



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL WELL SERVICES S.A.**

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## **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2014**

**drawn up according to the Law no. 297/2004 on the capital market and the National Securities Commission (C.N.V.M.) Regulation no. 1/2006 on issuers of securities and securities operations**

### **Commercial Company ROMPETROL WELL SERVICES S.A.**

<b>Head office:</b>	<b>Ploiești - Clopoței Street no. 2 bis</b>
<b>Phone:</b>	<b>0244/544321, 0244/544101</b>
<b>Fax:</b>	<b>0244/522913</b>
<b>Tax Identification Number:</b>	<b>RO 1346607</b>
<b>Unique Company Registration Number:</b>	<b>J29/110/05.03.1991</b>
<b>Trading market:</b>	<b>BUCHAREST STOCK EXCHANGE</b>
<b>Subscribed and paid-up share capital:</b>	<b>27,819,090 lei</b>

#### **The main characteristics of the securities issued by the company**

<b>No. of shares:</b>	<b>278,190,900</b>
<b>Nominal value (lei/share):</b>	<b>0.10 lei</b>
<b>Class and type of securities:</b>	<b>"A" nominative</b>

## **1. The activity analysis of the Commercial Company "ROMPETROL WELL SERVICES" S.A.**

### **1.1. a) The description of the commercial company main activity;**

Benefiting of over 60 years of experience, ROMPETROL WELL SERVICES S.A. is a competitive, solid and reliable partner, offering a wide range of services in the field of petroleum upstream industry. Object of activity of the company consists of: provision of services for oil and gas wells, rental of oil well tools and equipment and other services. The well services provided include cementing, stimulation, consolidation and sand control services, testing, slick-line, tubular running operations in oil and gas fields in Romania and abroad.

Annually, the company cements an average of 350 casing strings and liners, at depths between 500 m and 4,500 m, performs consolidation and sand control operations for more than 200 oil and gas wells and performs slick-line and tubular running services for strings and liners. For the optimization of the activities, the company also offers a rental service for its drilling tools.

### **b) The specification of the incorporation date of the commercial company;**

The Company Rompetrol Well Services S.A. was incorporated in 1951 and during the 64 years of activity, although it functioned under different structures and different denominations, the main profile was the provision of special well services in Romania.

By the Government Decision no. 1213 from November 1990, according to the Law no. 15/1990, the company was transformed into a joint stock company, under the denomination of S.C. PETROS S.A., under which it functioned until September 2001, when it changed the denomination in S.C. ROMPETROL WELL SERVICES S.A.

### **c) The description of any significant merger or reorganization of the commercial company, of its subsidiaries and controlled companies, during the financial year;**

Not applicable.

### **d) The description of asset purchases and/or disposals;**

The primary goal of the investment program for 2014 was the upgrade of the processes, the improvement of the equipment performances and well services competitiveness. Among the objectives, totally or partially put into operation in 2014 as technical facilities or technological equipments, is to be mentioned: HCl tank truck, vacuum tank truck, revolving crane, drilling tools and special devices, stainless steel tanks, high pressure lines for pumping units, totaling 2.7 million lei. The value of the ongoing investments on 31.12.2014 was 4.7 million lei. The financing of all mentioned objectives was made from own sources.

### **e) The description of the main results of the company activity assessment.**

#### **1.1.1. General assessment factors:**

##### **a) profit;**

Over the year 2014 the Company recorded:

-gross profit:	10,401,128 lei
-net profit:	8,856,745 lei

##### **b) turnover;**

The turnover for the year 2014: 88,034,179 lei

The well services market in Romania was negatively influenced in 2014 by the delay in obtaining construction permits by our domestic customers as well as the significant drop of operational expenses and investment plans of our clients, caused by the sharp decrease of the oil price in the last part of the year.

##### **c) export;**

The value of the exports over the year 2014 totalizes the equivalent of 2,926,526 lei.

d) costs;

The evolution of costs for the period 2012 - 2014

Specification	-lei		
	2012	2013	2014
Operating expenses	75,755,627	81,816,736	80,060,525
Expenses with materials, merchandise, consumables and utilities	27,373,610	29,726,165	19,609,159
Employee benefits expenses	25,795,844	27,310,967	25,918,725
Depreciation, amortization and impairment	8,917,614	10,043,214	9,436,852
Other operating expenses	13,668,559	14,736,390	25,095,789
Finance costs	1,702,876	778,805	991,107

e) % of the market held;

In Romania the company holds market shares varying from 15% to 45% for different types of well services provided.

f) liquidity (cash account, etc).

The current liquidity indicator's evolution (6.49 in 2012, 7.10 in 2013, respectively 7.17 in 2014) supports the company cash flow management insuring the continuity of the commercial transactions from own sources.

### 1.1.2. The assessment of the technical level of the commercial company

*Description of the main services rendered*

The main works performed by the company ROMPETROL WELL SERVICES are as follows:

- **Operations performed with Cementing pump trucks** such as:

casing cementing, various cementing, fracturing, sand-control, surface treatments, acidizing, killing of wells, well circulations, milling works and fluid displacements, well interventions, miscellaneous pumping.

- **Operations with Bulk Trucks and Sand Blenders:**

transportation and handling of powder materials, mixtures and blends, operations at the well site

- **Operations with tank trucks:**

fluids transportation and handling (mud, crude-oil, acid solutions and emulsions, formation water etc.); operations at the well site (acidizing, fracturing, sand-control, cementing, pumping)

- **Operations with liquid nitrogen:**

Putting into production; nitrogen fracturing; foam acidizing; pressure tests of tubular material, manifolds, BOPs, etc.

- **Operations with Slick line units;**
- **Casing and liner running operations;**
- **Tool and equipment rental of handling and fishing tools;**
- **On-site or laboratory cement testing;**
- **Well and Drill stem testing operations**

a) main markets for each product or service and distribution methods;

The company ROMPETROL WELL SERVICES maintained its position on *the domestic market* being continuously interested in the improvement of the quality of the rendered services. Having operational capacities spread all over the country, as well as qualified and well prepared labor force in the field of oil and gas well services, ROMPETROL WELL SERVICES promptly provides the services requested by its customers, regardless of the location within the territory.

On the *external market*, the company provided over the year 2014 well services in Kazakhstan, Bulgaria and Hungary.

b) share of each product or service category in the total incomes and turnover of the commercial company for the last three years;

The share of each service category within the operating incomes, as well as within the turnover, for the years 2012, 2013, 2014 is described in **annex no 1-a, respectively 1-b.**

c) *new product envisaged to which a large volume of assets will be allocated during the next financial year and products' development stage.*

The equipment modernization program was focused on updating the technologies for well stimulation and cementing services and on casing running services.

The endowment of cementing pump trucks with new high pressure lines is in line with the current industry safety requirements.

### **1.1.3. The assessment of the procurement activity (domestic and import)**

*Information about the security of supply and the prices of the raw materials and the size of the raw material and other materials stocks.*

The main types of materials necessary to perform the company's activity are: spare parts for vehicles and operational equipment, fuels and lubricants, tires and accumulators, as well as cement and additives.

As *beneficiary*, our company concluded sale-purchase agreements for fuel, spare parts and other materials suppliers, as follows: S.C. ROMPETROL DOWNSTREAM SRL, S.C. UPETROM S.A. PLOIEȘTI, AIR LIQUIDE ROMANIA, SICET SERVICES, S.C. CONFIND CÂMPINA, ADASI MORAVA, AUBIN, S.C. RENOVATION TRADING SRL, S.C. GEOMET INDUSTRIAL SRL, DYCKERKOFF AKTIENGESELLSCHAFT, S.C. MULTISUD PROD SRL, S.C. AMPLO S.A., as well as with service providers specialized in equipment repairs and maintenance.

The suppliers are selected according to the company's procedures and they are continuously assessed in terms of reliability and stability.

The levels of the raw material and spare part stocks usually guarantees the continuity of activity for 10 days. The purchase prices are the market prices level.

### **1.1.4. The assessment of the selling activity**

a) *The description of the sales sequential evolution on the national and/or external market and the medium and long term sales perspectives.*

The incomes evolution is showed in the following table:

	-lei		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Sales per activities:</b>	97.677.364	111.109.482	88.034.179
• Incomes for services rendered	94.024.760	109.109.852	86.884.769
• Incomes from sales of commodities	3.652.604	1.999.630	1.149.410

Despite the increasingly competitive environment and the significant decline of activity in the oil and gas upstream industry caused by the crude oil price decrease, RWS succeeded to maintain its market share for most of the services provided in Romania while simultaneously raising the complexity of services rendered.

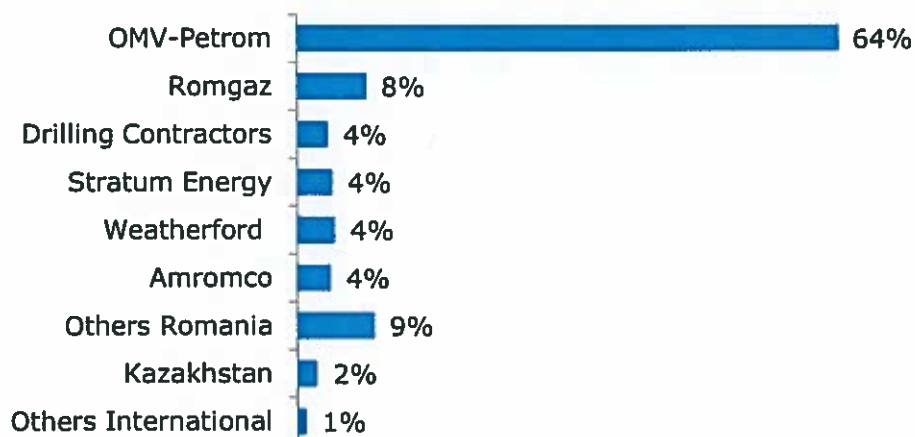
The company's main client on *the national market* is OMV Petrom S.A., the services provided to this beneficiary in 2014 representing a percentage of about 64% of the total services rendered by the company.

Other domestic clients to whom the company renders its services are S.N.G.N. Romgaz S.A., representing a percentage of about 8%, the Drilling contractors - 3.6% and other operators in the petroleum industry.

Over the year 2014, the company delivered also services on the internal market to independent operators, such as: Amromco Energy SRL, Weatherford International Eastern Europe SRL, Petrofac Solutions & Facilities Suport SRL, Stratum Energy Romania LLC, Tacrom Drilling SRL, Petrosandander Romania SRL, etc.

**The overseas activity**, representing 3% of the company's revenues in 2014, was developed in Kazakhstan, Hungary and Bulgaria.

## Client structure



b) *The description of the competitors' situation in the field of activity of the commercial company, the market share of the products and services of the commercial company and its competitors;*  
 Our company holds a share varying from 15% to 45% on the specific services market.

