



ANNUAL REPORT 2017

OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2017

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**
 - o **Total number of shares: 44,109,205,726**
 - o **Nominal value: 0.10 lei**
 - o **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 ("BSE"). Up to this date they have been traded within category II od BVB.



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MAJOR PERFORMANCE IN 2017, IN AN UNSTABLE GLOBAL ECONOMIC ENVIRONMENT:

Petromidia refinery managed to achieve in 2017 a very good operational performance, at historically high levels for its main technological and operational parameters such as:

- ✓ total feedstock processed of ~5.66 mil tons - record total feedstock processed since 1979, an equivalent of 16.8 kt/day of operation total feedstock processed, 5% improvement against last year;
- ✓ record for white products production 4.88 millions tons;
- ✓ record for auto gasoline production of 1.46 millions tons;
- ✓ record for diesel production of 2.74 millions tons;
- ✓ record for propylene production of 133 thousand tons;
- ✓ technological loss of 0.85%wt;
- ✓ jet yield (4.4 %), equivalent of 251 thousand tons production;
- ✓ Energy Intensity Index 99.9%
- ✓ mechanical availability 96.47%
- ✓ operational availability 93.3%.

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 372.954 thousand tons in 2017, higher by 5.26% compared with the same period of last year when the total throughput was 354.306 thousand tons for 2016.

The refining capacity utilization for Vega refinery was 113% in 2017, higher by 5.65% compared with the same period last year.

Vega refinery also managed to achieve in 2017 very good operational performance results, at historical high levels, of which the following are emphasized:

- ✓ historical record for feedstock processed of 373 thousand tons higher by 19 thousand tons as against last year;
- ✓ historical record for Bitumen production and sales of 96 thousand tons;
- ✓ historical record for ecological solvents production of 41 thousand tons;
- ✓ Hexane production reached 80 thousand tons;
- ✓ lowest technological loss of ~ 1%wt;

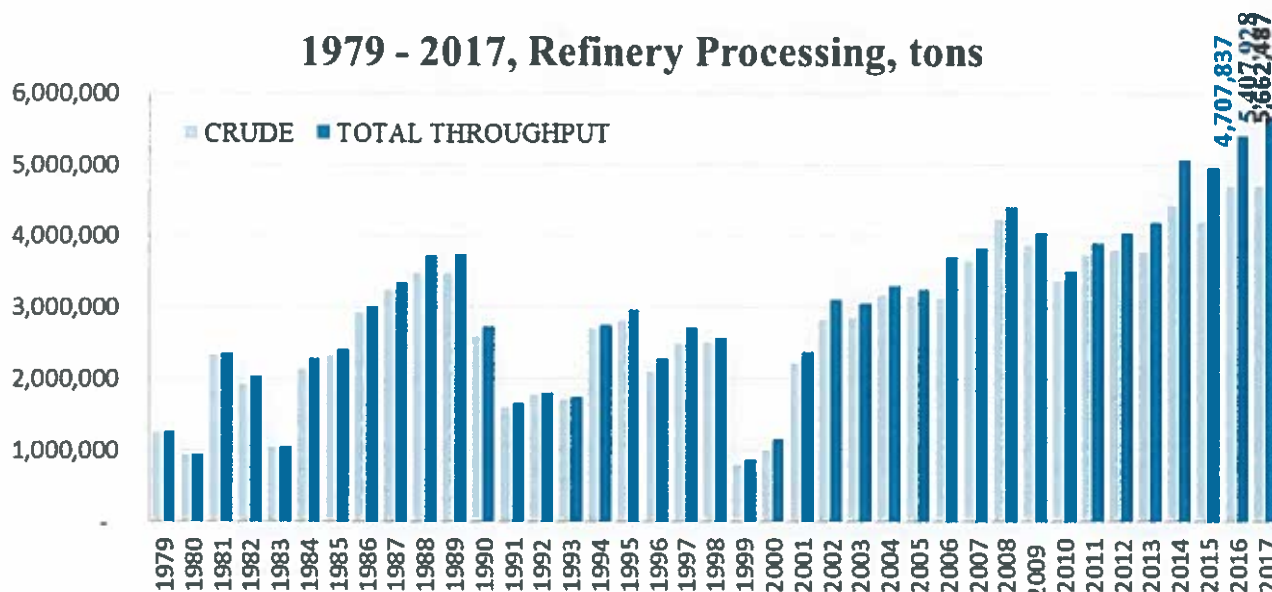
The gross cash refinery margin improved in 2017 compared with last year by 20% reaching a level of 50.9 \$/t as against 42.5 \$/t in 2016. The company's financial results were positively influenced by favorable market conditions and by production process optimization programs (increase of processing capacity and increase of white products yields) and also influenced by operating costs optimization, programs that started in the year 2014 and successfully continued in 2015, 2016 and 2017 (out of which reduction in steam and power consumption are the most significant).



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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 2017 is rendered by the graphic below:



IMPORTANT PROJECTS INITIATED BY THE COMPANY – DOLPHIN PROJECT

In 2014, a consultancy services contract was finalized, 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 provided analysis provided it was initiate the Dolphin Project with the scope to increase the operational results of Petromidia and Vega Platform and to identify new opportunities and future projects in order to meet the long term strategy of both refineries, established at group level.

The initiatives defined in Dolphin Project during 2015-2016 were continued in 2017 also within the 5 workstreams: No Cost, Capex, Continuous Improvement, Maintenance and Organizational Efficiency.

The conclusions resulted following the analysis rolled-out by the consultancy team were developed and implemented within the 5 workstreams. The role of the consultancy team was mainly focused on monitoring the initiatives' implementation and support the workstreams for the project management activities.



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The total benefits achieved during 2017 from initiatives in all workstreams exceeded with 5.31 millions USD the 4.8 millions USD benefit planned for 2017.

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).

The organizational improvements generated by the Dolphin Project, the best practices as well as lessons learned and recommendations of the consultancy team will be used in the next phase of Dolphin Project, planned for 2018-2020, which will be rolled-out with internal resources, without the support of a consultancy team.



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 SA took over the operational plants (polymer and utilities production) of Rompetrol Petrochemicals SRL.

In accordance with the provisions of the Articles of Incorporation of the Company Rompetrol Rafinare S.A. (Hereinafter "The Company"), 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 (work points Rafinărie and Petrochimie) and Vega.

I) The Production Activity in the Year 2017

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).

Rompetrol Rafinare - work point Năvodari (Petromidia Refinery)

The production plan of ROMPETROL RAFINARE S.A. for year 2017 was designed for a total processing output of 5,652,205 tons, out of which 4,921,984 tons of crude oil and 730,220 tons of other raw materials. This schedule has been the basis for the preparation of the income and expenses budget for the year 2017.



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The total processing carried-out during 2017 amounts to 5,662,487 tons, out of which 4,706,412 tons of crude oil and 956,075 tons other raw materials.

This processing represents 100.18 % of the schedule set up for the budget of the year 2017.

2017	Tons	
	Budget	Achieved
Total throughput out of which:	5,652,205	5,662,487
Processed crude oil	4,921,984	4,706,412
Other raw materials	730,220	956,075

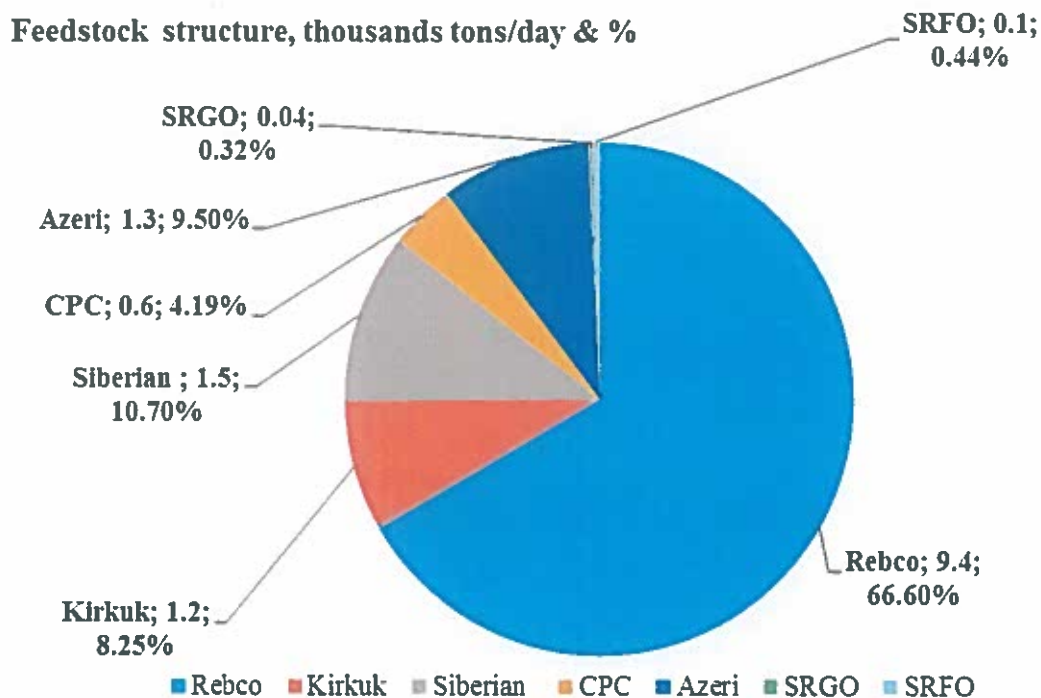
The situation of processing, on quarters, is given in the table below:

Processing	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total 2017
Plan (tons)	1,374,685	1,531,807	1,195,183	1,195,183	5,652,205
Achieved (tons)	1,200,665	1,221,513	1,559,665	1,680,644	5,662,487
Achieved/Budget (%)	87.34	79.74	100.59	140.62	100.18

The action of attracting other raw materials in the processing process matches the strategy of ensuring a continuous operation at the best load of the plants as good as possible (eg.: diesel fuel and black oil).

From the operational point of view, the refinery has been working at full output of 16,763 tons of raw material per day, related to the actually worked time, registering record performances.

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



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The yields for diesel ranked at 48.32% in 2017, while the yields for fuels (gas, diesel, Jet, automotive LPG fuel) reached the level of 76.01% in 2017, representing the best results in the history of the refinery.

Petromidia Refinery has produced 2.73 million tons of diesel in 2017, the highest level it has ever reached since its commissioning in 1979.

The reduction of the operation costs as well as the increase of mechanical and operational availability allowed an improvement of the Energy Intensity Index, being at 99.97 points.

The improvements of the operational results as well as registering the historical records in 2017 by Petromidia refinery were supported by the completion in 2012 of the wide program of revamping and increasing the processing output to 5 million tons per annum, as well as of the technological works performed during the planned overhaul in March – April 2013 as well as during the general overhaul which takes place, in compliance with the group’s management decision, once every 5 years, performed in October 2015.

Following the general overhaul performed in 2015 and the implementation of the initiatives within „Dolphin” project, the equipment functioned in 2017 at a high level of safety, low maintenance cost, featuring a mechanical availability of 96.47%.

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

The structure of the physical production as compared to the budget, in 2017, is as follows:

YEAR 2017	Unit of measure	Budget	Achieved
Finished Products	tone	5,504,909	5,529,859
Gasoline	tone	1,416,743	1,461,969
Diesel Fuel	tone	2,760,973	2,736,225
Jet	tone	247,100	250,655
Fuel Oil	tone	130,473	140,136
Propylene	tone	127,919	132,538
LPG	tone	241,114	241,283
Coke	tone	270,688	248,852
Sulphur	tone	52,589	52,631
Other products	tone	259,310	265,871
Total consumption:	tone	147,296	141,969
White products achieved	%	85.79	86.29



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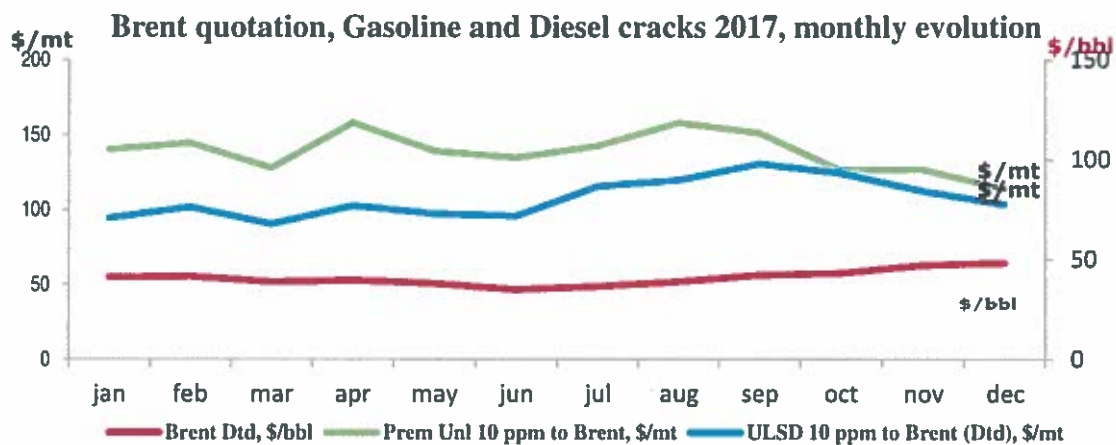
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In 2017, a purchase price for the crude oil of USD 325.97 /ton was budgeted, with an average final price of USD 395.41 /ton.

The average value of the finished products was budgeted for the year 2017 at USD 398.91 /ton and an average price of USD 493.93 /ton has been achieved.

As you can notice, the evolution of the crude oil market compared to the budget forecast registered an increase at the level of the year of 21.30%, and the price of oil products followed the same increasing trend compared to the budget, the increase being of 23.82%.

During 2017, the gas crack exceeded the diesel one in average with approx. USD 58.02 /ton, the trend being relatively constant during January – July 2017, being slightly modified decreasing during August – December 2017.



Source: Platts



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

OIL PRODUCTS	DELIVERIES						
	TOTAL DELIVERIES	DOMESTIC *		EXPORT		transfer	
	[tons]	[tons]	[%]	[tons]	[%]	[tons]	[%]
Gasoline	1,258,494	314,475	24.99	944,019	75.01	0	0.00
Gasoline for chemical use	191,223	0	0.00	18,181	9.51	173,042	90.49
Petroleum	252,385	223,127	88.41	16,699	6.62	12,559	4.98
Auto-Diesel Fuel	2,722,905	1,590,596	58.42	1,132,309	41.58	0	0.00
Fuel oil	138,656	4,507	3.25	13,235	9.54	120,914	87.20
Vacuum distillation	11,369	0	0.00	11,369	100.0	0	0.00
Propylene	132,538	0	0.00	0	0.00	132,538	100.00
Liquefied Petroleum Gas	241,367	241,367	100.0	0	0.00	0	0.00
Petroleum coke	263,194	122,241	46.45	140,953	53.55	0	0.00
Petroleum Sulphur	50,011	87	0.17	49,924	99.83	0	0.00
Other products	114,713	52,562	45.82	0	0.00	62,151	54.18
TOTAL	5,376,855	2,548,961	47.41	2,326,689	43.27	501,204	9.32

* 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"

Rompetrol Rafinare – work point Vega Refinery

The production schedule of ROMPETROL RAFINARE S.A., work point Vega Refinery for the year 2017 has been designed for a total processing output of 340,525 tons, out of which 340,461 tons raw materials of KMG International Group and 64 tons raw materials acquired outside the Group.

This schedule supported the issue of the income and expenses budget, for year 2017.

The processing carried-out in 2017 amounts to 372,954 tons of raw materials, out of which 372,794 tons of KMG International Group and 161 tons non-Group.

The processing represents 109.52 % compared to the schedule established for the budget of year 2017, according to the available raw materials of Petromidia Refinery and correlated to the market demand.

The situation of the processing, on quarters, is given in the table below:

Throughput	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total 2017
Achieved (tons)	60,834	91,183	111,580	109,357	372,954
Budget (tons)	67,172	96,343	104,045	72,964	340,525
Achieved/Budget (%)	90.6%	94.6%	107.2%	149.9%	109.5%

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In 2017 the processed quantity was 9.5% higher than budgeted quantity, the monthly average being 31,080 tons as compared to 28,377 tons according to the budget.

The structure of the physical production as compared to the budget, in 2017, is as follows:

YEAR 2017	Budget [tons]	Achieved [tons]
Finished goods	335,343	364,644
Gasoline + solvents	134,048	148,702
N-Hexane	85,393	79,507
White spirit and P Fuel	9,297	8,437
Calor Extra I	3,796	4,553
Light oil fuel type III	3,345	2,615
Heavy fuel oil	18,038	24,457
Bitumen	81,426	96,373

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

In 2017, the energy consumption reported to throughput ton suffered a decrease with approximate 2% compared to year 2016, the influence resulted from the different functioning of the previous year plants, as well as of the measures taken to reduce the consumptions.

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

PRODUCT	TOTAL DELIVERIES [tons]	DOMESTIC		EXTERNAL	
		[tons]	[%]	[tons]	[%]
Products delivered	371.145	162.698	43,84	208.447	56,16
Gasoline + solvents	151,712	29,066	19.16	122,647	80.84
N-Hexane	81,968	3,309	4.04	78,659	95.96
White Spirit	8,302	6,678	80.45	1,623	19.55
Diesel fuel	4,714	4,714	100.00	-	-
Light oil fuel type III	2,751	2,751	100.00	-	-
Heavy fuel oil	25,228	19,710	78.13	5,518	21.87
Bitumen	96,470	96,470	100.00	-	-

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017*****Rompetrol Rafinare – work point Nāvodari (the Petrochemical plant)***

The production plan of ROMPETROL RAFINARE S.A. – Petrochemical Plant for year 2017 was issued for the functioning of the Polypropylene (PP) and low pressure Polypropylene (LDPE) plants during year 2017.

This schedule has been the basis for the preparation of the income and expenses budget for the year 2017.

The polymer production realized in year 2017 amounted to 146,876 tons, out of which PP – 84,777 tone and LDPE – 62,098 tons.

The structure of raw materials processed compared to the Budget in 2017, is as follows:

YEAR 2017	Budget [tons]	Achieved [tons]
Raw materials	199,183	198,502
Propane propylene mixture	126,821	134,359
Ethylene	72,362	64,143

The structure of the physical production as compared to the budget, in 2017, is as follows:

YEAR 2017	Budget tons	Achieved [tons]
Finished goods	163,964	166,924
PP	86,840	84,777
LDPE	70,414	62,098
Polymerizable propylene	6,710	20,049

The comparison of the production with the budget shows that the PP production reached 98% compared to the budget, while the LDPE production reached 88% compared to the budget.

The situation of production of polymers, on quarters is given below:

		1st quarter	2nd quarter	3rd quarter	4th quarter	2017
PP	Budget (tons)	22,620	22,880	23,140	18,200	86,840
	Achieved (tons)	22,052	16,012	22,317	24,397	84,777
	Achieved/Budget (%)	97%	70%	96%	134%	98%
LDPE	Budget (tons)	18,312	18,530	18,748	14,824	70,414
	Achieved (tons)	10,969	15,658	15,496	19,976	62,098
	Achieved/Budget (%)	60%	84%	83%	135%	88%



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In 2017, the average value of the cost on processed raw materials was for:

- propane – propylene mix – budgeted at USD 489 /ton and achieved USD 683 /tons;
- ethylene – budgeted at USD 1,106 /ton and achieved USD 1,140 /ton.

