



**rompetrol**

KazMunay Gas  
Group  
Member

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

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

**ROMPETROL RAFINARE S.A.**  
**2019 BUDGET PRESENTATION**



**rompetrol**

KazMunayGas  
Group  
Member

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

phone: + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax: + (40) 241 50 69 30  
office.rafinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

## CONTENTS

### **I. BUDGET PRESENTATION FOR PETROMIDIA REFINERY**

#### **1. Executive summary**

#### **2. Petromidia Refinery overview**

- 2.1 Company presentation
- 2.2 Company history

#### **3. Marketing strategy**

- 3.1. Portfolio of products
- 3.2. Market share
- 3.3. Competition
- 3.4. Price strategy and sales

#### **4. Strategy and Objectives**

#### **5. SWOT Analysis**

#### **6. Production Plan**

### **II. BUDGET PRESENTATION OF PETROCHEMICALS DIVISION**

#### **1. Petrochemicals division overview**

#### **2. Marketing strategy**

- 2.1. Portfolio of products
- 2.2. Market share
- 2.3. Sales strategy

#### **3. Strategy and objectives**

### **III. BUDGET PRESENTATION FOR VEGA REFINERY**

#### **1. Vega Refinery overview**



**rompetrol**

KazMunayGas  
Group  
Member

ROMPETROL RAFINARE S.A.

Bulevardul Navodari, nr. 215,  
Pavilion Administrativ,  
Navodari, Judetul Constanta,  
ROMANIA

phone: + (40) 241 50 60 00

+ (40) 241 50 61 50

fax: + (40) 241 50 69 30

office.rafinare@rompetrol.com

[www.kmginternational.com](http://www.kmginternational.com)

## **2. Marketing strategy**

- 2.1. Portfolio of products
- 2.2. Market share
- 2.3. Competition
- 2.4. Price strategy and sales

## **3. Strategy and Objectives**

## **4. Production Plan**

# **IV. CONSOLIDATED BUDGET INCOME STATEMENT**



**rompetrol**

KazMungy Gas  
Group  
Member

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

phone: + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax: + (40) 241 50 69 30  
office.rafinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

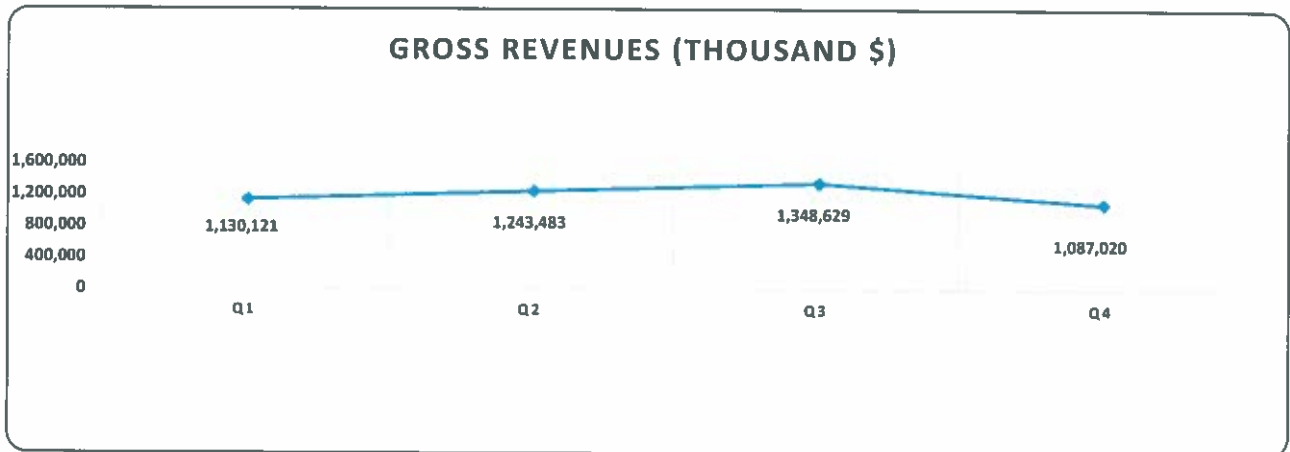
## **I. PETROMIDIA REFINERY**



## 1. Executive summary

Rompetrol Rafinare SA- Petromidia Refinery will continue its development strategies in 2019, the final target being the expansion of activities on all levels from production to marketing, as follows:

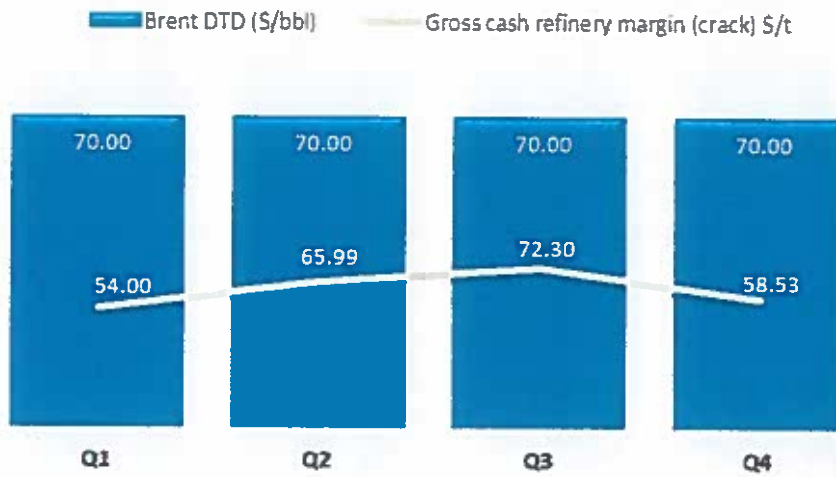
- Gross revenues of 4.809 billion USD, of which internal market 3.218 billion USD (67%) and external market 1.591 billion USD (33%), as a result of selling 5,707 thousand tons of products
- Increase of petroleum on sales internal market by 3% as against 2018 and increase of petroleum sales on external market (Georgia, Greece, Turkey, Lebanon, Bulgaria, Serbia, Moldavia) by 6% as against 2018



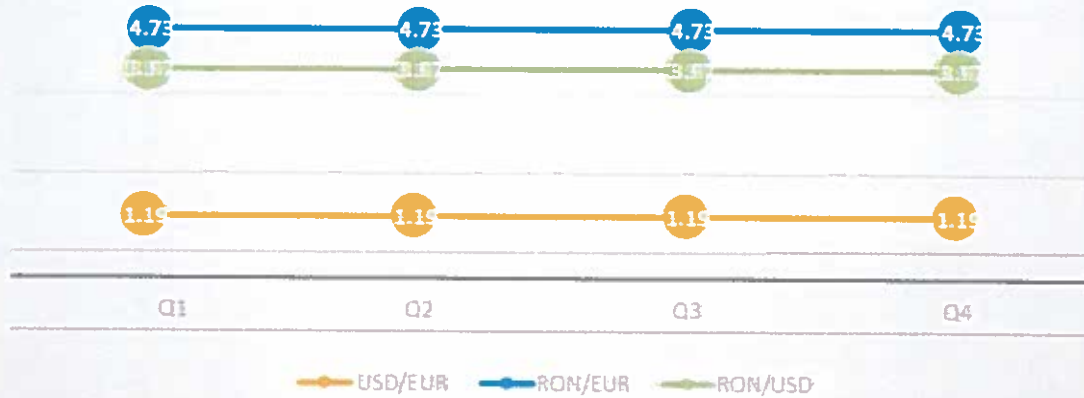
Gross revenues comprise also the value of the products that will be transferred to Vega Refinery.