In the field of cementing and pumping services our competitors are: SCHLUMBERGER LOGELCO INC. BUCUREȘTI BRANCH, HALLIBURTON ROMANIA, TACROM SERVICES and SIRCOSS.

There are also competitors in the field of stimulation operations, such as WEATHERFORD INTERNATIONAL EASTERN EUROPE S.R.L., BAKER OIL TOOLS and TACROM SERVICES, and in the field of tools and equipment rental, ODFELL, TESCO, DOSCO PETROSERVICES S.R.L.

c) *Description of any significant dependence of the commercial company on a single client or a group of clients whose loss would have a negative impact on the company's incomes.*

Rompetro Well Services still depends very much on OMV – PETROM, client which represents 64% of Company's sales in 2014. To mitigate this reliance risk, the company aim to increase the proportion of well services provided for new E&P players on the Romanian market and to expand activity on external market.

### 1.1.5. The assessment of the aspects related to the employees/the personnel of the commercial company

a) *the specification of the number and the formation level of the company's employees, as well as the degree of syndication of the labour force;*

The company conducted the training of its personnel, primarily through in-house tuition programs, to ensure maximum benefit from operation of next-generation equipment recently put into operation.

On 31.12.2014, S.C. ROMPETROL WELL SERVICES recorded a number of 328 employees with labor contract, by comparison to 338 employees at the beginning of the year.

The personnel structure on December 31, 2014 was as follows:

TOTAL PERSONNEL	328
among which:	
- with higher education	95
- with secondary education	28
- qualified workers	204
- unqualified workers	1

The syndication level of the labour force is of 93,27%.

**b)** *The description of the relations between manager and employees, as well as any conflict elements which characterize these relations.*

The relations between manager and employees are normal and cooperative, being based on "Collective labor agreement" at company level, without any conflict elements which could characterize these relations.

#### **1.6 Business impact assessment on the environment.**

*Summary description of the impact of basic environmental issues and any existing or expected litigation regarding breach of environmental protection legislation.*

Activities carried out within the company, located in Ploiesti, as well as all branches and working points in the country, aims to strictly enforce environmental legislation and thus avoids any disputes that may occur on the violation of environmental laws.

Environmental issues that arise naturally, are kept constantly under control and Rompetrol Well Services aims to improve the purposes of reducing the pollution by waste generated. Disposal (used batteries, tires, scrap metal, used motor oil, household waste, waste consisting of plastic bags, etc..) is done under contracts with authorized companies.

We want to emphasize that the company aims to continuously improve environmental performance in all its activities by adopting a proactive behavior on minimizing environmental impacts.

Also Rompetrol Well Services has proposed the multiple environmental objectives, among them:

- Inform suppliers, customers and society on our politics in environmental protection activities;
- Monitoring and reducing consumption of resources (water, gas, electricity, lubricants and fuels);
- Regular monitoring of the activity of loading and unloading bulk cement, and blending;
- Reuse of packaging used for liquid additives to reduce the amount of packaging placed on the market;
- Reducing emissions released into the atmosphere by replacing special vehicles equipped with non-euro engines with modern trucks equipped with Euro 6 engines;
- Training and awareness for all staff regarding: selective waste collection, reduction of specific consumption and especially the responsibility of implementing environmental policy that the company has declared and environmental objectives which it aims to achieve.

In July 2014 took place a surveillance audit of the Integrated Management System (environment, quality, health and safety at work), accomplished by Germanischer Lloyd Certification GmbH, following which confirmed that our society is on an upward trend in complying with the requirements specified in the 3 standards and received ISO 9001:2008, ISO 14001:2009 and OHSAS 18001:2007 certification, valid until 26.09.2015.

According to Law no. 105/2006 and Emergency Ordinance no. 196/2005, concerning environmental obligations to the Environmental Fund, and the Environment Fund Declaration the Rompetrol Well Services SA, pay monthly fees for emissions of pollutants into the atmosphere from stationary sources and an annual fee for packaging placed on the market.

#### **1.1.7. The assessment of the research-development activity**

*The specification of the expenses during the financial year, as well as of those anticipated for the next financial year allocated to the research-development activity*

Not applicable.

#### **1.1.8. The assessment of the commercial company's activity related to the risk management**

*The description of the commercial society's exposure concerning the price, credit, liquidity and cash flow risk. The description of the policies and the objectives of the commercial company concerning the risk management.*

##### **The assessment of the activity of the commercial company regarding the risk management**

The company's exposure to:

- *the price risk*: S.C.ROMPETROL WELL SERVICES S.A. Ploiești has a flexible price policy, allowing it to react and adapt to any variations of prices that could affect the market;
- *credit risk*: it has been reduced, as S.C.ROMPETROL WELL SERVICES S.A. Ploiești has approached the clients' crediting in a procedural manner, flexible due to the contracting strategy

established as an essential mechanism of risk distribution. The company's management is permanently monitoring the receivables and their recollection;

- *the interest rate risk*

Loans received: the company is not being involved in any loan contract and therefore not exposed to risks regarding the movement of the interest rate. Loan granted: for the loans granted, the income from interest varies, depending on ROBOR 3M movement.

- *the liquidity risk*: it is estimated as being low until now since the company managed to maintain a steady balance between sales and the recollection of receivables. In exchange, the financial crisis is still a menace for the next period on the market segment where the company operates;

- *the cash-flow risk*: remains difficult to be characterized due to the menaces of the crisis effects on the global credit market;

- *the exchange rate risk*: the majority of incomes obtained by the company are in RON and EURO. The variation of the rate of exchange cannot generate significant patrimonial effects.

#### **1.1.9. Perspective elements concerning the activity of the commercial company**

*a) The description and analysis of the trends, elements, events or uncertainty factors which affect or could affect the liquidity of the commercial company by comparison to the same period of the previous year.*

The commitments towards suppliers were progressively paid. The recorded arrears don't present the risk of significant penalties and the company is not involved in any dispute for the payment of such depths. The company insured the permanent operability in the execution of its contracts all around the country.

The resizing of operating capacity and the redistribution of operating fleet between the working points was performed concurrently with the restructuring of operating staff, permanently pursuing the specific indicators on profit centers.

At the same time, the company initiated a complex analysis for identifying the equipment that can be conserved without affecting the continuity and the fulfillment of contractual commitments.

Prospects for expansion of service activities on foreign markets determine rational and operative decisions regarding the prudent engagement of liquidities at the conclusion of new contracts.

Company management will closely monitor these events and act so that the objectives set by the revenue and expenses budget to be approved in 2015, to be achieved.

#### **2015 Key Objectives**

- Maintain Company's profitability in the difficult market environment generated by the low crude oil price
- Consolidate market shares in Romania for all type of services rendered
- Initiation of programs for restructuring of operational capabilities
- Continue modernization of services focusing on cementing and stimulation services

*b) The presentation and the analysis of the effect of the current or anticipated capital expenses on the financial situation of the commercial company by comparison to the same period of the previous year.*

The company operated by using his own financing sources, without contracting any credits from banking institutions or any other individuals or entities.

In regard to debts category, there are no arrears such as interest or any other credits contracted from banking institutions.

*c) The presentation and the analysis of the events, economic changes transactions changes significantly affecting the incomes generated by the main activity.*

Running contracts with customers and traditional providers was a constraint due to the decrease in demand. The company prudently managed its production capacity as to ensure promptness in honoring all orders.

## **2. The company's tangible assets**

### **2.1. The specification of the location and of the characteristics of the main production capacities owned by the company.**

The patrimonial assets of tangible fixed assets nature allow a flexible organization in the territory in order to fulfill the orders placed by the beneficiaries.

The services provision is identified at the customers' location, not at the company's organizational perimeter, the use of the operational capacities depending upon the orders received from the beneficiaries.

The location of lands and buildings on the geographical area is located in the following areas: Ploiești (Prahova County), Câmpina (Prahova County), Boldești - Scăieni (Prahova County), Răzvad (Dâmbovița County), Leordeni (Argeș County), Mihăești - Stupărei (Vâlcea County), Potcoava (Olt County), Craiova (Dolj County), Tg. Cărbunești (Gorj County), Slobozia - Conachi (Galați county), Ianca (Brăila County), Timișoara (Timiș County), Tg. Mureș (Mureș County), Mediaș (Sibiu County), Moinești (Bacău County), Tecuci (Galați County), Videle (Teleorman County).

The main operational facilities are represented by the fixed assets, such as: cementing units, bulk trucks, blenders, tank trucks, cement laboratory equipment and other types of utility vehicles and drilling tools.

## **2.2. The description and analysis of the wear degree of the company property.**

Working outdoors, travelling on difficult access roads and the evolution of the purchase price of equipment justifies a significant degree of wear compensated by the significant investments in recent years. The specific equipment fleet requires high maintenance costs resulting from imperative normative documents specific to the European integration and the environmental protection issues: ADR transport licenses, vignettes, tachographs, environmental taxes, first registration fees, local taxes, etc.

## **2.3 The specification of the potential problems related to the ownership of the tangible assets of the company.**

The ownership is acknowledged for all the patrimonial assets, except what is subject to financial leasing contracts. The methodology used for the recording of the financial leasing contracts requires introducing in the fixed assets the counter value of the goods subject to these contracts. The effect in net value is zero as there are no on-going leasing contracts at 31.12.2014.

## **3. The market of the transferable securities issued by the "ROMPETROL WELL SERVICES" S.A. company**

### **3.1. The specification of markets in Romania and other countries where there are negotiated transferable securities issued by the company.**

The transferable securities issued by SC Rompetrol Well Services S.A. are admitted to the Bucharest Stock Exchange by decision No. 133 / 26.03.1998 and are traded on this market category STANDARD in the securities sector issued by romanian legal entities, starting with 18.06.1998, under the symbol PTR.

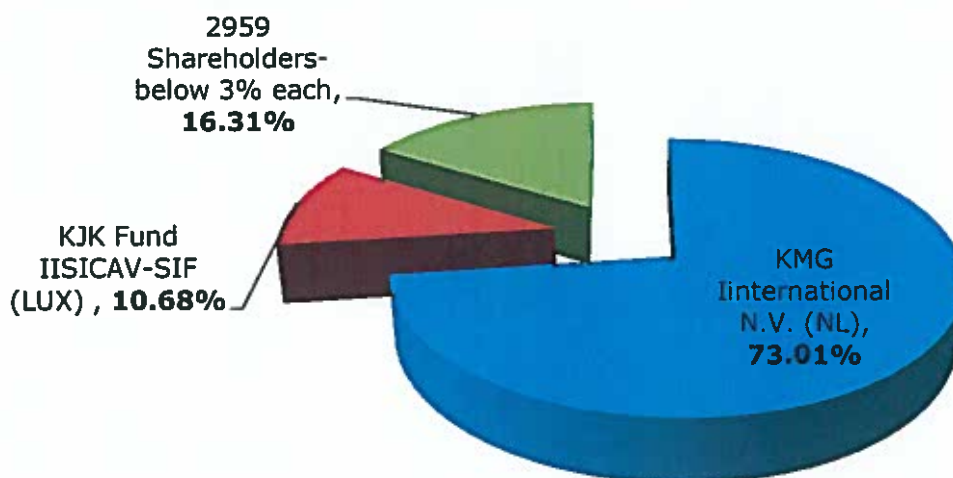
The transferable securities issued by the company are Class A – nominative shares.