In 2017, the average sale price on finished goods was for:

- PP budgeted at USD 1,065 /ton and achieved USD 1,139 /ton;
- LDPE budgeted at USD 1,372 /ton and achieved USD 1,327 /ton.

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

PRODUCTS	DELIVERIES				
	TOTAL DELIVERIES	DOMESTIC*		EXPORT	
	[tons]	[tons]	[%]	[tons]	[%]
PP	82,766	30,175	36%	52,591	64%
LDPE	60,338	27,579	46%	32,759	54%

II) Investment activity

The investment activity in the year 2017 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 2017 added up to 55,607,264 USD.

The main projects completed in the year 2017 in Rompetrol Refinery:

➤ Implementation of APC (Advanced Process Control) in CDU

The APC on CDU project scope of work was to optimize operational CDU unit activities, licenses acquisition for three years and perform a Refinery Master Plan for future APC prioritization in refinery units. Main objectives of APC project was to maximize the feed and yields of the white products, to stabilize CDU daily operations and to obtain a better control of CDU constrains.



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Another main objective was to reducing and optimizing heaters fuel gas consumption for CDU.

The project execution started at beginning of 2017 and was completed on December 22, 2017 with “performance test” and we obtaining good results according with our expectations.

➤ **Rehabilitation Refinery roads 2017**

During the 2017 repair and rehabilitation campaign for internal roads from PEM performed locally repairs on individual plots as follows:

- Road 5 ~ 65 sqm
- Road 10 ~ 60 sqm
- Road 11 ~ 490 sqm
- Road 12 ~ 235 sqm
- Road 13 ~ 185 sqm
- Road 14 ~ 680 sqm
- Road 18 ~ 460 sqm
- Road 23 ~ 475 sqm
- Road 32 ~ 25 sqm

➤ **T2-417E Tank Rehabilitation**

The implementation of project “T2-417E Tank Rehabilitation” continued (project executed in two phases) as part of the General Master Plan Program, the objective of which is to maintain to an optimal value the storage capacity for Petromidia refinery products and the alignment with the safety requirements. The project was finalized on June 12th, 2017.

➤ **IPPA Loading Process Improvement - Replacement of TAS related equipments**

The main works packages consist of

Improvement of loading pumps capacity and the flow rate control:

1. For Pumps group P1-A/B/R, P001-A/R, P002-A/R - Frequency converter have been purchasing and installed; Electric motors replaced with others strongest; Power cables, control cables and control buttons replaced;
2. Pumps group P2-A/B/R has been eliminating;
3. Instead of pumps group P2 A/B/R have been purchasing and installed two new pumps with 400 cubic meter/h flow rate;
Purchased and implemented control systems with frequency converter for the new two pumps with 400 cubic meter/h named New P2 A/R. Two new foundations have been building, power cables for electric motors, control cables, grounding system, has been installing.
4. Arrangements into power station in order to electrical cabinets installing;
5. Acquisition and installing 4 pieces pressure sensors at the pumping groups, including wiring from them to cabinets with variable;
6. Acquisition and installing of 3 pcs assemblies/cabinets with variable frequency, contactors, PLC and HMI (Human Machine Interface), for the existing pump groups



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Improvement of flow meters systems consists of:

1. Acquisition of degassers designed for real flows rates operation;
2. Installation of them takes place immediately before the skids, with foundations and pipe connections suitable size;
3. Electrical heating and insulation for pipe systems;
4. Acquisition and installation of systems to collect leakage of degassers, before directing the vapor to Vapour Recovery Unit and warning systems of leakages occurrence;

➤ **Refinery and Petrochemicals 2017 Shutdown**

Under the planned 2017 Refinery Shutdown project have been performed only activities that could be carried with units out of operation.

The main works packages consist of:

1. Catalyst acquisition/regeneration and Catalysts Services
 - Regeneration of catalyst in Platforming Unit;
 - Procurement and total replacement of catalysts in 4 units: 122 DHT, 147 MTBE, 190 SRU (TGT), 125 DHT and 1 unit 120 Naphtha Hydrotreater partial replacement;
2. Operational works
 - Washing, cleaning, inspections of air coolers, heat exchangers, vessels and columns;
 - Washing and filters elements replacement;
 - Declogging water towers;
3. Maintenance – Usual repairs and inspection necessary for equipment static/dynamics and pipes that cannot be performed during units operation;
 - Repair of static, dynamic equipment instrumentation and pipeline;
 - Findings from 2015 General Turnaround – after inspection conducted in 2015 General Turnaround, results a number of repair works that remain under observation. Those works are necessary to be executed in the next shutdown because in 2 years of function and can provoke a failure of equipment;
 - Maintenance preventive programs – all dynamics equipment that can not be shutdown during normal operation must be inspected and preventive maintenance must be carryout, in order to not damage the equipment;
 - Inspection and calibration – measurement and control equipment must be inspected and calibrated, and all electrical connections must be verified.
4. Capital Maintenance – equipment's that will be replaced only in shutdown period;
5. Capex or Improvement project – implementation of CAPEX projects that can be done only with plants shutdown;
6. Unexpected/found works – works that will appear after the equipment opening.

Project completion December 2017

Under the planned 2017 Petrochemicals Shutdown project have been performed only activities that could be carried with units out of operation.

The main works packages consist of:

1. Operational works
 - Washing, cleaning, inspections of air coolers, heat exchangers, vessels and columns;
 - Washing and filters elements replacement;
 - Declogging water towers;



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2. Maintenance – Usual repairs and inspection necessary for equipment static/dynamics and pipes that cannot be performed during units operation;
 - Repair of static, dynamic equipment instrumentation and pipeline;
 - Findings from 2015 General Turnaround – after inspection conducted in 2015 General Turnaround, results a number of repair works that remain under observation. Those works are necessary to be executed in the next shutdown because in 2 years of function and can provoke a failure of equipment;
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 4. Capex or Improvement project – implementation of CAPEX projects that can be done only with plants shutdown;
 5. Unexpected/found works – works that will appear after the equipment opening.
- Project completion December 2017

➤ **Angel hair/dust reduction in LDPE bunkers (traping system)**

It was identified the solutions for reducing and eliminating of the dust and angel hair, by stopping at the source of the phenomenon of generation of these secondary products that can have effects on:

- finished product quality
- environment
- production capacity

Phase I

- Detail Design for the entire project (civil, mechanical, electrical, automation, technology),
- Obtained Building permit.

After Design activity on this project RIS Engineering updated the budget for Phase 2.

Phase 2:

- Purchase cyclones-2 pc;
- Purchase blowers-2pc.
- Purchase horizontal final dedusting with cyclone and blower-1 pc.;
- Purchase special pipes and elbows;
- General assembly materials acquisition for civil, mechanical, electrical and automation works;
- Civil works (foundations, metal structures, supports, platform, access stairs);
- Assembly of piping, cyclones;
- Existing and new pipelines connections, connections with new equipments;
- Automation and electrical works;
- Commissioning.

➤ **Lighting improvement (replacing street lighting with LED lamps) 2017**

The scope of the project is to implement a street lighting with light sources reliable and low-energy consumption, complying with the rules in force on the street lighting in order to justify the



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deductions for Green certificates awarded to Rompetrol Refinery. In 2015 and 2016 the value of these reductions was 4,000,000 USD approximately.

➤ **AF ISCIR C10/2010 for CT pipes and Hexan Unit**

The scope of project was to obtain the ISCIR authorizations for all five pipelines (with a total length of 1,310 meters) that distributed steam, installed in CT (Heating Station) and Hexan Units, considered, after the designer's analysis, to fall under the prescription of PT C10 – 2010. The project was finalized on 7 February 2017.

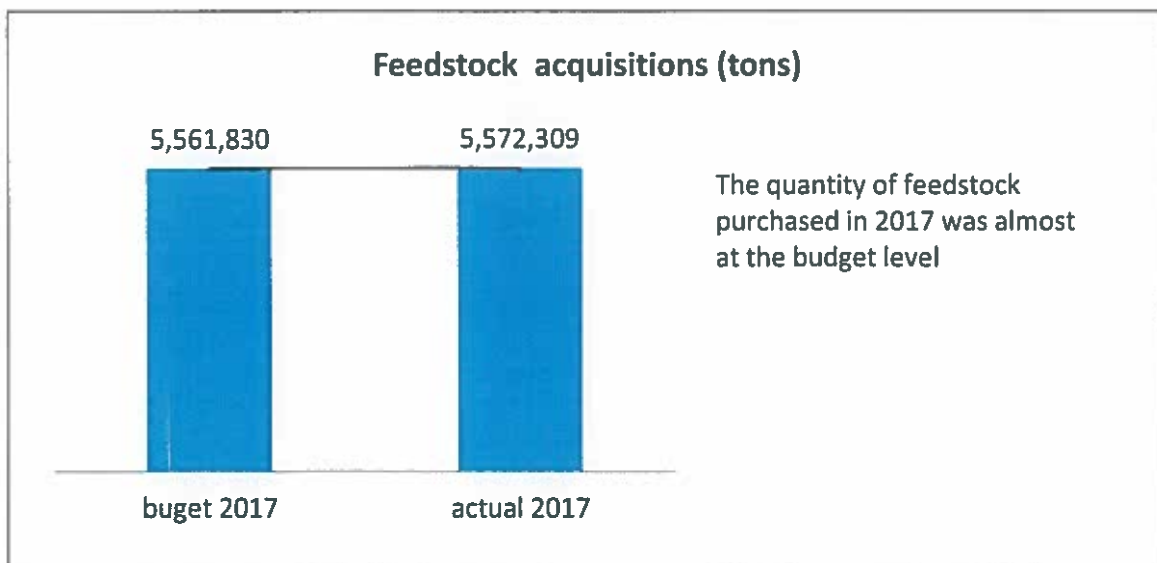
➤ **AF ISCIR pipes from Dearomatization and Rectification units, according to PT C6/2010**

The scope of project was to obtain the ISCIR authorizations for all 175 pipelines from Desaromatisation Unit carrying flammable fluids and 63 remaining to be authorized pipes (carrying flammable fluids) from Rectification unit, considered, after the designer's analysis, to fall under the prescription of PT C6 – 2010. The project was finalized on 6 September 2017.

III) Commercial Activity

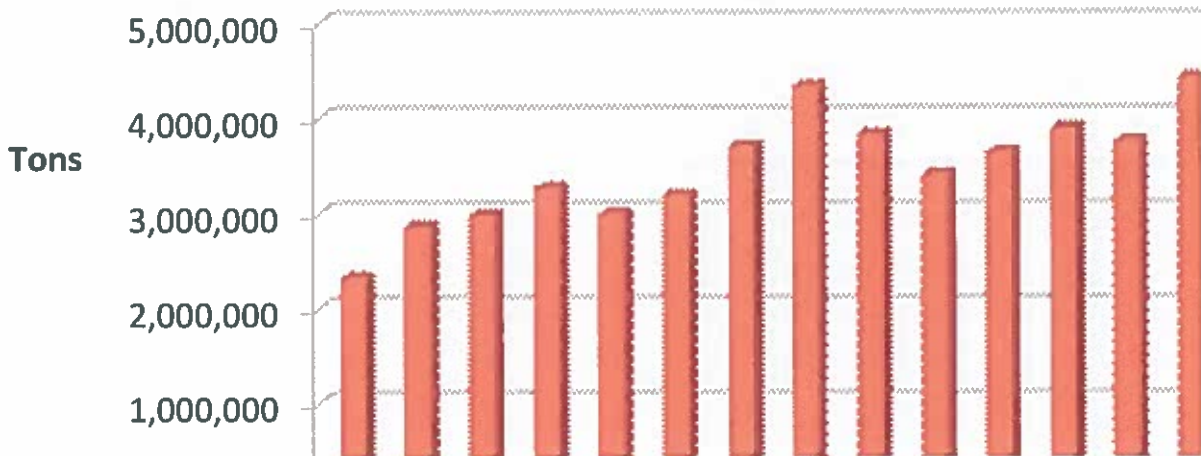
Rompetrol Rafinare – work point Nāvodari (Petromidia Refinery)

1. Supply of Raw Materials





Evolution of crude oil acquisitions from 2001 forward



In the year 2017, crude oil acquisitions were slightly lower (4,669,513 tons) than the last year (4,752,447 tons). In 2017 a major overhaul took place in May. Larger other feedstock acquisitions have been made. Crude acquisitions have been exclusively carried out by the trading company of the Rompetrol Group - Kazmunaygas Trading AG.

All feedstock volumes purchased in 2017 from external sources (5,469,452 tons) were higher than in 2016 (5,362,555 tons).

Average price of acquisition for crude was in 2017 higher (393 \$/ton) than in 2016 (313 \$/ton) due to increase of international quotations (in 2017 average for Brent was 54 \$/bbl (411 \$/ton) compared to 44 \$/bbl (331 \$/ton) in 2016).

Domestic acquisitions in 2017 amounted to 102,857 tons compared to 52,341 tons in the previous year. Added to these, there were also volumes transferred from Vega refinery in amount of 30,957 tons (27,692 tons in 2016).

Domestic suppliers have been:

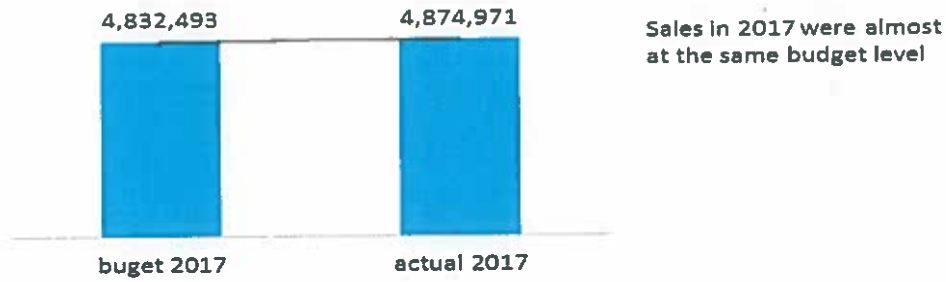
- Bio Fuel Energy
 - Prio Biocombustibil/Expur
 - OMV Petrom
- bioethanol
 - biodiesel
 - gasoline RON 92/naphtha



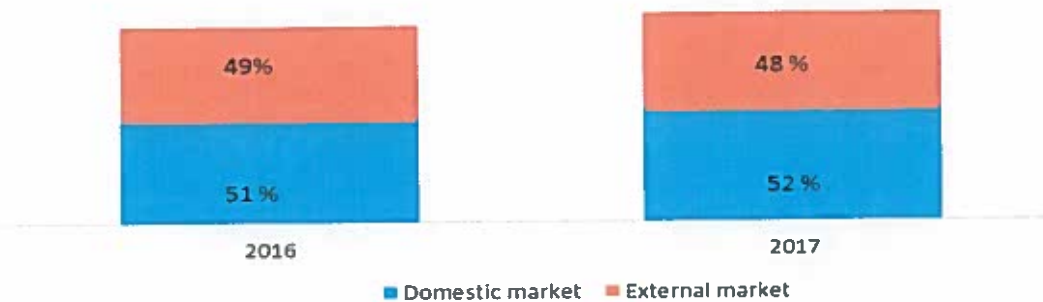
ROMPETROL RAFINARE S.A.
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2. Sales

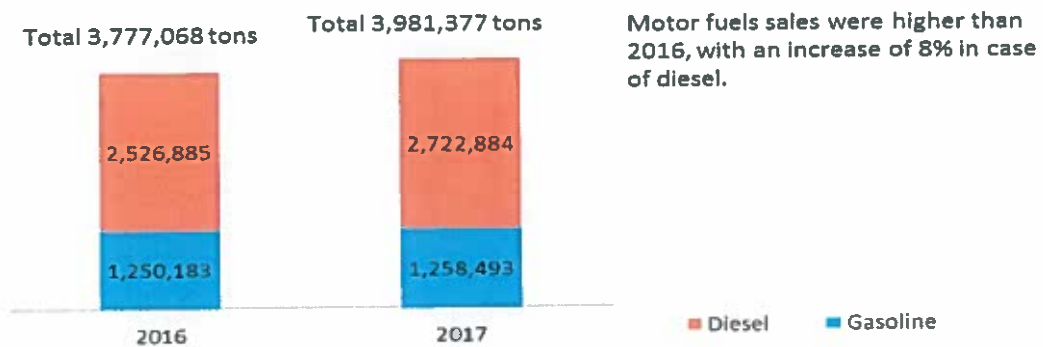
Sales of finished products vs budget (tons)



Structure of total sales



Gasoline + Diesel sales (tons)



**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017***Rompetrol Rafinare – work point Vega Refinery*

The quantitative structure of the deliveries of petroleum products in 2017 is summarized in the following table:

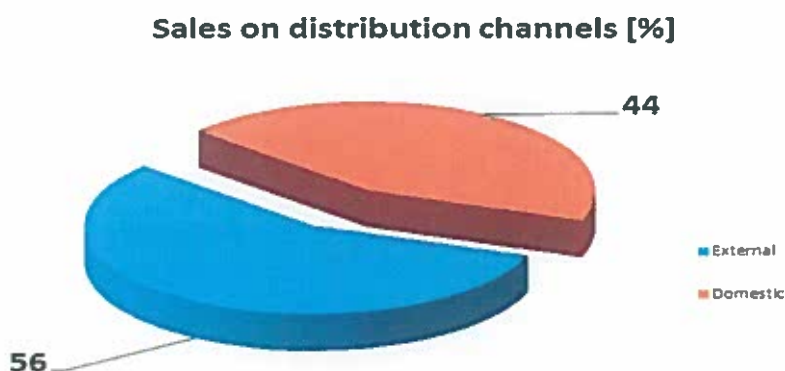
Product Group	Total sales 2017		Domestic		External	
	[tons]	% of total sales	[tons]	% of total sales	[tons]	% of total sales
Naphtha gasoline	110,229	29.70	28,552	17.55	81,676	39.18
Bitumen	96,470	25.99	96,470	59.29	-	
Heating oils	7,465	2.01	7,465	4.59		
Hexane	81,968	22.09	3,309	2.03	78,659	37.74
Fuel Oil	25,228	6.80	19,710	12.11	5,518	2.65
Petrol and White spirit	8,302	2.24	6,678	4.10	1,623	0.78
Ecological solvents	41,484	11.18	513	0.32	40,970	19.66
Total	371,145	100.00	162,698	100.00	208,447	100.00

The main markets for external channel were:

- Hungary, Moldova, Czech Republic, Poland for naphtha;
- India, Turkey, Serbia, Poland, Russia, Ucraina, Bulgaria for hexane;
- Germany, Bulgaria, Italy, Moldova, Ucraina for ecological solvents;
- Bulgaria, Moldova for white spirit;
- Bulgaria for heavy fuel oil.

