



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

**Biannual Report of the Board of Directors  
for the first half of 2019**

**Prepared by in accordance with Annex 14 of Regulation no. 5/2018 issued by the  
Financial Supervisory Authority**

Name of the trade company: **ROMPETROL RAFINARE S.A.**  
Registered office: **215 Năvodari Blvd., Pavilion Administrativ,  
NĂVODARI, Constanța County**  
Telephone number: **0241/50 61 50**  
Facsimile number: **0241/50 69 30**  
Sole registration code with the Trade Register Office: **RO1860712**  
Trade Register number: **J13/534/05.02.1991**  
Subscribed and paid share capital: **LEI 4,410,920,572.6**  
Regulated market on which the securities are traded: **Bucharest Stock Exchange**  
Shares market symbol: **RRC**

**General description and objectives:**

In the first semester of 2019, the activity of Rompetrol Rafinare, a company of the KMG International Group, relied on the main budget assumptions.

The quantity of raw materials processed in the first half of 2019 by Rompetrol Rafinare (Refineries Petromidia and Vega as well as the Petrochemical Plant) was approximately 3.103 million tonnes, of which approximately 2.718 million crude oil, as compared to a total global level of 3.08 million tonnes, of which approximately 2.67 million tonnes of crude oil, in the first semester of 2018.

For the entire year 2019, the Petromidia Refinery has planned to process approximately 6.025 million tonnes of raw materials, of which 5.3 million tonnes of crude oil, the Vega Refinery approximately 0.406 million tonnes, and the Petrochemical Plant approximately 0.245 million tonnes.

**On 29 June 2019, the Petromidia Refinery, the main asset of the KMG International Group and the largest and state-of-the-art refinery in South-eastern Europe, celebrated 40 years of activity. On 29 June 1979, after four years of considerable effort, the first installation in the refinery was commissioned – Atmospheric Distillation and the first barrel of crude oil was processed. It was then that the dream of an entire generation of**



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

oilmen became reality and anticipated four decades of substantial effort and unprecedented results.

In the period 2009 – 2012, after the takeover of the company by KazMunayGas, a major investment programme was initiated following which the Petromidia Refinery increased its refinery capacity from 3.5 to 5 million tonnes a year.

**Short history**

- |             |   |
|-------------|---|
| 1975        | ➤ Decree no. 363 to establish the Năvodari Petrochemical Plant (Combinatul Petrochimic Năvodari) is signed  |
| 1976        | ➤ Land consolidation works are commenced on the spot of the future Năvodari Petrochemical Plant   |
| 1977 - 1978 | ➤ Construction works and staff recruitment for the new Năvodari Petrochemical Plant continue  |
| 1979        | ➤ 29 July – the first day of crude oil processing – the first installation – Atmospheric Distillation – is commissioned together with the facilities in the technological flow, crude oil, gasoline, gas oil, fuel oil tanks. The resulting products were sold on the domestic market and exported through the Constanța terminal |
| 1982 - 1989 | ➤ The works are completed and the first installations are commissioned: gasoline hydrofining, catalytic reforming and gas fractionation (1982); extraction, aromatics separation and sulphur recovery (1983); catalytic cracking  |
| 1990        | ➤ After 1990, the Company share capital is divided between FPS (State Property Fund) – 70% and FPP (Private Property Fund) – 30%  |
| ‘90s        | ➤ Both the internal and the external markets were dramatically restructured, and the raw materials requirements for the synthetic wire and fibre industry decreased significantly. The activity on the Midia platform was redirected to fuel and polymer production.  |
| 1996 - 1997 | ➤ Petromidia is placed on the liquidation list, however a decision is made towards privatization, after top level interventions   |



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.**

**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

- |       |  |
|-------|--|
| 2001  | ➤ The Rompetrol Group takes over the Petromidia Refinery and starts a complex accelerated restructuring and modernisation process  |
| 2000s | ➤ The automatization process is commenced with the implementation of distributed control systems (DCS)   |
| 2002  | ➤ The first internship session takes place   |
| 2003  | ➤ Rompetrol Rafinare becomes the state-of-the-art refinery in Romania (White Chart of Privatization) and is awarded the title of “Central and Eastern Europe’s Refinery of the Year” by the World Refining Association as a recognition of the restructuring and modernisation process   |
|       | ➤ The automatic gasoline line mixing installation is commissioned  |
| 2004  | ➤ Rompetrol Rafinare is listed with the Bucharest Stock Exchange. Due to the interest from investors and the positive share trend, the Company is included in the select BET index   |
|       | ➤ The Control Unit is built – Romania’s first – which is meant to monitor all the data from the platform units by automatization of the refining and petro-chemistry operations  |
| 2005  | ➤ The Refinery completes a new series of successful investments of USD 30 million. By 2009, this large modernization programme would reach a USD 200 million level, increasing the processing capacity by 30% per year, the automatization degree of the Petromidia refinery would increase, the yield of the entire production capacity would enhance, a more strict control of the product quality would be gained and the impact of the refining activity on the environment would decrease |
| 2006  | ➤ Petromidia becomes the first local refinery to obtain Euro 5 gas oil (3 years before the legal deadline for compliance with European standards)  |
| 2007  | ➤ KMG acquires 75% of the shares in the Rompetrol Group  |
| 2008  | ➤ Rompetrol Rafinare starts to manufacture Euro 5 (less than 10ppm sulphur concentration), with an investment exceeding USD 40 million   |

**rompetrol**KazMunayGas  
Group  
Member**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

2009	➤ KMG acquires the total shares in the Rompetrol Group
2008 - 2012	➤ The most important technology project was the modernisation and the increase of the refining capacity up to 5 million tonnes per year, worth more than USD 450 million
2014	➤ Historical record: more than 5 million tonnes of raw materials processed, the largest quantity processed in a Romanian refinery
2015	➤ Results better than expected: the highest quantity of raw materials processed daily (> 15,000 tonnes); the highest record for white oil products (85.7%); the best energy intensity index (98.6%)
2016	➤ Best year in history: record-breaking gasoline and gas oil production at the lowest processing costs in the past 10 years
2017	➤ The largest quantity of white products (gasoline, gas oil, jet fuel) – 4.88 million tonnes and energy intensity index 99.96%
2018	➤ 11 new records: The Petromidia Năvodari Refinery recorded 11 new business records, with historical levels reached on processed raw materials (5.92 million tonnes), oil products obtained (5.78 million tonnes), gasoline production (1.36 million tonnes) and gas oil (2.75 million tonnes), jet fuel (317 thousand tonnes), white goods yield (86.2%), refining capacity utilisation degree (91.98%). These include the improvement of the energy efficiency index - EEI (96.1%) and the reduction of technological losses (0.83% wt).

**The objectives of Rompetrol Rafinare investment program for the first half of 2019:**

The investment program of Rompetrol Refinery accomplished in the first semester of 2019 was in the amount of USD 19.57 million, as follows:

D) From the category of compulsory investments required by environmental and safety regulations, in the first semester of 2019:

- The project “Expire authorization ISCIR (State Inspection for Control of Boilers, Pressure Vessels and Lifting Installations) for static equipment Refinery Platform (ISCIR PEM 2019-2020)” started, a project that consists in the

**ROMPETROL RAFINARE S.A.****REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

reauthorization of pipes and technological units equipment, according to the ISCIR requirements in force; in addition will carry out VTP (Technical Periodic Verification) activities and elaborate technical documentation for the extension of ISCIR due date to equipment due in 2019 and 2020. The project will be finalized in December, 2020

- In the frame of the Master Plan for the rehabilitation of the entire infrastructure of the water supply network for the Petromidia refinery it was started the project **“Fire-fighting Water Main Replacement section T003”**. The project scope is to perform replacement and rehabilitation of the firefighting civil and mechanical infrastructure, according to the established priorities for 2019, for T003 section, based on the project design. The project will be finished in November 2019.
- The implementation of project **“LPG (Liquefied Petroleum Gas) recovery from DCU (Delayed Coker Unit) gases”** continued. The project goal is to reduce amount of organic sulphurs in the fuel gas before the amine scrubbing. By implementing this project Refinery will comply with environmental regulations - Law 278/2013 Art 21 (4) that is amended by Decision 738/2014 regarding the best available techniques (BAT) under Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions for the refining of mineral oil and gas that the operators have 4 years (from the publication of BAT decision-2014), to reduce the content of organic sulphur compounds in DCU gas before the amine scrubbing, below 20mg/Nm<sup>3</sup> for all furnaces (exception SRU (Sulphur Recovery Unit), FCC (Fluid Catalytic Cracker), FH2 (Hydrogen Plant)) at stacks. Reducing total sulphur in the fuel gas will result in reduction of SO<sub>2</sub> content in the stack. The project was finished at the beginning of July 2019.
- The implementation of the project **“VEGA Vapor recovery system at railway loading point”** continued. The project scope is mounting of vapor recovery system, replacing of loading/unloading arms, purchasing and mounting of a pump and a skid for recovery of vapors, to comply with environmental legislation HG 568/2001 regarding reducing the emissions of volatile organic compounds at a value of 0.15 g/Nmc with benzene monitoring. The project estimated finish date is September, 2019.
- The implementation of the project **“Purchase Incinerator in Bitumen unit, Vega Platform”** started. The project scope is purchasing and mounting in Bitumen unit of an incineration system. The incinerator contains the burning room, heat recovery system and a scrubber for washing the stack flue gases, in order to reduce emissions in the atmosphere and therefor framing the conditions imposed by AIM, apply best practices (BAT) set for bitumen production units. The project estimated finish is February, 2021.



