorded in the latter half of the previous quarter (i.e. Q2 2018 average around 4.65 RON/EUR).

External influences became prevalent on the domestic market as well in first decade of June, when the RON/EUR exchange rate rose relatively sharply, peaking at a new historical high (i.e. 4.6695 RON/EUR on 21st of June). Afterwards, however, it tended to revert to slightly lower values.

Looking at the average annual exchange rate dynamics in Q2 2018, the domestic currency (i.e. RON) saw a narrowing of its nominal depreciation against the EURO, but also a reduction to a larger extent in its appreciation versus the US dollar (i.e. Q2 2018 average around 3.90 RON/USD).

In Q3 2018, the RON/EUR exchange rate continued to fluctuate, though around relatively lower levels than in the previous quarter (i.e. Q3 2018 average around 4.65 RON/EUR).

After having reached a new low this year at the beginning of August (i.e. 4.6206 RON/EUR on 3rd of August), the RON/EUR saw a new episodic increase, followed by a slightly upward trajectory at the end of the first decade of September.

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Looking at the average annual exchange rate dynamics in Q3, the domestic currency saw its nominal depreciation versus the EURO slowdown in this period as well, and posted the first nominal depreciation against the US dollar in the past five quarters (i.e. Q3 2018 average around 3.99 RON/USD).

At the beginning of Q4 2018 the RON/EUR exchange rate stopped its September increase and remain quasi stable until the year end and beginning with the first decade of November the RON/EUR exchange rate has tended to decline slightly.

Looking at the average annual exchange rate dynamics in Q4, the domestic currency saw its nominal depreciation versus the EURO slowdown in this period as well (i.e. Q4 2018 average around 4.66 RON/EUR), and posted the first nominal depreciation against the US dollar in the past seven quarters (i.e. Q4 2018 average around 4.08 RON/USD).

The USD exchange rate had a depreciation of the RON against the US dollar of 4% (Q4 2018 vs. Q4 2017 on average) and an appreciation of 3% y-o-y. The central bank is still vigilant on exchange rate developments and analysts expect that FX stability will be the main driver of interest rate decisions, particularly if depreciation pressure on the national currency (i.e. RON) intensifies. Core inflation is stable, so the National Bank of Romania (NBR) is less likely to be troubled by it. NBR might be concerned about the deteriorating competitiveness which could well increase depreciation pressures on the currency (i.e. RON).

**The information is based on analysis provided by JBC Energy GmbH and National Bank of Romania*

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REFINING SEGMENT

		2018	2017	%	2018	2017	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	4,446,012,518	3,479,314,807	28%	18,111,276,593	14,173,336,798	28%
Net Revenues	USD/RON	3,382,773,261	2,588,143,186	31%	13,780,065,156	10,543,060,082	31%
EBITDA	USD/RON	127,945,445	164,431,901	-22%	521,198,565	669,829,792	-22%
EBITDA margin	%	3.8%	6.4%		3.8%	6.4%	
EBIT	USD/RON	39,843,613	58,749,524	-32%	162,306,941	239,322,060	-32%
Net profit / (loss)	USD/RON	(1,154,989)	8,774,525	N/A	(4,704,964)	35,743,904	N/A
Net profit / (loss) margin	%	-0.03%	0.3%		-0.03%	0.3%	
Gross cash refinery margin/tone (Petromidia)	USD/(RON)/ tonne	45.95	50.90	-10%	187.17	207.34	-10%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON) /bbl	6.33	7.01	-10%	25.77	28.55	-10%
Net cash refinery margin/tone (Petromidia)	USD/(RON)/ tonne	20.42	28.01	-27%	83.20	114.12	-27%
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/ bbl	2.81	3.86	-27%	11.46	15.71	-27%
Operational							
Feedstock processed In Petromidia refinery	thousand tonnes	5,925	5,662	5%			
Feedstock processed In Vega refinery	thousand tonnes	406	373	9%			
Gasoline produced	thousand tonnes	1,586	1,488	7%			
Diesel & jet fuel produced	thousand tonnes	3,058	2,979	3%			
Motor fuels sales - domestic	thousand tonnes	2,215	2,128	4%			
Motor fuels sales - export	thousand tonnes	2,229	2,111	6%			
Export	%	50%	50%				
Domestic	%	50%	50%				