Distribution market

In 2017, sales amounted to 371,145 tons, on external markets 208,447 tons and on domestic market 162,698 tons. Share on distribution channels is shown as below:

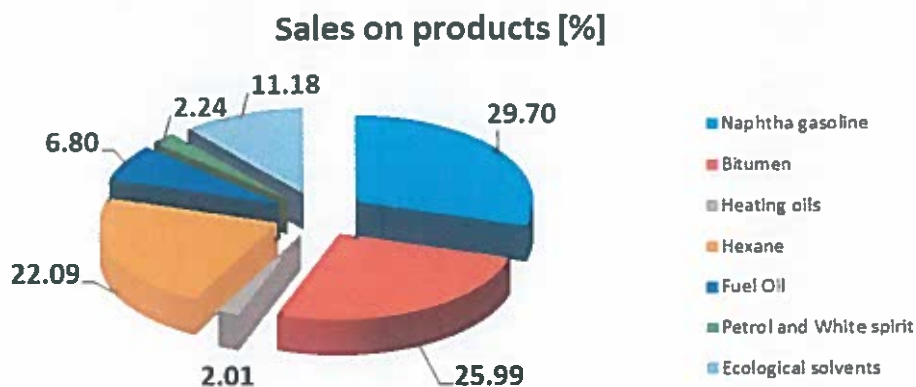




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White products sales (naphtha, ecological solvents, n-hexane and white spirit) represented about 65 % of total sales in 2017.



Rompetrol Rafinare – work point Năvodari, the Petrochemical Plant

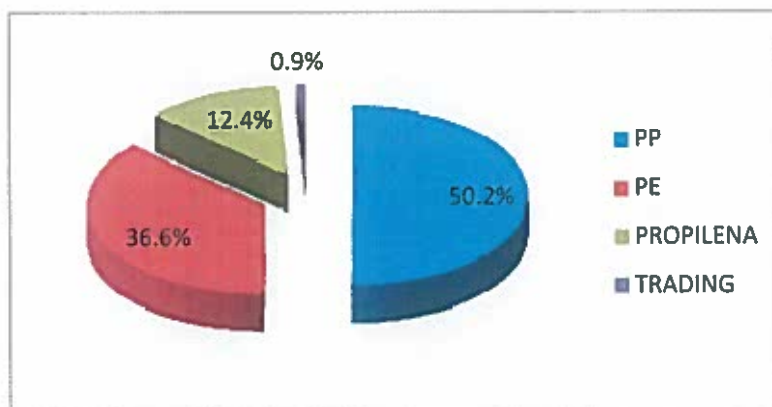
Rompetrol Rafinare SA, the Petrochemical Plant, is the sole polypropylene (PP) and polyethylene (LDPE, HDPE) producer of Romania.

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.

In 2017, within the petro-chemistry plant, only the PP and LDPE installations operated, and for the HDPE installation, the mechanical and organizational works were initiated to restart it in 2018.

The sales of Rompetrol Rafinare – Petrochemical Plant amounted in 2017 to a quantity of 164,943 tons, up by 1% compared to 2016.

In 2017, 50% of total sales stand for polypropylene (PP), 37% stand for polyethylene (PE) and the remaining 13% represents sales of propylene and trading activity.



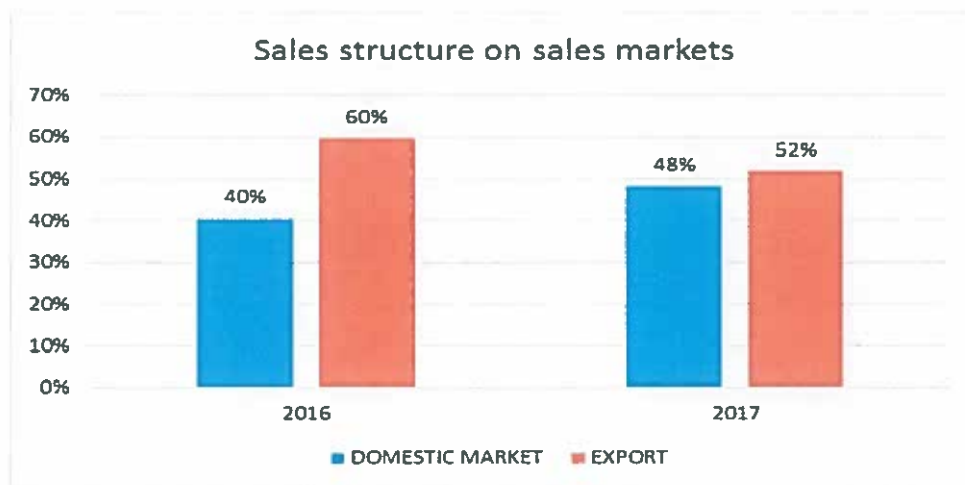


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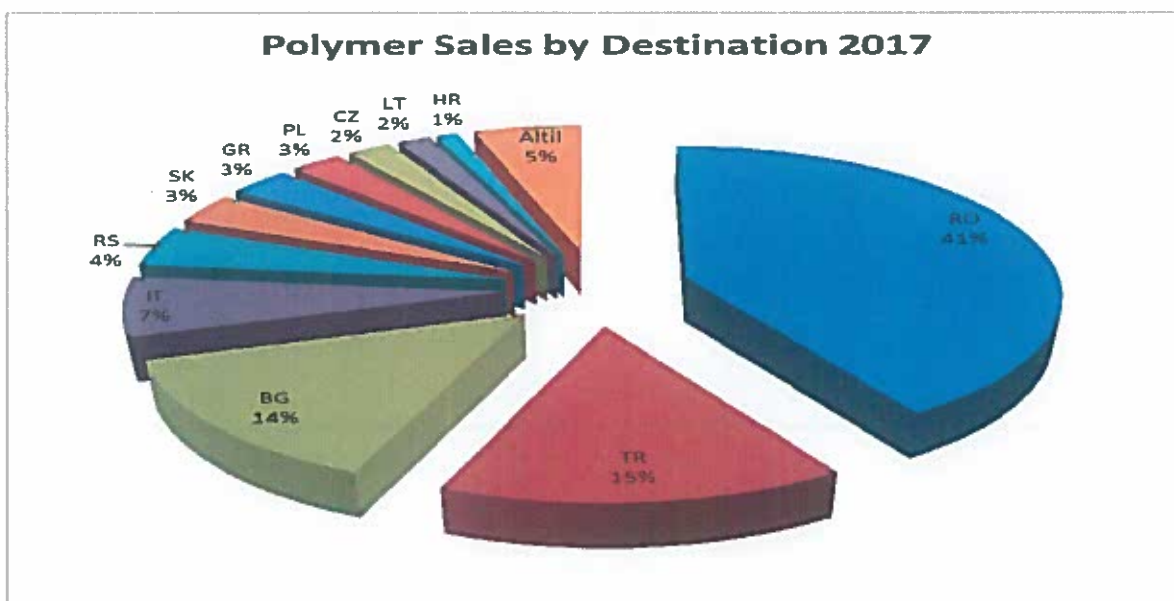
Significant sales growth, compared to 2016, were recorded in trading products (+178%) and sales of propylene (+145%).

Out of total sales, 48% is the domestic market and the rest of 52% represents exports. There is a change in the sales structure compare to 2016 in terms of distributing a larger percentage of products on the domestic market.



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

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 63% of the total export sales of finished goods, the difference representing the export sales on the non EU markets.





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 2017. 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 2017).

The major activities carried out in 2017 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):

- 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 and 14001 standards;
- 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
- Has been completed the market research report related to Customer Satisfaction Survey
- 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.
- There have been taken actions for personnel recognition and motivation, there were organized and our employees join in CSR projects:
 - Safety contest in Petromidia regarding “Zero Tolerance” and “Golden Rules”.
 - “Let’s manage safety together” - Safety Leadership Event organized on Petromidia Platform (workshops, audits, speeches and presentation) with the participation of more than 130 Top Management representants from all countries where Group operates.
 - “Kids@Work” expedition for marking “Children Day”, with support from HR,
 - “Connecting people to nature”, over 70 Petromidia employees have set up a green space in Navodari in collaboration with local authorities.
 - SMURD first event organized together with Sustainability team in respect with first aid course.

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**STATEMENT
OF THE MAIN ECONOMIC-FINANCIAL INDICATORS
AND OTHER INFORMATIVE DATA, ON DECEMBER 31ST, 2017, AS
COMPARED WITH THE INCOME AND EXPENDITURE BUDGET
APPROVED IN THE GENERAL MEETING OF THE SHAREHOLDERS OF
THE COMPANY 2017**

Crt. No.	INDICATOR'S NAME	LEI	
		OMFP nr. 2844/2016	
		Carried out 2017	BVC 2017
1	Crude oil processed and other raw materials (tons)	5,662,487	5,652,205
2	Net turnover	11,192,755,314	9,280,088,858
3	Cost of sold production	(10,628,344,179)	(8,920,199,670)
4	Gross profit/ (Loss)	564,411,135	359,889,188
5	Distribution and general administrative expenses	(277,870,892)	(194,630,188)
6	Other incomes/operational expenses, net	(63,179,014)	(3,656,706)
7	Profit / (Loss) operational	223,361,229	161,602,294
8	Financial expenses	(159,732,555)	(107,749,817)
9	Financial incomes	46,439,668	-
10	(Losses)/ Gains on exchange rate variations, net,	308,268,386	-
11	Gross profit/ (Loss)	418,336,728	53,852,477
12	Incomes on tax on postponed profit/ Minority interest	-	-
13	Profit/(Loss) on exercise	418,336,728	53,852,477
14	Non-current Assets	5,480,958,590	-
15	Stocks	1,014,258,927	-
16	Receivables	1,577,627,271	-
17	Cash	22,863,280	-
18	Total debts (including provisions)	5,516,249,618	-
19	Own capitals	2,579,458,450	-
20	Average number of employees	1,082	1,066

From the data presented in the above table, comparing the results recorded at 31.12.2017 with those approved in the Income and Expense Budget (Bugetul de venituri și cheltuieli - BVC), the following results:

- In 2017, Rompetrol Rafinare processed a quantity of crude oil and other raw materials of 5,662,487 tons, approximately equal to that foreseen in the Income and Expense Budget, respectively, by 10,283 tons more than budgeted.



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2. The turnover recorded at 31.12.2017 is by 21% higher than foreseen in the budget, mainly due to price raises on finished goods, in comparison to the provisions in the budget.
3. The cost of the production sold was by approximately 19% higher than the value foreseen in the budget, an aspect mainly due to the raise of price on crude than the provisions in the budget.
4. The result of the exploitation activity is positive (profit) in amount of **223,361,229 lei**;
The financial expenses record values higher than budgeted, by 48%;
5. The net differences of exchange rate recorded in 2017 are favourable, their value reaching 308,268,386 lei, given the continuous appreciation of the national currency to the USD;
6. **At the end of 2017, Rompetrol Rafinare records a net positive result (profit) of 418,336,728 lei.**

According to the legal provisions in force, 5% of the profit shall be constituted as legal reserve (20,916,836 lei) and the difference of 397,419,892 lei shall be used to cover the accounting losses of the previous years;

7. The total amount paid in 2017 to the state budget and to the local budgets was of 5,090,339,568 lei (equivalent of 1,264,145 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 Company has been established.

Midia Năvodari Petro-chemical Complex (the first name of the Company ROMPETROL RAFINARE S.A.) has been designed during 1975 - 1977, on the basis of the Romanian refining technologies and on the basis of foreign licenses.

1991 has meant the transformation of the Combinatul Petrochimic Midia into a joint stock company, the assets of the former Company have hereby been totally retrieved. The new company, bearing the name of PETROMIDIA S.A., has been established by Government Resolution No. 1176/1990, pursuant to Law nr. 15/1990 on the reorganization of the economic units of the state as autonomous organizations and companies.

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017**

In the year 2001 the name of the Company changed from “PETROMIDIA S.A.” to “**ROMPETROL RAFINARE-COMPLEXUL PETROMIDIA S.A.**”, and in 2003 the Company changed its name to „**ROMPETROL RAFINARE S.A.**”.

The company is registered with the Trade Register Office Constanta under No. J13/534/1991, and has the Tax identification Number 1860712.

With regard to the legal provisions in force, in the General Extraordinary Meeting of the Shareholders of September 17th, 2007 it was decided upon gaining the full ownership of the facilities and equipment within the Vega Refinery, located in Ploiesti, 146 Văleni Str., Prahova county.

While gaining the ownership right and about while taking back possession of the land and of all the assets of the perimeter of the Vega Refinery, the Company has set up an own work point in Ploiești and obtained as of December 1st, 2007, the quality of authorized production warehouse keeper for energetic products and for the Vega Ploiești Refinery.

In this way, with effect on the same date of December 1st, 2007, the Company also operated the Vega Ploiești Refinery, as a second tax warehouse of production, together with the tax warehouse for production of the Petromidia Refinery.

In 2013, the Shareholders Extraordinary General Assembly approved the Company’s acquisition of the ownership right on mainly tangible and intangible assets, assets (buildings and constructions, technological equipment, devices and measuring installations, office equipment, IT equipment, means of transportation, other tangible assets), current investments and stocks, affected or associated to the main petrochemical activities, belonging to Rompetrol Petrochemicals S.R.L. (registration number with Trade Register J13/2681/2002, sole registration code 15077797), in compliance with the Assessment Report drawn up to this purpose by Pricewaterhouse Coopers Management Consultants S.R.L.

Through the integration of the activity of the 2 companies (Rompetrol Rafinare and Rompetrol Petrochemicals) it has been carried out in the first place the simplification of the deliveries of raw materials/finished goods between the technological facilities which presently belong to the same entity.

The integration of the activities carried out within the two Companies represents a continuation of the strategy of the KMG International Group to concentrate in a single entity the production activity and the separation of the non-core activities.

c) Significant mergers or reorganizations of the Company, its subsidiaries or controlled Companies, during the course of the financial year.

Throughout 2017, the Company did not take part in any merger or significant reorganization.

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017*****d) Assets acquisitions and sales.***

Throughout 2017, the Company did not register participations to other companies, purchase assets such as fixed assets and not sell assets.

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

Rompetrol Rafinare S.A. recorded in 2017 net turnover of RON **11,192,755,314** and a net profit of Lei **418,336,728**.

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

Indicators (LEI)	2017
Profit	418,336,728
Operating result - profit	223,361,229
Net turnover, of which:	11,192,755,314
Export	5,404,205,406
Cost of sold production	(10,628,344,179)
Market share (%) ²	26%
Liquidity (effective amounts in accounts and cash equivalents)	22,863,280

a) Profit

At the end of 2017, Rompetrol Rafinare registered a positive result (profit) of Lei **418,336,728**.

According to the legal provisions in force, 5% of the profit shall be incorporated as legal reserve (RON 20,916,836) following that the difference of 397,419,892 be used to cover the account losses of the previous years.

b) Turnover

In 2017, the company net turnover was of **11,192,755,314** lei, higher by 21% to that foreseen in the budget and by 28% higher to that recorded at the end of 2016, mainly due to:

- Increase of sales prices on finished goods by comparison to that foreseen in the budget; from the quantity point of view, the sales being approximately at the budget level.

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 26% market share of Romanian fuel distribution.

***c) Export***

In 2017, the share of international sales in total sales represented approximately 48%, coming to a value above that at the end of 2016.

The total amount achieved in 2017 from international sales of finished goods was of USD 1,339,971,744 (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 19% higher than the amount foreseen in the budget, mainly due to the increase of price on crude by comparison to the provisions in the budget.

e) Market share owned

From the data which we hold, the market share we estimated in the year 2017 reached about 26% (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 0.44 in 2016 to 0.54 in 2017.

1.1.2. The Assessment of the Technical Level of the Company***The main products produced by Rompetrol Rafinare S.A in the year 2016:***

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:

1. Liquid fuels**a) Gasoline**

- RON 92 Gasoline
- Euro Super 98 Gasoline
- RON 98 Gasoline
- Eurostandard Gasoline
- Europlus 50 ppm Gasoline



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- 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
- Euro 5 Diesel (Euro 5 Super Diesel)
- Euro 5 Diesel (Euro 5 Super Diesel) Market
- Diesel 55
- EFIX Diesel 51
- Euro 5 Diesel (Winter Diesel)
- Euro 5 Diesel (Winter Diesel) Marcata
- EFIX 51 Diesel Winter
- Efix S Diesel 55

- Slurry

c) Petroleum

- Aviation turbine fuel jet A1

e) Fuel oil

2. Gaseous fuels

a) Liquefied Petroleum Gas

- GPL
- Vehicle fuel GPL
- Propane fuel
- Commercial Propane-Butane

b) Gases

- C5-C6 Fraction
- Combustible refinery gasses
- Propylene/propane-propylene mixture

3. Solid fuels

- Petroleum coke
- Petroleum Sulphur

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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
- c) Sort thermos-forming – RTF-3
- d) Sorts of film – F500, F600, RCF9 , F400BO – new sort in development
- 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

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- 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 2017, 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*.

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

In 2017, the share of the domestic market of the total sale was about 52%. The domestic market absorbed approx 48% of the total quantity of gasoline and diesel fuels traded in 2017. The sales of vehicle fuels for the domestic market through the petrol stations network covered all geographical areas of Romania. The highest share (approx. 83%) 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 2017, the intra-communitarian deliveries increased their share (approx. 39% of the total finished goods sold), more than the previous year (36%).



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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	- Turkey, Ukraine, Serbia, Bulgaria
Sulphur	- Egypt, Morocco

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 63 % 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 și PVC) had the following main destinations: Romania, Turkey, Bulgaria 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.

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		
	2015	2016	2017	2015	2016	2017
Net turnover, of which:	9,811	8,774	11,193	100.0%	100.0%	100.0%
Gasoline and diesel fuels	7,551	6,757	8,639	77.0%	77.0%	77.2%
Other petroleum products	1,481	1,252	1,681	15.1%	14.3%	15.0%
Petroleum products	733	729	765	7.5%	8.3%	6.8%
Goods	25	14	32	0.3%	0.2%	0.3%
Utilities	8	8	54	0.1%	0.1%	0.5%
Services	13	15	22	0.1%	0.2%	0.2%

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



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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 2018, 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 4.5 % in volume for gasoline and minimum 6,5% in volume for Diesel fuel (in compliance with the Government Decision No. 935/2011 and the Government Decision No. 928/2012, with subsequent modifications and completions).

The Euro 5 fuels are:

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

For the year 2018, Rompetrol Rafinare does not envisage any increase of portfolio on processed products but shall prepare the bottling and delivering to domestic consumers of the product called “LPG – domestic usage for bottles”.

Following the development of 3 new grades in 2016, RGH035 - greenhouse LDPE film, RSB25 - PP grade for fibers “Spun Bond” and RHC40 - high transparency PP injection grade, in 2017 the first two grades entered in current production schedule. For RHC40, development continued in 2017 in order to improve the quality.

In 2017, PP grade F400BO was reformulated and adapted for high speed production lines of BOPP film, development will complete in 2018. It’s good to know that less than 200 km away from Petromidia, the processing capacity for F400BO is bigger than total PP unit capacity.

In 2017, the new grades represented more than 14% of total capacity and a big part of domestic market delivery for these grades were in bulk, thus, reducing the quantity of packaging materials placed on the market.

Second half of 2017 represented the starting point for HDPE turnaround and unit restart is expected March - April 2018.