The registered capital on 31.12.2014 is of 27,819,090 RON equivalent to 278,190,900 shares with a nominal value of 0.10 RON / share and is distributed to holders as follows:

1. KMG INTERNATIONAL N.V. Olanda	20.311.015 lei (73,0111 %)
2. KJK FUND II SICAV-SIF Luxembourg	2.970.995 lei (10,6797 %)
3. Other shareholders (2959 shareholders)	4.537.080 lei (16,3092 %)



### Shareholders' Structure as of 31.12.2014



### 3.2. The description of the company policy regarding the dividends. The specification of the dividends due/paid/accrued in the last 3 years and, if appropriate, of the reasons for any decrease in dividends over the last 3 years.

For 2012, the A.G.O.A. of 30.04.2013 approved the distribution of the net profit amounted to 22,053,148 lei, towards the following destinations:

- 8,067,536 lei for dividends;
- 83,818 lei for the establishment of the legal reserve fund;
- 13,901,794 lei - other reserves.

The gross dividend per share for 2012 was of 0.029 lei for the shareholders registered in the Register of Shareholders on 20.05.2013 (date of registration).

For 2013, the A.G.O.A. of 28.04.2013 approved the distribution of the net profit amounted to 27,599,019 lei, towards the following destinations:

- 8,345,727 lei for dividends;
- 19,253,292 lei - other reserves.

The gross dividend per share for 2013 was of 0.03 lei for the shareholders registered in the Register of Shareholders on 20.05.2014 (date of registration).

For 2014, the A.G.O.A. from 28(29).04.2015 will decide how to distribute the profits.

Thus in 2014 were achieved total revenues amounting to 91,452,760 lei achieving a gross profit of 10,401,128 lei and, respectively, a net profit of 8,856,745 lei.

By 31 December 2013 was acquitted:

- 92.24% of the gross dividend approved for the year 2011;
- 92.18% of the gross dividend approved for the year 2012;
- 93.18% of the gross dividend approved for 2013.

### 3.3. The description of any activities of the company to purchase own shares.

The Company has not conducted activities to purchase own shares.

### 3.4. If the company has subsidiaries, stating the number and the nominal value of shares issued by the parent company and held by subsidiaries.

Not applicable.

### 3.5. If the company issued bonds and/or other debt securities, the presentation of the way the company paid its obligations to holders of such transferable securities.

Not applicable.

#### **4. The management of the ROMPETROL WELL SERVICES S.A. company**

##### **4.1. The presentation of the list of company managers and the following information for each manager:**

*a) CV (surname, first name, age, qualifications, work experience, position and tenure in the position;*

Under the Constitutive Act, the company's activity is managed by an Administrative Board composed of five members appointed by the Ordinary General Assembly, who can be shareholders of the company, individuals or legal entities, of citizenship, nationality respectively, Romanian or foreign.

• **Bauyrzhan Nugumanov** - Kazakh citizen, born in 1984;  
Chairman of the Board for the period 28.04.2014 – 31.12.2014;  
Duration of the mandate: 4 years starting with 28.04.2014.

*Education, professional qualifications, responsibilities*

He is economist, graduate of the Faculty of Finance and Credit of the University of Economics in Almaty, Kazakhstan-class of 2006, and a Master in Finance at the London Guildhall University-UK. Mr. Bauyrzhan Nugumanov has joined Rompetrol Group in April 2009.

He has a solid professional experience in financial analysis, attracting investments and long-term financial investments, working in various companies such as KazAgroFinance JSC Astana, JSC NC KazMunayGas Astana, JSC NC KazMunayGas RM Astana, LLC ATC KAZ Almaty.

In the Rompetrol Group (KMGI), coordinate the newly created structure "Transformation Block" from the position of Vice President.

• **Adrian-Ion Stănescu**, romanian citizen, born in 1953.

Member of the Administration Board for the period 23.11.2002–11.08.2003 and 10.05.2013-31.12.2014, and Chairman of the Board for the period 09.03.2006 – 9.05.2013.

Duration of the last mandate: 4 years starting with 28.04.2014.

*Education, professional qualifications, responsibilities*

He is engineer, graduate of the Faculty of Mechanics – majoring in Machine Manufacturing Technology, Iasi - class of 1977, and of other specialized courses in the field of cementing operations technology, management and marketing.

He has a solid professional experience in the oil and gas industry, in various domains of this industry: the manufacture of oilfield equipment, in the technology of special operations, in the implementation of modern management practices and qualitative management of resources, in the opening of new markets and increasing the sales volume on domestic and foreign markets, holding management positions at UPETROM Ploiesti (1987-1999), ROMPETROL SA (1999-2001), ROMPETROL WELL SERVICES – General Manager for the period 01.07.2011-13.05.2013 and Deputy General Manager for the period 01.05.2003–30.06.2011 and 14.05.2013 – 31.12.2014.

• **Talgat Issayev**, Kazakh citizen, born in 1972;

Member of the Administration Board for the period 27.04.2010 - 09.05.2013 and 28.04.2014-31.12.2014.

Chairman of the Board for the period 10.05.2013 – 27.04.2014;

Duration of last mandate: 4 years starting with 28.04.2014.

*Education, professional qualifications, responsibilities*

He is engineer; graduate of the Faculty of Development and exploitation of oil and gas fields at the Gubkin Russian State University of Oil and Gas, Moscow-class of 1995, and well as of the Faculty of Finance and Credit at the Almaty Academy of Management, Kazakhstan-class of 2000.

Mr. Talgat Issayev joined the Rompetrol Group in January 2010, as Upstream Group Director. Prior to Rompetrol, he has worked for the National Company KazMunayGaz, holding management positions in the Department of Development.

He has a rich professional experience in the Kazakh Oil and Gas Industry, working in various companies such as JSC Munaygas, RosbiOil Corporation, Askam Corporation, JSC National Oil and Gas Company Kazakhoil.

In the Rompetrol Group (KMGI), he is currently Director Group Upstream and is responsible for management, coordination and control in the following areas:

- Exploration and production;
- Drilling and workover activities;
- Special operations at well site (Rompetro Well Services).

• **Gheorghe Georgescu**, Romanian citizen, born in 1952;

Member of the Administration Board for the period 27.04.2009-27.04.2014;

*Education, professional qualifications, responsibilities*

He is engineer, graduate of the Well Drilling and Petroleum and Gas Reservoirs Exploration Faculty, Ploiesti - class of 1979, and of other specialized courses in the field of drilling - extraction.

He possesses a remarkable professional experience in the Oil and Gas Industry, in the field of drilling on various structures in Greece, Sudan, Ecuador, India, Jordan, Egypt, Iraq, and of Deep Sea Drilling.

During 1982 - 1987, 1990 - 1997, 2001-2013 - he was employed by ROMPETROL SA, holding various management positions.

From April 2014 he has decided to follow other career opportunities outside the Group.

• **Kuanysh Kudaibergenov**, citizen of Kazakhstan, born in 1984

Member of the Administration Board since 01.03.2013;

The duration of this mandat: 4 years starting with 28.04.2014.

*Education, professional qualifications, responsibilities*

He is engineer, a graduate of the Russian State University of Oil and Gas named after I. M. Gubkin, Moscow, Russian Federation, "Oil and Gas Fields Development"-class of 2006 and the master: International Oil and Gas Business, Moscow State University of the Ministry Foreign Affairs of the Russian Federation-class in 2012.

Mr. Kuanysh Kudaibergenov has solid professional experience in drilling and exploration of oil and gas, working in various companies such as: Offshore Oil Company KazMunai Teniz ", Astana, The First National Drilling Company, Russian Federation, Shell International Exploration & Production BV, Rijswijk, Netherlands, Caspi Meruerty Operating Company BV, Aktau, Kazakhstan, NC KazMunayGas (KMG), Astana, Kazakhstan.

In the Rompetrol Group (KMGI), holds the position the General Manager of Rompetrol E & P.

• **Aizhan Dykanbayeva** - Kazakh citizen, born in 1978.

Member of the Board of Directors during the period: 28.04.2014 - 31.12.2014;

The duration of this mandat: 4 years starting with 28.04.2014.

*Education, professional qualifications, responsibilities*

She graduated of the Faculty of International Relations at the State University Almaty, Kazakhstan - class of 2000, a Master "Arts in International Relations" and "International Finance and Energy, Environment, Science and Technology" at the School of Advanced International Studies of the "Johns Hopkins University, USA" in 2002 and INSEAD MBA Class in France / Singapore in 2008.

Mrs. Aizhan Dykanbayeva has joined Rompetrol Group in April 2009.

She has professional experience in tax consulting, auditing oil and gas industry, economic analysis, budgeting, business planning, taxation, investment project analysis, corporate finance.

She worked in various companies such as: PriceWaterhouseCoopers, Planning Institute of Management and Economics Kazakhstan (lector), financial consulting company in Central Asia Kazakhstan (corporate finance director), Trade House KazMunayGas Kazakhstan (Head department of economic analysis and budget), The Rompetrol Group NV (Deputy Director Finance), The Netherlands NV KazMunayGas (CFO).

• **Palmer Capital RO S.R.L.**, romanian legal entity based in Cluj-Napoca str. Iosif Vulcan, nr.13, ap.1, CUI 18128488, J12/ 1885/2009, represented by the administrator - Mr. Făder Cristian Robert, having as permanent representative Mr. Făder Cristian Robert in accordance with management contract no. 54/2010 and Addendum no. 1 related to this contract.

He is member of the Administration Board since 27.04.2010;

Duration of mandate: 27.04.2010 until 30.04.2014;

**Cristian Robert Făder** is a Romanian citizen, born in 1980;

He graduated the Faculty of European Studies from "Babeş-Bolyai" University Cluj-Napoca, with special accent on the European Institutions Management. He has experience in financial services,

investment fund management, capital market. Since 2007 he is the manager of Palmer Capital RO SRL (former Middle Europe Investments SRL).

*b) any agreement, understanding or family relationship between the respective administrator and another person due to which that person was appointed administrator;*

We are not aware of any agreement, understanding or family relationship between the managers of the company and another person due to which they were appointed administrators;

*c) the participation of the administrator to the company's capital;*

According to the Register of Shareholders, consolidated on 31.12.2014, issued by the Central Depository, none of the directors participates to the company's share capital.

*d) the list of persons affiliated to the company.*

None of the members of the Administrative Board of the Company is an affiliated person to SC ROMPETROL WELL SERVICES S.A. under the Regulation CNVM No. 1/2006.