**ROMPETROL RAFINARE S.A.****REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

II) In the Development category, one of mainly project is **“100C1 Atmospheric distillation column- increase heat removal from gasoil PA (pump around) and replacing pumps 100P3A and R for CDU unit (Crude Distillation Unit)”** The project objective is to assure a constant operation of Crude Distillation Unit (CDU) at maximum throughput (maximum throughput following project implementation is 15.700 tons/day), to increase operability and reliability of 100-C1 Atmospheric Distillation Column, to proper recovery / increased yield of GasOil (Diesel) product when CDU is operated at high/ maximum capacity and / or when Unit is processing a Crude Recipe with high Diesel potential and to allow column operating parameters adjustment is such a way to avoid Corrosion phenomenon presence at the equipment top section. The project estimated finish date is July, 2020.

- The implementation of the project **“Maximize usage of 185 unit (Amine and Sulphur Recovery Unit) condensate thermal potential”** continue and Phase II was started. The project objective is to increase Refinery Energy Efficiency Index (EII), reducing EII with 0.29 points, by maximizing usage of condensate from amine unit. In Phase 1 it was developed Basic Design and also a Simulation Report was performed, to find out all the constraints of system configuration and to verify the initial assumptions and benefits as well. The estimated finish date for phase II is July 2020.
- It was continued the implementation of the project **„Modernization of the In Line Blending Unit-Implementation”**. This project’s scope is to rehabilitate existing infrastructure of the In - Line Blending in order to make the system, fully operational, controlled and automated process to obtain quality products, to optimize the blends composition to the lowest price of the product, with a greater control over the giveaway and reducing in the same time re-blending operations and to maintain and assure the system reliability at the lowest cost possible for at least the next five years. The project was finalized in June 2019.
- It was continued the implementation of project **„New High Pressure pipelines (36 barg) between Refinery (UTM limit-node A ) and Petrochemicals (node H)”** – Phase 2. The scope of the project is to replace the existing 36 barg - High Pressure steam pipeline (1,200 m, Dn 350) with a smaller diameter pipe (Dn 200), between the node A in the Refinery and the node H in the Petrochemicals. The benefits of this project implementation will be to assure the high pressure steam proper parameters for all consumers. The estimated finish date for phase 2 is July 2020.

III) In the Capital Maintenance category, a very important place is **“2020 Refinery General Turnaround (TA)”** project, technological shut down for equipment’s periodic inspections, catalysts replacement, maintenance, etc.

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

To attain, maintain and improve Refinery Objectives, it is imperative and mandatory (compulsory) to enforce control over our refinery maintenance plan execution, to improve their technical availability indicator. A special attention should be paid to energy efficiency and technological losses indicators, as well as to continue the activity of increasing the performance efficiency of some units.

RRCL Board of Directors adopted in May 15, 2018 a new strategy for planning the General Turnarounds and Shutdowns between 2018-2026 by reducing the actual cycle of 5 years to 4 years for General Turnaround, respectively to establish a Shutdown between 2 General Turnarounds, every 2 years.

The Refinery General Turnaround scheduled for 2020 will take into consideration a series of cyclical activities, which will be split in 2 phases.

Phase I - will comprise precise works and activities as follows:

- Catalysts replacement/regeneration - All the works related to replacement of catalyst with new one or regenerated for the one who are at the end of lifetime - in order to keep higher diesel/gasoline of yield production, and to obtain more valuable products
- Operational works – Other activities, not related to maintenance repairs or revamp, but are required in order to achieve a good efficiency for Refinery, mandatory activities in order to prevent any damage or failure of equipment due to corrosion, erosion, deposits from technological process.
- Maintenance – Usual repairs and inspection necessary for equipment static/dynamics and pipes that cannot be performed during units operation
- Capital Maintenance – equipment's that will be replaced only in shutdown period.
- Capex or Improvement project – implementation of CAPEX projects that can be done only with plants shutdown

Phase II - Is comprising additional and unexpected/found works – which will appear after we will opening the equipments and/ or will be identified by the inspections programs performed until the date of start for the effective General Turnaround 2020.

Phase II will be performed in parallel with Phase I.

Project start-up - from commercial point-of-view, project start up should be aligned with Trading to minimize effect on sales.

Project timeline - due to very high volume of work according to the preliminary Turnaround schedule are necessary 40 days for mechanical works.

Within this project, the benefits are as follows:

- Refinery operation at nameplate capacity, 5 mil t/year and according to the group bussines strategy until next planned shutdown and future objectives in terms of



**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

- increased processing capacities (in 2020 – 5,600,000 t/year feedstock processed) with improved mechanical availability
- Maintain Refinery at its nominal monthly capacity
  - Reduce routine maintenance costs.
  - Maintain units safe and normal operating conditions until next planned shutdown.
  - Improve efficiency of plant within high mechanical availability.
  - Increase reliability / availability of equipment during operation.
  - Safety—zero incidents (human accidents or damage to equipment).
- It was started the program „**Refinery static equipment rehabilitation**”. The main activity of the program is the execution and replacement of the priority static equipment for a proper functioning of the refinery units. This project aims increasing the mechanical availability of the refinery, in order to have a high level of equipment functioning in safety conditions and to maintain the refinery operating capacity at its nominal level. The estimated finish date is April 2020.

**IV) A very important place is held by projects from ”Storage and logistics” area:**

- The implementation of the CF Ramp rehabilitation program (Objective 430) projects continued. The packet of projects consist of the following projects **„Increase railway diesel loading capacity”, „Revamp Fuel Oil ramp to relocate black products from automated ramp”, „Rehabilitation of fuel oil ramp facilities”**.

The scope of the packet projects is to:

- Upgrade and modernize the old fuel ramp for diesel for export market operations loading, which will allow extra 15 kt/month of diesel loadings on Automated Railway Ramp.
  - Revamp the fuel oil ramp in order to relocate the black products from Automated Ramp.
  - Create condition for proper operation of the revamped fuel oil ramp according to legal regulation in force from safety point of view.
- The project package finished on May 2019

**The objectives of Rompetrol Rafinare regarding quality, health, labour security and environment (QHSE), set for 2019 are the following:**

- ✓ **Certification / maintenance of certifications:**
- Energy Management System in accordance with ISO 50001





**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

- o Quality-Environment-Occupational Health and Safety Management System (QHSE) according to ISO 9001, 14001 & OHSAS 18001
- o International Sustainability & Carbon Certification (ISCC) Management System, in terms of the sustainability requirements of the 2009/28 / EC (RED)
- ✓ **Increase profitability:**
  - o **Petromidia refinery** by processing **6.03** million tons of raw materials per year and achieving a white product yield of **86.05%**
  - o **Vega refinery** by processing **406,000** tons of raw materials
  - o **Petrochemistry** by obtaining **92,000** tons of polypropylene
- ✓ **Maintain certifications for motor fuels and bitumens**, according to legal and regulatory requirements
- ✓ **Exclusive use** of sustainable biofuels in fuel production
- ✓ **Revision of:**
  - o Integrated Environment Permit for Petromidia and Vega refineries
  - o GES Permit for Petromidia site
- ✓ **Maintaining / updating REACH registration dossiers** of chemical substances and disseminating information provided by CONCAWE in line with ECHA requirements
- ✓ **Improvement of waste management** by reaching the targets set in order to respect the assumed generation rate
- ✓ **Elaboration of supporting documentation** for requesting the allocation of CO2 certificates free of charge for Phase IV (2021-2025)
- ✓ **Identification of emission sources** from technological installations in order to reduce fugitive emissions of VOC by extending the LDAR project
- ✓ **Achieving an energy consumption** for BU Refining at the planned level of 3.38 GJ / t throughput
- ✓ **Increase in energy efficiency** by obtaining a 95.2% energy intensity indicator for the Petromidia Refinery and an energy index of 2.48 GJ / t for Vega refinery and 17.23GJ / t for petrochemicals.
- ✓ **"Zero" fatal accidents** and **"Zero" professional diseases** on Petromidia and Vega Platforms



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

- ✓ **Maintain** the effectiveness of the "1.LIFE" safety project by performing at **least 2000** safety audits
- ✓ **Improving** the management system by extending the **LOTO project** on Petromidia Platform