In 2017, 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 2018.



1.1.3. The Assessment of the Tehnnical-Material Supply Activity

The feedstocks for the refinery are assured on the base of firm contracts concluded both from import and domestic sources. Crude oil – the main raw material of Rompetrol Rafinare is ensured by firm import contracts concluded annually, which confers stability and safety for the optimum operation of the oil refinery. The main import market is that of Kazakhstan. The purchased crude is traded through Midia Marine Terminal S.R.L. The purchase of the other raw materials is ensured from both Romania, and external sources.

The feedstock purchase prices follow the trend of quotations on international markets, having as a basis of calculation the reference international quotations on the oil market. The quotations level is induced by the variation and international situation influenced by the economic and geo-political factors and this fact is also reflected in the raw material purchase price level.

Ethylene – the raw material for polyethylene (LDPE, HDPE) is purchased on the external market, at prices following the quotation trends.

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.

Take-over by KazMunayGaz of Kazakhstan, of the entire stock owned by the mother company of Rompetrol³ Group (Rompetrol Holding N.V.) in the Dutch company - The Rompetrol Group N.V. (currently called KMG International N.V.), ensures the stability of the supply sources with the crude necessary for Petromedia Refinery to operate at optimum parameters, as well as financial support from the main stock holder to finance investments.

The quantity of crude necessary to processing in 2017 was contracted with KazMunayGaz Trading A.G. – who is the dealer of the group KMG International, located in Switzerland and who is specialized in crude and oil product trading operations. This ensures the imports of crude and other raw materials and at the same time takes over the oil products to have them sold on the international markets.

The raw materials for the refinery are purchased based on certain firm import contracts, as well as on the domestic market. The crude – the main raw material of Rompetrol Rafinare S.A. is ensured only by import, based on annually concluded firm contracts that provide the refinery stability and security of operation in optimum conditions. The main source of crude is the market of Kazakhstan. The crude volumes purchased are run through Midia Marine Terminal. The other raw materials coming from other international as well as domestic sources.

The purchase prices on raw materials follow the quotation trend on the international markets, having as calculus basis the set point quotations on the oil market. The quotation level is induced by the fluctuation and international market position influenced by economic and geo-political factors,

³ By its current name Group KMG International

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and this is also seen in the level of purchase price on raw material. For 2018 no modifications to the raw material and materials supply chain are in sight.

The crude purchased by Rompetrol Rafinare S.A. is downloaded at the sea terminal belonging to KMG International, located in the vicinity of Petromidia Refinery.

The chemicals purchased by Rompetrol Rafinare S.A. (for the two oil refineries) in the course of the year 2017 may be grouped as follows:

- catalysts
- additives
- chemical services for water treatment
- other chemicals (inhibitors, process chemicals, etc.)
- 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.

The total sales in 2017 increased by comparison to 2016, with a significant increase on the domestic market, especially on essences and vehicle Diesel fuel. On the international market, the volumes transactioned were higher, with an important increase on the solid fuels sales (coke). The regional markets consolidated (Greece, Georgia, Turkey, Bulgaria, Moldova) but important quantities were sold on other markets as well (The Middle East, North Africa). 2018 also aims at the consolidation of the existent markets as well as entering new ones. For the domestic market, the marketing strategies keep aiming at increasing the market share via an extended network of petrol shop at national level.

b) The description of the competition in the field of activity of the company, 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



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- 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.

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, 2017, Rompetrol Rafinare S.A., Năvodari Work Point (Petromidia Refinery) had a number of 968 employees, of which: 215 - higher education staff.

On December 31st, 2017, in the Vega Refinery Work Point, Ploiești, the company had a number of 188 employees, of which: 33 - higher education staff.

TOTAL: On December 31st, 2017, Rompetrol Rafinare S.A. had a total of 1157 employees, of which: 248 - higher education staff.

The trade union membership rate was 89.51 % (964 employees are Trade Union members).

The following trade unions activate in the company: Petrochimistul Free Trade Union (596 members), Vega Free Trade Union (106 members), Mădia Năvodari Industrial Platform Workers Trade Union (262 members).



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Break down of employees on age groups:

- Rompetrol Rafinare Petromidia Unit

Age Range	Number of employees	Percent of the total number of employees
< 30	105	10.84%
30 - 39	127	13.11%
40 - 49	303	31.27%
50 - 59	410	42.31%
>60	24	2.48%

- Rompetrol Rafinare Vega Unit

Age Range	Number of employees	Percent of the total number of employees
< 30	10	5.32%
30 - 39	10	5.32%
40 - 49	77	40.96%
50 - 59	80	42.55%
>60	11	5.85%

Also, in the reported period there have been carried out a series of training programs for employees in the areas following areas: functional competences; general knowledge; legislation; management skills; communication; presentation skills; QHSE certifications; safety; professional knowledge - support functions, etc.

A total number of 564 employees attended the trainings, which totaled 13,762 hours, which means an average of approx. 24.4 hours training/employee.

The total cost of training for the year 2017 was 124,912 USD.

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 unions.

At the end of 2017 the negotiation of the new Collective Labour Contract (Contract Colectiv de Munca - CCM) was concluded for a 2-year term between Rompetrol Rafinare and "Petrochimistul" free Union (Sindicatul Liber Petrochimistul - SLP) and concluded, based on Law no 62/2011, a

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protocol on implementing the provisions of EGO 79/2017 on amending and modifying Law no 227/2015 on approving the Fiscal Code, targeting the transfer of the social contributions from the employer to the employee. In compliance with art. 149 and art. 150 of Law no 62/2011, it was agreed an increase of the basic salaries by 150 lei net for all the employees of the Company, starting with 01.01.2018.

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

The synthetic description of the impact of the basic activities of the issuer 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, for the alignment with the best techniques available in the industry (BAT BREF) and shall be based on the following principles:

- Compliance with legislation and other applicable requirements, the permanent monitoring of the degree of legal compliance;
- 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 2017 Rompetrol Rafinare SA – Năvodari Point of Work 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, the

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procedure for the revision of the environmental permit was initiated in order to include the environmental authorization of the gas bottling station.

Vega Refinery functioned based on the Environment Integrated Permit no 9/08.07.2015 issued by APM Prahova, valid until 08.07.2025.

Environmental Agreement

During 2017 all investment projects were completed within the assessment procedure of impact on the environment together with the receipt of the regulation documents (usually Decisions 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 pitch pits and petroleum refuse" on the Environment Permit no 1/18.02.2015 is in process.

The Water Permit

In 2017 operated based Water Permit was issued by ANAR in 2016 with a validity of 2 years.

Rompetrol Rafinare SA - Vega Refinery received the Water Permit no 1/04.01.2016 issued by SGA Prahova with a 2 year validity.

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.

Throughout 2017, within the National Agency for the Environment Protection, there were drawn-up and submitted the Plans on monitoring and reporting the CO₂ emissions for 2018.

In March 2017, the 2016 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.

In 2017, Rompetrol Rafinare – Năvodari Facility finished the works on emptying sludge dump no 2., and starting from December 2017 started to empty sludge dump no 1.



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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 2017

Expenditure for studies and technical assistance 1,260,625 USD

Expenditure planned for the year 2018

Expenditure for studies and technical assistance 1,719,903 USD

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.

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 2017 at a value of 0.54.

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

The activities of the company expose it to a series of risks, including effects determined by the modification of the price on crude and oil products, modification of the exchange rates between currencies and interest rates. The main objective of risk management at the level of the entire company, is to minimize any potential negative influences on the financial performances.

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 functional currency is LEU and crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign

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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. Company's Treasury is responsible for handling the Company 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 2017 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 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 Company's treasury in accordance with the existing policy.

Commodity price risk

The Company is exposed to the price modifications risk 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, 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 Group, hence price fluctuations will not affect the cash-flow. Based on the expectations of crude oil

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price increase, the hedge strategy for 2017 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.

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

1. It ensures the 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;
2. It ensures the quantity and quality assessment of risks with a view to evaluate their impact on the achievement of set targets, as well as the probability assessment of risk occurrence, by keeping, for each identified risk, a *Risk & Control Assessment Form*
3. It ensures the management and implementation of measures set for the associated process implementation risk control;
4. It ensures the supply of complete and in-due-time information on the status of risks and performance of the control measures within the risk management responsible department;
5. It ensures the availability of specific risk management mechanisms, proper process control procedures (standards, regulations, corporative policies on certain type of risks management), and aiming at reducing the risk level.

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

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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 2017 as well. The management system for the Sustainability Requirements Management System (ISCC) has also been certified according to International Sustainability & Carbon Certification System (ISCC).

Romp petrol 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 2017, 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 four technological installations Rompetrol Rafinare ("HB", "HDV", "DAV", "CX") and one HAZID type risk analysis for Pyrolysis. 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 Petroşani. 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 2017, 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 the company

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 0.44 in 2016 to 0.54 in 2017.

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 2017 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 2017, in the Petromidia Refinery:

➤ **T2-417E Tank Rehabilitation**

The implementation of project “T2-417E Tank Rehabilitation” continued (project executed in two phases) as part of the General Master Plan Program, the objective of which is to maintain to an optimal value the storage capacity for Petromidia refinery products and the alignment with the safety requirements. The project was finalized on June 12th, 2017.

➤ **Expire authorization ISCIR for static equipment (2017)**

Project scope consisted in aligning to legislation requirements in terms of safety functionality of the Refinery and Petrochemical equipment.

Benefits of project implementation By implementing of this project it was obtained:

- Running with the refinery units in safety conditions according to legislation in force, as a result of detailed verifications which will be performed during this evaluation program
- Obtaining the functioning authorization for the pressurized equipment, pipes and lifting equipment as per Technical Prescriptions

➤ **Implementation of APC (Advanced Process Control) in CDU**

The APC on CDU project scope of work was to optimize operational CDU unit activities, licenses acquisition for three years and perform a Refinery Master Plan for future APC prioritization in refinery units. Main objectives of APC project was to maximize the feed and yields of the white products, to stabilize CDU daily operations and to obtain a better control of CDU constrains.

Another main objective was to reducing and optimizing heaters fuel gas consumption for CDU.



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The project execution started at beginning of 2017 and was completed on December 22, 2017 with “performance test” and we obtaining good results according with our expectations.

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

The turnover on 31.12.2017, in amount of Lei 11,192,755,314, is bigger than the one forecast in the budget by 21%, and bigger than the one registered at the end of 2016, by RON 2,418,433,465. This is due mainly to increasing in finished goods price compared with budget provisions (although in terms of quantities the sales have grown up).

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 extincted 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 Proceusator’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 inteviewd 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, accidnetal 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 nulity of indictment no 586/P/2016 of 07.12.2016 Public Proceusator’s Office attached to the Court of Appeal Constanța, the non-regularity that attracted th eimpossibility 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. By final conclusion of the preliminary hearings no 328/21.03.2017 the court ruled, that taking into consideration that the prosecutor had not answered within the procedural term of 5 days, the cause be restituted to the Public Prosecutor’s Office attached to the Court of Appeal Constanta. The solution was contested by the Public Prosecutor’s Office attached to the Court of Appeal Constanta, the contestation was rejected, and maintained the initial decision of the court of law. At the same time, the Teritorial Labour Inspectoarte 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.



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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, 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 the following procedures:

- a) Act of apprehension against the ascertainment notice issued by the Garda Nationala de Mediu;
- b) Act of apprehension against the prior notification issued by the Environment Protection Agency Prahova;
- c) Request to suspend the prior notification, registered with the Court House Constanta, a request with a favourable solution for the Company on February 5th, 2018;
- d) Complaint against the fine sanctioned by Garda Nationala de Mediu, litigation in process.

On December 20th, 2017, the Company notified the competent environment authorities of initiating the works of the remediation project. Also, there were initiated actions, regulated by the legislation applicable against administrative documents issued by the environment authorities.



2. TANGIBLE ASSETS OF THE COMPANY

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 tank wagons.
- Nominal project capacity from 1975: **3.5 million tonnes raw material**
- Utilized capacity: **5.66 million tonnes raw materials in 2017** (pursuant to the refining capacity expansion project)
- Future capacity what will be used in 2018: **5,44 million tonnes raw material/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.



ROMPETROL RAFINARE S.A.

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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 cars 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 as also the manoeuvre and transport operations shall be carried out by the Romanian railway company Group Feroviar Român, its owner being the Rompetrol Logistics S.A.

The Vega Refinery is currently operating the following facilities: Vacuum distillation, Bitumen, Hexane, Rectification, Dearomatization Unit, AFP Unit. Auto platforms and railways related to AFP Unit are operated by MMT.

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 tank wagons.

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017*****2.2. Description of the company's properties.***

On December 31st, 2017, the accumulated depreciation of the fixed assets, tangible assets (expressed in lei) is as follows:

Depreciation of tangible assets	Balance on 01.01.2017	Balance on 12.31.2017
Lands-(developments)	24,060,893	25,900,827
Constructions	927,474,023	0*
Technical equipment and machinery	1,603,554,578	1,817,186,245
Other facilities, equipment and furniture	6,144,602	6,999,575
Total	2,561,234,097	1,850,086,648

**In 2017 the amortization in amount of 981,048,534 RON was cancelled on the date of re-assessment for class 212 – Buildings by report to the gross value of the re-assessed assets.*

2.3. Potential problems related to the ownership right regarding the tangible assets of the company.

1. On September 10th, 2010, ANAF issued a decision of distraint upon all participations owned by Rompetrol Rafinare in its affiliated companies, as well as on the assets and real estates of Rompetrol Rafinare, excepting the stocks. This measure is still in force, at the time of drafting this report, the distraint producing no direct effects on the current operations of the Company.

At the date of drafting this report, the Romanian State waved the trials within all on-going litigations whose object was in connection with the modality of application of the procedures of GEO no 118/2003, approved with amendments by Law no 89/2005.

The termination of debts of Rompetrol Rafinare SA to the Romanian State, generated by the modality of application of GEO no 118/2003, with its subsequent amendments, makes us foresee that the distraint presented in this chapter shall be waved shortly, on lack of grounds.

2. On May 16th 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 participations owned by Rompetrol Rafinare in its affiliated companies, as well as on the assets and real estates of Rompetrol Rafinare, excepting the stock and debts.

3. The Emergency Situations Inspectorate summoned to the Court of Constanta, on the grounds of : a) ascertaining its quality as holder of the right to property on the following assets belonging to Rompetrol Rafinare SA: dormitory (for singles) C4 – Midia, the afferent fire and the total surface of 7774 sqm afferent to these, including the surface covered in concrete of 7050 sqm; b) correction of

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017**

the land register and ordering on which right it is preferably and better characterized with concern to these buildings.

4. In 2016, Marway Fertilchim SA, currently known as Novifert SRL, sommon in contradiction with Rompetrol Rafinare SA two actions that are now undergoing solutioning in lower court:

- An action of delimitation of property on-going at the Court of Constanta, regarding setting the delimitation between the secondary headquarters of Rompetrol Rafinare SA at Navodari and the building belonging to the plaitiff in surface of 51,873 sqm, identified with land register no 103053, and imposing to Rompetrol Rafinare to quiet enjoyment and peaceful possession the land that would result from measurements as belonging to Novifert.
- The arbitration requestion on-going at the International Commercial Arbitration Court with the Chamber of Commerce and Industry of Romania, requesting the imposition on Rompetrol Rafinare SA to put back in position and repair the pipe system on the property of Novifert, deallocated by Rompetrol. Also, there is the request to impose on Rompetrol Rafinare to execute all the construction, repair and maintenance works assumed by the Agreement of the parties and authenticated at no 1548/11.06.2001. by the same action, it is requested to impose on Rompetrol Rafinare SA to give back to Novifert SRL the assets that made the object of the Bailment Agreement in 2001. On the date of drafting this report, the arbitration request addressed by plaintiff Novifert SRL was partly admitted, Rompetrol Rafinare SA being obliged to restitute the goods that made for the object of the Bailment Agreement and the goods property of the plaintiff, existent on the land afferent to he secondary headquarters of the accused. Yet, at the same time, the claims of the plaintiff Novifert SRL of imposing to Rompetrol Rafinare SA to repair the pipes property of Novifert SRL were rejected. Also, the counterclaim addressed by Rompetrol Rafinare SA was partly admitted, having ascertained the easement right of Novifert SRL on the land of Rompetrol Rafinare SA. The deision ruled by the arbitration court was attacked by action in annulment by Novifert SRL.

5. File no 28860/281/2014 is under trial at the Cour of Ploiesti, having as object the action addressed by the Pediatrics Hospital Ploiești requesting the court to ascertain the right of property of the hospital on the dispensary building on the premises of the operational unit of the Company at Ploiești. The action was suspended.



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 rejection of the provisions of the Corporate Governance Code. Thus, all relevant information on corporate governance practices has been included in the Corporate Governance section and the “Corporate Governance Declaration” corresponding to the 2017 Annual Report.

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

Starting with 07 April 2004, the company's shares are traded on a regulated market operated by the Bucharest Stock Exchange (Bursa de Valori București S.A. - “BVB”).

The shares of Rompetrol Rafinare are traded at the Standard category of the Bucharest Stock Exchange. On 12/31/2017, the total number of shares issued by the Issuer is 44,109,205,726, representing a total value of the share capital of LEI 44,109,205,726. The Company's shares are common, nominative, issued in dematerialized form, whose records are held by DEPOZITARUL CENTRAL S.A. Bucharest.

Pursuant to the legal provisions and to the Articles of Incorporation, each share held confers to the shareholders the right to one vote in the General Meeting of Shareholders, the right to a dividend, the right to appoint and be appointed in the Management Bodies of the Company, the right to participate in the distribution of benefits and assets of the Company at the dissolution of the Company, as well as other rights established by law. The ownership right and any other attributes thereof on the shares shall be transmitted in accordance with the provisions of the legislation of the capital market.

As regards the shares, their transfer is not restricted, it will be carried-out according to the legal provisions applicable and to the provisions of the Articles of Incorporation of the Company.