#### **4.2. The presentation of the list of members of the executive management of the company.**

**For each, supply the following information:**

*a) the period for which the person is part of the executive management;*

During 2014, the directors whom the company management was delegated were:

<b>Item no.</b>	<b>Position designation</b>	<b>Surname and first name</b>	<b>Period</b>
1.	GENERAL MANAGER	Eng. SVERDLOV VALERIU	01.01.2014-31.12.2014
2.	DEPUTY GENERAL MANAGER	Eng. STĂNESCU ADRIAN-ION	01.01.2014-31.12.2014
3.	FINANCE DIRECTOR	Ec. MANOLE VASILE GABRIEL	01.01.2014-31.12.2014
4.	DEPUTY FINANCE DIRECTOR	Ec. GUEF DORIN	01.01.2014-31.12.2014
5.	CHIEF ACCOUNTANT	Ec. DUMITRU VALERICA	01.01.2014-31.12.2014
6.	PRODUCTION DIRECTOR	Eng. DUMITRU GHEORGHE	01.01.2014-31.12.2014

*b) any agreement, understanding or family relationship between the respective person and another person due to which that person was appointed member of the executive management;*

There is no agreement, understanding or family relationship between the occupants of the positions mentioned above due to which the occupants of the positions were appointed as members of the executive management.

*c) the respective person's participation to the company's capital.*

According to the Company's register of shareholders, consolidated on 31.12.2014, issued by the Central Depository, no member of the executive management participates to the capital of the company.

#### **4.3. For all the persons presented in 4.1. and 4.2. the specification of any litigation or administrative proceedings in which they were involved, in the last five years, regarding their work for the issuer, as well as those concerning the respective person's ability to perform duties for the issuer.**

None of the managers of the company was involved in the last five years in any litigation or administrative proceedings.

### **5. Annual accounts**

*The presentation of an analysis of the current economic and financial situation compared to the last three years, including at least:*

**a) balance sheet elements: assets representing at least 10% of the total assets, cash and other liquidities; reinvested profits, total current assets, total current liabilities;**

The flexible position in adjusting the company's activity to the requirements of the market segment (the oil-service industry) generated the prerequisites for the profitability margins recorded.

Starting the year ended 31 December 2012, the separate financial statements of the Company were prepared in accordance with the provisions of Order of the Minister of Public Finance no. 1286/2012 for approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications. These provisions are aligned with the requirements of the International Financial Reporting Standards as endorsed by the European Union, with the exception of the provisions of IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency.

For the purposes of the preparation of these financial statements, in accordance to Romanian legislative requirements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

Synthesis of patrimonial elements:

Specification	- lei		
	2012	2013	2014
Total Assets , of which:	159,382,755	180,860,954	<b>178,487,434</b>
Fixed assets	64,039,443	62,144,287	85,041,234
Circulating assets	95,343,312	118,716,667	93,446,200
Total Liabilities, of which:	159,382,755	180,860,954	<b>178,487,434</b>
Social capital of which:	194,559,835	28,557,446	28,557,446
Share capital subscribed paid	27,819,090	27,819,090	27,819,090
Legal reserves	5,563,818	5,563,818	5,563,818
Other to equity	(80,816,827)	99,087,356	118,340,648
Current income not distributed	21,969,330	27,599,019	8,856,745
Exigible debt under one year	14,694,492	16,727,821	13,055,736
Exigible debts over one year	3,412,107	3,325,494	4,113,041

**b) profit and loss account**

Summary of items of income and expense:

Specification	-lei		
	2012	2013	2014
Total revenues, of which:	103,708,051	114,972,414	91,452,760
Operating income	98,678,533	111,490,950	88,525,114
Financial income	5,029,518	3,481,464	2,927,646
Total expenditure	77,458,503	82,595,541	81,051,632
Operating expenses, of which:	75,755,627	81,816,736	80,060,525
- material costs	25,133,072	28,411,122	18,489,946
- power, water, gas expenses	613,772	700,903	628,939
- personnel expenses	25,795,844	27,310,967	25,918,725
- depreciation of assets expenses	8,917,614	10,043,214	9,436,852
- expenses related to goods	1,626,766	614,140	490,274
- other operating expenses	13,668,559	14,736,390	25,095,789
Financial expenses	1,702,876	778,805	991,107
Gross result - profit	26,249,548	32,376,873	10,401,127
Income tax current and deferred	4,196,400	4,777,854	1,544,383
Net result - profit	22,053,148	27,599,019	8,856,745

**Summary of actual budget indicators:**

Specification	Achievements -previous year	Year 2014	
		Budget Provisions	Achievements
Total revenues, of which:	114,972,414	103,083,700	91,452,760
Operating income	111,490,950	97,230,500	88,525,114
Financial income	3,481,464	2,418,000	2,927,646
Total expenditure of which:	82,595,541	87,969,400	81,051,632
Operating expenses	81,816,736	87,969,400	80,060,525
Financial expenses	778,805	-	991,107
Gross result:			
Profit	32,376,873	15,114,300	10,401,128
Income tax current and deferred	4,777,854	2,469,000	1,544,383
Net result:			
Profit	27,599,019	12,645,300	8,856,745

The expenditure structure are determined by:

- concern for the provision of high quality complex services, including imported materials (cement and additives) of superior quality, but more expensive or, as appropriate, by subcontracting part of services provided;
- the mobilization and demobilization to and from well sites located at long distances from operational bases;
- provisioning with accepting the character of non-deductible expense, but with prudent and real presentation of receivables and inventories;
- increased expenses related with traffic on public roads caused by new EU norms (speedometers, vignettes, increased vehicles taxes, restrictions for heavy vehicles, etc.);
- evolution of exchange rate RON -other currencies;
- the payments of debts to the state budget and local budgets;
- prudent management of budgets by constantly identify and manage events that could produce uneconomic costs;

The evolution of the profitability is strongly determined by the structure of the service demand for the core business and the fulfilment of occasional contracts, and by the performance of programs of strict tracking of the production costs.

Specification	Measuring unit	Year 2012	Year 2013	Year 2014
<b>Well Services</b>	Equivalent operations	9,837	9,245	11,320
<b>Average number of staff</b>	Persons	343	337	333
<b>Labour productivity annual average</b>	RON/ person	272,078	321,821	258,850
<b>Equipment fleet</b>	Number of trucks	111	114	106

c) *cash flow: all the changes in the cash level within the primary activity, the investments and financial activities, in the cash level at the beginning and end of the period.*

**Statement of Cash Flows**  
**Synthesis-indirect method**

Specification	-lei		
	2012	2013	2014
0	2	3	
<b>Net profit before tax and extraordinary items</b>	<b>26,249,548</b>	<b>32,376,873</b>	<b>10,401,128</b>
<b>Operating profit before changes in the working capital</b>	<b>33,404,504</b>	<b>33,864,470</b>	<b>25,165,769</b>
<b>Net cash from operating activities</b>	<b>20,901,132</b>	<b>7,234,564</b>	<b>20,026,744</b>
<b>Net cash from investment activities</b>	<b>(8,034,401)</b>	<b>(3,352,594)</b>	<b>(3,525,259)</b>
<b>Net cash from financing activities</b>	<b>(7,545,097)</b>	<b>(5,523,200)</b>	<b>(27,729,415)</b>
<b>Net variation of cash and cash equivalents</b>	<b>5,321,633</b>	<b>(1,641,230)</b>	<b>(11,227,930)</b>
<b>Cash and cash equivalents at the beginning of the fiscal year</b>	<b>16,709,881</b>	<b>22,031,514</b>	<b>20,390,284</b>
<b>Cash and cash equivalents at the end of the fiscal year</b>	<b>22,031,514</b>	<b>20,390,284</b>	<b>9,162,354</b>

The execution of contracts with customers and strategic suppliers was managed in conditions of financial balance, and ensuring availability of cash for all full and timely payment of the wages, fiscal debt and dividends, during the year 2014.

All investment projects were financed from own sources.

At the end of September 2014, a system for optimizing the available funds between companies in KazMunayGas International Group was implemented, specifically the concept of cash pooling, in light of which in terms of patrimony, cash at the end of the reporting period are reflected in receivables category. The cash value of the main account at 31.12.2014 was 17,717,255 lei, that can be freely used as needed, but which is not showed in cash at the end of the period.

Specification	2012	2013	2014
<b>1. Liquidity indicators</b>			
Current liquidity indicator	6.49	7.10	7.16
Immediate liquidity indicator	6.14	6.73	6.77
<b>2. Activity indicators</b>			
Turnover speed of debits - clients (days)	138.55	190.64	273.21
Turnover speed of credits – suppliers (days)	20	22.11	25.19
Turnover speed of fixed assets	1.53	1.79	1.04
Turnover speed of total assets	0.61	0.61	0.49
<b>3. Profitability indicators</b>			
Return on equity	0.18	0.20	0.06
Gross margin from sales	26.87	29.14	11.81
<b>4. Indicators on earnings per share</b>			
Earnings per share	0.08	0.10	0.03
The ratio of market price action and earnings per share	3.60	4.09	16.56

The values of the presented indicators reflect the maintenance of financial independence, even with the slower pace of receivable collection. The same time was imposed the continuation of strict cost monitoring processes.

The profitability indicators show an efficient activity of the company in the last years, under the positive impact of achieved investments, without ignoring the fact that the primary activity has been marked by the global economic environment.

## 6. Corporate Governance

S.C. ROMPETROL WELL SERVICES S.A. is a company listed on the Bucharest Stock Exchange - category II shares under the symbol << PTR >>, dated 18.06.1998, according to the Stock Exchange's Admission Committee decision no. 133/26 March 1998.

The Company is subject to the current legislation applicable to companies and to capital market: Law no. 31/1990 Commercial Company Law - including subsequent amendments, Law no. 82/1991 the Accounting Law - including subsequent amendments, Law no. 297/2004 on the capital market - including subsequent amendments, the National Securities Commission (CNVM) Regulation No. 1/2006 on issuers of securities and operations with securities - including subsequent amendments.

The company's administration has voluntarily adopted, self-imposed, part of the Code of Corporate Governance of Bucharest Stock Exchange (CGC-BSE), approved by the Stock Exchange Council in December 2007 and which may be found on BSE's website ([http:// www.bvb.ro / companies / CorporateGovernance.aspx](http://www.bvb.ro/companies/CorporateGovernance.aspx)) -Romanian version.

The Code of Corporate Governance of Bucharest Stock Exchange includes some recommendations, which are provisions of suppletive character of the legal acts mentioned in the above paragraph. The Code of Corporate Governance's aim is to maximize transparency in the company's management, based on clear rules and objectives, on market consolidation and on stakeholder's confidence (shareholders, business partners, employees).

This helps to protect the rights of shareholders, improves the overall performance of the company, provides better access to capital and reduces the risks.