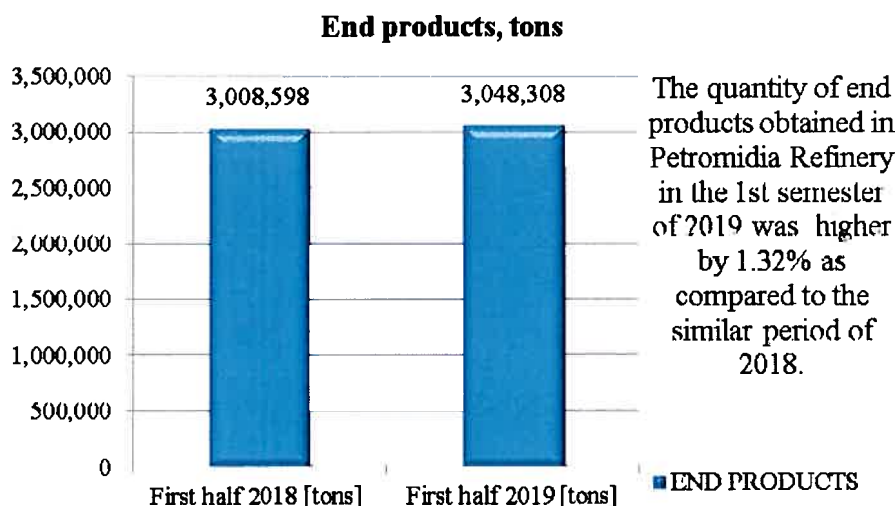
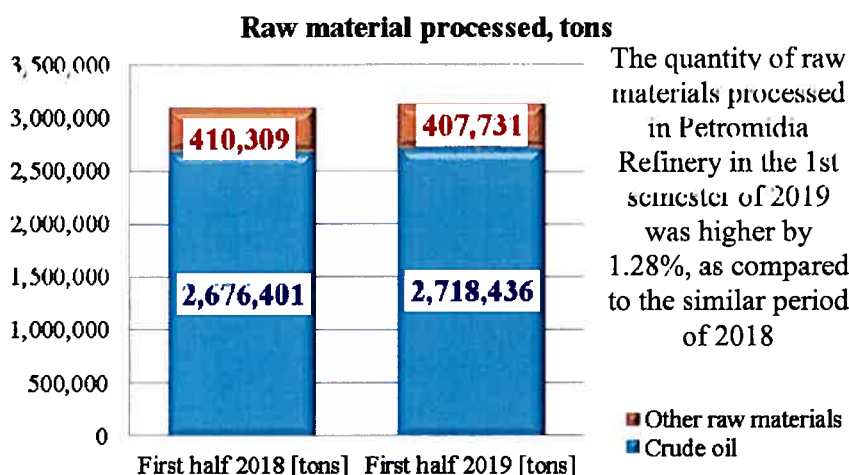


**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

**PRODUCTION ACTIVITY of Rompetrol Rafinare – Năvodari Work Point (Petromidia Refinery) – in the 1<sup>st</sup> Half of 2019**





**rompetrol**

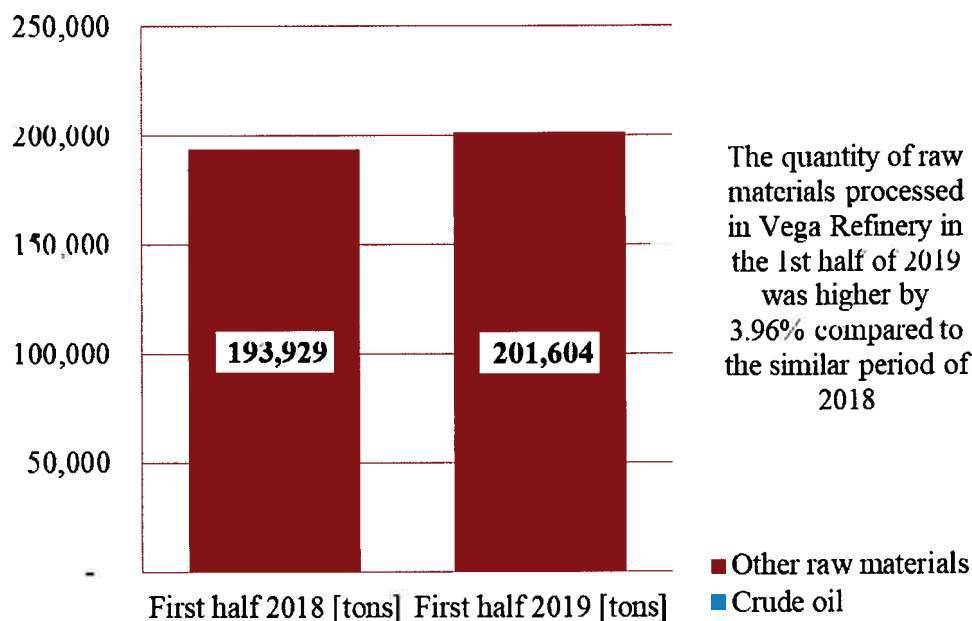
Kellogg  
Group  
Member

**ROMPETROL RAFINARE S.A.**

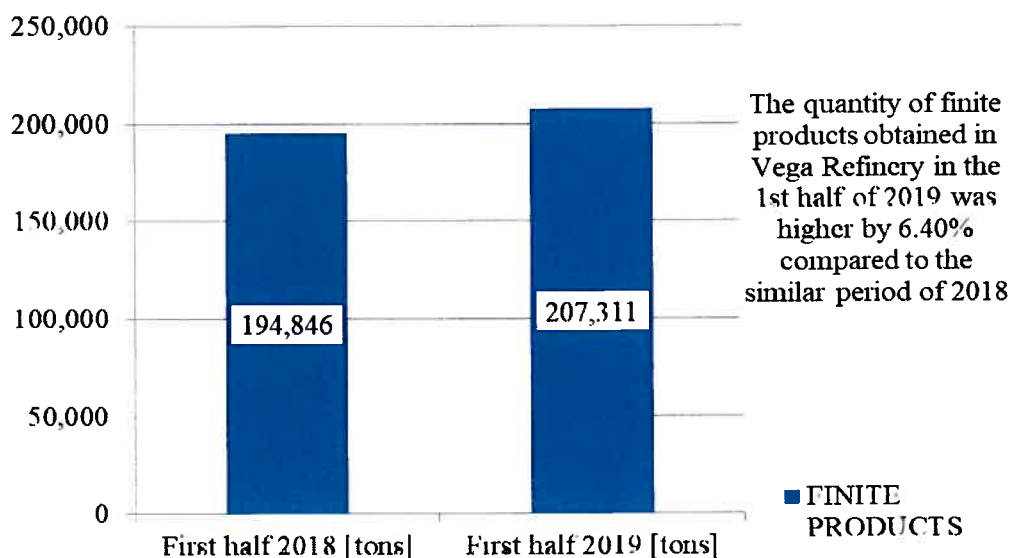
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

**PRODUCTION ACTIVITY of Rompetrol Rafinare – Vega Refinery Work Point (located in Ploiesti) - in the 1<sup>st</sup> Half of 2019**

**Submitted raw materials, tons**



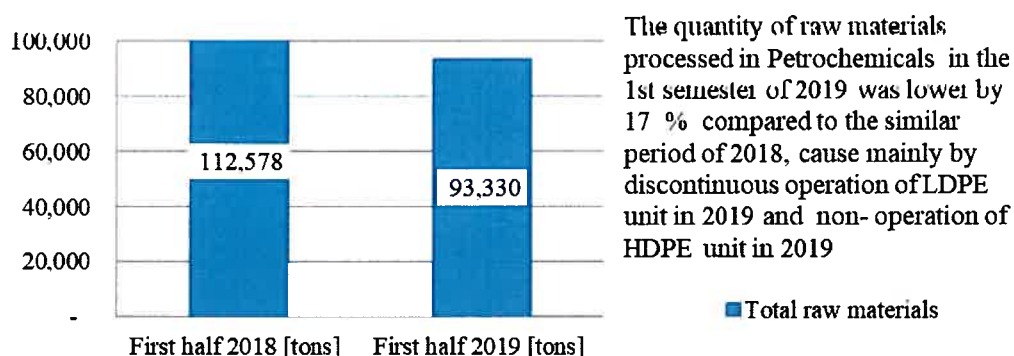
**Finite products, tons**



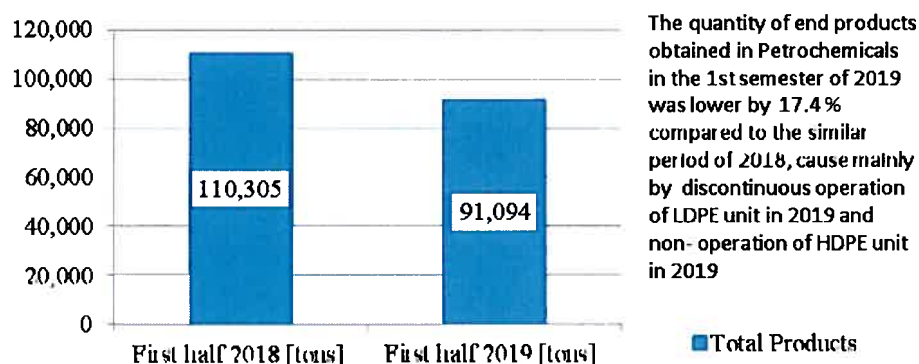
**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

**PRODUCTION ACTIVITY of Rompetrol Rafinare – Petrochemicals area -  
in the 1<sup>st</sup> Half of 2019**

**Processed raw materials, tons**



**End products, tons**





**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**


---

**COMMERCIAL ACTIVITY carried out at Năvodari Work Point  
(Petromidia Refinery) in the 1<sup>st</sup> Half of 2019**
**A. Feedstock supply**

In the first half of 2019, Rompetrol Rafinare S A. – Petromidia Refinery purchased crude oil and other feedstock from external and domestic sources, as indicated in the table below:

Feed stock purchases	Quantity (tons)
1.Crude oil	2,731,339
2.Other feedstock	321,624
<b>3.Total external purchases (1+2)</b>	<b>3,052,963</b>
<b>4.Total internal purchases</b>	<b>54,525</b>

In the first half of 2019, crude oil purchases were slightly higher than the same period of last year.