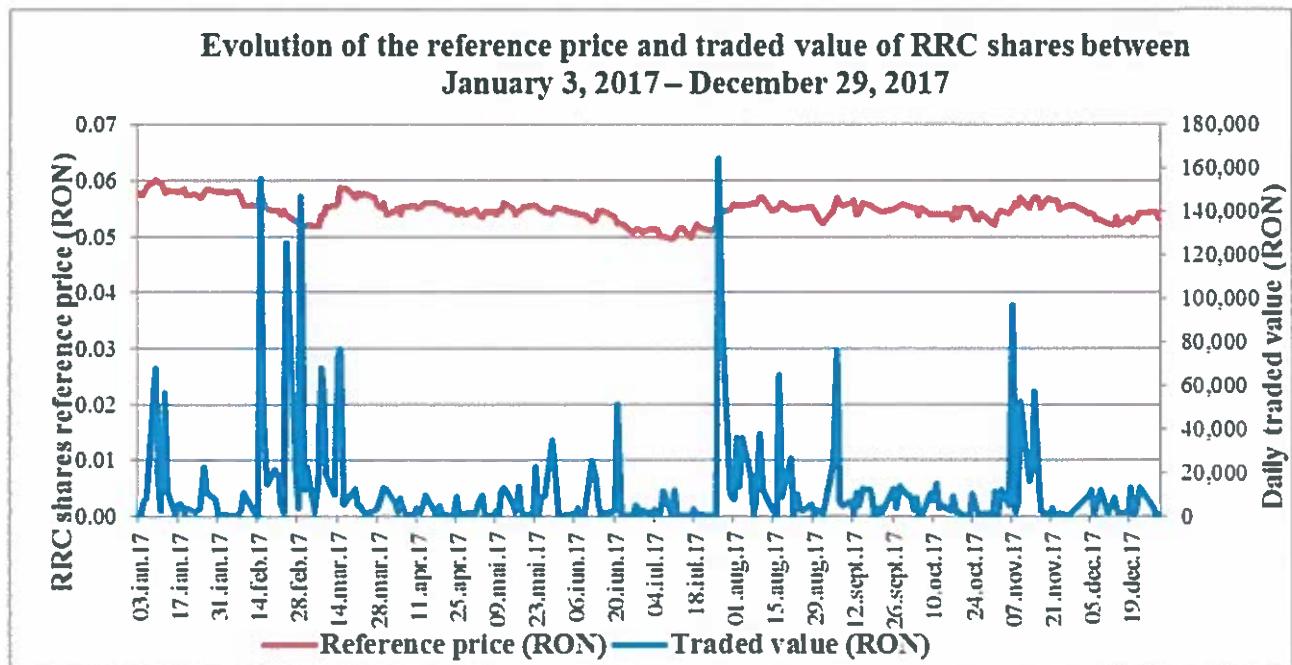
Symbols of Rompetrol Rafinare shares:	
The Bucharest Stock Exchange	RRC
Bloomberg	RRC RO



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Rompetrol Rafinare shares	2015	2016	2017
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, LEI mil. ⁴	2,170.173	2,514.225	2,346.61
Stock exchange capitalization, EURO mil. ⁵	479.225	553.66	503.60
Maximum price, lei ⁶	0.0492	0.0598	0.06
Maximum price, lei ⁷	0.0344	0.04	0.0496
Price at the end of the year, lei	0.0492	0.057	0.0532



The weighted average price (WAP) of the RRC shares during 2017 = LEI 0.054990589 /share; the volume traded in March represents 19.94% of the total volume traded during 2017 (total volume traded in 2017 = LEI 2,918,649)

⁴ Calculated based on the price of the share on the last trading day of the year under consideration, respectively on 29 December 2017.

⁵ Calculated at the euro exchange rate (LEI 4.6597) on the last trading session of the year under consideration, respectively 29 December 2017.

⁶ Registered on 9 January 2017.

⁷ Registered on 10 July 2017.



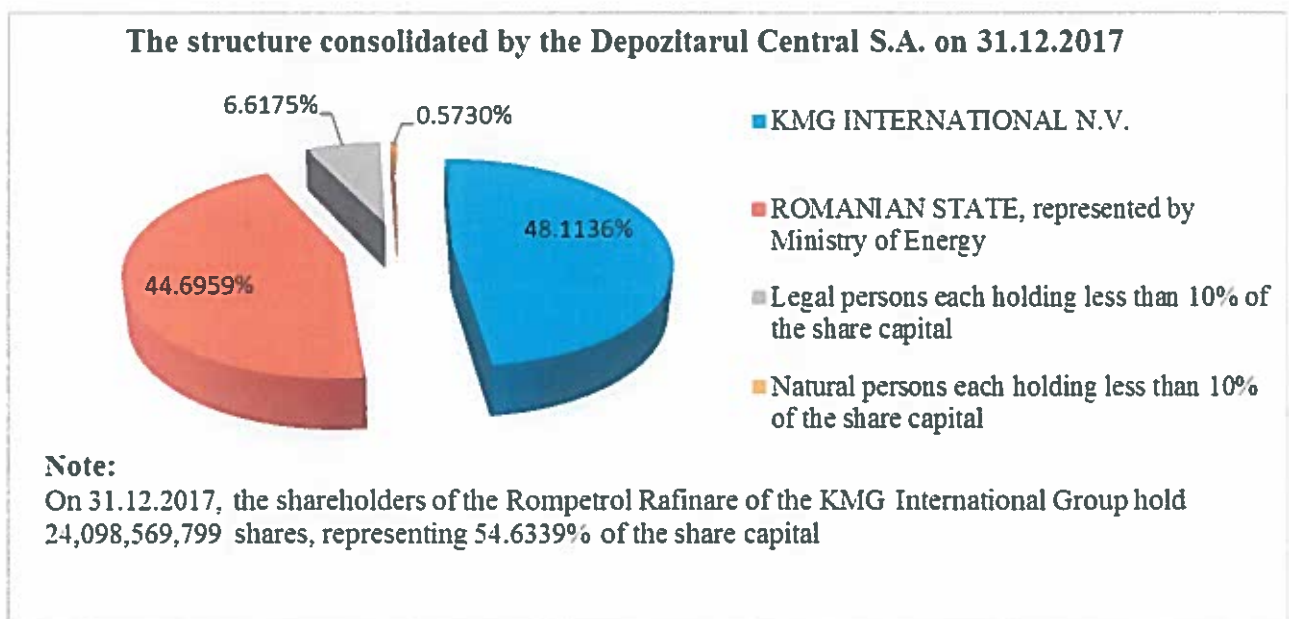
ROMPETROL RAFINARE S.A.

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Shareholders of the Rompetrol Rafinare

During the analyzed period, changes meant to influence the value of the Company share capital did not take place.

According to the Register of Shareholders having the consolidation date on 31 December 2017, made available by the Central Depository, the structure of the significant shareholders of the Company is presented in the diagram below:



Source: Depozitarul Central, Rompetrol Rafinare S.A.

3.2. Dividends.

As at 31 December 2015, ROMPETROL RAFINARE registered a profit of LEI 84,291,996, approved by the Ordinary General Meeting of Shareholders of Rompetrol Rafinare dated 28 April 2016 to be distributed as follows:

- Legal reserve LEI 4,214,600
- Coverage of accounting loss of the previous years LEI 80,077,396.

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

- Legal reserve LEI 3.500.075
- Coverage of accounting loss of the previous years LEI 66.501.433.



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As at 31 December 2017, ROMPETROL RAFINARE registered a profit of LEI 418,336,728, proposed by the Board of Directors of Rompetrol Rafinare to be distributed as follows:

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

3.3. Own shares

ROMPETROL RAFINARE S.A. held on December 31st, 2017 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 2017, 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 2017, the subsidiaries of society have not held shares issued by Rompetrol Rafinare.



4. THE MANAGEMENT OF THE COMPANY

4.1. *The company management*

The Board of Directors is liable for the fulfilment of all the necessary measures to develop the Company activity, and for the supervisions of the activity. The structure, organization, tasks and responsibilities are established by the Articles of Incorporation, available on our website (www.rompetro-rafinare.ro).

During 2017, the structure of the Board of Directors was amended as follows:

- according to the Decision no. 1 adopted by the Board of Directors on 10 February 2017 by which, starting with 10 February 2017 the appointment of Mr. Alexey Golovin was approved as interim member of the Board of Directors following the submission of the resignation of Mr. Azamat Zhangulov from the position of director and Chairman of the Company Board of Directors, starting with 2 February 2017.
- following the fact that, according to Decision no. 1 of the Board of Directors dated 10 February 2017, the termination of the mandate of Mr. Azamat Zhangulov of chairman of the Board of Directors was acknowledged and the appointment of Mr. Alexey Golovin in the position of interim director was approved, according to Decision no. 2 of the Board of Directors dated 10 February 2017, Mr. Cătălin Dumitru was elected in the position of Chairman of the Board of Directors, starting with 10 February 2017 until 04/30/2018 (expiration date of the mandate of director).
- according to Decision no. 1/2017 adopted by the Ordinary General Meeting of Shareholders dated 27 April 2017, the appointment of Mr. Alexey Golovin in the position of permanent member of the Company Board of Directors was approved for a mandate established as at the date of this general meeting until 04/30/2018 (expiration date of the mandate of the other directors holding their positions on the election date).

As at 31 December 2017, the structure of the Board of Directors was as follows:

- **Cătălin Dumitru, Romanian citizen, Chairman of the Board of Directors;**
- **Alexey Golovin, citizen of Kazakhstan State, Member of the Board of Directors;**
- **Yedil Utekov, citizen of Kazakhstan State, member of the Board of Directors, also holding the position of General Manager of the Company;**
- **Mihai-Liviu Mihalache, Romanian citizen, Member of the Board of Directors;**
- **Marius Mitruș, Romanian citizen, Member of the Board of Directors.**



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On the issuing date of this annual Report, the structure of the Board of Directors is as follows:

- Cătălin Dumitru, Romanian citizen, Chairman of the Board of Directors;
- Alexey Golovin, citizen of Kazakhstan State, member of the Board of Directors
- Yedil Utekov, citizen of Kazakhstan State, member of the Board of Directors;
- Mihai-Liviu Mihalache, Romanian citizen, member of the Board of Directors;
- Nicoleta-Viorica Soisun, Romanian citizen, member of the Board of Directors;

Below, we present the most relevant elements concerning the qualification and professional experience of the Company directors holding their positions as at 12/31/2017.

Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)
Cătălin Dumitru	49	<p>Chairman of the Board of Directors: 02/10/2017 – present;</p> <ul style="list-style-type: none"> - appointed director according to the Decision no. 2/2016 adopted by the Ordinary General Meeting of Shareholders on 04/28/2016 for a mandate to expire on 04/30/2018 (expiration date of the mandate of all directors). - starting with 02/10/2017 he was appointed as Chairman of the Board of Directors (replacing Mr. Azamat Zhangulov) 	<p>He studied at the Academy of Economic Studies, Faculty of Finance, Banks and Accounting, Bucharest.</p> <p>He joined the Group in 2002, as Finance Manager for two of the companies within the Group, Rominserv and Ecomaster. Based on his managerial qualities, he was appointed Chief Executive Officer (CEO) of Dyneff Group in 2008, where he successfully coordinated the activities of storage, trading and distribution of products for the end users and partners in Western Europe. Starting with 2014, he is the Vice-Chairman of the KMG International Group and since November 2016 he has been Senior Vice-Chairman of the Group.</p> <p><i>Responsibilities:</i> he holds the following positions within KMG International Group: Chairman of the Board of Directors of KazMunayGas Trading AG, Rominserv Iaifo Zalău S.R.L., Rompetrol Energy S.A. and Rompetrol France SAS; member of the Board of Directors of ROMINSERV S.R.L., DYNEFF TRADING SL and TRG PETROL TICARET ANONIM ŞİRKETİ; Sole Director of Dyneff Espagne SL and Dyneff Gas Stations Network SL and general manager on the companies: Dyneff Retail SAS (former Terminal Midi Pyrenees SAS), DPPLN SAS and Dyneff SAS.</p>
Alexey Golovin	39	<ul style="list-style-type: none"> - Permanent member in the Board of Directors starting with 04/13/2017. - Interim member in the Board of Directors during 02/10/2017 – 04/12/2017. - Mandate expiring on 04/30/2018 (expiration date of the mandate of all directors). 	<p>Alexey Golovin graduated the Faculty of Law "Adilet", a Pre-Master Program of the University of Oxford, Great Britain and Master in Business Administration within the EMBA program Essec & Mannheim.</p> <p>He joined the KMG International Group in November 2009 as Manager of the Corporate Governance Group. In 2011, he was appointed Corporate manager of Marketing and Communication, being in charge with the coordination of the positions of Marketing, Brand Management, Public Relations and Internal Communication, and during 2013 – 2014 he occupied the position of General Manager of Corporate</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>Development and Communication, being liable for the development of the company long term strategy. During January 2015 – December 2016, he coordinated the strategy and activity of the national company KazMunayGas in the processing field, outside Kazakhstan.</p> <p>Starting with December 2016, Alexey Golovin is the Vice-Chairman for Strategic and Corporate Development of KMG International Group. From this position, he coordinates the strategic development, the merger and acquisition projects, public relations, relations with the governmental authorities and sole shareholder.</p> <p><i>Responsibilities:</i> he holds the following positions within the member companies of KMG International group: Vice-Chairman of the Board of Directors of TRG PETROL TICARET ANONIM ŞIRKETI and member of the Board of Directors of Uzina Termoelectrică Midia S.A., Rompetrol Energy S.A. and Rompetrol France SAS.</p>
<p>Yedil Utekov</p>	<p>40</p>	<p>- Permanent member of the Board of Directors since 03/04/2015.</p> <p>- Interim member in the Board of Directors between 10/01/2014 – 03/03/2015.</p> <p>Mandate which expires on 04/30/2018 (expiration date of the mandate of all directors).</p>	<p>Graduate of the Faculty of Chemical Engineering of Natural Resources and Hydrocarbons within the State Technical University of Astrakhan, Russia.</p> <p>With a professional experience of more than 10 years in the field of oil and gas, he joined the KMG International Group in January 2010 as Deputy General Manager of Rompetrol Petrochemicals S.R.L.</p> <p>Appointed as General Manager of Rompetrol Rafinare since 12 June 2014, and former Deputy General Manager of the same company since January 2013.</p> <p>He began his oil and gas career in 2001 as a process operator at the Akasarsky Gas Processing Plant of Russia.</p> <p>Between September 2001 and June 2002, he was operator at ZAO Intergaz Central Asia, Kazakhstan.</p> <p>Beginning with June 2002, he was promoted from the position of engineer within the Atyrau Refinery to that of Environment, Technology, Health and Safety manager.</p> <p>During April 2005 – April 2010, he worked at Agip KCO in Atyrau, Kazakhstan. The last position in this company was that of Group Leader for Technical Inspection and Control during August 2008 – April 2010.</p> <p><i>Responsibilities:</i> he also holds the position of member of the Board of Directors of Rompetrol Petrochemicals S.R.L. within the KMG International Group</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)
Mihai-Liviu Mihalache	38	<p>Member of the Board of Directors: 07/20/2015 – present;</p> <p>Mandate which expires on 04/30/2018 (expiration date of the mandate of all directors).</p> <p>He was appointed as member of the Board of Directors within the General Meeting of Shareholders dated 20 July 2015 with a mandate to expire on 30 April 2018.</p>	<p>He is the representative of the Ministry of Energy.</p> <p>Bachelor of Legal Sciences in 2001.</p> <p>He held the position of legal advisor with Tehnomon S.R.L. During 2003 – 2007 and 2010 - 2013 he held the position of lawyer with `Mihalache Mihai Liviu` Law Firm. During 2007 – 2010, he held the position of parliamentary expert within the Permanent Electoral Authority – Oltenia South – West Subsidiary.</p> <p>He was appointed director by the State Secretary Office within the Ministry of Economy, during July to September 2013 and deputy head of the State Participation Bureau for Privatisation and Industry (OPSPI) within the same institution, and from October 2013 to February 2014. Subsequently, he became head of the OPSPI, up to January 2015. From May 2015 until February 2016 he held the position of General Director of the General Directorate for Trade Companies within M.E.I.M.M.A. Since February 2016, he holds the position of expert within the General Directorate for Privatisation and Administration of State Energy Participations – Department of Participation Administration – Legal, Liquidation and Insolvency Compartment within the Ministry of Energy.</p> <p>Since January 2017 until present he holds the position of General Manager of the General Directorate for Privatisation and Administration of State Energy Participations.</p> <p>He was appointed as member of the Board of Director within the General Meeting of Shareholders dated 20 July 2015 with a mandate to expire on 04/30/2018.</p>
Marius Mitruș ⁸	37	<p>Member of the Board of Directors: starting with 04/28/2016</p> <p>He was appointed as member of the Board of Directors by Resolution no. 2/2016 adopted by the Ordinary General Meeting of Shareholders dated 28 April 2016.</p>	<p>He is the representative of the Ministry of Energy.</p> <p>Bachelor of economy from the Academy of Economic Studies, with a specialization in management, as also holds a license from the National Informational Academy.</p> <ul style="list-style-type: none"> - he graduated the specialization courses of the Romanian Commercial Bank in the fields envisaging payment instruments, management of assets and liabilities, human resources management. - graduate of the Deutsche Bundesbank courses on international negotiation management.

⁸ On the issue date of this document, upon the request of the Ministry of Energy on behalf of the Romanian State as significant shareholder, the Ordinary General Meeting of Shareholders was summoned on 15 January 2018 and pursuant to Resolution no. 1/2018 of this Ordinary General Meeting of Shareholders, the election of Mrs. Nicoleta-Viorica Soisun as member of the Board of Directors instead of Mr. Marius Mitruș was approved.

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017**

Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)
			<p>- strategy consultant at the Romanian National Bank, performing counselling activities to the institution's executive management.</p> <p>He has experience in coordinating bank competencies, share capital market, capital market, and insurance and financial – tax field, as well as infrastructure, regional development, tourism and community funds.</p> <p>He holds professional competences in reporting procedures of the entities subordinated to the Romanian Government in compliance with the European Union and international legislation concerning fighting against money laundering and financing terrorism.</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.

As far as the Directors are aware, there was no agreement, understanding or family connection between the Directors and another person that has been appointed as Director.

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

According to the consolidated Register of the Shareholders of the Company as of 31.12.2016 issued by the Depozitarul Central S.A., the directors do not own Company shares.

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 CNVM Regulation No.1/2006.

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 Articles of Incorporation of the Company, the only positions which may delegate the Management of the Company on the basis of the provisions of Article 143 of the Law 31/1991 regarding Companies are those as General Manager and Financial Manager. Any other position as Manager in the Company (human resources manager, commercial

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017**

manager, managing director, IT Manager, etc), regardless of its name, does not involve the management of the company.

On 31.12.2017, the two Managers who have been appointed as Managers within the meaning of the above, have been:

Name and first name	Position
Yedil Utekov	General Manager
Vasile-Gabriel Manole	Financial Manager

The Members of the executive management shall perform the positions held for a mandate that will expire on 30.04.2018 (together with the administrators who have chosen them in these positions).

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 knowledge of cases of agreements, understandings or family connections between the members of the executive management and other persons due to which they have been appointed.

c) The participation of this person in the Company.