The Code of Corporate Governance of Bucharest Stock Exchange is structured on 19 principles and 41 recommendations, all having equal power and importance.

The implementation level, by S.C. Rompetrol Well Services S.A., of the principles and recommendations from CGC are reported in the statement "Apply or Explain"(annex no 2), according to Rec. 3 of CGC, which will be communicated to BSE together with the Annual report of 2014, and posted on the Company site, [www.rompetrol.ro](http://www.rompetrol.ro)., under the section Rompetrol Well Services SA / Investor Relations / GSM 2015.

In accordance with the articles of incorporation, **S.C. Rompetrol Well Services S.A. is administrated in unitary system**, where the administrative powers fall on an administration board, consisting of five members, elected by the ordinary general meeting of shareholders, with a 4 years mandate.

The Administration Board has full powers in making any administrative and management decisions, other than those which the law expressly confers to the General Shareholders' Meeting. By exception, the Administration Board will exercise the powers of the General Shareholders' Meeting, powers provided in article 113, letter b, c and f of Law 31/1990, republished. The Administration Board's decisions shall be valid if taken with the vote of the majority of present members. In case of equal votes, the president has the casting vote.

During 2014, the **Administration Board's composition** was as follows:

- Mr. Talgat ISSAYEV - Chairman of the Board for the period 01.01.2014 - 27.04.2014  
- Member for the period 28.04.2014 - 31.12.2014
- Mr. Bauyrzhan NUGUMANOV - Chairman of the Board for the period 28.04.2014 - 31.12.2014
- Mr. Adrian - Ion Stănescu - Member for the period 01.01.2014 - 31.12.2014
- Mr. Gheorghe GEORGESCU - Member for the period 01.01.2014 - 27.04.2014
- Mr. Kuanysh KUDAIBERGENOV - Member for the period 01.01.2014 - 31.12.2014
- Mrs. Aizhan DYKANBAYEVA - Member for the period 28.04.2014 - 31.12.2014



- Palmer Capital RO S.R.L. – permanently represented by Mr. Cristian Robert FÄDER,  
- Member for the period 01.01.2014 – 27.04.2014

### **Information about members of the Board of Directors**

- **Bauyrzhan Nugumanov** - Kazakh citizen, born in 1984;  
Chairman of the Board for the period 28.04.2014 – 31.12.2014;  
Duration of the mandate: 4 years starting with 28.04.2014.

#### *Education, professional qualifications, responsibilities*

He is economist, graduate of the Faculty of Finance and Credit of the University of Economics in Almaty, Kazakhstan-class of 2006, and a Master in Finance at the London Guildhall University-UK. Mr. Bauyrzhan Nugumanov has joined Rompetrol Group in April 2009.

He has a solid professional experience in financial analysis, attracting investments and long-term financial investments, working in various companies such as KazAgroFinance JSC Astana, JSC NC KazMunayGas Astana, JSC NC KazMunayGas RM Astana, LLC ATC KAZ Almaty.

In the Rompetrol Group (KMG I), coordinate the newly created structure " Transformation Block "from the position of Vice President.

- **Adrian-Ion Stănescu**, romanian citizen, born in 1953.  
Member of the Administration Board for the period 23.11.2002–11.08.2003 and 10.05.2013-31.12.2014, and Chairman of the Board for the period 09.03.2006 – 9.05.2013.  
Duration of the last mandate: 4 years starting with 28.04.2014.

#### *Education, professional qualifications, responsibilities*

He is engineer, graduate of the Faculty of Mechanics – majoring in Machine Manufacturing Technology, Iasi - class of 1977, and of other specialized courses in the field of cementing operations technology, management and marketing.

He has a solid professional experience in the oil and gas industry, in various domains of this industry: the manufacture of oilfield equipment, in the technology of special operations, in the implementation of modern management practices and qualitative management of resources, in the opening of new markets and increasing the sales volume on domestic and foreign markets, holding management positions at UPETROM Ploiesti (1987-1999), ROMPETROL SA (1999-2001), ROMPETROL WELL SERVICES – General Manager for the period 01.07.2011-13.05.2013 and Deputy General Manager for the period 01.05.2003–30.06.2011 and 14.05.2013 – 31.12.2014.

- **Talgat Issayev**, Kazakh citizen, born in 1972;  
Member of the Administration Board for the period 27.04.2010 - 09.05.2013 and 28.04.2014-31.12.2014.  
Chairman of the Board for the period 10.05.2013 – 27.04.2014;  
Duration of last mandate: 4 years starting with 28.04.2014.

#### *Education, professional qualifications, responsibilities*

He is engineer; graduate of the Faculty of Development and exploitation of oil and gas fields at the Gubkin Russian State University of Oil and Gas, Moscow-class of 1995, and well as of the Faculty of Finance and Credit at the Almaty Academy of Management, Kazakhstan-class of 2000.

Mr. Talgat Issayev joined the Rompetrol Group in January 2010, as Upstream Group Director. Prior to Rompetrol, he has worked for the National Company KazMunayGaz, holding management positions in the Department of Development.

He has a rich professional experience in the Kazakh Oil and Gas Industry, working in various companies such as JSC Munaygas, RosbiOil Corporation, Askam Corporation, JSC National Oil and Gas Company Kazakhoil.

In the Rompetrol Group (KMG I), he is currently Director Group Upstream and is responsible for management, coordination and control in the following areas:

- Exploration and production;
- Drilling and workover activities;
- Special operations at well site (Rompetrol Well Services).

- **Gheorghe Georgescu**, Romanian citizen, born in 1952;  
Member of the Administration Board for the period 27.04.2009-27.04.2014;  
*Education, professional qualifications, responsibilities*

He is engineer, graduate of the Well Drilling and Petroleum and Gas Reservoirs Exploration Faculty, Ploiesti - class of 1979, and of other specialized courses in the field of drilling - extraction.

He possesses a remarkable professional experience in the Oil and Gas Industry, in the field of drilling on various structures in Greece, Sudan, Ecuador, India, Jordan, Egypt, Iraq, and of Deep Sea Drilling.

During 1982 - 1987, 1990 - 1997, 2001-2013 - he was employed by ROMPETROL SA, holding various management positions.

From April 2014 he has decided to follow other career opportunities outside the Group.

• **Kuanysh Kudaibergenov**, citizen of Kazakhstan, born in 1984

Member of the Administration Board since 01.03.2013;

The duration of this mandat: 4 years starting with 28.04.2014.

*Education, professional qualifications, responsibilities*

He is engineer, a graduate of the Russian State University of Oil and Gas named after I. M. Gubkin, Moscow, Russian Federation, "Oil and Gas Fields Development"-class of 2006 and the master: International Oil and Gas Business, Moscow State University of the Ministry Foreign Affairs of the Russian Federation-class in 2012.

Mr. Kuanysh Kudaibergenov has solid professional experience in drilling and exploration of oil and gas, working in various companies such as: Offshore Oil Company KazMunai Teniz ", Astana, The First National Drilling Company, Russian Federation, Shell International Exploration & Production BV, Rijswijk, Netherlands, Caspi Meruerty Operating Company BV, Aktau, Kazakhstan, NC KazMunayGas (KMG), Astana, Kazakhstan.

In the Rompetrol Group (KMGI), holds the position the General Manager of Rompetrol E & P.

• **Aizhan Dykanbayeva** - Kazakh citizen, born in 1978.

Member of the Board of Directors during the period: 28.04.2014 - 31.12.2014;

The duration of this mandat: 4 years starting with 28.04.2014.

*Education, professional qualifications, responsibilities*

She graduated of the Faculty of International Relations at the State University Almaty, Kazakhstan - class of 2000, a Master "Arts in International Relations" and "International Finance and Energy, Environment, Science and Technology" at the School of Advanced International Studies of the "Johns Hopkins University, USA" in 2002 and INSEAD MBA Class in France / Singapore in 2008.

Mrs. Aizhan Dykanbayeva has joined Rompetrol Group in April 2009.

She has professional experience in tax consulting, auditing oil and gas industry, economic analysis, budgeting, business planning, taxation, investment project analysis, corporate finance.

She worked in various companies such as: PriceWaterhouseCoopers, Planning Institute of Management and Economics Kazakhstan (lector), financial consulting company in Central Asia Kazakhstan (corporate finance director), Trade House KazMunayGas Kazakhstan (Head department of economic analysis and budget), The Rompetrol Group NV (Deputy Director Finance), The Netherlands NV KazMunayGas (CFO).

• **Palmer Capital RO S.R.L.**, romanian legal entity based in Cluj-Napoca str. Iosif Vulcan, nr.13, ap.1, CUI 18128488, J12/ 1885/2009, represented by the administrator - Mr. Făder Cristian Robert, having as permanent representative Mr. Făder Cristian Robert in accordance with management contract no. 54/2010 and Addendum no. 1 related to this contract.

He is member of the Administration Board since 27.04.2010;

Duration of mandate: 27.04.2010 until 30.04.2014;

**Cristian Robert Făder** is a Romanian citizen, born in 1980;

He graduated the Faculty of European Studies from "Babeş-Bolyai" University Cluj-Napoca, with special accent on the European Institutions Management. He has experience in financial services, investment fund management, capital market. From 2007 he is the manager of Palmer Capital RO SRL (former Middle Europe Investments SRL).

The Administration Board evaluated the independence of its non-executive members under the criteria provided in Art. 138 ^ 2 of Law no. 31/1990 - Commercial Company Law, republished and updated and in Recommendation 16 of the Code of Corporate Governance of Bucharest Stock Exchange.

Currently, none of the directors does not meet the independence requirements of the aforementioned recommendation.

In 2014 a number of 9 meetings of the Administration Board were held, the administrators' participation in these meetings being as follows: Bauyrzhan Nugumanov - 4 meetings, Adrian - Ion Stănescu - 9 meetings, Talgat Issayev - 9 meetings, Gheorghe Georgescu - 3 meetings, Kuanysh Kudaibergenov - 9 meetings, Palmer Capital RO S.R.L. represented by Cristian Robert Fäder - 1 meeting.

All the Administration Board's meetings were presided over by the President. Topics and projects relevant to the Company's business were brought into discussion. Decisions were adopted, taking into account the legal provisions, the regulations, the articles of incorporation and internal incident procedures. The decisions were taken by the "in favour of" vote expressed by the majority of those present, according to the Articles of Incorporation. From the analysis of the manner in which they have been met, it resulted that all decisions taken have been achieved.

The Board of Directors has not created so far advisory committees (committees for appointment, remuneration and audit).

For the tax year of 2014, in accordance with the law, directors' remuneration was approved by the Ordinary General Meeting of Shareholders on April 28, 2014.

Information on the remuneration costs of directors' and managers' with mandate is given in the annual financial statements.

The company has a **financial auditor** and an **internal auditor** who worked in accordance with applicable laws and contracts concluded in this regard.

The department of Budgets & Controlling ensures internal audit responsibilities.