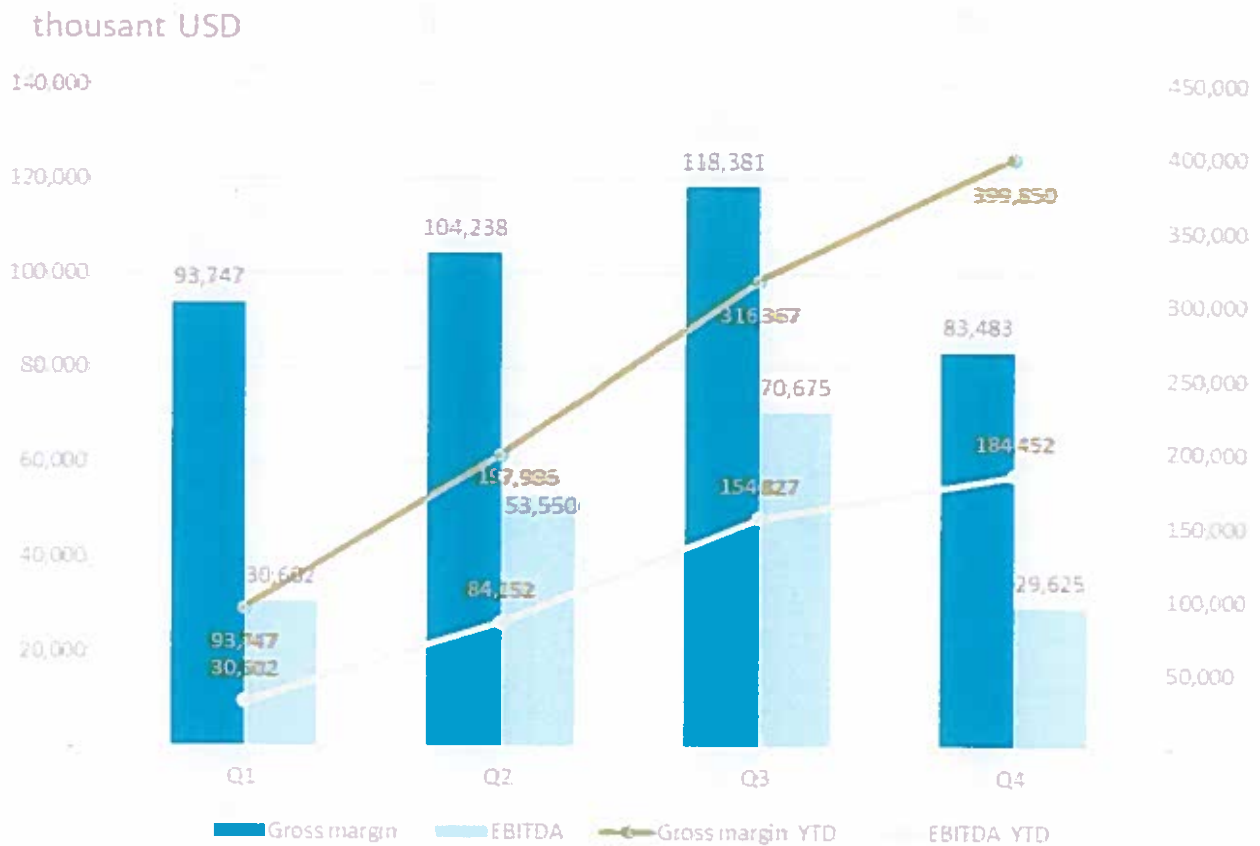


## Environment Forecast



## Exchange rate





In 2019, based on the business forecasts regarding the international quotations of crude oil and petroleum products as well as based on the budgeted production and sales plans, the company estimates that the gross refinery margin will reach 399,850 thousand USD and EBITDA will amount to 184,452 thousand USD.

## 2. Petromidia Refinery overview

### 2.1. Presentation

Petromidia Refinery is one of the largest and most complex oil refineries in Eastern and Central Europe.

Petromidia Refinery is the only refinery located on the Black Sea coast, having a competitive advantage due to access at shipping routes and inland waterways.

The crude oil supply is ensured through Midia Harbour, through the Midia Marine Terminal, company part of KMG International NV, pipeline which was given in use in February 2009. The terminal has an annual transfer capacity of 24 million tons of crude oil and ships up to 160,000 dwt can be unloaded. Alternatively, the crude oil supply can be ensured through Constanta Harbour through a 40 km long pipeline.



The processing capacity of the refinery is of 5 million tons of crude oil annually. In order to deliver oil products, our company uses multiple loading/unloading facilities such as: rail carriage, oil-pipes and auto-tanks.

## 2.2. Short history

In 2012 Rompetrol Rafinare completed the last phase of its capacity increase program for the Petromidia Refinery, named "Package 2010", from 3.8 million tons/year, to over 5 million tons/year of processed raw materials. The refinery's capacity increase investment program allows the consolidation and development of Rompetrol's presence in Central and Western Europe, in Romania, Bulgaria, Republic of Moldova, Ukraine and Georgia, where we have Rompetrol gas-stations, as well as in countries such as Turkey, Serbia or Greece.

- The main objectives of the "2010 package" were the following:
- to increase the operational capacity of the refinery to 5 mil crude oil tonnes/year
  - to meet the new EU & Romanian fuel specifications standards (Euro 5) (regulation COM(2005)683)
  - to increase the Diesel yields with 8% (from 37% to 45%)
  - to operate the Refinery according to EU and Romanian environmental requirements (BAT system) (Directive 70/220/EEC)
  - to increase the mechanical availability and reliability of the refinery.

The assumed objectives of the "2010 package" were fully realized. From the investments package we can mention:

- The New Hydrogen Plant was put into operation, the advanced plant produces hydrogen with a purity of 99.98%, which is required in order to obtain the cleaner fuels by further processing in hydrotreating units. The Hydrogen Plant is operation starting with 1st of May 2012. The raw material is CH<sub>4</sub> with a throughput of 96,800 tones/year.

- Also, the New Mild Hydrocracking unit was put into operation. The plant is the core project of the package, a complex process that combines hydrotreating and cracking at high pressure and temperatures the heavy gasoil using hydrogen. This hydrocracking process combines the necessity to convert hydrocarbons into valuable products (cracking) with the constrain of lowering sulfur in products (hydrotreating).