None of the two Managers under the table of 4.2 a) hold shares in 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 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



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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 trading 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 trading 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 31.12.2015 to 31.12.2017

A. BALANCE SHEET INDICATORS

	2017		2016		2015	
	Lei	%	Lei	%	Lei	%
Intangible assets	14,618,988	0%	16,724,850	0.2%	13,330,284	0.2%
Goodwill	152,720	0%	152,720	0.0%	152,720	0.0%
Tangible assets	3,680,205,350	45%	3,018,053,823	44.3%	3,139,544,566	47.5%
Financial assets	1,629,020,055	20%	1,629,020,055	23.9%	1,629,020,055	24.6%
Deferred tax assets	156,961,477	2%	271,373,514	4.0%	228,038,083	3.4%
Total non-current assets	5,480,958,590	68%	4,935,324,962	72%	5,010,085,708	76%
Inventories, net	1,014,258,927	13%	816,627,179	12.0%	520,212,512	7.9%
Debts and expenses Registered in advance, net	1,577,627,271	19%	1,018,626,207	14.9%	1,073,860,703	16.2%
Derivatives	-	0%	22,980	0.0%	-	0.0%
Cash at bank and in hand	22,863,280	0%	45,891,549	0.7%	6,773,869	0.1%
Total current assets	2,614,749,478	32%	1,881,167,915	28%	1,600,847,084	24%
TOTAL ASSETS	8,095,708,068	100%	6,816,492,877	100%	6,610,932,792	100%
Subscribed Share Capital	4,410,920,573	54%	4,410,920,573	65%	4,410,920,573	67%
Premium related to capital	232,637,107	3%	232,637,107	3%	232,637,107	4%
Revaluation reserve, net of deferred tax impact	600,663,192	7%				
Other reserves	3,424,144,892	42%	3,169,670,514	47%	3,172,596,294	48%
Reported loss	(6,507,244,042)	-80%	(6,556,328,713)	-96%	(6,637,120,634)	-
Result of the current financial year	418,336,728	5%	70,001,508	1%	84,291,996	1%
Total Equity	2,579,458,450	32%	1,326,900,989	19%	1,263,325,336	19%



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Hybrid loan – long term portion	57,155,251	1%	-	0%	-	0%
Long-term loans from banks	-	0%	281,763,783	4%	299,687,700	5%
Provisions	327,130,219	4%	302,311,412	4%	246,183,634	4%
Total long term liabilities	384,285,470	5%	584,075,195	9%	545,871,334	8%
Commercial debts & Other debts	3,981,167,078	49%	3,750,363,002	55%	3,457,659,668	52%
Derivatives	515,760	0%	-	0%	-	0%
Short term loans from subsidiary companies	683,141,317	8%	1,065,970,431	16%	1,187,404,941	18%
Short term bank loans	467,139,993	6%	89,183,260	1%	156,671,513	2%
Total current liabilities	5,131,964,148	63%	4,905,516,693	72%	4,801,736,122	73%
TOTAL LIABILITIES AND EQUITY	8,095,708,068	100%	6,816,492,877	100%	6,610,932,792	100%

- i) Within the assets, an important share (45%) represents **tangible assets** – lands, buildings, technical equipment, construction in progress. At the end of 2017, these reached the value of Lei 3,680,205,350, higher by 22% than that recorded in 2016, respectively by 17% higher than that recorded in 2015 especially influenced by the following factors:
- new investments;
 - depreciation of fixed asset.
 - Reevaluation of category 212 ‘Buildings’ within tangible assets at 31.12.2017 following the change of accounting policy regarding the recognition of asset category 212 ‘Buildings’ from historic cost to fair value.
- 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 2016.
- iii) **Receivables and prepayments** (19) are higher than those booked at 31.12.2016 by 55%.
- iv) **Share capital** (54%) has a value similar to that at the end of 2016 and 2015, respectively Lei 4,410,920,573;
- v) **Equity** of Lei 2,579,458,450, reaching a level nearly double as compared with 31.12.2016 and compared with the equity at the end of 2015.

Under the applicable law and the regulations of the Bucharest Stock Exchange, the listed company Rompetrol Rafinare S.A. was notified by the Financial Supervisory Authority on the fact that the net asset of the company registered a value lower than half of the share capital. The Board of Directors gathered in a meeting on November 10th, 2016 and summoned the general assembly of the shareholders that took place on December 19th, 2016. Besides other topics, the agenda of the meeting established to continue the activities of the company in compliance with art. 153²⁴ of Law no 31/1990 on trading companies, republished, and the fact that all necessary measures would be taken to retrieve the situation of the assets. The

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Extraordinary General Meeting of Shareholders decided to continue the activity of the company and established the date of December 31st, 2017 for the retrieval of the situation previously mentioned."

Finally, the following operations contributed to the retrieval of the net asset of the Company in 2017:

1. In November 2017, the company concluded a hybrid loan agreement with KMG International N.V. in amount of USD 72.2 million following the conversion of a commercial liability held by the company against KMG International N.V.(approximately Lei 285.5 million, that resulted from the cession of Rompetrol Petrochemicals SRL to KMG International NV of a commercial receivable held against the company). The hybrid loan is unsecured, repayable over 51 years, subordinated to any present and future liability of the company and the interest is registered depending on fulfilling certain legal and profitability conditions. This loan was treated from the accounting point of view as e equity component and recorded in "Other reserves" account.

2. Starting December 31st, 2017, the Company changed the accounting policies regarding the recognition and measurement of tangible assets for category 212 "Buildings", from the cost model to the revaluation model. The change from cost to revaluation will provide a more transparent and up-dated picture of the value of the Company's assets. The fair value of category 212 Buildings was determined using the replacement cost method. The assessments were performed by a specialized assessor.

A net gain from the revaluation of category 212 "Buildings" in amount of Lei 695.5 million was recorded in 2017 as follows, revaluation gain of Lei 715.08 million recognized in Revaluation reserves, and revaluation loss of Lei 19.6 million recognized as expense.

In addition to the above-mentioned measures, having a final effect on the improvement of the net asset level, the net profit booked by Rompetrol Rafinare S.A. in 2017, in amount of Lei 418.34 million represented a significant contribution to the Company's net assets growth.

- vi) Trade and other payables** at the end of 2017 were higher by 6% as against 2016 and higher by 15% as against 2015.
- vii) In terms of short-term loans (from affiliates and banks)** their level reached in 2017 a total value of Lei 1,150,281,311 slightly decreasing as against 2016 and lower by 14% as against 2015.



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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	2017	2016	2015
Net Turnover	11,192,755,314	8,774,321,849	9,811,196,252
Gross incomes from the sales of petroleum finished goods	14,727,580,720	12,478,833,569	13,381,679,383
Income from sales of goods	31,297,529	13,848,575	25,126,572
Income from sales of utilities	7,915,850	7,744,388	8,362,308
Income from sales of other products	979,801	626,411	344,264
Income from rents and other services	13,892,564	13,954,205	12,691,852
Gross turnover	14,781,666,464	12,515,007,148	13,428,204,379
Minus sales associated taxes	(3,588,911,151)	(3,740,685,299)	(3,617,008,127)
Total	<u>11,192,755,314</u>	<u>8,774,321,849</u>	<u>9,811,196,252</u>
Cost of sold production	(10,628,344,179)	(8,272,314,522)	(9,406,207,259)
din care:out of which:			
Crude oil and other raw materials	9,783,827,276	7,495,305,590	8,441,193,126
Utilities	338,134,378	325,316,249	309,638,302
Gross Profit/ (Loss)	564,411,135	502,007,327	404,988,993
Distribution and general administrative expenses	(277,870,892)	(215,517,308)	(223,045,325)
Other operational incomes/(expenses)	(63,179,014)	(10,576,941)	222,266,341
Operational Profit / (Loss)	223,361,229	275,913,078	404,210,009
Financial expenses	(159,732,555)	(130,189,378)	(127,796,953)
Financial income	46,439,668	21,170,401	3,268,964
Net (Losses)/ gains on exchange rate difference	308,268,386	(140,228,024)	(423,428,107)
Gross Profit / (Loss)	418,336,728	26,666,077	(143,746,087)
Deferred income tax Revenue	-	43,335,431	228,038,083
Profit / (Loss) exercise	418,336,728	70,001,508	84,291,996

i) The net turnover for 2017 was higher by 28% as compared to last year and by 14% higher as compared to 2015, being supported by an increase of the quantity of finished products sold and



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also due to the increase of quotations for petroleum product by comparison to the previous year. Thus the average of gasoline and diesel prices increased by 19% , respectively 24% in 2017 as compared with 2016.

- ii) In respect of the **cost of goods sold**, it increased by 28% compared to 2016 and by 13% compared to 2015.
- iii) At 31.12.2017, Rompetrol Rafinare S.A. recorded **an operational profit**) of Lei 223,361,229, as against 2016 Lei 275,913,078 and as against 2015 Lei 404,210,009.
- iv) **Financial expenditures** recorded an increase of 23% in 2017 compared to 2016 and 25% compared to 2015. To be mentioned that at the end of 2017, the company recorded a net gain from significant exchange rate differences in amount of Lei 308,268,386, compared to the loss recorded in 2016 in amount of Lei 140,228,024 and of Lei 423,428,107 in 2015. The favorable exchange rate differences recorded at the end of 2017 were due to the continuous appreciation of the national currency against US Dollar. Thus, if at the end of 2016 1 USD = 4.3033 lei, on 31.12.2017, 1 USD was equal to 3.8915 lei.
- v) In respect of the **final result of the financial exercise concluded on 31.12.2017, the Company recorded a profit in amount of Lei 418,336,728**, approximately 6 times higher than that recorded in the previous year in amount of Lei 70,001,508.

According to the legal provisions in force, 5% of the profit shall be set up as legal reserve (Lei 20,916,836) and the difference of Lei 397,419,892 would be used to cover the accounting losses of the previous years.

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

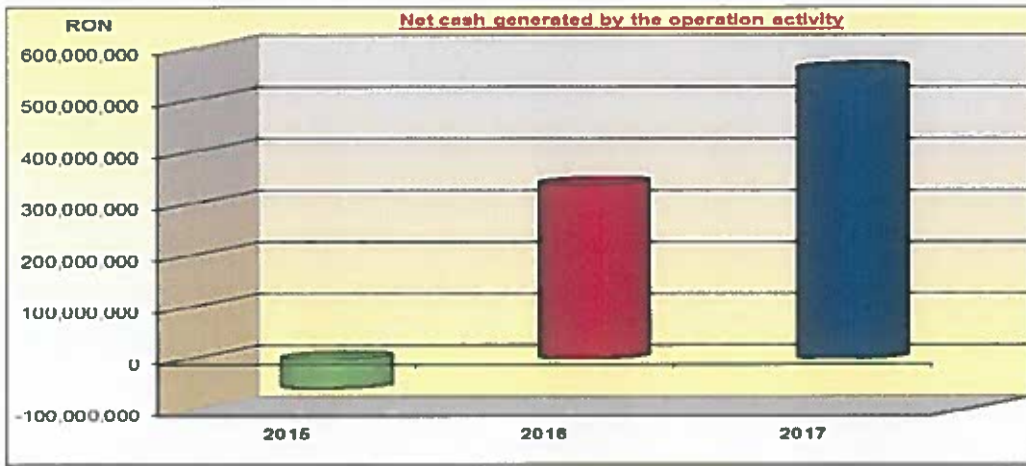
In 2017, the net cash flow show the effort of the company to efficiently match the cash needs from the operation activity with a balanced financing policy.

The cash flows from operating activity were influenced both increase in debt level and commercial debts as well as by the increase of stocks.



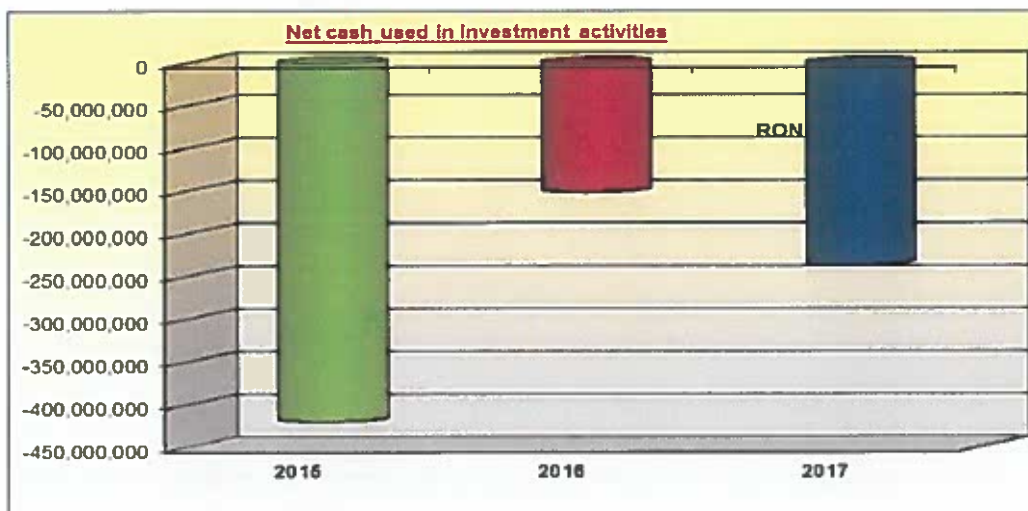
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In 2017 Rompetrol Rafinare continued implementing new technologies allowing processing of various types of crude and obtaining new products at the quality imposed by the European standards, as well as the increase yield in white products. A permanent 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 2017, the scheduled shutdown of the refinery took place, a 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 and rehabilitation of tanks.



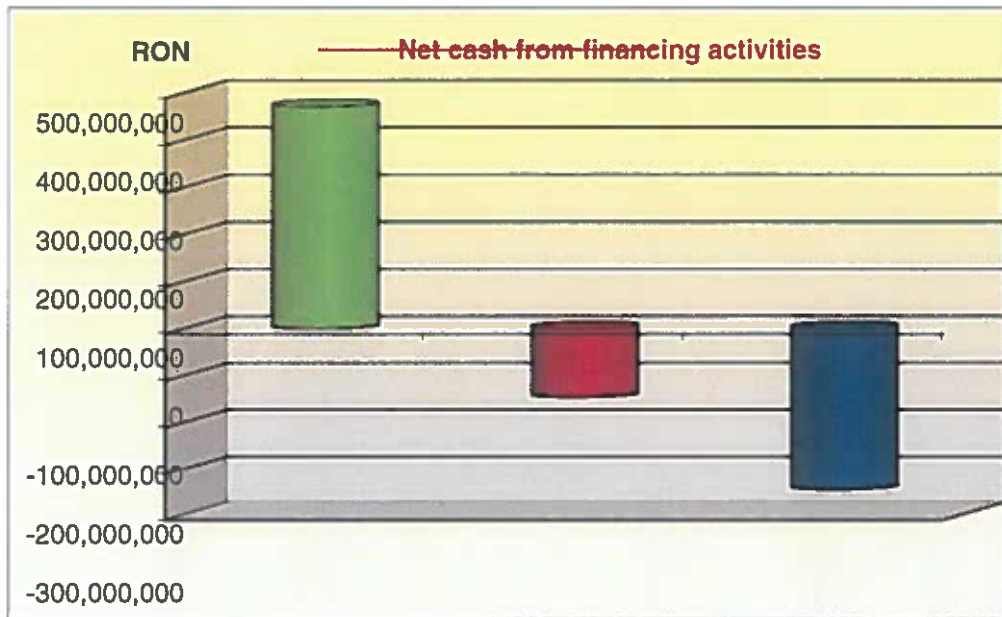
Cash flow from financing activities was influenced by the fact that the Company benefitted from a Cash pooling contract – a system of optimization of cash balances, aiming to support both the needs generated by the investment activity as well as by the development of the operational activity of the refinery, and a long-term syndicated credit facility. There were also other factors to have influenced



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the cash flow from the financing activity such as reducing the exposure of the company to Bancpost with concern to the open working capital facility and the short-term loan reimbursements received from the affiliate KMG International N.V.





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 2017 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 Law no. 297/2004 on the capital market, as subsequently amended and supplemented, to the regulations and instructions issued by the Financial Supervisory Authority – “FSA” (former National Commission of Shares and Bonds - „CNVM”), 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, that 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.



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 Articles of Incorporation of the Company, available on the web page of the company (www.rompetrol-rafinare.ro).

According to the Articles of Incorporation updated on 20 December 2016, 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. The mandate of the actual directors will end on 30 April 2018.

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, 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 2017, the structure of the Board of Directors faced only one modification.

During the period 1 January 2017 – 1 February 2017, the members of the Board of Directors were the following:

- Mr. Azamat Zhangulov - *non-executive director and Chairman of the Board of Directors* until 1 February 2017;
- Mr. Cătălin Dumitru - *non-executive director* – member of the Board of Directors starting with 1 May 2016 until 9 February 2017;
- Mr. Yedil Utekov - *executive director*;
- Mr. Mihai-Liviu Mihalache - *non-executive director*;
- Mr. Marius Mitruș - *non-executive and independent director*.

Starting with 10 February 2017, the members of the Board of Directors were as follows:

- Mr. Cătălin Dumitru - *non-executive director, elected Chairman of the Board of Directors* starting with 10 February 2017;
- Mr. Alexey Golovin - *non-executive director* – 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*.

On the date of the present report, the members of the Board of Directors are 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* – elected member of the Board of Directors starting with 15 January 2018;



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6.3. Information about the members of the Board of Directors of Rompetrol Rafinare on 31.12.2017

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 structure of the current Board of Directors is the following:

Cătălin Dumitru

Born in 1968, Romanian citizen.

Duration of the director's mandate: from 05/01/2016 until 04/30/2018.

Non-executive member of the Board of Directors.

Starting with 02/10/2017, he was appointed the Chairman of the Board of Directors, replacing Mr. Azamat Zhangulov who submitted the request to waive of the mandate.

Within the member companies of the KMG International Group, he holds the positions of: Chairman of the Board of Directors of KazMunayGas Trading A.G., Rominserv Iaifo Zalau S.R.L. and Rompetrol Energy S.A. and Rompetrol France SAS; member of the Board of Directors of the company ROMINSERV S.R.L., DYNEFF TRADING SL and TRG PETROL TICARET ANONIM ŞIRKETI; Sole Director of Dyneff Espagne SL and Dyneff Gas Stations Network SL and General Manager of the companies: Dyneff Retail SAS (former Terminal Midi Pyrenees SAS), DPPLN SAS and Dyneff SAS.

Responsibilities: Starting with the year 2014, he is Vice-Chairman of the KMG International Group and he is appointed Senior Vice-Chairman of the Group – Operations Block in November 2016.

Professional training and qualifications: graduate of the Academy of Economic Studies, Faculty of Finance, Banks and Accounting – Bucharest. He joined the Group in 2002, as Finance Manager for two of the Group companies, Rominserv and Ecomaster Servicii Ecologice. In 2008, he was appointed Chief Executive Officer (CEO) of Dyneff Group, where he coordinated successfully the activities of storage, trading and distribution of products for end users and partners in Western Europe.

Alexey Golovin

Born in 1978, Kazakh citizen

Duration of the director's mandate: from 02/10/2017 until 04/30/2018⁹.

Non-executive member of the Board of Directors

He holds the following positions within the member companies of KMG International Group: Vice-Chairman of the Board of Directors of TRG PETROL TICARET ANONIM ŞIRKETI and member of the Board of Directors of Uzina Termoelectrică Midia S.A., Rompetrol Energy S.A. and Rompetrol France SAS.

⁹ During 02/10/2017 – 04/12/2017 he held the position of provisional director. He was elected permanent director according to the Resolution no. 1/2017 adopted by Ordinary General Meeting of Shareholders dated 04/13/2017.



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

Professional training and qualifications: graduate of the Faculty of Law "Adilet", a Pre-Master Program of the University of Oxford, Great Britain and Master in Business Administration within the EMBA program Essec & Mannheim.

Yedil Utekov

Born in 1976, Kazakh citizen

Duration of the director's mandate: from 10/01/2014 until 04/30/2018.¹⁰

Executive member of the Board of Directors

Responsibilities: General Manager of Rompetrol Rafinare S.A. and General Manager and Sole Directors of Rompetrol Petrochemicals S.R.L.