## **ROMPETROL RAFINARE S.A. REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

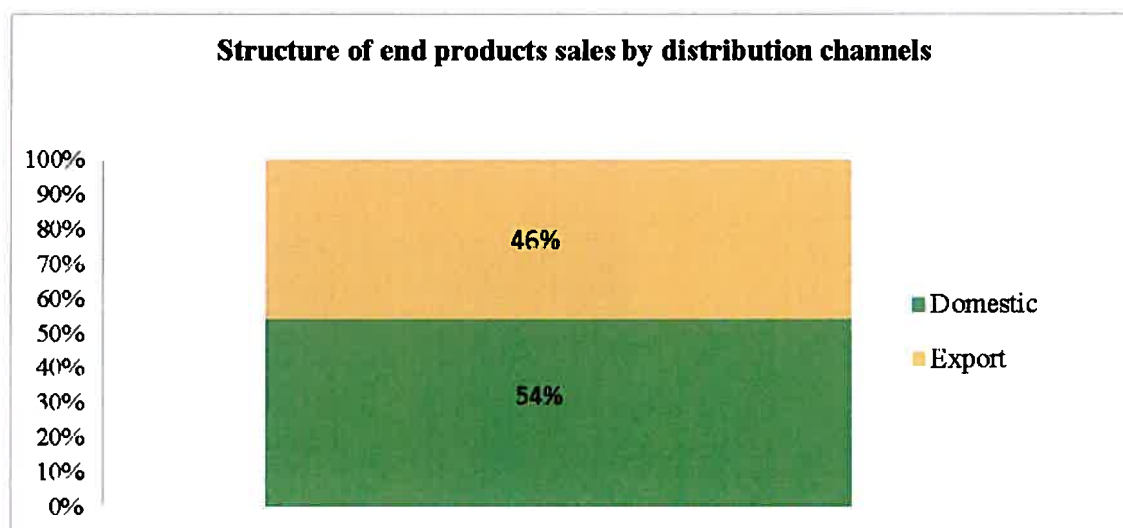
The supplier of imported feedstock (crude) was KazMunayGas Trading AG.  
The main internal suppliers of feedstock were:

- OMV Petrom
- Prio Biocombustibil
- Expur S A
- Socar Petroleum

### **B. Sales**

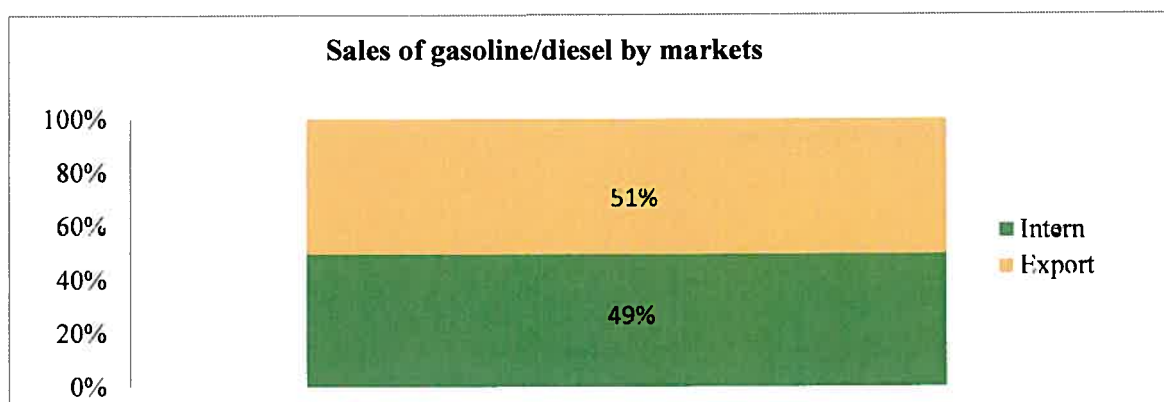
The sales in the first half of 2019 amounted to a total of 2,671,146 tons as compared to 2,663,845 tons in the same period in 2018. The net value of end product sales was 1,537,612,656 USD as compared to 1,616,268,633 USD in the first half of 2018, respectively 6,460,232,170 RON as compared to 6,225,413,215 RON in the first half of 2018. Volumes of sales in 2019 were closely to those performed in the same period of 2018.

In terms of sales markets, the share of domestic sales was higher (54%) than external market. On the external markets, sales amounted to a total 1,232,472 tons and a net value of 683,509,643 USD.

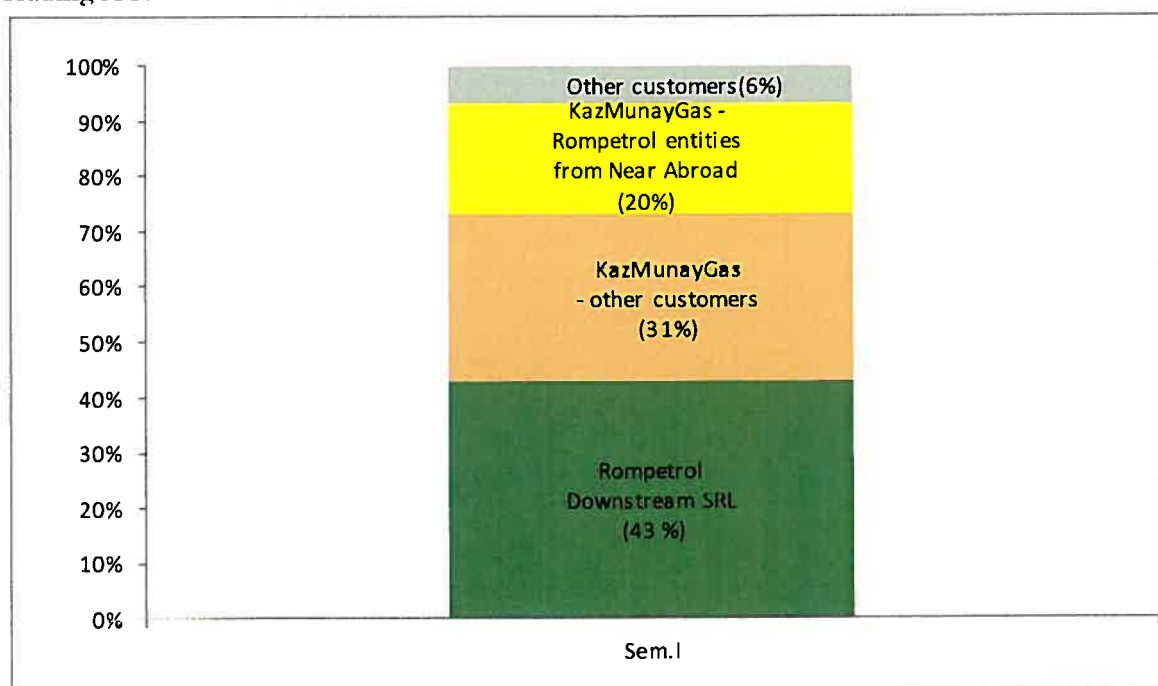


**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

Approximately 79% of the total quantity of end products sold was represented by gasoline and diesel sales (2,116,439 tons). As concerns the distribution channels, the shares were relatively close, with 51% for the external market. On the external market, 1,073,676 tons of motor fuels (gasoline and diesel) were sold.



As concerns the distribution channels, the highest volume of gasoline/diesel was sold to Rompetrol Downstream, followed by export sales made through the affiliate KazMunaiGaz Trading AG.





**rompetrol**

KozMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

**Gasoline**

Of the total quantity of 688,224 tons of gasoline sold, approx. 76% was sold on the external market, whereas the remaining percentage was sold on the domestic market. Approx. 67% of the total quantity of gasoline was unleaded Europlus gasoline 10 ppm sulphur

**Diesel**

Between January and June 2019, were sold 1,428,215 tons of motor diesel, the percentage of domestic sales (61%) exceeding that of external sales.

**LPG**

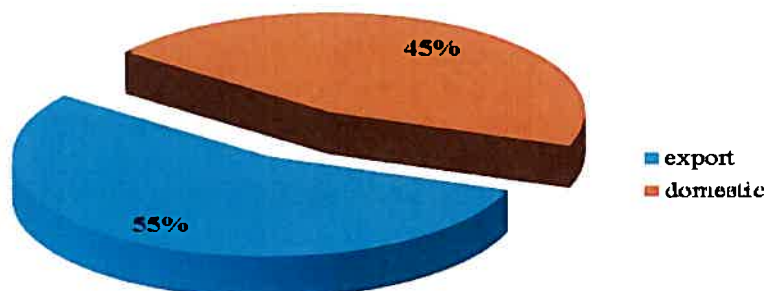
A total of 144,752 tons of liquefied petroleum gases was sold to Rompetrol Gas.

As concerns the other groups of products, the domestic sales were higher than the external ones for jet, petcoke and lower than the external ones for sulphur.

**COMMERCIAL ACTIVITY carried out at Vega Refinery (in Ploiești) in the 1<sup>st</sup> Half of 2019**

The sales of Vega Refinery in Ploiești in the first half of 2019 amounted to a total of 209,996 tons. By sales market, the external sales were higher (55%) than the internal ones (45%). 115,126 tons were sold on the external market.