- The New Sulfur Recovery unit, process more sulfur crudes required in order to obtain more sulfur from fuels. The New unit is able to meet fuels new standards together with limiting the 1,000 mg/Nm<sup>3</sup> SO<sub>2</sub> emissions in air.

Were introduced in Romania starting with October 2012 the new Efix S products:

- Gasoline ALTO RON 101 was replaced by Gasoline RON 98 / Gasoline EFIX S RON 98
- Diesel ALTO 55 was replaced by Diesel 55 / Diesel EFIX S 55.





In 2013 the total throughput was 4.18 million tons higher by 3.32% against 2012. The designed capacity utilization (14,000 tons/day) was 86.18% higher by 11.68% compared with the same period of 2012, reaching also the highest average daily throughput of 12.74 kt/day.

Diesel yield significantly increased by almost 20% compared with last year. Thus, 1,9 million tons of diesel were produced in Petromidia, being the highest level ever reached in history. White products yield reported to total feedstock reached 85.6%, being also the highest level ever reached in Petromidia history, following the finalization of the investment program by:

- Delayed Coker modernisation started-up in May 2013; performance test was performed in October 2013. All the parameters respected the licensor design values. Actually, the unit operates normally.
- Installation of low NOX burners to fired refinery heaters, in order to comply with the action plan included in the environmental permit for the Rompetrol Rafinare S.A., stating a maximum emission limit of 150 mg/Nmc for NOx, the existing burners were replaced with new burners able to assure the reduction of NOx emissions to atmosphere.
- Fuel-oil / diesel segregation in the automatic railcar loading facility where is loading Euro 5 diesel and fuel-oil. Initially, product loading was performed using the same distributor and loader with the risk to contaminate the diesel. By implementing this project, the risk of contamination is eliminated, together with the need to wash the distributor and loader after every delivery of fuel oil.

Within 2014 Petromidia, part of the RRC and KMG International NV, registered in 2014 a historical record of raw material processed - more than 5 million tons. The total amount of the processed 1979 - the year of startup of the Refinery till October 2014 has exceeded 100 million tons.

Some historical records recorded by the company in 2014 include increased production of diesel - 2.43 million tons (1.91 million tons in 2013 and 1.6 million tons in 2012), Diesel yield of - 48.8% (46% in 2013, 39.6% in 2012), and also white products yield - 85.7% (85.5% in 2013, 85.4% in 2012). At the same time, the refinery has achieved an improvement in energy efficiency index - 99.8 (102.8 in 2013, 115 in 2012).

Within 2015 Petromidia Refinery part of Rompetrol Rafinare and KMG International NV reached more than 15 kt/day total feedstock processed, a record at that time for Petromidia refinery since 1979.

Other records for the company are: 85.7%wt White products yield second year in a row when was reached historical level, 98.6 Energy Intensity Index, lower ever reached yearly in history and Good performance in terms of Mechanical availability, in 2015 reached the highest level of 96.9%. The highest yield of Diesel 50% and Jet 4.4% from history.

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

- historical record for total feedstock processed of 5.925 mil tonnes, above last year record by 262 kt;



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

### 3. Marketing strategy

#### 3.1. Portfolio of products

Rompetrol Rafinare SA produces a wide range of high-quality petroleum products which are distributed to a great number of customers from natural persons to large entities. Having a vast experience in this field, the company sells a great variety of petroleum products such as:

- Efix Gasoline and Euro plus unleaded Gasoline, Gasoline RON 98 / Gasoline EFIX S RON 98
- Efix Diesel and Super Euro 5 Diesel, Diesel 55 / Diesel EFIX S 55
- C5-C6 Gas and Fuel Propane
- Propane-Propylene mixture
- Jet fuel
- Petroleum Coke
- Sulphur
- Liquefied petroleum gas GPL, Auto GPL and Commercial Propane-Butane
- Vacuum distillate

Rompetrol Rafinare has a unique offer of products that appeal to all types of customers. The company will concentrate though on large companies, both on the domestic and export markets because they ensure the highest profitability potential.

The main clients on the domestic market are: Rompetrol Downstream SRL, Rompetrol Gas SRL, OMV Petrom, MOL Romania Petroleum, Air BP Sales, Elsid SA, Uzina Termoelectrica Midia. The main export partner is: KazMunayGas Trading AG.

The Rompetrol Group regional expansion in Greece, Georgia, Turkey, Bulgaria, Moldavia, Serbia, as well as in Lebanon will ensure the growth of the portfolio of clients.



### 3.2. Market share

Rompetrol Rafinare cover approx. 41% from the Romanian refining capacities, 5 mio tones raw materials.

Rompetrol Rafinare strengths:

- Technological modernizations which ensure the constant production of high-quality products;
- The capacity to produce oil products in accordance with the European standards using appropriate imported crude oil;
- Client-oriented business strategy.

### 3.3. Competition

The main competitors of Rompetrol Rafinare are OMV-Petrom (Petrobrazi refinery), Lukoil (Petrotel refinery) refineries that have developed along with Petromidia Refinery.

### 3.4. Price strategy and sales

Market Refining Margin 1A Basket\* assumption has been set within the 2019 Budgetary exercise in accordance with latest independent market surveyor inputs (i.e. JBC Energy), at the level of 50.5\$/ton, which is by +3\$/ton better than 2018 considering the one-off nature of the quotation spikes within the year as result of the world-wide events and political turmoil, however below by -4\$/ton versus the good level refining margins realities of 2017 (i.e. 54.5\$/ton) - which was mainly triggered by major events, with the heavy spikes in Q3 2018, further to the Harvey Hurricane turning off 1/5 of the US Refining capacity (i.e. close to 5 million bpd of capacity in the USGC region), allowing European refinery margins to benefit, alongside the Shell Pernis Refinery loss of 400 kbpd over the summer'17 as result of the fire damages suffered, as well as the shutdown of the Elefsis refinery in early July due to hydrogen production unit issues.

As regards the market orientation / product placement strategy, within 2019 the company will follow the direction on further increasing the gasoline and diesel sales in Romania by 17% and decrease to external market by 4% versus 2018, with a monthly average rate of 264,332 tons on the domestic market and 211,241 tons on the export market.

\* Market refining 1A basket margin, representing the difference in between main products quotations and main feedstock quotation (Urals RCMB), weighted at budgeted yields structure; main products represented are: Gasoline, Diesel, Naphtha, LPG, Jet, Fuel oil, Propylene, Coke and Sulphur.