Professional training and qualifications: graduate of the Faculty of Chemical Engineering of Natural Resources and Hydrocarbons within the Astrakhan State Technical University, in Russia. He began his oil and gas career in 2001 as a process operator at the Akasaraisky Gas Processing Plant of Russia, and during September 2001 – June 2002 he became the operator for ZAO Intergaz Central Asia, Kazakhstan. Subsequently, beginning with June 2002, he was promoted from the position of engineer within the Atyrau Refinery to that of Environment, Technology, Health and Safety manager. In April 2005 – April 2010, he worked at Agip KCO in Atyrau, Kazakhstan. The last position held within this company was that of Group Coordinator for Technical Inspection and Control during the period August 2008 – April 2010. With a professional experience of more than 10 years in the oil and gas industry, Mr. Yedil Utekov joined the KMG International Group (the former name Rompetrol Group) in January 2010 as Deputy General Manager of Rompetrol Petrochemicals. He was appointed as the Company's General Manager beginning with 12 June 2014.

The two new director positions set up by Decision no 7/2011 adopted by the Extraordinary General Meeting of Shareholders on 29 November 2011, which approved the increase in the number of the numeric structure of the Board of Directors from 3 to 5 members, **on 12/31/2017, were taken up by Mr. Mihai-Liviu Mihalache and Mr. Marius Mitruş.** Both of them were appointed for these positions upon the suggestion of the shareholder – the Romanian State – represented by the Ministry of Energy.

Mihai-Liviu Mihalache was appointed member of the Board of Directors by Decision no 6/2015 adopted by the Ordinary General Meeting of Shareholders dated 20 July 2015 and Marius Mitruş was appointed member of the Board of Directors by Decision no 2/2016 adopted by the Ordinary General Meeting of Shareholders on 28 April 2016.

¹⁰ During 10/01/2014 – 03/03/2015, he held the position of provisional director. He was elected permanent director according to the Decision no 1/2015 adopted by the Ordinary General Meeting of Shareholders dated 03/04/2015

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Mihai-Liviu Mihalache¹¹

Born in 1978, Romanian citizen.

Duration of the director's mandate: from 07/20/2015 until 04/30/2018

Non-Executive member of the Board of Directors

Professional training and qualifications: Licensed in legal sciences at the Ecological University, Bucharest, 2001. During 2006 – 2011, he graduated various post-university courses / seminars, organized by the Vâlcea Bar and respectively The Balkan Trust for Democracy.

Career milestones:

- Expert within the General Directorate for Privatization and Administration of State Energy Participations – Department of Participation Administration – Legal, Liquidation and Insolvency Compartment within the Ministry of Energy (02/09/2016 – present).
- General Manager of the General Directorate for Privatization and Administration of State Energy Participations within the Ministry of Energy (05/19/2015 – 2017 Deputy General Manager, 2017 present General Manager)
- Manager of the State Secretary Office within the Ministry of Energy, Small and Medium Enterprises and Business Environment (01/13/2015 – 05/18/2015);
- Chief of the State Participation Office and Industrial Privatization (Oficiul Participării Statului și Privatizării în Industrie - OPSPI) within the Minister of Economy (02/28/2014 – 01/13/2015);
- Chief deputy of OPSPI within the Ministry of Economy (10/02/2013 – 02/28/2014);
- Manager of the State Secretary Office within the Ministry of Economy (July – September 2013);
- Lawyer for the Law Firm “Mihalache Mihai Liviu” (2010 – 2013 and October 2003 – 04/01/2007);
- Parliamentary Expert – Permanent Electoral Authority – South-West Branch Oltenia (04/01/2007 – October 2010);
- Legal advisor within TEHNOMON S.R.L (2002 - October 2003)

Marius Mitruș¹²

Born in 1979, Romanian citizen.

Duration of the director's mandate: from 04/28/2016 until 01/14/2018

Non-executive independent member of the Board of Directors.

Professional training and qualifications: Licensed in economics by the Academy of Economic Studies, Specialization – Management, as well as by the National Information Academy. Graduate of the specialization courses held by the Romanian Commercial Bank in the fields aiming the

¹¹ Proposed to the Board of Directors of the Company by communication no 102293 dated 06/04/2015 addressed by the Ministry of Energy, Small and Medium Enterprises and Business Environment (under its current designation Ministry of Energy) – Minister's Office.

¹² Proposed in the Company Board of Directors by appointment no. 101.326 dated 04/04/2016 formulated by the significant shareholder – The Ministry of Energy – Minister's Office.

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payment instruments, assets and liabilities management, human resources management and also studies organized by Deutsche Bundesbank related to international negotiation management.

Career milestones:

- strategy consultant for the Romanian National Bank – specific executive management counselling activities (Governor of the Romanian National Bank);
- Deputy Manager (2009 – 2013), Chief of Institution within a public institution (2007 – 2009), Head of Office (2004 – 2007), expert (2001 – 2004) for the Institution, holding tasks in the field of national securities;
- Non-executive member of the Board of Directors of the Energy Administration and Participation Company (2014 – 2016).

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 required. The members of the Board of Directors have permanently paid attention to the diligence and loyalty tasks towards the Company. Thus, the members of the Board of Directors and of the Executive Management made decisions related to the activity of Rompetrol Rafinare to its sake. During 2017, the Board of Directors met within 13 meetings. On the agenda of the meetings of the Board of Directors, there were issues regarding the current activity performed by the Company or its subsidiaries such as: in order to approve the Annual Report and to organize the ordinary general meeting to approve the annual financial results; including the information documents and materials to be submitted to the approval of the GMS; in order to approve the reports and the materials associated to the half-yearly and quarterly financial results; approval/ratification of significant legal documents for the supply with raw materials, electricity, etc. and the sale of oil products; in order to appoint Mr. Alexey Golovin as provisional member of the Board of Directors starting with 10 February 2017 until the adoption date of the decision of the next Ordinary General Meeting of Shareholders related to the election of a new permanent director, following the waiver of the mandate by Mr. Azamat Zhangulov; for the appointment of Mr. Cătălin Dumitru in the position of Chairman of the Board of Directors, starting with 10 February 2018, following the waiver of this position by Mr. Azamat Zhangulov; the approval of the summoning of the Ordinary General Meeting of Shareholders dated 13 April 2017 for the approval of the election of a new permanent director as well as for the approval of the proposal of the Company Executive Management for the appointment of Ernst & Young Assurance Services S.R.L. in the position of financial auditor of the Company for the financial year 2017; the approval, in principle, following the analysis of the recovery options of the Company net assets (increase / decrease of the share capital, reevaluation of the fixed assets, restructuring of the debts according to certain financial criteria), the implementation of the restructuring option of debts as a recovery method of the net assets; the approval of the organizational structure of the Company; the approval of opening of bank accounts, the approval of an Addendum to extend with 1 year, that is until 23 April 2018, of the Auxiliary Uncommitted Facility overdraft type amounting to USD 25,000,000, concluded with Banca Comercială Română S.A., facility granted pursuant to the Credit Facility Agreement amounting maximum to USD 360,000,000, agreement concluded on 04/23/2015 between the

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company, as borrower, together with Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL, KMG International NV, as borrowers, Banca Comercială Română SA together with UniCredit Bank S.A, Raiffeisen Bank SA, ING Bank NV, by ING Bank NV Amsterdam Bucharest, and Unicredit Bank AG, London branch office, as facility agent; approval of the Measures Schedule to recover the net assets and other financial accounting operations, stocks plan referred to: *a)* partial restructuring of the Company debts and *b)* other financial and accounting operations.

During the meeting of the Board of Directors on 11/14/2017 the legal documents necessary to implement the change of the accounting policy for the category 212 - "Constructions", from the cost-based actual method to the revaluation method were approved.

During the meeting of the Board of Directors dated 11/15/2017 the necessary legal documents were also approved for the implementation of the partial debt restructuring, that is:

- The restructuring of the company debt amounting to LEI 285,493,354.14, through the assignment of the receivable of Rompetrol Petrochemicals S.R.L. against Rompetrol Rafinare S.A. to KMG International N.V. and followed by the transformation of this receivable held against the Company in a long term debt, not secured, subordinated to the present and future debts, with specific and legal terms, concluded between the Company (borrower) and KMG International NV (lender);
- During the same meeting, the conclusions of the evaluation report issued by PricewaterhouseCoopers Management Consultants SRL were approved for the category of tangible assets category 212 - „Constructions”, following the previous approval of the change of accounting policy for the recognition and subsequent evaluation for this category of tangible assets;

During the same meeting, the Board of Directors adopted the statutory decision, as sole shareholder of Rompetrol Petrochemicals S.R.L., in order to approve the conclusion by the latter one of the receivable assignment mentioned above, as well as the decision to summon the Extraordinary Meeting of Shareholders dated 20 December 2017 in order to: *(i)* take note of the implementation of the measures approved by the Board of Directors in order to regulate the net assets related to the share capital; *ii)* in order to ascertain as provisional title, the adjustment of the report of net assets compared to the value of the subscribed share capital, provided that the adjustment of the net assets is acknowledge based on the audited financial statements corresponding to financial year 2017; and *(iii)* to take note of the Report issued by the company Executive Management related to the preventive measures related to the occupational health and security norms adopted by Rompetrol Rafinare S.A. in 2017.

The agenda of the meetings of the Board of Directors included aspects such as: the approval of the summoning of the Ordinary General Meeting for the date 15 January 2018 in order to elect Mrs. Nicoleta-Viorica Soisun as member of the Board of Directors for a mandate until 30 April 2018 following the revocation of Mr. Marius Mitruș from this position, summoning requested by the significant shareholder the Romanian State, duly represented by the Ministry of Energy, pursuant to

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the provisions of art. 119 par. (1) of Law no. 31/1990; other approvals for the development under good conditions both of the Company activity and of its branch offices, etc.

During year 2017, the structure of the Board of Directors suffered two modifications that is: (i) following the Decisions no. 1 and 2 adopted by the Board of Directors on 10 February 2017 by which Mr. Alexey Golovin was appointed as provisional director following the waiver of the mandate by Mr. Azamat Zhangulov from the position of director and chairman of the Board of Directors and the election of Mr. Cătălin Dumitru as chairman of the Board of Directors; (ii) following the Decision no. 1/2017 adopted by the Ordinary General Meeting of Shareholders dated 13 April 2017 according to which Mr. Alexey Golovin was elected the permanent director of the Company, for a mandate starting with the date of this meeting until 30 April 2018.

All meetings of the Board of Directors were held with the presence of the 5 directors according to the provisions of the Articles of Incorporation.

Most of the meetings were held electronically by email.

The decisions of the Board of Directors in 2017 were adopted in unanimity or with majority of votes of the attending members (in some cases, some abstention votes were formulated but no vote against was registered).

The table below outlines the attendance of the directors at the meetings of the Board of Directors, for the year ended as at 31 December 2017:

Name	Presence
Azamat Zhangulov ¹³	0/0/13
Cătălin Dumitru ¹⁴	13/13/13
Yedil Utekov	13/13/13
Mihail-Liviu Mihalache	13/13/13
Marius Mitruș	¹⁵ 13/13/13
Alexey Golovin ¹⁶	12/12/13

The first figure indicates the number of meetings in which the person in his capacity as director has participated, the second figure represents the number of meetings conducted during the mandate of 2017, and the third figure represents the total number of meetings held during 2017.

Following the request formulated by Mr. Azamat Zhangulov to waive, starting with 1 February 2017, of the mandate of director and chairman of the Board of Directors, Mr. Alexey Golovin was appointed the provisional director of the Company starting with 10 February 2017, and Mr. Cătălin Dumitru was elected the Chairman of the Board of Directors starting with the same date of 10 February 2017. Within the Ordinary General Meeting of Shareholders dated 13 April 2017, Mr. Alexey Golovin was elected the permanent director of the board of directors.

¹³ Director and chairman of the Board of Directors until 1 February 2017

¹⁴ Chairman of the Board of Directors starting with 10 February 2017

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

¹⁶ Provisional Director starting with 10 February 2017 then permanent Director starting with 13 April 2017



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

Considering that the organization within the KMG International Group involves the existence of supporting operations positions with various responsibilities, it was not required to set up consultative committees at the entity level (audit, nomination, remuneration committees, etc.) The relation between the company and the positions at the level of KMG International Group is regulated by services agreements. The Board of Directors may assign some matters to some of its members, who should act severally and/or may recur to experts to analyze certain aspects.

The remuneration of the members of the Board of Directors is established every year by the Ordinary General Meeting of Shareholders, for the current year. The remuneration of the members of the Board of Directors and of the directors (executive and non-executive) is presented in the Explanatory Note no. 22 corresponding to the separate annual financial statements as at 12/31/2017.

The compensations paid to the company directors, during 2017, amounted to LEI 761,473 (LEI 765,299 in 2016). The salaries and bonuses paid to the Company management during 2017 (on an average 12 individuals) amounted to LEI 2,931,739 (LEI 2,955,160 in 2016, on an average 13 individuals).

According to the assessment criteria for the independence of the non-executive members in the Board of Directors, one single member – Mr. Marius Mitruș – in office as at 12/31/2017, met the independence criteria stipulated by the principles and recommendations of the Code.

Assessment of the Board of Directors

The Board of Directors did not initiate any assessment program for its activities during 2017.

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.

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;



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- 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;
- 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 trading companies, Law no. 24/2017 on the issuers of financial instruments and market operations, Law no. 297/2004 on the capital market, C.N.V.M./F.S.A. regulations and guidelines, Stock Exchange Code and other legal regulations currently in force.

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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 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 delegations, voting forms by mail and the deadline to which these documents must be sent / submitted at the Company headquarter, as well as the e-mail address for correspondence.



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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 decision proposed to be adopted by the general meeting and b) to submit the draft decisions 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 mail and the draft decisions 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:

- 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 decisions 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.



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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 C.N.V.M. the current report corresponding to the decision 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 2017:

The Ordinary General Meeting of Shareholders of Rompetrol Rafinare dated 13 April 2017 has decided as follows:

- to deny the revocation of Mr. Marius Mitruş from the position of member of the Company Board of Directors starting with the holding date of this Ordinary General Meeting of Shareholders;
- to approve the termination of the mandate of director and chairman of the Board of Directors of Mr. Azamat Zhangulov following his request to waive of these positions starting with 02/02/2017 and to pronounce related to the management of director and chairman of the Board of Directors for the period of the mandate of director and chairman of the Board of Directors during year 2017, respectively 01/01/2017 – 02/01/2017 that should take place with the approval of the Company financial statements for the year 2017;
- to approve the appointment of Mr. Alexey Golovin as permanent member of the Board of Directors, for a mandate that will start with 13 April 2017 and will expire on 30 April 2018 (the expiration date of the mandate of the actual members of the Board of Directors), following the waive of the mandate by Mr. Azamat Zhangulov;
- to approve the appointment of ERNST & YOUNG ASSURANCE SERVICES SRL as financial auditor of the Company, for the financial year 2017, the duration of the audit agreement being one year;
- to approve the date of 3 May 2017, as registration date for the identification of the shareholders affected by the Decisions no. 1/2017 and no. 2/2017 adopted by the Ordinary General Meeting of Shareholders dated 13 April 2017;
- to approve the date of 3 May 2017 as *ex date*, as defined by the provisions of the C.N.V.M. Regulations no. 6/2009;



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- to grant power of attorney to Mr. Yedil Utekov, General Manager and member of the Company Board of Directors, having the possibility to grant power to third parties, in order to conclude and/or sign on behalf of the Company and/or of the Shareholders the Decisions no. 1/2017 and no. 2/2017 adopted by this Ordinary General Meeting of Shareholders and in order to carry-out all the legal formalities for registration, publicity, opposability, execution and publication of the Decisions no. 1/2017 and no. 2/2017 adopted.

The *Ordinary General Meeting of Shareholders of Rompetrol Rafinare* dated 27 April 2017 has decided as follows:

- to approve the separate annual financial statements drawn up in accordance with the International Financial Reporting Standards ("IFRS"), as provided for in the Order of the Ministry of Public Finance No. 2844/2016, as subsequently amended and the consolidated financial statements (drawn up in accordance with the International Financial Reporting Standards), audited, for the year 2016, on the basis of the reports of the Board of Directors and the Auditor's financial reports;
- to approve the distribution of the net profit corresponding to the financial year 2016, in compliance with the proposals made available to the shareholders, for the following destinations: (i) legal reserve (5% of the result of 2016) amounting to RON 3,500,075 and (ii) coverage of the losses reported in the previous years amounting to RON 66,501,433;
- to discharge from administration of all the directors of the Company for the activity developed in the financial year 2016, based on the reports submitted;
- to approve the income and expenses budget and the activity program of the company for the year 2017, including the investment plan for the year 2017;
- to establish the remuneration for the financial year 2017 of the members of the Board of Directors of the company, in order to maintain the same net amount of remuneration for the Board of Directors as the one valid for the year 2016, namely an amount of LEI 9,000 net every month for each director;
- to approve the date of 17 May 2017, as registration date to identify the shareholders affected by the effects of the Decisions no. 2/2015 adopted by the Ordinary General Meeting of Shareholders dated 27 April 2017;
- to approve the date of 16 May 2017, as *ex date*, as defined by the provisions of the C.N.V.M. Regulations no. 6/2009;
- to grant power of attorney to Mr. Yedil Utekov, General Manager and member of the Company Board of Directors, with the possibility to grant power to third parties, in order to conclude and/or to sign on behalf of the Company and/or of the Company shareholders the Decision no. 3/2017 adopted by this Ordinary General Meeting of Shareholders and in order to carry-out all the legal formalities for registration, publicity, opposability, execution and publication of the Decision no. 3/2017 adopted.

The *Extraordinary General Meeting of Shareholders of Rompetrol Rafinare* dated 20 December 2017 has decided as follows:

- the Extraordinary General Meeting of Shareholders takes note of the measures adopted by the Board of Directors in order to regulate the net assets related to the share capital;



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- the Extraordinary General Meeting of Shareholders ascertains with provisional title, following the implementation of the measures detailed at the previous article as well as of the accounting financial statements, the regulation of the net asset compared to the value of the subscribed share capital, provided that the regulation of the level of the net asset is acknowledged based on the approval of the financial statements audited corresponding to financial year 2017.
- the Extraordinary General Meeting of Shareholders takes note of the Report issued by the Company Executive Management related to the preventive measures related to the occupational health and security norms adopted by Rompetrol Rafinare S.A. in year 2017.
- to approve the date of 01/11/2018 as registration date to identify the shareholders affected by the effects of the Decisions no. 4/2017 and no. 5/ 2017 adopted by the Extraordinary General Meeting of Shareholders dated 20 December 2017;
- to approve the date of 01/10/2018, as ex date, as defined by the provisions of the C.N.V.M. Regulations no. 6/2009;
- to grant power of attorney to Mr. Yedil Utekov, director and General Manager and member of the Company Board of Directors, with the possibility to grant power to third parties, in order to conclude and/or to sign on behalf of the Company and/or of the Company shareholders the Decisions no. 4/2017 and no. 5/2017 adopted by this Extraordinary General Meeting of Shareholders on 12/20/2017 and in order to carry-out all the legal formalities for registration, publicity, opposability, execution and publication of the Decisions no. 4/2017 and no. 5/2017 adopted.