Refining segment comprises the results of the company Rompetrol Rafinare related to Petromidia and Vega refineries. Rompetrol Rafinare computes Gross refinery margin as follows - (Oil Product Sales – Cost of Feedstock) / Quantity of sales. Net Refinery margin is the EBITDA divided by quantity of sales.

Gross revenues of refining segment reached over USD 4.4 billion in 2018 increasing by 28% against 2017 full year. Year on year variance was mainly influenced by the increase of international oil & gas market quotation evolution of petroleum products and by the increase in the volume of products sold.

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In 2018, the total throughput for Petromidia refinery was 5.92 million tonnes, higher by 4.63% if compared with last year when the total throughput was 5.66 million tonnes.

In 2018, the refining capacity utilization in Petromidia refinery was 91.98%, higher by 6.1% compared with last year.

Petromidia refinery managed to achieve in 2018 a very good operational performance at historically high levels, for its main technological and operational parameters such as:

- ✓ historical record for total feedstock processed of 5.925 mil tonnes, above last year record by 262 kt;
- ✓ historical record for white products yield 5.107 mil tonnes, above last year record by 220 kt;
- ✓ historical record for auto gasoline production 1.36 mil tonnes, above last year record by 92 kt;
- ✓ historical record for diesel production 2.75 mil tonnes, above last year record by 16 kt;
- ✓ historical record for jet production 317 kt, above last year record by 66 kt;
- ✓ historical record for propylene production 142 kt, above last year record by 10 kt;
- ✓ historical record for Energy Intensity Index 96.1%;
- ✓ historical record for Mechanical availability 96.7%;
- ✓ technological loss of 0.83%wt, +0.18pp vs first year since Modernization Package Implementation.

In respect of Vega refinery (the oldest processing unit operating in Romania (since 1905) and the only domestic producer of bitumen and hexane), the total throughput was 406,004 tonnes in 2018, higher by 8.86%, compared with last year when the total throughput was 372,954 tonnes.

The refining capacity utilization for Vega refinery was 123.03% in 2018, higher by 10.02%, compared with last year.

Vega refinery also managed to achieve in 2018 very good performance results, at historical high level, of which the following are emphasized:

- ✓ historical record for feedstock processed of 406 kt, above last year record by 33 kt;
- ✓ historical record for Bitumen production of 102 kt, above last year record by 5.4 kt;
- ✓ historical record for ecological solvents production of 43.5 kt, above last year record by 2.6 kt;
- ✓ historical record for hexane production of 84.5 kt, above last year record by 5kt;
- ✓ lowest historical energy consumption of 2.4GJ/t;
- ✓ lowest technological loss in Vega's history of 0.93%wt.

Despite the historical operational and production results, the refining segment's financial results in 2018, were negatively affected by unfavorable market conditions, Petromidia's gross refinery margin was lower in 2018 compared with last year, 45.95 USD/to as against 50.9 USD/to in 2017.

Petromidia refinery continued its production process optimization programs (i.e. increase of processing capacity alongside increased production performance of valuable products yields; reduce technological loss, crude diet optimization; constant supply of the crude, alternative and other feedstock; downstream Units operation optimization; mitigation of slowdown/shutdown/ unplanned events) and operating costs optimization (energy efficiency and processing cost reduction), programs that started in 2014 and successfully continued until present days.