**Sales on distribution markets [%]**





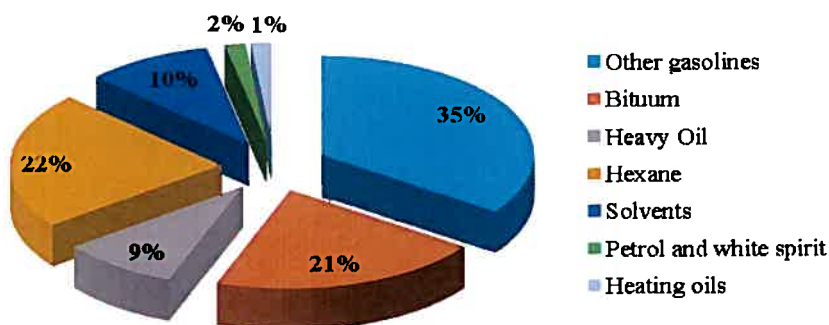
**rompetrol**

KazMunayGas  
Group  
Member

## **ROMPETROL RAFINARE S.A. REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

White product sales (gasoline naphtha, ecologic solvents, n-hexane, white spirit) represented about 68% of the total sales in first half of 2019.

**Sales on products [%]**



The main external sales markets were: India, Hungary, Germany, Slovakia, Czech Republic, Turkey, Bulgaria.

### **COMMERCIAL ACTIVITY carried out in Petrochemicals Area in the 1<sup>st</sup> Half of 2019**

Rompetrol Rafinare Petrochemicals Area is the single producer of polypropylene (PP) and polyethylene (LDPE, HDPE) in Romania.

Besides its own products, the Company is now actively selling a wide range of petrochemical products which are not currently produced by the Rompetrol Rafinare – the Petrochemical Plant, but which are in demand on the Romanian market, namely: high density polyethylene variants (HDPE pipe variants), linear low density polyethylene (LLDPE), PVC, PET and PP.

The sales of the Petrochemicals Area in the first half of 2019 amounted to a total quantity of 79,963 tons.





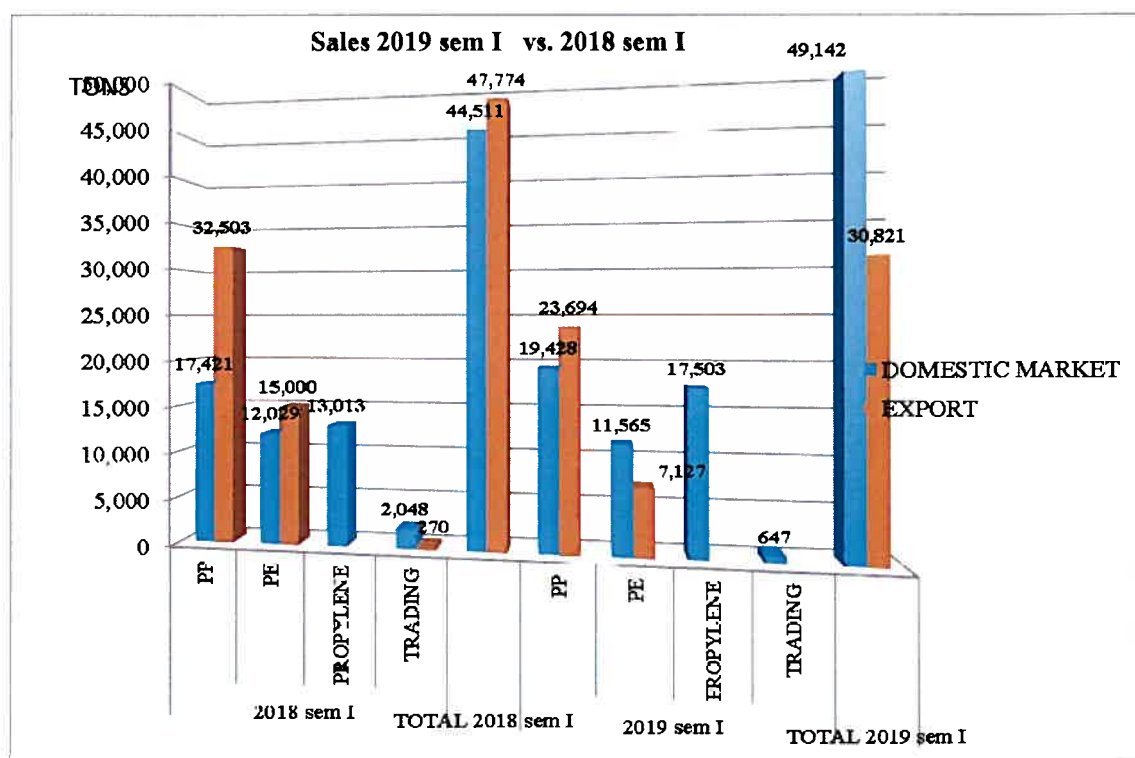
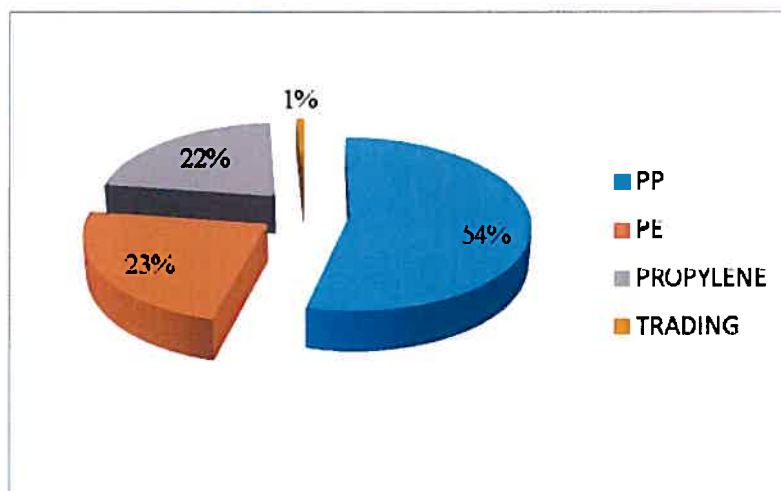
**rompetrol**

KazMunayGas  
Group  
Member

## ROMPETROL RAFINARE S.A.

### REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019

In the first half of 2019, 54% of the total sales were represented by polypropylene (PP), 23% by polyethylene (PE: LDPE and HDPE) and the remaining 23% represents the sales of propylene and trading activity.



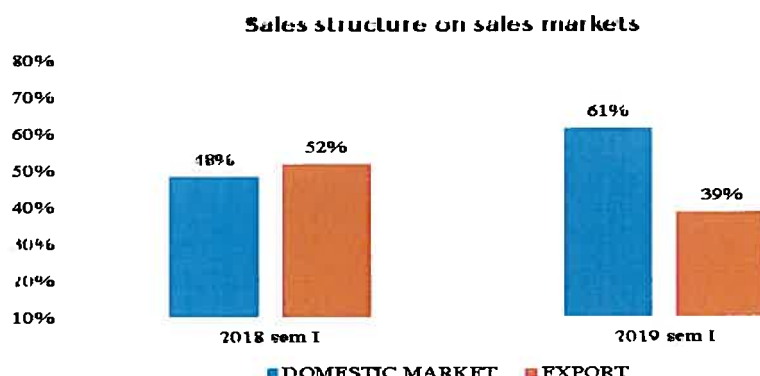


**rompetrol**

KazMunayGas  
Group  
Member

## **ROMPETROL RAFINARE S.A. REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

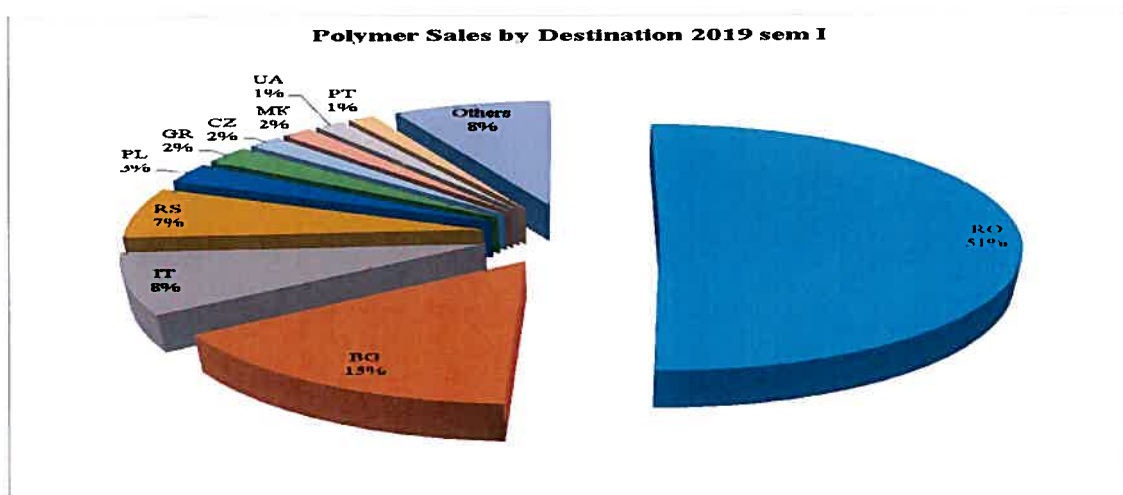
Out of total sales, 61% is the domestic market and the rest of 39% represents exports. There is a change in the sales structure compare to first half of 2018 in terms of distributing a larger percentage of products on the domestic market.



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

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 76% of the total export sales of finished goods, the difference representing the export sales on the non EU markets.