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 2017, 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 2017, 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 2016

COMMUNITY

Rompetrol Rafinare S.A. considers social responsibility as a voluntary contribution to the development of the company, correlated to the values, goals, activities, international laws and the company resources.

As a corporate citizen and worldwide trustworthy partner, we contribute to the development of the countries and communities where we operate by creating jobs, employing local workforce and using local suppliers.

However, our commitment towards social responsibility exceeds the economic aspects and implications of our activities, supplying a framework for all the company management decisions. We adhere to the best practices in the industry and we encourage the participation in social projects focused on the increase of the standards in fields such as business success, environmental protection, health and security, responsibility towards the community, culture, education and leadership.

We work with the stakeholders in all our fields of activity in order to identify the challenges and improve the life quality in communities.

We firmly believe that by strategically investing in local communities we can also influence positively our long-term economic performance.

The ways by which we contribute to develop the communities where we develop our activity include the payment of taxes, local employment, the use and development of local services and suppliers, investment in local infrastructure and social programs, including social investment.

Community engagement

Our involvement is based on community engagement and consultation, in order to identify the projects that can deliver the greatest value to local communities. We support those initiatives that help improve local economic conditions as it is our belief that integrated development (from the economic, environmental, health point of view) offer legitimacy to local communities.

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As part of our ongoing business process, we interact and collaborate with the community stakeholders, either at the project level or at the company level, through charitable and community programs. On a project-by-project basis, we proactively engage local communities, government and municipalities to address project-related social, economic or environmental concerns. This type of community engagement is directed by project management and carried out jointly with our clients and partners.

At the company level, we establish relationships with community stakeholders to identify proactively needs that align with KMG International Group's strategic focus areas.

Joint Partnerships

Over the years, Rompetrol Rafinare has developed solid partnerships with representatives of both the academic environment and civil society, which resulted in the implementation of complex sustainable projects and programs.

Universities

Rompetrol Rafinare has developed partnerships with key academic institutions in the oil & gas sector (oil & engineering departments within the University of Oil and Gas of Ploiești, Ovidius University of Constanța, Polytechnic University of Bucharest), offering its support to maintain the academic tradition of Romania in this field. The company developed an internship program for talented students in this field, with more than 1,500 students attending the program during the latest 15 years, out of which more than 400 became employees of the companies within KMG International group.

The program approaches two directions: firstly, to promote the company's culture and development opportunities and secondly, the actual Internship program.

To consolidate the company image among students, we participated in Career Days in Bucharest (at the Academy of Economic Studies), in Constanta (Ovidius University) and at Lazar Edeleanu High School in Navodari, we organized visits to the Refinery and we collaborated with NGOs or relevant student associations. The Human Resources team also delivered personal development workshops, interview simulations and got involved, together with KMG International specialists, student scientific conferences (Ovidius University of Constanta).

The sustainability reports of KMG International Group are found on the web site:

Sustainability report KMG I

http://kmginternational.com/public/documents/articles/sustainability-report-kmg-international-2016_en_348f0ccea21d6d1958a36ff73060c4169493bd3.pdf

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

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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 2017 by the Company, pursuant to art. 82 of Law 24/2017 and to art. 113 letter G of the C.N.V.M. Regulations no. 1/2006, by the current Reports registered with the Company under no 5147 dated 05/30/2017, no. 5850 dated 06/22/2017, no. 6766 dated 07/19/2017, no. 6784 dated 07/20/2017, no. 9096 dated 09/28/2017, no. 10253 dated 11/01/2017, no. 12334 dated 12/28/2017, no. 828 dated 01/26/2018, no. 923 dated 01/30/2018). 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, 2018;
- 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, 2018;
- 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, 2018;
- 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, 2018;
- At the end of March 2018 Rompetrol Rafinare SA is going to buy back a total of 430,000 CO2 certificates from Vitol SA.

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2017*****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".

Financial Agenda proposed for year 2018

Financial Calendar	Date
Presentation of the preliminary results, not audited, individual and consolidated, for the year 2017 and for the fourth quarter of 2017	February 15 th , 2018
The Ordinary General Meeting of the Shareholders for the approval of annual financial results 2017	April 27/30 th , 2018
Publication of the Annual Report 2017 (respectively of the related annual financial results 2017)	April 30 th , 2018
Presentation of the results for the first quarter of 2018	May 15 th , 2018
Presentation of the results for the first semester and the II nd quarter of 2018	August 14 th , 2018
Presentation of the results for the III rd quarter and January - September 2018	November 14 th , 2018
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 trading 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 trading companies.

In 2017, 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) major contracts concluded by the company in the year for which the reporting is made.

Important contracts in which Rompetrol Rafinare is the supplier:

- Contract no. RR 1/28.01.2013, concluded with Uzina Termoelectrică Midia S.A., automatically extended in 2018, having as object the sale of utilities – refinery combustible gases;
- Contract RR 1/03.01.2017 concluded with Rompetrol Downstream S.R.L., having as object the sale of oil products for 2017;
- Contract 2017 (RRC 1/30.12.2016), concluded with KazMunayGas Trading AG, having as object the sale of oil products on export for 2017;
- Contract no 3/04.01.2016 with automatic renewal, concluded with Rompetrol Gas S.R.L., having as object the sale of liquified oil gas for 2017;
- AA 1/07.12.2016 la Ctr RR 1/14.12.2015, concluded with Air BP Sales Romania, having as object the sale of reactor oil Jet A1 for 2017;
- Contract RR 2/03.01.2017 concluded with Rompetrol Moldova, having as object the sale of oil products for 2017;

Important contracts in which Rompetrol Rafinare is the beneficiary:

- On Contract no RR5/15.12.2016 valid for 15.12.2016 - 30.06.2017, concluded with ENEL ENERGIE MUNTENIA S.A., on purchasing electric energy for the operational units at Năvodari and Vega, two addenda were signed: Addendum no 1/01.07.2017 regulatig the invoicing/invoice maturity procedure and extension of the validity until 30.06.2018 and Addednum no 2/02.12.2017 having as object the purchase price, according to Addendum 4.

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- On Contract no RR 1/31.12.2015, concluded with OMV PETROM GAS SRL., having as object the purchase of natural gas mix for the operational units Năvodari and Vega, three addendums were signed: Addendum no 3/21.12.2016, having as object the extension of validity until 30.09.2017, Addendum no 4/27.06.2017, having as object the extension of validity until 31.12.2017 and Addendum no 5/28.12.2017, having as object the extension of validity until 30.09.2018 and purchase price modification.
- On Contract no RR 1/29.12.2014, concluded with Uzina Termoelectrică Midia S.A. for purchasing demineralized water for the operational unit Năvodari, Addendum no 3/04.12.2017 was signed, having as object the extension of validity until 31.12.2018.
- On Contract no RR 2/29.12.2014, concluded with Uzina Termoelectrică Midia S.A. for purchasing thermal energy for the operational unit Năvodari, Addendum no 3/04.12.2017 was signed, having as object the update on the contracted quantity of reference prices in the price formula.
- Contract KMGT AG - CRUDE OIL TERM SALES CONTRACT - 05550/01.12.2016 _ RR 4 /30.12.2016 concluded with KazMunayGas Trading A.G., for purchasing crude oil for 2017;
- Contract KMGT AG – FRAME CRUDE OIL SALES CONTRACT - 05288/13.10.2016 _ RR 2 /17.10.2016 concluded with KazMunayGas Trading A.G., for purchasing crude oil for 2017;
- Contract KMGT AG – FRAME CRUDE OIL SALES CONTRACT - 05378/25.10.2016 _ RR 6 /28.10.2016 concluded with KazMunayGas Trading A.G., for purchasing crude oil for 2017;
- Contract GOS_03428/22.12.2014 (RR3/29.12.2014) - ADD No. 49, concluded with KazMunayGas Trading A.G. (term extension) for purchasing Diesel fuel for processing for 2017;
- Contract BGNAC120-01-2692/23.12.2016 _ RR05_05.01.2017 - concluded with BGN International DMCC for purchasing ethylene for 2017;
- Contract 05547-Rafinare-2017 (RR5_30.12.2016) – supplier Baltic Fuels, concluded with KazMunayGas Trading AG for purchasing bio-Diesel for 2017;
- Contract RR5_16.01.2017) – supplier EXPUR S.A SLOBOZIA for purchasing bio-Diesel for 2017;
- Contract RR2_09.01.2017) – supplier PRIOBIOCOMBUSTIBIL SRL for purchasing bio-Diesel for 2017;
- Contract RR2_03.05.2017) – supplier AGRANA STARKE for purchasing bio-ethanol for 2017.
- Contract no RR 4/31.12.2012 concluded with Rominserv SRL for executing the enterprise works (works afferent to the investment projects, overhauling works) for Refineries Petromidia and Vega, extended by Addendum no 1 for 2014, Addendum no 2 for 2015, Addendum no 3 for 2016 and Addendum no 4 for 2017;
- Contract no RR 2/21.09.2017 concluded with CPST ADVISORY having as object specialty service supply such as managerial procedures, know-how, good practices, solutions, training and consultancy within project Delfin regarding Project Management (396,000 Euro);
- Contract no RR 3/21.09.2017 concluded with CPST ADVISORY having as object specialty service supply such as managerial procedures, know-how, good practices, solutions, training and consultancy within project Delfin regarding Organizational Efficiency (245,000 Euro);

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- Contract no RR 4/09.08.2017 concluded with Romespectra Impex having as object the purchasing of automatic chromatograph gas equipment for the laboratory (67,250 Euro)
- Contract no RR 1/18.08.2017 concluded with Tractabel Engineering having as object specialty service supply such work documentation activity for "Study of underground sewage networks at Midia and Vega" (72,500 Euro)
- Contract no RR 5/29.12.2017, concluded with ECOMASTER SERVICII ECOLOGICE S.R.L. for service supply such as flushing/cleaning tank C100 and valorification/elimination of dangerous waste (92,000 USD);
- Contract no RR 2/17.07.2017 concluded with Philro Industrial having as object the delivery and mounting of the weight indicators Rampa GPL (73,000 USD);
- Contract no RR 6272/07.07.2017 concluded with Arkema Industrial having as object service supply such as desulphurization (53,000 Euro).

Important contracts where Rompetrol Rafinare is the company receiving the loan:

- Addendum no. 2 of 13.03.2017 to The overdraft credit facility contract of 27.04.2015 concluded between the Company, Rompetrol Downstream SRL, KMG Rompetrol SRL, KMG International NV and Unicredit Bank SA, with the object being the amount of USD 25,000,000, in the sense of extending the credit maturity until 20.04.2018.
- Addendum no. 2 of 19.04.2017 to The overdraft credit facility contract no 15731 of 23.04.2015 concluded between the Company, Rompetrol Downstream SRL, KMG Rompetrol SRL, KMG International NV and ING Bank NV Amsterdam – Bucharest Branch, with the object being the amount of USD 25,000,000, in the sense of extending the credit maturity until 23.04.2018.
- Addendum no. 2 of 21.04.2017 to The overdraft credit facility contract of 18.05.2015 concluded between the Company, Rompetrol Downstream SRL, KMG Rompetrol SRL, KMG International NV and Banca Comerciala Romana SA, with the object being the amount of USD 25,000,000, in the sense of extending the credit maturity until 23.04.2018.
- Addendum no 21 of 04.07.2017 to the credit facility contract no 368/23rd of July 2007 between the Company, Rompetrol Downstream SRL and Bancpost S.A., with the object of EUR 27,961,890, in the sense of extending the credit maturity until 31.07.2018.
- Addendum no 40 of 04.07.2017 to the revolving credit facility contract for working capital no 490/17th of March 2008 between the Company, Rompetrol Downstream SRL and Bancpost S.A., with the object of EUR 30,000,000, in the sense of extending the credit maturity until 31.07.2018.
- Addendum no 11 of 22.12.2017 to the Loan Contract no 448/20.09.2010 between the Company and KMG International N.V., with the object of USD 250,000,000, in the sense of extending the contract maturity with 12 months, starting with 31.12.2017.



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- Addendum no 4 of 22.12.2017 to the Loan Contract no RR2 of 24.11.2014 concluded between the Company and Rompetrol Financial Group S.R.L., with the object of USD 29,215,000, in the sense of extending the contract maturity until 31.12.2018.
- Loan Agreement no. RR3 of 20.11.2017 concluded between the Company and KMG International N.V., with the object of conversing the debt of the Company in favor of KMG International N.V., into a long-term loan, which debt was previously acquired by KMG International N.V. from Rompetrol Petrochemicals, by assigning the receivables amounting to RON 285.493.354,14 that Rompetrol Petrochemicals has against the Company.

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

During the reported year, the request submitted by Mr. Azamat Zhangulov occurred among the members of the board of directors, namely to waive of the position of director and chairman of the Board of Directors starting with 2 February 2017.

During the analyzed year, no resignations / dismissals of the members of the Executive Management occurred. No resignations / dismissals of the financial auditor of the Company occurred.

d) The list of the subsidiaries of the Company and of the Companies controlled by the Company.

At the end of the year 2017, 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.



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In an indirect way:

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

e) The list of persons affiliated to the company¹⁷

Rompetrol Rafinare S.A. makes part of the KMG International Group.¹⁸

The Group is registered with the Financial Supervisory Authority and is composed of the composed of the following companies as at 12/31/2017:

- KMG International N.V.¹⁹
- 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.
- 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.
- 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 SL²⁰
- Dyneff Gas Stations Network SL (DYNEFF CATALOGNE SLU)
- TMP SAS (Terminal Midi Pyrenees)
- DPPLN SAS (Depot Petrolier de Port-la Nouvelle)
- Rompetrol Ukraine LTD
- AGAT LTD.

¹⁷ At this point there have been listed all of the companies in the KMG International Group

¹⁸ As Rompetrol Group until March 2014

¹⁹ As The Rompetrol Group N.V. until March 2014

²⁰ Until 2016 the name was BIONEFF SL



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- KazMunayGas-Engineering LLP²¹
- TRG PETROL TICARET ANONIM ŞIRKETI
- Rompetrol Bulgaria AD
- KazMunayGaz Trading A.G.
- Rompetrol Energy S.A.
- Rompetrol Albania Downstream Sh.A - pending liquidation
- Rompetrol Albania Wholesale Sh.A - pending liquidation
- Rompetrol Albania ShA - pending liquidation
- Rompetrol Distribution Albania Sh.A. - pending liquidation
- KMG Rompetrol Services Center SRL²²
- KazMunayGas Engineering B.V.
- KazMunayGas Trading SingaporePTE. LTD
- Oman J.V.²³
- Rompetrol Drilling S.R.L.
- KMG ROMPETROL DEVELOPMENT S.R.L.
- Bio Advanced Energy SAS – headquartered in Montpellier, France
- Bio Advanced Energy Prod SAS – headquartered in Labarthe Inard, France
- DPFOS S.A.
- SPR SA
- Boissonnade Combustibles SAS²⁴

THE BOARD OF DIRECTORS

Chairman
Cătălin Dumitru

Member and General Manager
Yedil Utekov

Interim Member
Alexey Golovin

Member
Nicoleta-Viorica Soisun²⁵

Member
Mihai-Liviu Mihalache

Prepared by
Financial Manger
Vasile-Gabriel Manole

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

²¹ With the old designation of Rominserv Kazahstan LLC

²² With the former assignation of ROMPETROL EXPLORATION & PRODUCTION SRL

²³ With the former assignation of Benon Rompetrol

²⁴ Acquired in July 2017

²⁵ On the signing date of the present report she is member of the Board of Directors of Rompetrol Rafinare S.A. according to the Decision no. 1/2018 adopted by the Ordinary General Meeting dated 15 January 2018.

CORPORATE GOVERNANCE STATEMENT
As of December 31th, 2017¹

Governance Corporative Code	Compliance	Not compliance or partial compliance	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.		Partial compliance	The terms of reference / Board's responsibilities and key functions of the company management are also included in the company's Articles of Association. This requirement will be analyzed in the Board meetings.
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 nonquorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.		Partial compliance	The Articles of Association do not contain any provisions concerning the management of conflicts of interest. However, the recommendation of the Corporate Governance Code is complied with. The members of the Board of Directors have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association, but also in other internal regulations.
A.3. The Board of Directors should have at least five members.	YES		
A.4. The majority of the members of the Board should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each member of the Board 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 judgment.	YES		Currently, there is an independent director.

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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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
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Governance Corporative Code	Compliance	Not compliance or partial compliance	Reason for the non-compliance
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.		NOT	The requirement will be implemented in 2018. The members of the Board of Directors have, by law, a duty of care and a duty of loyalty to the Company.
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 and 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		
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	YES		The requirement is presented in the Annual Report of the Board of Directors for 2017 in the chapter named "Governance Corporative"



Governance Corporative Code	Compliance	Not compliance or partial compliance	Reason for the non-compliance
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 nonexecutive. 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.		NOT	In 2017, the company does not have an audit committee. Considering that the organization at KMG International Group level also implies the existence of operational support functions with various responsibilities, the creation of consulting committees (such as audit, appointment, remuneration committees etc) at entity level was not necessary. The relation between the company and the functions at KMG International Group level is regulated by a service agreement. The requirement will be implemented in 2018
B.2. The audit committee should be chaired by an independent nonexecutive member.		NOT	See the explanation at B.1.
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		NOT	See the explanation at B.1.
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.		NOT	See the explanation at B.1.
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		NOT	See the explanation at B.1.
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.		NOT	See the explanation at B.1.

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MemberROMPETROL RAFINARE S.A.
Bulevardul Navodari, nr. 215,
Pavilion Administrativ,
Navodari, Judetul Constanta,
ROMANIAphone: + (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.rompetrol.com

Governance Corporate Code	Compliance	Not compliance or partial compliance	Reason for the non-compliance
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.		NOT	See the explanation at B.1.
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.		NOT	See the explanation at B.1.
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		
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 audit committee.		NOT	This requirement will be analyzed by the Board in 2018.
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 general manager.		Partial compliance	Because in 2017, the company does not have an audit committee, the internal auditor reported directly to the Board of Directors and General Manager.
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 requirement will be implemented.



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ROMANIA

phone: + (40) 241 50 60 00
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fax: + (40) 241 50 69 30
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Governance Corporative Code	Compliance	Not compliance or partial compliance	Reason for the non-compliance
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:		Partial compliance	
<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; 	YES		
<ul style="list-style-type: none"> D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports); 	YES		
<ul style="list-style-type: none"> D.1.4. Information related to general meetings of shareholders; 	YES		
<ul style="list-style-type: none"> D.1.5. Information on corporate events; 	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		
D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.	YES		



Governance Corporative Code	Compliance	Not compliance or partial compliance	Reason for the non-compliance
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. The forecast policy should be published on the corporate website.	YES		
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES	-	
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		NOT	
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.		Partial Compliance	The regular reports prepared by the company to disclose its financial items are complete, highly transparent and relevant in terms of information necessary for making investment decisions. The organization of such events will be established depending on the requests from investors.



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Governance Corporate Code	Compliance	Not compliance or partial compliance	Reason for the non-compliance
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		

Chairman of the Board of Directors

Cătălin DUMITRU