The internal control of the company is to monitor compliance with regulations, internal memos, decisions of the General Manager and Board of Directors, as applicable, regarding specific work procedures and flow of documents, identifying each approval level both interdepartmental and within the commitments of the company with third parties. The control targets the application of internal control rules and procedures for all hierarchical and functional levels: approval, authorization, verification, evaluation of operational performance, securing assets, segregation of duties. The system is characterized by flexibility, feature that provides timely adaptation to changes in legislation and implementation of procedures agreed at level group by Rompetrol.

Since 2008, the **financial auditor** has been "Ernst & Young Assurance Services SRL". The financial auditor has audited the annual financial statements.

### **Executive Leadership**

In 2014, the company's executive management is provided by the following directors:

- Mr. Valeriu Sverdlov - General Manager for the period 01.01.2014 – 31.12.2014
- Mr. Adrian - Ion Stănescu - Deputy General Manager for the period 01.01.2014 – 31.12.2014
- Mr. Vasile Gabriel Manole - Finance Director for the period 01.01.2014 – 31.12.2014
- Mr. Dorin Guef - Deputy Finance Director for the period 01.01.2014 – 31.12.2014
- Mrs. Dumitru Valerica - Chief Accountant for the period 01.01.2014 – 31.12.2014
- Mr. Dumitru Gheorghe - Production Director for the period 01.01.2014 – 31.12.2014

Duration of the mandate for the General Manager, Deputy General Manager and Finance Director ends on 27.04.2018.

### **Shareholders' rights**

S.C. ROMPETROL WELL SERVICES S.A. ensures fair treatment of all shareholders, including minority and foreign shareholders, in accordance with the law and the Articles of Incorporation of the Company.

The company uses all its best efforts to facilitate shareholders' participation in the works of the General Meeting of Shareholders (GMS). Shareholders of ROMPETROL WELL SERVICES have the opportunity to participate in the GMS directly, through a representative based on special power of

attorney or can vote by mail (by sending the vote form by mail of any delivery form or by e-mail with electronic signature incorporated under Law no. 455/2001 on electronic signature).

According to Article 11 of the Articles of Incorporation of the Company updated on April 27, 2010 in conjunction with the applicable laws, the **Ordinary General Meeting** shall meet at least once a year within the mandatory deadline required by law, and has the following main tasks:

- a) discuss, approve or modify annual financial statements based on reports submitted by the Board of Directors and the financial auditor, and to determine the dividends;
- b) elect and dismiss directors of the company;
- c) appoint and fix the minimum duration of the financial audit agreements and revoke the financial auditor;
- d) fix for every current year the remuneration due to directors;
- e) to decide on management directors;
- f) review the work of the Board and Directors and to decide the prosecution of directors for the damage to the company, designating the person responsible to exercise it;
- g) to determine the income and expenditure budget and, where appropriate, the working program, for the following tax year;
- h) decide pledging, leasing or closing of one or more units of the company;
- i) approve the maximum limits of remuneration of persons occupying / exercising management positions when required by applicable law;

The **Extraordinary General Meeting** has the following duties:

- a) changing the legal form of the company;
- b) relocating the company;
- c) changing the object of the company;
- d) the establishment or closure of subsidiaries: branches, agencies, offices or other such units without legal personality, unless otherwise provided by the Articles of Incorporation;
- e) prolongation of company duration;
- f) increase of registered capital;
- g) reduction of registered capital or replenishment by issuing new shares;
- h) merger with another companies or division of the company;
- i) anticipated dissolution of the company;
- j) conversion of shares from one category to another;
- k) conversion of a category of bonds into another category or in shares;
- l) issue of bonds;
- m) approves the adoption / conclusion of legal documents on behalf of the company whose object is worth more than USD 10 million;
- n) any other amendment to the Articles of Incorporation or any other decision for which approval is requested from the Extraordinary General Meeting.

The Extraordinary General Meeting designates the Board of Directors with the exercise of powers provided in letters b) and c) of the above line.

The Extraordinary General Meeting may delegate the Board of Directors with the capital increase in accordance with the provisions of Art. 236 of Law no. 297/2004 on the capital market.

### **Conducting the Annual General Meeting of Shareholders**

The General Meeting of Shareholders is convened by the directors whenever need be, by publication of an announcement in the Official Gazette of Romania, Part IV, and in one of widespread local or national newspapers in the locality where the company has its registered office. The summons will include: location, date and time of the meeting, with an explicit agenda of all matters that will be subject to debates of the Assembly and any other terms provided for by the capital market.

When the agenda includes proposals to amend the Articles of Incorporation, the call will include the full text of the proposals.

When the agenda includes the election of directors, the call will contain the mention that the list with the names, domicile and professional qualifications of the persons proposed for the position of administrator is available to shareholders and can be accessed and completed by them.

In the notice for the first General Meeting there will be set the day and time for the second meeting, if the first one could not be held. If the day fixed for the next General Meeting is not mentioned in the notice, it could be convened within a minimum of 8 days.

The General Meeting may meet at the Company headquarters or in other place determined in the convening notice by directors. Shareholders may also be represented in the General Meeting by persons who do not have the capacity of shareholder of the Company.

The General Meeting is chaired by Chairman of the Board of Directors or by a person appointed by him, who designates, among the members of the General Meeting of Shareholders or one of the shareholders of the company, one to three secretaries, plus a technical secretary among the employees. They will draw the attendance list of shareholders, by checking the following:

- identity documents of people who come to the General Meeting as shareholders or their authorized proxies;

- special power of attorney submitted by the shareholders' proxies. It will be considered that the power of attorney is valid only for the General Meeting of Shareholders for which it was requested;

- forms to vote by mail.

The secretary of the meeting shall also verify the fulfillment of the legal requirements on the quorum present for the validity of General Meetings.

If the Ordinary or Extraordinary General Meeting cannot work due to failure of the legal requirements on attendance, the meeting that will meet at a second convocation may deliberate on the points on the agenda of the first meeting, regardless of the quorum, taking decisions through the majority of expressed vote.

After submitting the documents in the agenda, the issues debated by shareholders are voted on by the Chairman of the Meeting.

The General Meeting decisions are taken by open vote, except for the cases when the General Meeting decides that voting should be secret or the law requires a secret ballot.

*Each share entitles to one vote in the General Meeting.* The person representing more shareholders based on special powers of attorney expresses the votes of persons represented by the aggregation of the number of votes "for", "against" and "abstention" without offsetting them (e.g. "on the x point of the agenda I represent "x" votes "for", "b" votes "against" and "c" abstentions "). Votes so cast are validated or, where appropriate, invalidated, based on the third copy of special powers of attorney by the secretary of the General Meeting. The votes included in the special power of attorney are exercised only in the manner desired by the shareholder.

The Secretary or Secretaries of the meeting, based on the vote freely expressed by shareholders, will prepare the minutes of the General Meeting.

#### **Decisions adopted by the General Meetings of Shareholders in 2014:**

***The Ordinary General Meeting of Shareholders*** of S.C. ROMPETROL WELL SERVICES S.A. dated **April 28, 2014** decided the following:

- approves the annual financial statements for the tax year 2013.
- approves the allocation of profit obtained in the tax year 2013- in accordance with the law. approves the distribution of a gross dividend per share of 0.03 lei for 2013 to shareholders registered in the Register of Shareholders on May 20, 2014 (date of registration).

The dividend payment deadline is of 6 months after the General Meeting of Shareholders setting dividends, deadline provided in Art. 238 line 2 of Law no. 297/2004.

- approves the discharge of the Company's directors for the financial year 2013.
- approves election the Board of Directors which will consist of 5 members designated for a 4-year mandate starting with the date of this resolution. The Board of Directors will have the following composition:

- Mr. Adrian - Ion STĂNESCU
- Mr. Talgat ISSAYEV
- Mr. Baurzhan NUGUMANOV
- Mr. Kuanysh KUDAIBERGENOV
- Mrs. Aizhan DYKANBAYEVA

- approves the election of the financial auditor "**Ernst & Young Assurance Services SRL**", headquartered in Bucharest, sector 1, 15-17 Ion Mihalache Blvd., Bucharest Tower Center Building, 21st floor, registered with the Trade Registry under no. J40/5964/1999, having sole registration code 11909783, member of the Chamber of Financial Auditors of Romania, the agreement concluded with the foregoing company having a 1(one)-year term, starting with 30.04.2014.

- approves the income and expenditure budget for 2014.

Approves the budget of the investment activity for 2014 amounting to 2,372 thousand dollars.

- approves the remuneration due for the tax year 2014 of the members of the Board of Directors of the Company for the year 2013.

### **Shareholders' rights to dividends**

If the General Meeting of Shareholders approves the distribution of dividends from the net profit of the company, are entitled to receive dividends all shareholders registered in the register of shareholders on the record date approved by the General Meeting approving also the value of dividends and the time they are paid to shareholders.

The Ordinary General Meeting of Shareholders of April 28, 2014 approved the distribution of a gross dividend per share of 0.03 lei for 2013 to shareholders registered in the Register of Shareholders on May 20, 2014 (date of registration). The information on paying dividends for the tax year 2013 were presented in reports currently submitted to the Bucharest Stock Exchange and Financial Supervisory Authority in August 26, 2014 and January 26, 2015, well as in the press release of August 27, 2014 published in BURSA newspaper. All these information were posted also on Company's web site.

### **Transparency, communication, financial reporting**

S.C. Rompetrol Well Services attaches great importance to transparency in communication. Considering that the confidence of the public is essential to the company, the company transforms its communication policy into an explicit and mutual commitment between the company and its interlocutors. The fulfilment of reporting obligations and transparency of communication are ways to win the confidence of investors.

The company aims to ensure a continuous and periodic reporting in an objective and honest manner, covering all important aspects of company business, financial status, applied accounting policies, recorded performances.

During 2014 there have been prepared reports and press releases about financial results, summons and decisions of GMS, regular reporting (monthly, quarterly, annual), distributing dividends, etc. The information being subject to mandatory reporting - current and periodic reports - was also presented on the Company's website, [www.rompetrol.com](http://www.rompetrol.com) in the section Rompetrol Well Services/Relații cu Investitorii/Prezentări

In order to ensure equal access to information for investors, the posting on the Company's website of reports and press releases addressed to the market participants is made after being posted on the market operator, which is the BSE.

In accordance with the law, the accounting and financial statements of Rompetrol Well Services and the ones related to operations are audited by Ernst & Young Assurance Services SRL, an independent financial auditor appointed by the General Meeting of Shareholders of April 28, 2014 for a period of 1 year.

### **Social responsibility**

S.C. Rompetrol Well Services S.A. actively supports all programs of social responsibility of the Group **KazMunayGaz International** (KMGI).

### **Sustainability**

We place sustainability at the core of our business strategy and operations.