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



**rompetrol**KazMunayGas  
Group  
Member**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019****IMPORTANT EVENTS - FIRST SEMESTER 2019****1. RELATED PARTIES**

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. There have been no guarantees provided or received for any related party receivables or payables. For the exercise ended at 30 June 2019, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties (2018: zero). This assessment is performed every year, by analyzing the financial position of the related party and the market in which it is carrying on its activity.

A. At 30 June 2019 and 31 December 2018, Rompetrol Rafinare SA had the following balances with the related parties:

	<b>Receivables and other assets</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
KazMunayGas Trading AG	653,759,033	585,840,054
Rompetrol Downstream S.R.L.	576,165,279	559,577,571
Rompetrol Petrochemicals S.R.L.	1,686	1,657
KMG International N.V.	3,536,680	4,734,170
Rompetrol Gas SRL	7,025,715	3,379,906
Rompetrol Moldova ICS	32,415,125	-
Rompetrol Bulgaria JSC	7,364,199	172,301
Rominserv S.R.L.	10,883,266	14,685,653
Rompetrol Quality Control S.R.L.	571,473	142,898
Rompetrol Logistics S.R.L.	13,135	8,764
Midia Marine Terminal S.R.L.	158,258	1,053,210
Uzina Termoelectrica Midia S.A.	7,764,268	12,897,191
KMG Rompetrol SRL	13,883,169	41,822,492
Global Security Systems S.A.	606,980	607,225
Kazmunaygas – Engineering I I P (former Rominserv Kazakhstan)	699,356	685,045
Palplast S.A.	4,349,745	4,901,334
Byron Shipping Ltd.	3,590	4,302
Rompetrol Ukraina	15,747	15,425
Oilfield Exploration Business Solutions S.A.	2,822,872	2,583,952
Rompetrol Financial Group SRL	10,600	10,431
KMG Rompetrol Services Center SRL	53,587	52,139
TRG Petrol Ticaret Anonim Sirketi	12,871,959	15,359,133
<b>Total</b>	<b>1,334,975,722</b>	<b>1,248,534,853</b>

**ROMPETROL RAFINARE S.A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

	<b>Payables, loans and other liabilities</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
KazMunayGas Trading AG	3,445,647,437	2,738,264,220
Rompetrol Downstream S.R.L.	27,687,931	124,373,373
Rompetrol Petrochemicals S.R.L.	8,440,871	8,440,871
KMG International N.V.- loans	52,631,302	243,663,781
KMG International N.V. interest	4,208,857	8,415,029
KMG International N.V.-interest hybrid loan	69,291,612	69,291,612
KMG International N.V.-trade debts	18,314,535	18,003,466
Rompetrol Gas SRL	2,114,132	22,140,921
Rompetrol Moldova ICS	29,535,577	6,851,705
Rominerv S.R.L.	72,041,775	168,152,011
Rompetrol Quality Control S.R.L.	13,823,321	12,801,524
Rompetrol Logistics S.R.L.	583,407	490,857
Midia Marine Terminal S.R.L.- loans	27,211,100	27,211,100
Midia Marine Terminal S.R.L.-interest	149,888	6,782,733
Midia Marine Terminal S.R.L.-trade debts	14,774,311	151,732,497
Rompetrol Well Services S.A. - loans	-	34,300,000
Uzina Termoelectrica Midia S.A.	15,218,134	31,816,349
KMG Rompetrol SRL debt cash pooling	753,392,238	433,543,620
KMG Rompetrol SRL-interest cash pooling	2,976,252	1,361,012
KMG Rompetrol SRL-trade debts	21,278,472	23,057,982
Global Security Systems S.A.	820,451	620,700
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans	10,000,000	115,000,000
Rompetrol Financial Group SRL-interest	5,740,304	2,746,271
KMG Rompetrol Services Center SRL	2,325,465	3,274,809
TRG Petrol Ticaret Anonim Sirketi	10,346	10,753
<b>Total</b>	<b>4,598,217,784</b>	<b>4,252,347,263</b>

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the “Coordinating company” and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2020.

**ROMPETROL RAFINARE S.A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

**B.** In the first semester of 2019, respectively in the first semester of 2018, Rompetrol Rafinare had the following transactions with the related parties:

Name of related party	Nature of transaction , sales / purchases	Sales		Purchases	
		S1 2019	S1 2018	S1 2019	S1 2018
KazMunayGas Trading AG	Raw materials / Petroleum products	2,222,351,519	2,497,575,231	6,395,993,690	5,840,991,217
Rompetrol Downstream S.R.L.	Petroleum products, rent, utilities and other	2,513,702,924	2,369,567,394	1,115,152	1,262,880
Rompetrol Petrochemicals S R L	Rent, utilities and other	8,555	8,377	-	-
KMG International N V	Loan interest management services	-	-	10,202,419	12,795,174
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	215,478,195	238,074,021	579,981	263,566
Rompetrol Moldova ICS	Sales intermediary services	464,588,543	401,987,891	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	51,846,342	18,605,458	-	-
Rominerv S.R.L.	Acquisition and maintenance of fixed assets	1,376,195	1,226,051	139,899,070	111,013,303
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	1,164,551	660,063	14,580,252	11,654,692
Rompetrol Logistics S.R.L.	Transport, rent/Rent, utilities	8,084	6,898	82,162	82,162
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, re-invoicing, loan interest ,others	883,236	1,003,884	32,907,789	40,491,737
Rompetrol Well Services S.A.	Loan interest	-	-	799,095	906,140
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	44,484,976	35,771,819	56,666,002	62,813,692
KMG Rompetrol S.R.L.	Loan interest, management services	5,560,944	3,010,574	65,740,382	57,804,727
Global Security Systems S.A.	Security and protection services	756	692	5,559,737	5,309,493
Oilfield Exploration Business Solutions S.A.		-	-	-	-
Byron Shipping S R L	Demurrage /Rent, reinvoices of other services	20,086	19,013	2,440	2,828
Rompetrol Financial Group SRL	Loan interest	-	-	2,994,033	3,035,936
Romoi S.A.	Reinvoicing bank loan fees	-	43,489	-	4,000
KMG Rompetrol Services Center SRL	Shared services	271,908	249,040	8,497,348	7,786,983
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	32,285	61,608,315	-	-
		<b>5,521,770,000</b>	<b>5,620,418,210</b>	<b>6,715,619,550</b>	<b>6,156,218,531</b>

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, based on a Government Ordinance, the Ministry of Economy Trade and Business Environment ("MECMA") became shareholder until May 2013 when, following the reorganization of MECMA, the Ministry of Economy ("ME") became the new shareholder. The ministry was later renamed as Ministry of Energy, Small- and Medium-sized Enterprises and Business Environment. Its current name is Ministry of Energy.





**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

As a result MITR, MECMA, ME and Other Authorities are considered to be a related party of the Group. There are no transactions, balance sheets at the year-end in relation with MFPR, MECMA, ME and other Romanian authorities during the time of their affiliation, other than those arising from Romanian fiscal and legislation requirements.

As for the purchases in the relationship with affiliated parties amounting to RON 6,735,619,550 registered in the first half of the year 2019 compared to RON 6,156,218,531 in the first half of 2018, it recorded a 9% increase, which is mainly due to transactions with KazMunayGas Trading AG, the main supplier of crude oil and other raw materials to Rompetrol Rafinare SA. In the context of the slight increase in crude oil processed by the Company and appreciation of USD related to the national currency (RON) on average by 9% in the first half of 2019 compared to the same period of 2018, the value of transactions performed with KazMunayGas Trading AG rose nearly 10% in the first six months of 2019 compared to value registered in the same period of 2018, the crude oil supply being contracted in USD currency.

Regarding the sales in the relationship with affiliated parties amounting to RON 5,521,779,099 registered in the first half of the year 2019 compared to RON 5,629,418,210 in the first half of 2018, characterized by a slight decrease of 2%, is mainly due to sales of petroleum products. The main clients of Rompetrol Rafinare S.A. are represented by KazMunayGas Trading AG, Rompetrol Downstream S.R.L., Rompetrol Gas SRL, Rompetrol Bulgaria and Rompetrol Moldova ICS. Slight reduction of transactions with the affiliated parties in the first 6 months of the year 2019 versus the same period of 2018 is due to a change in the structure of the company's sales, overall the share of domestic sales increasing in comparison to the same period of last year (both from transactions conducted with affiliated parties and with third parties), while registering a reduction in export sales (the highest share in export sales being represented by transactions conducted with the company affiliated KazMunayGas Trading AG, which recorded a decrease of about 11% in the first half of the year 2019 compared to the first half of 2018). Overall, sales registered an easy 3% increase in the first 6 months of the year 2019 compared to the same period of last year.

## **2. LEGAL MATTERS**

### **Litigation with the State involving criminal charges**

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain former shareholders directors, managers and external censors of Rompetrol Rafinare S A and other individuals; these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized judicial expertise), currently undergoing the criminal prosecution phase. At the present date, only one

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

of the directors of the Company who is involved in the investigation, still works for KMG International Group

The charges brought against the defendants upon the initiation of the criminal investigations were:

- a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Parent;
- b) unlawful statement of excises and other debts to the state budget;
- c) incorrect keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
- d) adoption of GEO no. 118/2003.

Considering the above-mentioned charges, a freezing order were issued by DIICOT and received on 9 10 May 2016 (the “Orders”), whereby it was decided to impose a seizure (freezing of the assets) on the movable and immovable assets of KMG International N.V., Rompetrol Rafinare SA and Oilfield Exploration Business Solutions SA (former Rompetrol SA) as well as over the shares these companies held in their Romanian subsidiaries.