In 2018 Petromidia operations were affected by a planned slowdown in April (i.e. starting with 22nd of April when the crude unit runrate was reduced and until 27th of April when the crude unit runrate was gradually increased, reaching the level of 15.2 kt/day design capacity) and a planned shutdown between 27th of October – 19th of November, both activities aiming to keep the installations in optimal operating parameters in order to ensure the units maximum flow and the quality of the obtained products.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 1.5 billion in 2018, adding even more to the States budget by ~ USD 300 million more than in 2017 (i.e. over USD 1.2 billion).

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PETROCHEMICALS SEGMENT

		2018	2017	%	2018	2017	%
Financial		**USD**	**USD**		**RON**	**RON**	
Revenues	USD/RON	202,703,696	191,326,498	6%	825,733,776	779,387,622	6%
EBITDA	USD/RON	(17,952,893)	(5,304,452)	238%	(73,132,905)	(21,608,216)	238%
EBIT	USD/RON	(34,055,720)	(20,365,240)	67%	(138,729,381)	(82,959,842)	67%
Net profit / (loss)	USD/RON	(37,441,593)	(12,977,684)	189%	(152,522,074)	(52,865,894)	189%
Operational							
Propylene processed	thousand tonnes	143	134	7%			
Ethylene processed	thousand tonnes	60	64	-6%			
Total polymers production	thousand tonnes	148	147	1%			
Sold from own production		190	189				
Sold from trading	thousand tonnes	3	1	136%			
Total sold		193	191	1%			
Export	%	47%	50%				
Domestic	%	53%	50%				

Petrochemicals segment comprises the petrochemicals activity from Rompetrol Rafinare and the activity of Rompetrol Petrochemicals SRL

Starting 1st of January 2014, the petrochemicals activity was transferred from Rompetrol Petrochemicals to Rompetrol Rafinare S.A., being fully integrated in the propylene, utilities and logistics flow.

The current petrochemicals activity is carried out through PP and LDPE units.

In terms of low density polyethylene unit (LDPE), the petrochemicals segment works 100% with ethylene from import, and for PP (polypropylene) unit is ensured through raw material produced and distributed entirely by Petromidia refinery.

In mid-April 2018, the HDPE plant was put into operation at optimum technological parameters, but due to unfavorable market conditions characterized by low petrochemicals margins, it was shut down in mid-May 2018. The HDPE unit is in stand-by and internal analyzes are carried out on the potential measures to mitigate the negative impact of the market, the company relying on the rapid restart of the unit when the market conditions will improve.

Overall, petrochemicals segment activity was negatively affected by unfavorable market conditions, petrochemical margins on the LDPE / HDPE segment being the lowest in the last 7 years.

In terms of operational performance, good level achievements were reached within the petrochemicals activity and production area in 2018: 203.5 kt feedstock processed - above last year record by 5 kt, total polymers production of 148 kt by ~1% higher compared with last year, PP production of 89.5 kt - above last year record by 5 kt, energy index of 18.1 GJ/mt, technological loss of 2.2%wt.

The petrochemicals segment is the sole polypropylene and polyethylene producer in Romania and has constantly succeeded to increase its market share on secondary categories of products. Its dynamic development strategy has secured the company a competitive position on the domestic market and on the regional one – the Black Sea and Mediterranean region and the Eastern and Central Europe.

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MARKETING SEGMENT

Financial		2018 USD	2017 USD	%	2018 RON	2017 RON	%
Gross Revenues	USD/RON	3,087,416,280	2,453,396,882	26%	12,576,898,958	9,994,157,539	26%
EBITDA	USD/RON	37,721,397	52,903,421	-29%	153,661,883	215,507,376	-29%
EBIT	USD/RON	15,368,434	21,093,960	-27%	62,604,854	85,928,355	-27
Net profit / (loss)	USD/RON	11,343,003	27,493,675	-59%	46,206,859	111,998,234	-59
Operational							
Fuels quantities sold in retail	thousand tonnes	714	693	3%			
Fuels quantities sold in wholesale	thousand tonnes	1,248	1,191	5%			
LPG quantities sold	thousand tonnes	424	363	17%			

Marketing segment includes the results of Rompetrol Downstream, Rom Oil, Rompetrol Quality Control Rompetrol Logistics and Rompetrol Gas

In 2018 the marketing segment had a turnover of over USD 3 billion, higher by 26% compared with the same periods of 2017.