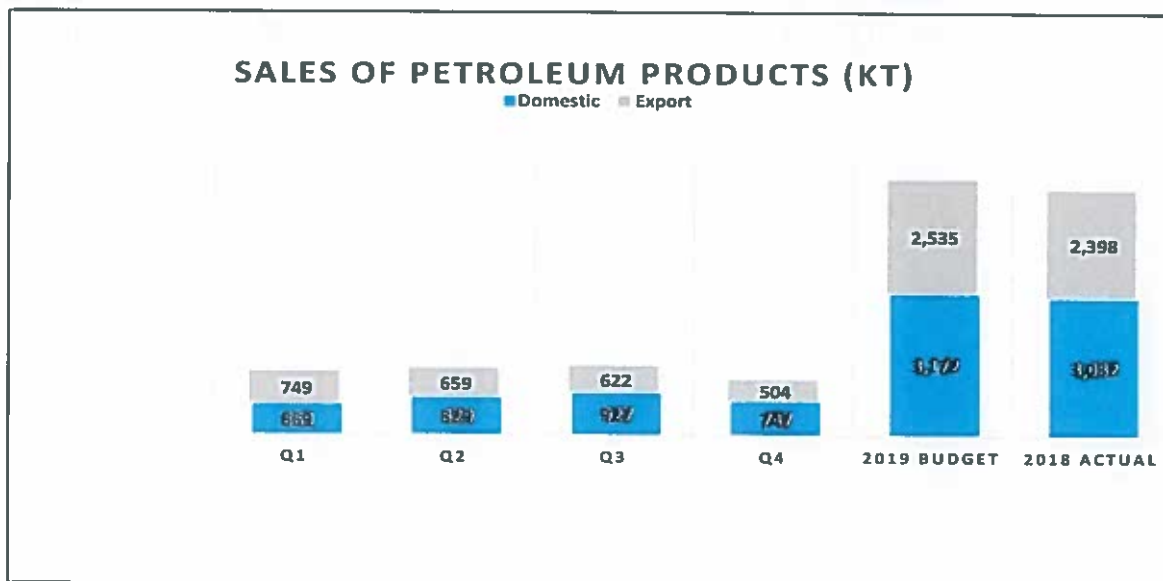
**rompetrol**

KazMunay Gas  
Group  
Member

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

phone: + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax: + (40) 241 50 69 30  
office.rafinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

Sales 2019 (kto)	Domestic	Export	Total
<b>Total products, out of which:</b>	<b>3,172</b>	<b>2,535</b>	<b>5,707</b>
Gasoline	539	1,037	1,576
Jet fuel	271	42	313
Diesel fuel	1,731	1,070	2,801
Fuel oil	141	20	161
Gases	67	-	67
Propylene	152	-	152
Liquified petroleum gas	58	233	291
Petroleum coke	213	79	292
Sulphur	-	53	53



Sales Prices 2019 (\$/t)	Domestic	Export	Total
<b>Total products, out of which:</b>	<b>635</b>	<b>610</b>	<b>624</b>
Gasoline	642	689	673
Jet fuel	727	736	728
Diesel fuel	715	652	691
Light fuel oil	-	-	-
Fuel oil	305	401	317
Vacuum distillate	-	-	-
Gases	471	-	471
Propylene	717	-	717
Liquified petroleum gas	409	352	363
Petroleum coke	115	112	115
Sulphur	-	70	70



#### **4. Strategy and objectives:**

The company strategy is to use the Group's distribution channels both on the domestic and external markets in order to increase its market share.

##### **Major objectives:**

- To maintain oil products quality in accordance with the European standards.
- To continue the energy efficiency program and technological by implementation projects our internal team, Delfin;
- To decrease processing costs to an optimal level in order to counteract the negative uncontrollable market impact inside the refinery gross margin;
- To increase mechanical availability;
- To comply with the current environmental requirements and to align to the European ones;
- To maintain a high level of safety and work protection.



**5. SWOT Analysis**

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>✓ Has the highest white products yield in the Black Sea region (86.2%); Strategic location on the Black Sea coast;</li> <li>✓ Direct access to the Danube-Black Sea Channel, the Midia port, and Constanta port (one of the largest harbours on the Black Sea)</li> <li>✓ Multiple facilities allowing crude oil reception and shipment of liquid products by railway tankers.</li> <li>✓ The new maritime terminal use for crude oil discharge, group owned.</li> <li>✓ Flexibility in obtaining various kinds of petroleum products</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>✓ High energy costs compared with other refineries in the region because the company does not have its own energy sources</li> <li>✓ Migration of specialized staff</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>✓ Expansion of the retail and wholesale Group networks;</li> <li>✓ Integration of the refinery Vega's niche products</li> <li>✓ Increase refinery processing capacity</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>✓ Major dependency on utilities providers</li> <li>✓ Oil market significant volatility</li> </ul>

**6. Production Plan**

Kto	2019 Budget	2018 Actual
<b>RAW MATERIALS</b>	<b>6,026</b>	<b>5,925</b>
Crude oil	5,300	5,028
Other raw materials	725	897
<b>PRODUCTS</b>	<b>5,694</b>	<b>5,599</b>
Gasoline	1,576	1,567
Jet fuel	300	317
Diesel fuel	2,798	2,755
Light fuel oil	-	-
Fuel oil	162	158
Distilat de vid	-	11
Gases	67	61
Propylene	152	142
Liquified petroleum gas	291	265
Petroleum coke	294	268
Sulphur	53	55

The operating plan for 2019 involves processing 6,026 thousand tons of raw materials, of which 5,300 thousand tons crude oil and 725 thousand tons of other raw materials.

<b>Crude oil &amp; other feedstock – daily average qty (mt), from which:</b>	16,973
Crude oil – daily average qty (mt)	14,931
Other feedstock - daily average qty (mt)	2,043
<b>Function-no of days</b>	355



**rompetrol**

KazMunay Gas  
Group  
Member

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

phone + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax + (40) 241 50 69 30  
office.rafinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

## 7 Working capital

The required working capital funding to be utilized for raw materials purchases will be financed through self-resources and by existing credit line facilities. Average lines utilization per each credit facility as follows:

<b>Borrower</b>	<b>Bank / Facility</b>	<b>Average Year utilization (Million USD)</b>
RRC	Banca Transilvania	3
RRC	Syndicated Loan (Unicredit, ING, BCR, Raiffeisenbank)	112
RRC	Unicredit Tiriac	25
RRC	Ing Bank	17
RRC	BCR	18
RRC	Raiffeisenbank	19
KMGT (RRC lines)	BNP Storage	68
KMGT (RRC lines)	BNP Supplemental	86
KMGT (RRC lines)	Credit Agricole	45
<b>Total Line Utilization</b>		<b>391</b>





**rompetrol**

KazMunay Gas  
Group  
Member

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

phone: + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax: + (40) 241 50 69 30  
office.rafinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

## **II. PETROCHEMICALS DIVISION**



## 1. Company Overview

Petromidia Petrochemical Complex was designed and built in the mid of 80s , being the newest in Romania at that moment, using Romanian technology and foreign technology (Mitsui, Snamprogetti, Heat Research Corporation, Pullman Kellogg etc .).

Technological flow is focused on the production of olefins (ethylene and propylene), later transformed into polyethylene and polypropylene.