The freezing of the assets does not impact the inventories, receivables and the bank account of Rompetrol Rafinare and this allows to the company to continue normally the day by day operations.

Rompetrol Rafinare challenged the asset freeze in Court. After two hearings in front of the Constanta Court, the case was assigned to be settled by the High Court of Justice and Cassation, who rejected in full the challenging submitted by Group’s subsidiaries on June 17, 2016.

Meanwhile, the companies also challenged on May 30, 2016 the Orders to the superior prosecutor. The submission was rejected in December 2016.

Considering the nature of the allegations submitted by DIICOT, the KMG companies applied for a motion of disjoining (cerere de disjungere in Romanian) in order to have two different cases which shall settle the allegations for RRC’ privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by RRC (OUG 118/2003). No reply received yet from DIICOT on this topic.

Since the KMG companies had no capacity in the file till 2016 and it seems the entire process (with minor exceptions) of gathering the evidences by DIICOT have been performed before May 2016, the Companies submitted on April 7, 2017 their own application for, on the one hand, evidences to be attached to the file in order to defend and one the other hand to be

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

redone some evidences (such as expertise report) performed before 2016. No reply received yet from DIICOT on this topic.

On April 12, 2017, the companies submitted also their application by which they asked the dismissals of the allegations regarding the OUG 248/200 (regarding the privatization of RRC) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which the Court settled that the legislative process, as well as the aspects regarding the opportunity and/or lawfulness of a deed issued either by the Parliament and Government cannot be subject of a criminal inquiry and the Constitution provides other leverages assigned to other public authorities to control such kind of things. No reply received yet from DIICOT on this topic.

On May 10 and June 28, 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC privatization and post-privatization period, privatization of Vega refinery and the issuance of bonds (OUG 118/2003), intra-companies transactions and budgetary taxes and duties.

On July 17, 2017 DIICOT issued an Ordinance which generally keeps the approach of the Orders issued in 2016 but let the civil parties namely, Ministry of Energy and Ministry of Finance, to provide the figures for the alleged damage they incurred as well as the evidences for supporting any alleged damage. The only alleged damage party which requested the alleged damage is Faber Invest & Trade, by its legal representative, for an amount of USD 96.6 million.

A statement of defense against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.

On April 12, 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated July 17, 2017, September 18, 2017 and December 6, 2017 issued by the in-charge prosecutor of the file by which it was an extension of the inquiry to various individuals and/or some of the criminal offences have been approached in a worse manner for some of the defendants. Considering that those 3 ordinances cancelled have as background the April 2016 Ordinance issued by in-charge prosecutor by which the freezing orders were imposed over the assets of KMGI, the Group companies KMG International N.V., RRC, OEBS have submitted on April 20, 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the asset freeze. On May 22, 2018 the Court rejected again the challenges submitted by the Group. An appeal against this court resolution was submitted to assess from constitutional point of view if a legal provision based on which the challenges were rejected match with the Constitution principles. The first hearing of the appeal was scheduled for October 8, 2018. The court postponed the issuance of a resolution for October 22, 2018 when the Court rejected the forwarding of the case to the Constitutional Court as well.

**ROMPETROL RAFINARE S.A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

A similar challenge was submitted on November 23, 2018. On December 04, 2018 the prosecutor agreed in principle with a partial release of the seizure provided that an expertise will be performed, and the final report will show that the value of the assets frozen exceed the alleged claims. The report was submitted to DIICOT on March 15, 2019. A new request for partial release of seizure was filed in on April 8, 2019.

A new ordinance was issued by DIICOT on November 9, 2018 which changes the legal framework for all deeds investigated in the case.

On 22 April 2019 DIICOT issued an ordinance whereby all participations held by the company to its subsidiaries, as well as part of the movable and immovable property of the company were released from the criminal seizure.

On July 22, 2016 NC KMG and KMGI submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty.

The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. Should a settlement between KMGI and Romania fail to be reached, the case will be referred to and settled by the International Centre for Settlement of Investment Disputes under World Bank, headquartered in Washington, D.C or to the Arbitration Institute of the Stockholm Chamber of Commerce, in line with the provisions of the treaties and with KMG companies' envisaged reliefs and measures to be obtained.



**rompetrol**

KazMunayGas  
Group  
Member

## **ROMPETROL RAFINARE S.A. REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

### **1. The economic and financial situation**

The turnover registered as of June 30, 2019 amounts to RON 7,247,881,365, as compared to RON 7,042,049,375, reached in the first semester of 2018 (rising by 3%), under the conditions of processing a slightly higher quantity of crude oil and other raw materials (also slightly higher quantities of Production and sales) than in the first semester of 2018 (approx. 1.3% more) at the level of the Petromidia refinery.

**In the 1st semester of 2019, the company registered an operational profit of RON 12,331,410, in declining compared to the first semester of 2018 when recorded a profit of RON 130,268,291.**

In the first semester of 2019, the company recorded a net loss in the amount of RON 138,211,518 similar to the first semester of 2018 when Rompetrol Rafinare S.A. recorded a net loss of RON 61,687,886. The net negative result of the first semester 2019 was significantly influenced by lower refinery margins compared to the same period of the last year, being also significantly influenced by the unfavourable exchange rate differences.

During the semester I 2019 the financial expenses have exceeded the financial revenue, finally obtaining a loss from the financial activity in the amount of RON 150,542,928, being also significantly influenced by the unfavourable exchange rate differences. The financial indicators registered as of June 30, 2019 include the results from the activity of the Refinery and Petrochemical Plants on the Navodari platform, as well as of the Vega Refinery in Ploiesti.

#### **a) Balance sheet indicators:**

At the end of the first semester of 2019, the Company's non-current assets amount to RON 5,369,662,590, slightly lower as compared to December 31, 2018.

As of June 30<sup>th</sup>, 2019, current assets are in amount of RON 2,803,754,154, registering an increase of approximately 18% more than the level at the end of 2018. This is mainly due to the increase in value of the receivables (from RON 1,530,215,763 on 31.12.2018, to RON 1,749,191,662 at June 30, 2019).

The liabilities payable in a period of 1 year increased from a value of RON 4,570,759,280 at 31.12.2018 to RON 4,971,438,944 on June 30, 2019 (by approximately 9%). This increase is mainly due to the value increase of commercial debts (from RON 3,936,412,324 at 31.12.2018 to the value of RON 4,749,813,693 at 30.06.2019).

Long-term debts recorder an increase of about 13% at 30.06.2019 (RON 1,008,985,818) compared to 31.12.2018 (RON 894,161,920), mainly due to the increase of loans from long-



**rompetrol**KazMinerCo  
Group  
Member**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

term banks by about 22% from the level of RON 489,405,927 at 31.12.2018 to the value of RON 598,491,377 at 30.06.2019.

As regards provisions, they shall record at 30.06.2019 the same value as the 31.12.2018.

**a) Balance sheet indicators**

	<i>Lei</i> <b>June 30, 2019</b>	<i>Lei</i> <b>December 31, 2018</b>
Intangible assets	17,555,651	17,940,585
Goodwill	152,720	152,720
Property, plant and equipment	3,553,290,578	3,622,505,369
Rights of use assets	6,611,551	-
Financial assets	1,629,020,055	1,629,020,055
Deferred tax asset	163,026,035	163,026,035
<b>Total non current assets</b>	<b>5,369,662,590</b>	<b>5,432,644,764</b>
Inventories, net	1,035,664,780	816,566,125
Receivables and prepayments, net	1,749,191,662	1,530,215,763
Derivative Financial Instruments	-	6,197,265
Cash and cash equivalents	18,897,712	19,450,444
<b>Total current assets</b>	<b>2,803,754,154</b>	<b>2,372,429,597</b>
<b>TOTAL ASSETS</b>	<b>8,173,416,744</b>	<b>7,805,074,361</b>
Subscribed share capital	4,410,920,573	4,410,920,573
Share premium	232,637,107	232,637,107
Revaluation reserves	546,880,439	566,948,566
Other reserves	3,402,780,981	3,408,959,991
Accumulated losses	(6,262,015,600)	(6,049,107,446)
Current year result	(138,211,518)	(230,205,630)
<b>Total equity</b>	<b>2,192,991,982</b>	<b>2,340,153,161</b>
Hybrid loan - long-term portion	69,291,612	69,291,612
Long-term borrowings from banks	598,491,377	489,405,927
Provisions	335,464,381	335,464,381
Long-term lease debts	5,738,448	-
<b>Total non-current liabilities</b>	<b>1,008,985,818</b>	<b>894,161,920</b>
Trade and other payables	4,749,813,693	3,936,412,324
Contract liabilities	60,589,198	89,334,760
Short-term lease debts	3,481,810	-
Derivatives	6,849,150	-
Short-term borrowings from affiliates	99,941,451	438,118,914
Short-term borrowings from banks	50,763,642	106,893,282
<b>Total current liabilities</b>	<b>4,971,438,944</b>	<b>4,570,759,280</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,173,416,744</b>	<b>7,805,074,361</b>



**rompetrol**KazMunayGas  
Group  
Member**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019****b) Financial indicators**