As a leading Corporate Citizen, we focus on using the industry best practices and show responsibility towards the environment, workplace, market place and communities, supply chain.

We are committed to:

1. Sustainable, responsible development that extends through and beyond the life of our operations;

2. Operating ethically and responsibly with respect for the safety, health and welfare of our employees and partners in the community;
3. Best practices in corporate governance, as it affects all of our communities of stakeholders, including our employees, local and regional communities, suppliers, investors and partners;
4. Investing time and energy in promoting the spirit of leadership through entrepreneurial and educational pursuits.

### **Guiding Principles**

The spirit of KMG International's approach towards Sustainability is reflected in our corporate motto, "Getting Further," which is a call to ongoing, active involvement in projects that meet our goals.

Our guiding principles are:

1. **Respect for Employees:** To respect employees and help improve their life through development opportunities and employment practices grounded on equal opportunities and Occupational and Safety Best Practices;
2. **Ongoing Involvement:** To involve, at an appropriate level, the authorities, community and other concerned stakeholders in all the decisions that affect them;
3. **Health and Safety:** To ensure the health and safety of our employees, suppliers and the communities in which we operate;
4. **Risk management:** To identify, assess, manage and mitigate risks to our host communities, employees, contractors, the environment and our business;
5. **Education and Leadership:** To promote the spirit of leadership, especially among young people, through civic involvement and educational activities that encourage socially responsible pursuits and entrepreneurship;
6. **Respect for local communities:** To respect, protect and promote the human rights, and the culture, customs and values of the communities in which we operate;
7. **Best practice:** We are guided by the United Nations Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption.

In 2015 KMG International will issue its first sustainability report on the GRI International standard, covering the non-financial performance of 2013 and 2014.

### Environment

The main objective of KMG International, in all subsidiaries and member companies, in the environmental field is to develop activities in line with the environmental legislation applicable for each country where The Group has operations, applying the general principles of environmental protection, through conservation and sustainable practices.

The environmental strategy has the following areas of interest:

- Compliance of activities and facilities at national and international legal requirements in the environmental field;
- Minimization of the environmental incidents;
- Minimization of the natural resources consumption and the quantities of the generated wastes, especially hazardous ones;
- Optimization of the operations and technologies for energy efficiency improvement and reduction of different pollutants emissions, especially greenhouse gases;
- Improvement of the certified environmental management system (ISO 14001) implemented in all our entities;
- Permanent training of specialized personnel in the field;
- Insurance excellent communication within the Group and with the interested public, state authorities, NGOs etc.

### Community

In 2014, the Group's investments in CSR initiatives within Romania and abroad. For the immediate future, we aim to focus our attention on areas where there is greater social demand and improving our performance and our contribution to CSR issues. This will in turn contribute to sustainable

development, improve relationships with human resources, strengthen social solidarity and ensure for relationships built on trust with the local community and society at large.

### Programs and projects in Romania

In 2014, through the 6<sup>th</sup> edition of the national program "Together for each and everyone" 14 projects of healthcare and environment were financed. All projects had two overlapping parts: one which consisted in the restoration of medical care units in rural and urban areas, or the construction of water collectors, eco plants for water recycling, solar panels for schools, and a second component which consisted in educational and cultural activities for the members of the communities.

Several other projects on healthcare and environment protection were developed or continued as part of the platform "Energy comes from the heart".

In 2014 Rompetrol Well Services sponsored Hospice House of Hope with the amount of 22,000 lei. In the healthcare field, Rompetrol Rafinare, Fundația pentru **SMURD** and the General Inspectorate of Aviation (IGAV) continued the partnership for supporting air emergency interventions, the movement of medical personnel and the transportation of victims. In this cooperation, Rompetrol Rafinare, provides (since 2010) a monthly quantity of Jet A 1 fuel, estimated for the operation of the medical helicopters.

The Group is also involved in social partnerships, implementing joint projects and programs or arranging social events.

Starting as of 2003, Rompetrol is a partner and main sponsor for Gala Societății Civile (**Civil Society Gala**) – the annual competition that awards the best projects of the year, projects initiated by NGOs, unions, individuals etc. Thus, in 2014, Rompetrol Well Services has financed **Civil Society Gala** with the amount of 97,044 lei.

**George Enescu International Contest** - This association of Rompetrol with such a large scale event was meant to strengthen the international vocation of the two brands and its products - fuels and quality music. The company also provided financial support for "George Enescu" Festival. Rompetrol Well Services has sponsored this festival with the amount of 115,119 lei.

## 7. Appendices

a) articles of incorporation of the commercial company, if they have been modified during the reporting year;

Articles of incorporation of the Company was updated during 2014.

b) major contracts concluded by the commercial society during the reporting year;

S.C.ROMPETROL WELL SERVICES S.A. Ploiești, as **provider-supplier**, has developed its activity based on contracts, whose object was services delivery related to oil and gas extraction.

In terms of **service contracts** concluded with various internal beneficiaries, the situation at the end of 2014 is as follows:

CLIENT	Contract Value 2014 (lei)	Income 2014 (lei)
OMV PETROM SA BUCURESTI	(*)	55,615,270
S.N.G.N. ROMGAZ SA MEDIAS	(*)	7,097,170
WEATHERFORD INTERNATIONAL EASTERN EUROPE SRL	(*)	3,843,204
STRATUM ENERGY ROMANIA LLC WILMINGTON Sucursala Blejoi	(*)	3,595,599
AMROMCO ENERGY SRL PLOIESTI	(*)	3,359,431
PETROSANDANDER ROMANIA SRL	(*)	1,335,325
ALTI OPERATORI - ROMANIA	(*)	9,587,383
ALTI OPERATORI - INTERNATIONAL	(*)	895,114

(\*) There were contracts in execution in 2014 without total value specifications.



c) resignation/dismissal acts, if there were such situations among the members of the administrative department, executive management, auditors;  
Not applicable

d) list of company's subsidiaries and societies under its control;  
S.C.Rompetrol Well Services S.A. has no subsidiaries or societies under its control.

e) lista persoanelor afiliate societății comerciale<sup>[1]</sup>

Rompetrol Well Services S.A. is part of the group KMG International<sup>[2]</sup>.

The Group *KMG International* is registered to A.S.F. and at 31.12.2014 comprises of the following companies:

- KMG International N.V.<sup>[3]</sup>
  - Rompetrol S.A.
  - Rompetrol Downstream S.R.L.
  - Rompetrol Rafinare 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.<sup>[4]</sup>
  - 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
  - BIONEFF SL
  - Dyneff Gas Stations Network SL
  - TMP SAS (Terminal Midi Pyrenees)
  - DPPLN SAS (Depot Petrolier de Port-la Nouvelle)
  - Rompetrol Ukraine LTD
  - AGAT LTD.
  - Rominserv Kazahstan LLC
  - TRG PETROL TICARET ANONIM ŞIRKETI
  - Rompetrol Bulgaria AD
  - KazMunayGaz Trading A.G.
  - Rompetrol Energy S.A.
  - Rompetrol Albania Downstream Sh.A
  - Rompetrol Albania Wholesale Sh.A
- liquidation proceedings  
- liquidation proceedings

<sup>[1]</sup> As Government Emergency Ordinance no. 28/2002 which defined the term "affiliated person" was repealed, and in the absence of another legislative act issued by the capital market institutions to define this term at this point all the companies within Rompetrol Group were listed.

<sup>[2]</sup> Until March 2014, under the name The Rompetrol Group

<sup>[3]</sup> Until March 2014, under the name of The Rompetrol Group N.V.

<sup>[4]</sup> In 2014, The Rompetrol Group Corporate Center SRL changed its name to KMG Rompetrol S.R.L.

- Rompetrol Albania ShA
- Rompetrol Distribution Albania Sh.A.
- KMG Investments B.V.
- Rompetrol Exploration and Production S.R.L.
- KazMunayGas Engineering B.V.
- KazMunayGas Trading Singapore<sup>[5]</sup>
- Benon Rompetrol
- Rompetrol Drilling S.R.L.<sup>[6]</sup>

- liquidation proceedings
- liquidation proceedings

**CHAIRMAN OF THE ADMINISTRATION BOARD,  
Mr. Bauyrzhan NUGUMANOV**

**GENERAL MANAGER,  
Mr. Valeriu SVERDLOV**




**DEPUTY GENERAL MANAGER,  
Mr. Adrian Ion STĂNESCU**



**FINANCE MANAGER,  
Mr. Vasile Gabriel MANOLE**



<sup>[5]</sup> Entered in the Group in the month March 2014

<sup>[6]</sup> Established in May 2014

**OPERATIONAL REVENUES**

NAME ASSORTMENT	2012		2013		2014	
	ACTUAL	%	ACTUAL	%	ACTUAL	%
	RON	3	RON	4	RON	6
1	2			5	7	
Down-hole String	2.141.909,000	1,93	7.234.635,090	6,49	874.092,560	0,96
Slick Line Unit	4.387.196,000	3,96	2.504.521,330	2,25	1.921.580,380	2,10
Cementing Unit	46.960.624,000	42,37	54.389.196,610	48,78	52.550.524,980	57,52
Tank Truk	871.334,000	0,79	972.960,970	0,87	774.460,640	0,85
Power Tongs	4.344.259,000	3,92	4.323.000,120	3,88	2.804.144,790	3,07
Solution, spacer preparation	1.109.395,000	1,00	953.609,360	0,86	378.277,700	0,41
Lab Analisys	548.551,000	0,49	1.615.941,980	1,45	1.016.393,100	1,11
Bulk Truck	4.166.874,000	3,76	6.657.038,410	5,97	4.728.366,110	5,18
Non-fired Nitrogen	1.898.875,000	1,71	1.588.187,890	1,42	855.353,460	0,94
Nitrogen Tank	700.531,000	0,63	769.300,020	0,69	529.644,270	0,58
Rental equipments	3.546.961,000	3,20	4.428.284,310	3,97	3.389.928,780	3,71
Rental tools	478.289,000	0,43	623.784,200	0,56	355.505,170	0,39
Data Acqitsition System	2.412.301,000	2,18	2.958.411,760	2,65	1.747.171,100	1,91
Cement Silo	53.196,000	0,05	333.506,000	0,30	54.569,390	0,06
Separator	2.995,000	0,00	0,000	0,00	0,000	0,00
Chlorine Hydride Tank	1.675.815,000	1,51	1.558.441,630	1,40	1.610.029,570	1,76
Nitrogen	2.011.118,000	1,81	1.801.223,940	1,62	892.822,050	0,98
Mileage	926.740,000	0,84	1.127.216,280	1,01	1.009.833,820	1,11
Others	32.600.203,000	29,41	17.651.690,100	15,83	15.871.434,130	17,37
<b>OPERATIONAL REVENUES</b>						
SC Rompetrol Well Sevices S.A.	110.837.166,000	100,00	111.490.950,000	100,00	91.364.132,000	100,00