The complex is split in four sections : Pyrolysis, polypropylene, High Density Polyethylene (HDPE) and Low Density Polyethylene (LDPE). Now, operating with polypropylene(PP), Low Density Polyethylene (LDPE), while the steam cracker unit, the propane-propylene splitter, operates to provide the raw material for polypropylene plant and steam generator.

Favorable location, the high synergy of integration with refinery and upgrading works, make Petrochemicals division one of the most interesting companies in this field in Central and Eastern Europe.

## 2. Marketing Strategy

### 2.1 . Product Portfolio

The Petrochemicals division activity is organized in several directions:

- production of polypropylene (PP);
- producing Low Density Polyethylene (LDPE);
- producing High Density Polyethylene (HDPE);
- trading of others petrochemical products;
- ancillary activities (production of steam and brine) .

**Polypropylene (PP)** is obtained by homopolymerization or copolymerization of propylene with microsphere or superactive catalysts at high pressure and low temperature.

Production capacity is 90,000 tons per year.

Grades produced are used for injection, blow molding, film, fiber.

- Injection grades use for: garden furniture, kitchen utensils, toys, crates, boxes, batteries, etc.
- Blow grades are used: blown bodies (drums, containers), pipes, etc.
- Film grades are used for: food packaging, clothing, bioriented film , etc.
- Fibers grades are used for: multifilaments and textile fiber with bleach and ultraviolet resistance, etc.

The product can be supplied in bags of 25 Kg, 1,000 Kg big bags, bulk in tankers or CF.

**High Density Polyethylene (HDPE)** Mitsui technology consists in two continuous mixing reactor identical size that can be operated in parallel or series.

The production capacity of the plant is 60,000 tonnes / year of polyethylene.

Produces grades of high density polyethylene which can be processed by injection, blow molding, extrusion. The main applications are: thin film, molded bodies, pipes, drums.



The product can be delivered in 25 kg bags, palletised or 1 tonne bags (big bags).

**Low density polyethylene (LDPE)** is based on technology in the polymerization of ethylene at pressures up to 2400 kg/cm<sup>2</sup>G and a temperature of maximum 300°C, in a tubular reactor in the presence of initiators: decanoyl peroxide and oxygen. The reaction is carried out with free radical mechanism and is exothermic.

The production capacity of the plant is 70,000 tonnes/year of polyethylene.

LDPE grades are used for superfine packaging film, high clarity packaging film with good transparency and luster, agricultural films, protective films, high-strength bags.

The product can be delivered in 25 kg bags, palletised or 1 tonne bags (big bags).

### 2.2 . Market Share

Petrochemicals Division continued in 2018 to be the sole producer of polymers in Romania, polypropylene and polyethylene of low and high density. Strategy developed allowed an increase in market share.

The quality and diversity of products offered, location and route distribution/delivery, technical assistance, made Petrochemicals division a reliable partner in Romania and the Black Sea region.

One of the advantages of the company is determined by its proximity to clients, providing products in Just -In- Time system, also offering technical advice and assisted monitoring of their production cycle.

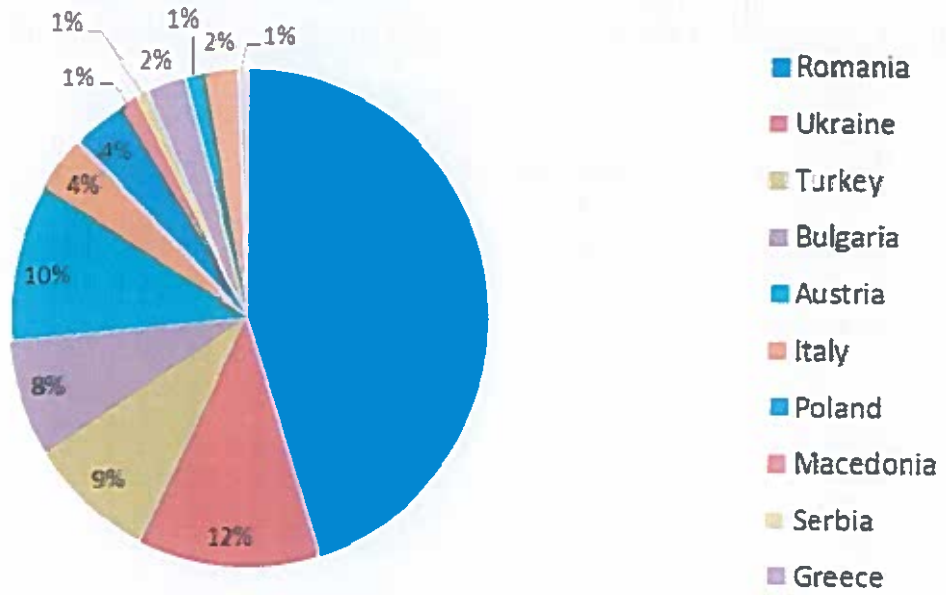
### 2.3. Sales Policy

Sales of finished goods are expected to grow in 2019 with almost 31% vs. last year (from 139,268 to in 2018 to 182,638 to in 2019) as a result of HDPE restart from july 2019.

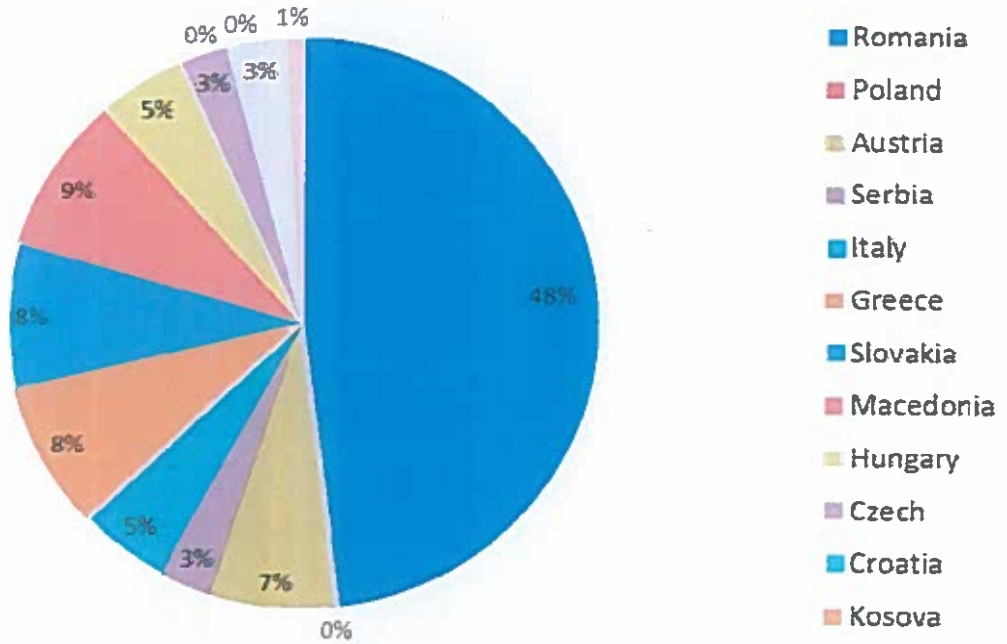
	Budget 2019	Actual 2018	2019 vs 2018	%
<b>Total Polymers</b>	<b>182,638</b>	<b>139,268</b>	<b>43,370</b>	<b>31%</b>
PP	92,040	87,287	4,753	5%
LDPE	57,193	49,311	7,882	16%
HDPE	33,404	2,669	30,735	N/A