Rompetrol Downstream, covering the Romanian market, reached record sales in 2018 of 1.98 million tonnes, increase by 5% against 2017 (1.89 million tonnes), mainly due to a boost in sales of diesel by 159 thousand tonnes and opening of 5 new CODO gas stations.

During 2018, Rompetrol Gas reached record sales in its history, selling a total volume of 405 thousand tonnes, out of which 109 thousand tonnes propane sales. In the last 2 years the effect of trading operations with propane allowed Rompetrol Gas to become the biggest player on LPG market in the Balkans.

In 2018 compared to 2017, the Platt's quotations (FOB Med Italy-mean), expressed in the currency of reference (i.e. USD) were on average by 21% higher for gasoline and by 30% higher for diesel. Throughout the year the USD exchange rate had an increase of 3%. The excise level, which represents an important share of the final price of fuel, increase in 2018 with 13% for gasoline and 14.5% for diesel.

All such market changes set high level pressure on the marketing segment margin, with pump prices following the increasing macroeconomic growth however not being able to be fully absorbed at end-user level.

The net result for full year 2018 compared with full year 2017 was considerably affected by exchange rate fluctuations, mainly due to the RON/USD exchange rate fluctuations and the change in monetary positions.

As of December 2018, the Rompetrol Downstream's distribution segment contained 918 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

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APPENDIX 1 – CONSOLIDATED INCOME STATEMENT FULL YEAR 2018

	2018 USD	2017 USD	%	2018 RON	2017 RON	%
Gross Revenues	5,259,166,505	4,151,088,337	27%	21,423,740,675	16,909,873,449	27%
Sales taxes and discounts	(1,278,623,137)	(1,058,081,009)	21%	(5,208,599,211)	(4,310,198,798)	21%
Net revenues	**3,980,543,368**	**3,093,007,328**	**29%**	**16,215,141,464**	**12,599,674,651**	**29%**
Cost of sales	(3,724,419,488)	(2,786,630,756)	34%	(15,171,795,227)	(11,351,619,048)	34%
Gross margin	**256,123,880**	**306,376,572**	**-16%**	**1,043,346,237**	**1,248,055,603**	**-16%**
Selling, general and administration	(211,912,916)	(190,883,469)	11%	(863,248,455)	(777,582,899)	11%
Other operating income	65,537,105	801,814	8074%	266,971,951	3,266,270	8074%
Other operating expenses	(84,946,746)	(58,754,223)	45%	(346,039,065)	(239,341,203)	45%
EBIT	**24,801,323**	**57,540,694**	-57%	**101,030,668**	**234,397,771**	-57%
Finance, net	(46,437,440)	(32,699,932)	42%	(189,167,556)	(133,206,443)	42%
Unrealized net foreign exchange (losses)/gains	10,282,494	(903,766)	-1238%	41,886,768	(3,681,581)	-1238%
Realized net foreign exchange (losses)/gains	(16,370,615)	319,217	-5228%	(66,687,337)	1,300,362	-5228%
EBT	**(27,724,238)**	**24,256,213**	**-214%**	**(112,937,457)**	**98,810,109**	**-214%**
Income tax	49,050	(3,550,756)	-101%	199,810	(14,464,360)	-101%
Net result	**(27,675,188)**	**20,705,457**	**-234%**	**(112,737,647)**	**84,345,749**	**-234%**
EBITDA	**148,349,935**	**210,727,761**	**-30%**	**604,318,296**	**858,420,607**	**-30%**

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APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2018