**STRUCTURE OF TURNOVER**

NAME ASSORTMENT	2012		2013		2014	
	ACTUAL RON	%	ACTUAL RON	%	ACTUAL RON	%
1	2	3	4	5	6	7
Down-hole String	2.141.909,000	2,03	6.853.167,090	6,17	874.092,560	0,99
Slick Line Unit	4.387.196,000	4,16	2.504.521,330	2,25	1.921.580,380	2,18
Cementing Unit	46.033.884,000	43,69	54.389.196,610	48,95	52.550.524,980	59,69
Tank Truck	871.334,000	0,83	972.960,970	0,88	774.460,640	0,88
Power Tongs	4.344.259,000	4,12	4.323.000,120	3,89	2.804.144,790	3,19
Solution, spacer preparation	1.109.395,000	1,05	953.609,360	0,86	378.277,700	0,43
Lab Analisys	548.551,000	0,52	1.615.941,980	1,45	1.016.393,100	1,15
Bulk Truck	4.166.874,000	3,95	6.657.038,410	5,99	4.728.366,110	5,37
Non-fired Nitrogen	1.898.875,000	1,80	1.588.187,890	1,43	855.353,460	0,97
Nitrogen Tank	700.531,000	0,66	769.300,020	0,69	529.644,270	0,60
Rental equipments	3.546.961,000	3,37	4.428.284,310	3,99	3.389.928,780	3,85
Rental tools	478.289,000	0,45	623.784,200	0,56	355.505,170	0,40
Data Acqitsition System	2.412.301,000	2,29	2.958.411,760	2,66	1.747.171,100	1,98
Cement Silo	53.196,000	0,05	333.506,000	0,30	54.569,390	0,06
Separator	2.995,000	0,00	0,000	0,00	0,000	0,00
Chlorine Hydride Tank	1.675.815,000	1,59	1.558.441,630	1,40	1.610.029,570	1,83
Nitrogen	2.011.118,000	1,91	1.801.223,940	1,62	892.822,050	1,01
Mileage	926.740,000	0,88	1.127.216,280	1,01	1.009.833,820	1,15
Others	28.061.253,000	26,63	17.651.690,100	15,89	12.541.481,130	14,25
<b>TURNOVER</b>	<b>105.371.476,000</b>	<b>100,00</b>	<b>111.109.482,000</b>	<b>100,00</b>	<b>88.034.179,000</b>	<b>100,00</b>

**S.C. ROMPETROL WELL SERVICES S.A.**  
**Statement "Comply or Explain"**

**Annex no 2**

Principle/ Recommendation	Question	YES	NO	If NOT, please EXPLAIN
P19	Is the issuer managed under a dualist system?		x	Rompetro Well Services adopted a unitary administrative system which meets the current needs of Society regarding proper administration and business management.
P1	Has the issuer drawn up the By-laws/Corporate Governance Regulations to describe the main aspects of the corporate governance?		x	Regulation of Corporate Governance (RCG) is in the process of development.
	The By-laws/Corporate Governance Regulations are posted on the company website, indicating the date of the last update?		x	Relevant information related to corporate governance has been posted on the Company's website through the Annual Report.
	In The By-laws/Corporate Governance Regulations are there defined the corporate governance structures, positions, components and responsibilities of the Board of Directors (BD) and of the executive management?		x	Are defined in published support documents.
R3	Does the issuer's Annual report provide for a chapter on corporate governance where they describe all the relevant events related to the corporate governance, recorded during the previous financial exercise?	x		
	Does the issuer circulate on the company website the information related to the following aspects of their corporate governance policy: a) a description of their corporate governance structures? b) the updated articles of incorporation? c) the operation bylaws/essential aspects for each speciality? d) the "Comply or explain" Statement? e) the list of the BD members mentioning which members are independent and/or nonexecutive, of the members of the executive management and those of the speciality commissions/committees?		x	RCG is in the process of development.  The amendments to the articles of incorporation have been published with GMS materials where they were approved. These information will be disseminated after the completion of RCG.
		x		They can be found in the chapter of corporate governance from the managers' annual report

		f) a brief description of the CV for each BD member of the executive management?							BD members' CVs have been published with the GMS materials in which they were elected
P2		Does the issuer abide by the rights of the financial instrument holders, providing them with the equal treatment and submitting to the approval any modification of the rights in the special meetings of these holders?			X				
P3	R4	Does the issuer publish in a spare part of the website the details of the General Meetings of Shareholders (GMS): a) GMS summons? b) materials/documents corresponding to the agenda as well as any information on the agenda? c) special power of attorney forms?			X				
	R6	Has the drawn and proposed to GMS the procedures for the efficient and proper development of the GMS agenda without any damage to the right of any shareholder to express their free opinion on the debated topics?			X				The company directly applies the incident legal provisions (Law no. 31/1990, Law no.297/2004, National Commission of Transferable Securities (NCTS) Regulations no. 1/2006, no. 6/2009 and no. 13/2014) and Society's Articles of Corporation, ensuring strict compliance.
	R8	Does the issuer publish in a spare part of the website the details of the shareholders' rights as well as the regulations for the attendance at GMS? Does the issuer provide the information in due time (immediately after the GMS) of all the shareholders through the separate section on their website: a) on the decisions made within GMS? b) on the detailed result of the vote?			X				The informative material of each GMS is presented in the notice to attend, in order to facilitate the compliance.
		Do the issuers circulate through the special section of the website, that is easily identifiable and accessible: a) current/communicated reports? b) the financial schedule, the annual reports, the quarter and semester reports?			X				
	R9	Is there within the issuer's company a special department/person dedicated to the relation with the investors?			X				
P4, P5	R10	Does the BD meet at least once a trimester for the monitoring and the activity of the issuer?			X				
	R12	Does the issuer have a set of rules referring to the reporting conduct and obligations of the transactions of the shares or other financial			X				

		instruments issued by the company ("company assets") made on their name by the directors and other persons?			
		If a BD member or a member of the executive management or any other person made on their interest a transaction with the company deems, then, the transaction is circulated through the company website, according to the corresponding Regulations?	x		The information is disseminated also by SSIF where the transaction is done. These notifications are also published on BVB' site.
P6		Does the structure of the Board of Directors of the Issuer provide a balance between the executive and nonexecutive members (and especially independent nonexecutive directors) so that no person or group of persons may dominate the BD decision-making process of BD?		x	The current structure of the Administration Board does not ensure a sufficient number of nonexecutive members (and especially independent nonexecutive directors), this recommendation of the exchange is optional. Election of directors was made transparent, in OGMS, by cumulative vote.
P7		Does the structure of the Board of Directors provide a sufficient number of independent members?		x	The current structure of the Administration Board does not ensure a sufficient number of independent members, because this recommendation of the exchange is also optional in Law 31/1990.
P8	R15	During their activity, does BD have the support of consultative commissions/committees for the examination of specific topics, chosen by BD for their counseling on these themes?		x	BD members have the professional training and the managerial requested in order to manage the company's activity. To examine specific topics, BD' members benefit from the support of professionals within the company or, when necessary, of external consultants selected based on professional excellence.
		Do the consultative commissions/committees forward activity reports to the BD on their specific themes?		x	See previous comment.
	R16	For the assessment of the independence of their nonexecutive members, does the Board of Directors use the assessment criteria listed in the Recommendation 16?	x		
	R17	Do the BD members permanently improve their knowledge through training/formation in corporate governance?	x		
P9		Does the selection of the BD members have a procedure based on transparency (objective criteria regarding the personal/professional qualification etc.)?	x		The procedure is transparent, the choice is made in GMS, and the CVs of members proposed to be part of BD are published with GMS materials.
P10		Is there an Appointment Committee within the company?		x	The nomination is done in accordance with the Law and the Articles of Incorporation by BD's members or by shareholders. BD nomination is made based on several objective criteria regarding professional qualification and personal traits of candidates.

P11	R21	Does the Board of Directors analyze at least once a year the need to register a remuneration /remuneration policy committee for the directors and members of the executive management?		x	RCG is in the process of being drawn.
		Has the remuneration policy been approved by the GMS?	x		
	R22	Is there a Remuneration Committee made exclusively of nonexecutive directors?		x	There is no Payment Committee. General Shareholders' Meeting approves: (i) the payments due to members of the Administration Board for each financial exercise; (ii) the maximum limits of payments for the managers.
	R24	Is the company remuneration policy of the company provided in the Bylaws/ Corporate Governance Regulations?	x		
P12, P13	R25	Does the issuer circulate, in the English language, the information representing the subject of the reporting requirements:	x		
		a) periodic information (providing information periodically)?	x		
		b) continuous information (providing information periodically)?	x		
		Does the Issuer prepare and make public the financial report according to the IFRS standards?	x		
	R26	Does the issuer promote, at least once a year, meetings with the financial analysts, brokers, rating agents and other market specialists with the view to presenting the financial elements relevant to the investment decision?		x	The continuous and periodic reports drawn by the company to present financial elements were considered relevant in terms of information requested to make investment decisions.
	R27	Is there an Audit Committee within the company?		x	BD is the one that regularly examines the efficiency of financial reporting, internal control and administrative system of the risk adopted by the company.
	R28	Does the BD of the Audit Committee, as the case may be, examine on regular basis, the efficiency of the financial report, the internal control and the control of the risk management system passed by the company?	x		
	R29	Is the Audit Committee made of nonexecutive directors and is there a sufficient number of independent directors?		x	There is no Audit Committee at BD.
	R30	Does the Audit committee meet at least twice a year; are these meetings dedicated to drawing up and circulating the quarter and annual results to the shareholders?		x	There is no Audit Committee at BD.



P14	R32	Does the Audit Committee recommend to BD the selection, appointment, re-appointment and replacement of the financial auditor, as well as the terms and conditions of their remuneration? Has the BD passed a procedure with the view to identifying and settling adequately the conflicts of interests?		x	There is no Audit Committee at BD.
P15	R33	Do the directors inform BD on the conflicts of interests as they occur and do they refrain from the debates and the vote on those matters, according to the legal provisions?	x		- No such situations have been identified. Incident legal provisions are directly applied.
P16	R34/ R35	Has the BD passed the specific procedures in order to provide their procedure accuracy (identification criteria of the significant transactions, relevant for transparency, objectivity, non-concurrence, etc.) for defining the transactions?	x		Rompetro Well Services has internal regulations in place for such matters.
P17	R36	Has BD passed a procedure of the internal circuit and the disclosure to third parties of the documents and information referring to the issued, with emphasis on the information that can influence the price of the assets issued by them?	x		Rompetro Well Services has internal regulations in place for such matters.
P18	R37/ R38	Does the issuer have activities regarding Social Responsibility and Company Environment?	x		

**CHAIRMAN OF THE ADMINISTRATION BOARD,**

**Mr. Bauyrzhan NUGUMANOV**



**GENERAL MANAGER,**

**Mr. Valeriu SVERDLOV**