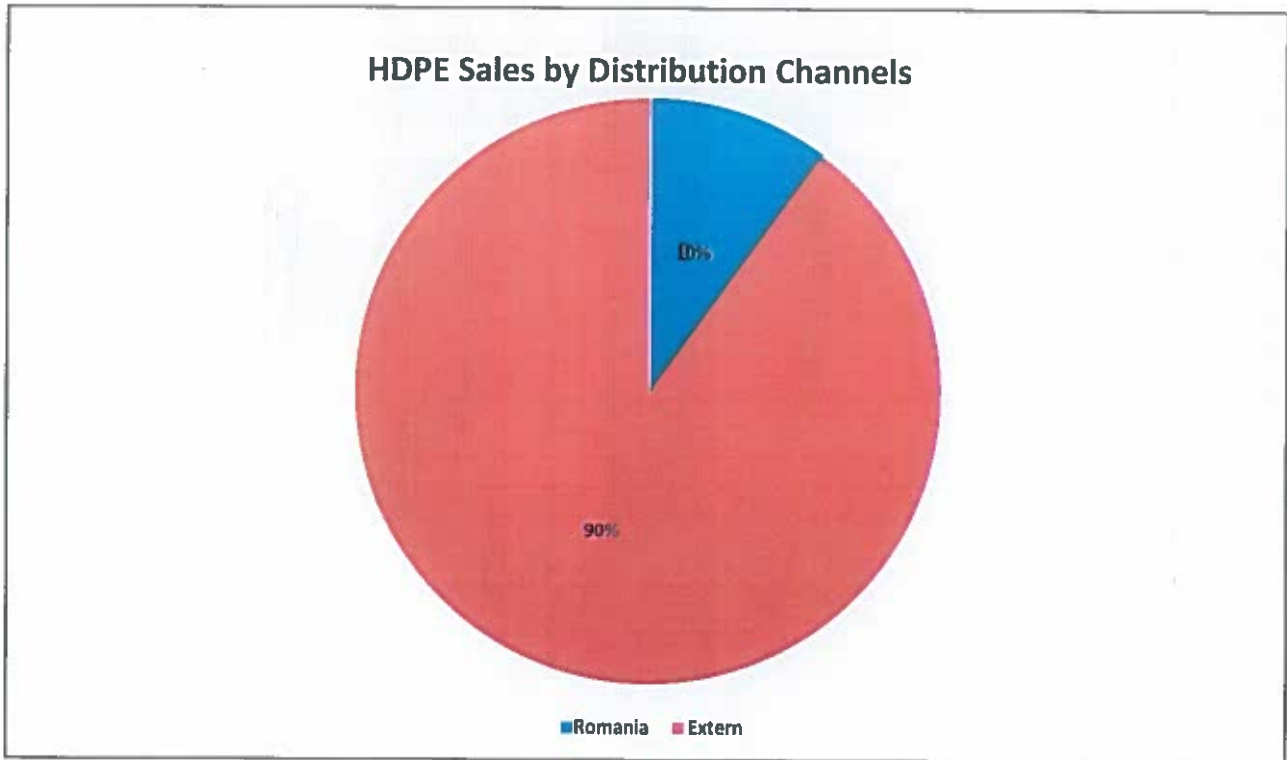


### PP Sales by Distribution Channels



### LDPE Sales by Distribution Channels





### 3. Strategy and objectives

Company strategy is to consolidate actual distribution channels, increase internal market share and lowering the quantities sold by intermediaries.

#### Major objectives:

- Increasing with 0.25 % the percentage of conformes products, which in 2018 reached 98.14%;
- Continuing energy and operational efficiency programs;
- Minimizing accidental stops;
- Environmental compliance;
- Maintaining a high level of safety and protection in work.



**rompetrol**

KazMunay Gas  
Group  
Member

ROMPETROL RAFINARE S.A.

Bulevardul Navodari, nr. 215,  
Pavilion Administrativ,  
Navodari, Judetul Constanta  
ROMANIA

phone: + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax: + (40) 241 50 69 30  
office.refinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

### **III. VEGA REFINERY**



**rompetrol**

KazMunay Gas  
Group  
Member

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

phone: + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax: + (40) 241 50 69 30  
office: rafinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

## 1. Company overview

Rompetrol Refinery - Vega Ploiesti is a refinery that focuses on obtaining niche **special products: normal hexane, ecological solvents, heating oil fuels, special bitumen**, etc.

In 2018 Vega Refinery managed to achieve operational performances such as:

- historical record for throughput of 406 kt;
- historical record for hexane production of 85 kt;
- historical record for bitumen production of 102 kt;
- highest ecological solvent production of 44 kt;
- lowest technological consumption ever reached: 0,93% wt;
- lowest energy consumption the level of 2.40 GJ/to.

In 2019 Vega Refinery will only process alternative raw materials (such as **naphtha gasoline, C5-C6 cut, slurry, jet and fuel oil**), the only units that will be functional are: Hexane, Rectification, De-aromatization, AFP, Vacuum Distillation and Bitumen.

## 2. Marketing strategy

### 2.1. Portfolio of products

Vega Refinery obtains the following range of **special products**:

- Solvents: Ecological Solvents–Rompetrol SE, Light Solvents and Normal Hexane;
- White spirit;
- Fuel Oils;
- Bitumen: Special Bitumen and polymer modified bitumen.

*Ecological solvents* are obtained in De-aromatization unit using Halterman technology (the most important manufacturer of solvents and special products in Europe).

These new products for domestic and export markets are distinguished primarily by their special qualities, being a range of solvents:

- Colourless, with vapour pressures higher or lower depending on the distillation range, which allows to obtain high quality paints;
- With a low content of olefins which allows these solvents to have good stability in time;
- Slight smell, with a low degree of toxicity, low content of aromatic hydrocarbons, especially benzene, and low-sulphur, therefore these solvents are in the range of organic products with high degree of dezaromatization.



**rompetrol**

KazMunayGas  
Group  
Member

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

phone: + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax: + (40) 241 50 69 30  
office.refinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

These solvents may be used without limitation in all industries from the chemical industry to the food, pharmaceutical and cosmetics industries also as cleaning agents in textile, leather and shoes industries. Solvent is used in order to obtain varnishes, paints and adhesives, it's a composite in polish and also is used as degreasing agent in the machine building industry, in chemical reaction media, is a component for the petrochemical industry, as well in rubber processing, allowing an organic and safe use.