	December 31, 2018	December 31, 2017	%	December 31, 2018	December 31, 2017	%
	USD	USD		RON	RON	
Assets						
Non-current assets						
Intangible assets	7,606,675	8,252,455	-8%	30,986,551	33,617,201	-8%
Goodwill	82,871,706	82,871,706	0%	337,586,183	337,586,183	0%
Property, plant and equipment	1,235,103,661	1,254,559,178	-2%	5,031,318,272	5,110,572,268	-2%
Financial assets and other	40,930,859	37,839,253	8%	166,735,946	154,141,981	8%
Total Non Current Assets	**1,366,512,901**	**1,383,522,592**	**-1%**	**5,566,626,952**	**5,635,917,633**	**-1%**
Current assets						
Inventories	292,898,693	342,623,825	-15%	1,193,152,116	1,395,712,414	-15%
Trade and other receivables	409,254,839	436,209,507	-6%	1,667,140,512	1,776,943,048	-6%
Derivative financial Instruments	2,608,512	-	N/A	10,626,034	-	N/A
Cash and cash equivalents	11,477,183	12,592,193	-9%	46,753,453	51,295,557	-9%
Total current assets	**716,239,227**	**791,425,525**	**-10%**	**2,917,672,115**	**3,223,951,019**	**-10%**
Total assets	**2,082,752,128**	**2,174,948,117**	**-4%**	**8,484,299,067**	**8,859,868,652**	**-4%**
Equity and liabilities						
Total Equity	**675,364,584**	**704,345,972**	**-4%**	**2,751,165,165**	**2,869,223,748**	**-4%**
Non-current liabilities						
Hybrid instruments - long-term portion	17,009,920	14,687,203	16%	69,291,610	59,829,790	16%
Provision	85,664,505	85,001,042	1%	348,962,929	346,260,245	1%
Long-term debt	224,103,204	-	N/A	912,906,812	-	N/A
Other	4,345,265	3,923,537	11%	17,700,872	15,982,920	11%
Total non-current liabilities	**331,122,894**	**103,611,782**	**220%**	**1,348,862,223**	**422,072,955**	**220%**
Current Liabilities						
Trade and other payables	916,434,940	966,666,960	-5%	3,733,189,375	3,937,814,535	-5%
Contract liabilities	25,947,213	-	N/A	105,698,567	-	N/A
Derivative financial instruments	76,580	48,387	58%	311,956	197,109	58%
Short-term debt	133,805,917	400,275,016	-67%	545,071,781	1,630,560,305	-67%
Total current liabilities	**1,076,264,650**	**1,366,990,363**	**-21%**	**4,384,271,679**	**5,568,571,949**	**-21%**
Total equity and liabilities	**2,082,752,128**	**2,174,948,117**	**-4%**	**8,484,299,067**	**8,859,868,652**	**-4%**

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Risk Management

The Group'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 Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies.

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 Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk.

Foreign exchange risk

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are translated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

Liquidity and cash flow risks

The liquidity risk consists in not having financial resources available in order to fulfil 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 fulfilment 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 KMGI 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 Group 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 Group 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 Group's treasury in accordance with the Group's policy.

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Commodity price risk

The Group 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 Group'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 Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

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, benchmark stock for Rompetrol Downstream) 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 Group, hence price fluctuations will not affect the cash-flow. Based on the expectations of crude 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 Group 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.

Subsequent events

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.

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Note:

The Board of Directors Annual Report was prepared based on the audited consolidated financial statements.

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.0736 as of 31 December 2018.

PRESIDENT OF BOARD OF DIRECTORS
Meraliyev Saduokhas

MEMBER OF THE BOARD OF DIRECTORS
Alexey Golovin

MEMBER OF THE BOARD OF DIRECTORS
Yedil Utekov

MEMBER OF THE BOARD OF DIRECTORS
Mihai-Liviu Mihalache

MEMBER OF THE BOARD OF DIRECTORS
Nicolae Bogdan Codrut Stanescu

FINANCE MANAGER
Mircea Stefan Stanescu

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

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