*Normal Hexane* is used in polypropylene production and vegetable oil extraction in the food industry. The new quality of n-hexane obtain by Vega Refinery allows a diversification of applications, including: manufacturing and refining of fats, palm and coconut oils which result in products with low content of protein, and respectively defatted cereal germs.

*White Spirit* is used as solvent in varnishes and dyes industry, in rubber processing and in insecticide conditioning.

The fuel group includes:

- Heating fuels: an extra Calor Rompetrol Rompetrol Economic Calor 3;
- Liquid fuels: liquid fuels type 3 (CLU).

Heating fuels have a quality that is up to European standards, being at the level of any product in its class Heating Oil, which sells in the Western countries. These products are delivered directly to end users, the service being offered by Rompetrol Downstream SRL, member of Rompetrol Group.

The advantages of these products are:

- compliance with European quality standards;
- burn a long time;
- produce a high quantity of heat;
- produce fewer emissions;
- have anti-ageing features against plant depreciation;
- distribution to end users;
- financial consulting for tax incentives provided by legislation;
- territorial coverage at national level.





In 2019 bitumen sales are estimated to 103,034 tonnes, by 2% higher than the previous year, in 2018 Vega refinery reached historical record bitumen sales, of 101,328 tonnes.

The presence of polymer in bitumen leads to an increase in performance of the asphaltic sheet made with this type of binder, namely:

- increase of endurance;
- increase of toughness at constant deformations;
- increase of resistance at cracking at low temperatures;
- increase of resistance at wear and ageing;
- maintain the roughness of the rolling surface;
- improve the adherence between bitumen and cover stone.

The hydro-isolation bitumen is used in the fabrication process of bituminous cement and for waterproofing works in constructions. The citom is used as bitumen coating for metal pipes in order to protect them against corrosion.

Finished product sales are estimated to increase in 2019 vs 2018 by 4% (from 390,117 tonnes in 2018 to 407,169 tonnes in 2019) due to planned revisions.

Product	Actual 2018		Budget 2019		2019 vs. 2018	
	[tone]	%	[tone]	%	[tone]	%
Naphtha gasoline	120,638	31%	125,519	31%	4,882	4%
Hexane	83,617	21%	85,015	21%	1,398	2%
Ecological Solvents	42,938	11%	47,266	12%	4,329	10%
White spirit	6,587	2%	5,472	1%	(1,115)	-17%
Gasoil & Heating Oils	3,164	1%	4,015	1%	851	27%
Light liquid fuel	3,060	1%	4,220	1%	1,160	38%
Bitumen	101,328	26%	103,034	25%	1,705	2%
Fuel oil	28,786	7%	32,628	8%	3,841	13%
<b>Total</b>	<b>390,117</b>	<b>100</b>	<b>407,169</b>	<b>100</b>	<b>17,052</b>	<b>4%</b>

## 2.2. Market share

Vega Refinery is the only Romanian producer of:

- *Ecological Solvents* – Rompetrol SE – in 2019 the unit is estimated to function at the planned processing capacity – sales are expected to increase by 10% (from 42,938 tons in 2018 up to 47,266 tons in 2019 due to market demand).

Vega is also the only producer of normal Hexane in Eastern Europe, this product is used in polypropylene production and vegetable oil extraction in the food industry.



### 2.3. Competition

Competitors on domestic market:

- OMV Petrom –Brazi Refinery– for fuel oil and heating oil;
- MOL Ungaria, Basell Polonia, Eni Italia, Haifa Israel – for hexane, SBP, white spirit;
- Sargent Marine SRL Agigea, Transbitum SRL Mangalia, MOL Ungaria, Total SRL - Ozun, Lotus Polonia, Burgas Bulgaria, Lotos Asphalt – Terminal Sabauani, Gazprom – Rafinaria Pancevo Serbia, Orlen Asphalt – Terminal Floresti, Rafinaria Trzebinia Polonia– for bitumen

### 2.4. Price strategy and sales

In accordance with the budget assumptions, the sales markets are as follows:

Sales 2019	Budget quantity 2019 [tons]			[%]	
	DOMESTIC	EXPORT	TOTAL	DOMESTIC	EXPORT
<b>Total products out of which</b>					
Naphtha gasoline	35,000	90,519	125,519	28%	72%
Hexane	3,777	81,238	85,015	4%	96%
Ecological Solvents	600	46,666	47,266	1%	99%
White spirit	3,879	1,593	5,472	71%	29%
Gasoil & Heating Oils	4,015	0	4,015	100%	0%
Light liquid fuel	4,220	0	4,220	100%	0%
Bitumen	94,034	9,000	103,034	91%	9%
Fuel oil	26,628	6,000	32,628	82%	18%
<b>Total</b>	<b>172,153</b>	<b>235,016</b>	<b>407,169</b>	<b>42%</b>	<b>58%</b>



## Export assumptions sales 2019



Sales prices 2019 Product	Sales prices (USD/to)		
	DOMESTIC	EXPORT	TOTAL
Naphtha gasoline	496.45	517.14	511.37
Hexane	698.18	671.28	672.47
Ecological Solvents	731.45	560.03	562.20
White spirit	788.18	866.88	811.09
Gasoil & Heating Oils	706.34	-	706.34
Light liquid fuel	652.13	-	652.13
Bitumen	412.63	382.11	409.97
Fuel oil	461.28	433.18	456.12
<b>Total</b>	<b>465.76</b>	<b>573.99</b>	<b>528.23</b>

The markets and products that are sold in UE are:

- Hungary, Poland and Bulgaria for naphtha;
- Germany and Poland for ecological solvents;
- Bulgaria for heating oils, gasoil and white spirit;
- Austria, Bulgaria, Poland and Hungary for n-hexane.

Other markets:

- India, Turkey, Russia, Moldavia Republic, Belarus and Uzbekistan for n-hexane;
- Ukraine and Moldavia Republic for naphtha, ecological solvents and white spirit;

Naphtha sales represent 31% of total sales for 2019, increased by 4,882 tonnes vs. 2018.



**rompetrol**

KazMunayGas  
Group  
Member

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

phone: + (40) 241 50 60 00  
+ (40) 241 50 61 50  
fax: + (40) 241 50 69 30  
office.refinare@rompetrol.com  
[www.kmginternational.com](http://www.kmginternational.com)

### 3. Strategy and objectives:

- To maximize the gross margin for the niche products in order to bring added value to the business
- Developing near abroad markets for niche products in order to obtain higher premium price;
- Higher recovery hexane level due to good quality of Raffinate feedstock received from Petromidia refinery;
- To continue the investment program in order to: reduce the consumption of utilities, technology and to follow the foresights of environmental standards.

### 4. Production Plan:

<b>Kto</b>	<b>Budget 2019</b>	<b>Actual 2018</b>
<b>Raw materials</b>	<b>406,043</b>	<b>406,004</b>
Raw materials (from Petromidia)	406,043	406,004
<b>Finite products</b>	<b>402,169</b>	<b>397,147</b>
Ecological solvents	47,266	43,530
N-Hexane	85,015	84,539
Naphtha gasoline	125,519	120,577
White spirit	5,472	6,507
Gasoil	4,015	3,255
Light liquid fuel	4,220	3,047
Fuel oil	27,628	33,946
Bitumen	103,034	101,746
<b>Consumption</b>	<b>3,874</b>	<b>3,792</b>



**rompetrol**

KazMunayGas  
Group  
Member

ROMPETROL RAFINARE S.A.  
Bulevardul Navodari, nr 215,  
Pravilion Administrativ,  
Navodari, Județul Constana,  
ROMANIA

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

**IV. CONSOLIDATED BUDGET INCOME STATEMENT (Petromidia Refinery, Vega Refinery and petrochemicals division)**

Budget Income Statement for 2019*					
(Thousand USD)	Year 2019	Q1	Q2	Q3	Q4
Description					
<b>GROSS REVENUES</b>	4,994,850	1,143,119	1,284,252	1,414,071	1,153,409
<b>SALES TAXES</b>	(1,229,213)	(247,317)	(313,492)	(367,221)	(301,182)
Net revenues	3,765,638	895,801	970,759	1,046,850	852,227
<b>COST OF SALES</b>	(3,583,485)	(869,082)	(913,620)	(976,117)	(824,665)
<b>GROSS MARGIN</b>	182,152	26,719	57,139	70,732	27,562
<b>SELLING, GENERAL &amp; ADMINISTRATION</b>	(67,935)	(19,112)	(19,400)	(14,943)	(14,480)
<b>ADJUSTMENT Depreciation &amp; Amortization</b>	78,173	19,666	19,429	19,505	19,573
<b>EBITDA</b>	192,391	27,273	57,168	75,295	32,655
<b>EBIT/Operating Profit/(Loss)</b>	114,217	7,607	37,740	55,789	13,082
Interest & commissions, net	(46,116)	(11,268)	(11,455)	(10,449)	(12,943)
<b>PROFIT/(LOSS) Before Income Tax</b>	68,102	(3,662)	26,284	45,340	139
Deferred tax	(16,830)	0	0	0	(16,830)
<b>NET PROFIT/(LOSS)</b>	51,272	(3,662)	26,284	45,340	(16,691)

\* Budget 2019 for approved by board of directors Rompetrol Rafinare



**rompetrol**

Kazakhstan  
MunayGas  
Group  
Member

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

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

Income and expenses budget of Rompetrol Rafinare S.A. for 2019 will be subject to approval at the Ordinary General Assembly of Shareholders scheduled for April 24/25, 2019.

**THE BOARD OF DIRECTORS:**

**Chairman**  
**Meraliyev Saduokhas**



**Member**  
**Alexey Golovin**



**Member and General Manager**  
**Yedil Utekov**



**Member**  
**Mihai-Liviu Mihalache**



**Member**  
**Nicolae Bogdan Codrut Stanescu**



**Finance Manager**  
**Mircea Stefan Stanescu**



**Planning and Performance Management Director**  
**Alexandru Stavarache**



**Planning and Production Optimization Director**  
**Raluca Lainer Gavril**



**Romp petrol Rafinare**  
**Income Statement**

USD

	BUDGET*
	Year, 2019
<b>GROSS REVENUES</b>	<b>4,994,850,400</b>
SALES TAXES	(1,229,212,754)
<b>Net revenues</b>	<b>3,765,637,646</b>
<b>Purchases</b>	<b>(3,187,529,206)</b>
Purchases - crude oil and equivalents	(2,629,916,328)
Purchases - other raw materials	(551,497,832)
Purchases - auxiliary materials	(6,115,046)
Purchases - petrochemical products finished goods	-
Customs duties and commissions	-
<b>Change in inventories Purchases</b>	<b>(72,920,338)</b>
<b>= Gross Margin</b>	<b>505,188,102</b>
<b>Variable logistics Costs</b>	<b>(38,422,324)</b>
Variable logistics Costs Inbound	(26,141,775)
Variable logistics Costs Outbound	(12,280,549)
<b>= Contribution</b>	<b>466,765,779</b>
<b>Conversion&amp;Service Costs Cash</b>	<b>(209,386,980)</b>
Utilities	(129,087,256)
Maintenance	(26,352,411)
Staff costs	(27,985,741)
Other expenses	(25,961,571.62)
Depreciation Conversion	(76,094,372)
<b>Change in inventories Production</b>	<b>(11,412,482)</b>
Add back Capitalised Expenses to Capex	-
<b>= Gross Profit</b>	<b>169,871,945</b>
<b>Selling &amp; Distribution Cash</b>	<b>(5,267,451)</b>
Staff costs	(1,409,790)
Rent	(67,984)
Utilities	(530,009)
Maintenance	(845,409)
Insurance	(296,715)
IT&C	(405,619)
Other selling & distribution Cash	(1,711,925)
Depreciation Selling & Distribution	(564,373)
<b>General &amp; Admin Cash</b>	<b>(48,308,256)</b>
Staff costs and salary related taxes	(3,308,966)
Rent	(721,253)
Utilities	(518,726)
Maintenance	(717,086)
Security services (only ADMIN - Global Security Sistem)	(242,749)
Insurance	(21,637)
Local Taxes (Impozitul pe cladire - ADMIN + other taxes)	(739,869)
IT&C	(1,523,669)
Consulting & professional fees & Management fees	(25,162,449)
Sponsorships	(12,000)
Environmental services	(10,227,080)
Marketing	(55,567)
Fire protection services (Buoy, tank farm, other)	(173,671)
Other general & admin Cash	(4,883,533.75)
Depreciation General & Admin	(1,514,547)
<b>Other operating revenues/expenses</b>	<b>-</b>
Add back Depreciation	<b>78,173,292</b>
<b>= EBITDA</b>	<b>192,390,609</b>
<b>Provisions</b>	<b>-</b>
<b>= EBIT/ Operating Profit/(Loss)</b>	<b>114,217,318</b>
<b>Interest &amp; commissions, net</b>	<b>(46,115,519)</b>
<b>=EBT</b>	<b>68,101,799</b>
<b>Profit tax (Deferred tax)</b>	<b>(16,830,000)</b>
<b>Minority interest</b>	<b>-</b>
<b>= Net profit/(Loss)</b>	<b>51,271,799</b>

\* Internal Plan 2019 for approved by board of directors

**THE BOARD OF DIRECTORS:**

**Chairman**  
**Meraliyev Saduokhas**

**Member**  
**Alexey Golovin**

**Member and General Manager**  
**Yedii Utekov**

**Member**  
**Mihai-Liviu Mihalache**

**Member**  
**Nicolae Bogdan Codrut Stanescu**

**Finance Manager**  
**Mircea Stefan Stanescu**

**Planning and Performance Management Director**  
**Alexandru Stavarache**

**Planning and Production Optimization Director**  
**Raluca Lainer Gayril**