	<i>Lei</i> <u>January - June 2019</u>	<i>Lei</i> <u>January - June 2018</u>
<b>Net revenues from contracts with customers</b>	<b>7,247,881,365</b>	<b>7,042,049,375</b>
Gross revenues from the sale of finished oil products	9,418,394,729	9,073,642,867
Revenues from other merchandise sales	3,398,595	11,989,117
Revenues from utilities sold	4,658,669	4,411,695
Revenues from the sale other products	495,012	300,321
Revenues from other services	6,501,585	6,696,280
<b>Gross Revenues</b>	<b>9,433,448,590</b>	<b>9,097,040,280</b>
Less sales taxes	(2,185,567,225)	(2,054,990,905)
<b>Total</b>	<b><u>7,247,881,365</u></b>	<b><u>7,042,049,375</u></b>
<b>COST OF SALES</b>	<b>(7,110,502,660)</b>	<b>(6,753,284,460)</b>
<b>out of which</b>		
Crude oil and other raw materials	6,596,401,074	6,318,058,378
Utilities	242,835,488	204,062,085
<b>Gross profit/(loss)</b>	<b>137,378,705</b>	<b>288,764,915</b>
Selling, general and administrative expenses	(159,788,304)	(148,336,813)
Other operating expenses	(27,571,235)	(33,252,613)
Other operating income	62,312,243	23,092,802
<b>Operating profit/ (loss)</b>	<b><u>12,331,410</u></b>	<b><u>130,268,291</u></b>
Financial expenses	(105,982,484)	(78,522,932)
Financial revenues	11,312,236	6,355,816
Net foreign exchange gains / (losses)	(55,872,680)	(119,789,061)
<b>Profit/(Loss) before income tax</b>	<b><u>(138,211,518)</u></b>	<b><u>(61,687,886)</u></b>
Deferred tax	-	-
<b>Net Profit/(Loss)</b>	<b><u>(138,211,518)</u></b>	<b><u>(61,687,886)</u></b>

**c) cash flow: all the changes occurred at the cash level within the basic business, financial investments and operations, the cash level at the beginning and at the end of the period**



**rompetrol**

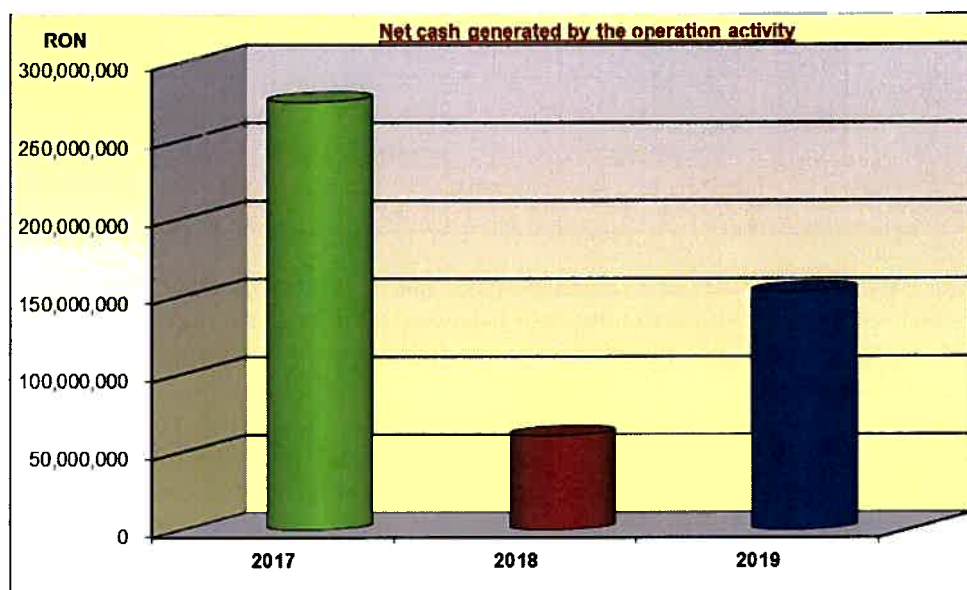
KeizMuncyGen  
Group  
Member

## **ROMPETROL RAFINARE S.A.**

### **REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

In the first semester of 2019, the net situation of cash flows reflects the company's effort to harmonize efficiently the cash needs from the operating activity with a balanced funding policy.

Cash flows from the operating activity have been influenced by the lower refinery margins in the first 2019 semester compared to first semester of 2018, as well by the increase in commercial debts, while increasing of commercial receivables and stock value. At the end of the first semester of 2019, the Brent quote of crude oil has reached USD 66.1/barrel, as compared to the end of the first semester of 2018 when it amounted to USD 77.9/barrel.



In the first semester of 2019 Rompetrol Rafinare SA continued implementing new technologies allowing processing of various types of crude and obtaining new products at the quality imposed by the European standards, as well as the increase yield in white products. A permanent concern was the aligning with the requirements of the European Union and compliance with the requirements of the EU Directives regarding the promotion and use of bio-fuels and of the environment regulations in force, especially aiming to reduce the emissions of nitric oxides, volatile organic compounds and carbon dioxide and of depositing dangerous waste.

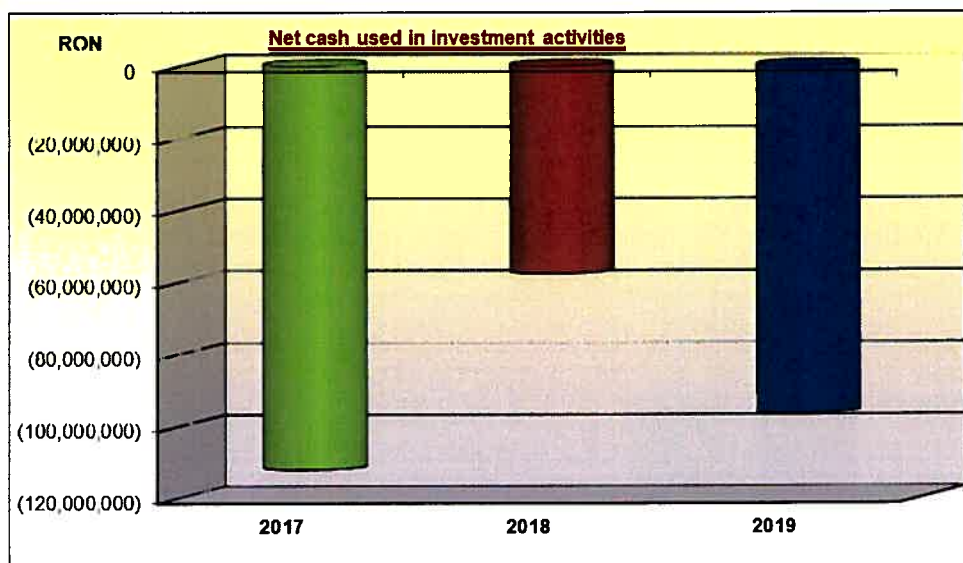
Major investment projects from the first semester of 2019 concerned the authorisation/reauthorization of equipment from ISCIR point of view, the rehabilitation of tanks, the replacement of catalysts, the modernization of products loading points and implementation of LPG recovery from DCU gases.



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**



In the first semester of 2019, the Company has continued to benefit from a cash pooling contract – a system to optimize the cash balances, in order to support both the needs generated by the operating and investment activity, as well as from a syndicated loan facility granted by a consortium of banks.

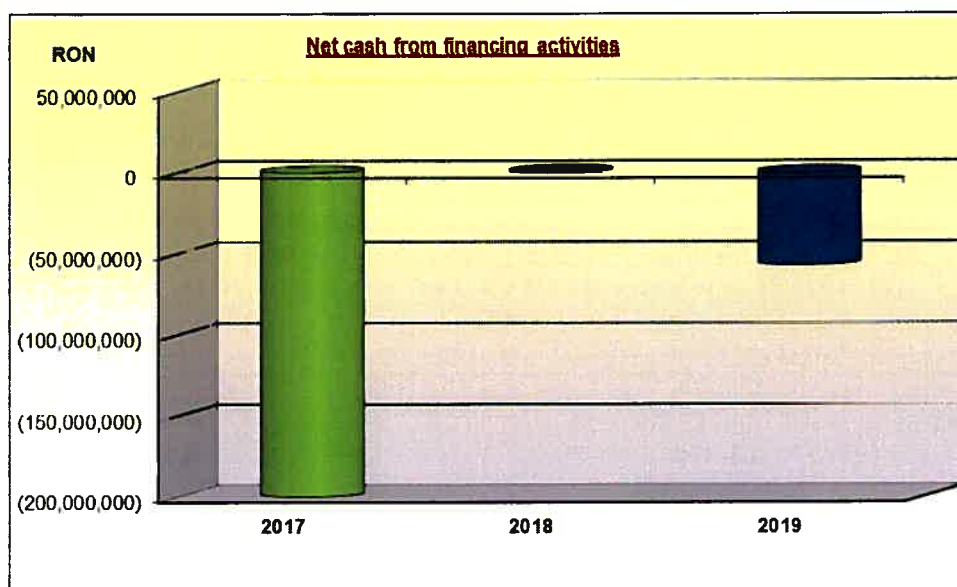
In addition, other factors that influenced cash from the financing activity constituted a significant reduction in company exposure to short-term credits contracted from banks and affiliated companies. The company continued reimbursements from the short-term loan received from the affiliated company KMG International N.V., fully repaid the short-term loans received from Rompetrol Well Services S.A. and repaid in large part the credit on Short term received from Rompetrol Financial Group SRL.



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**



## 2. Analysis of the company's activity

In the first semester of 2019, the Company has registered a net loss amounting to RON 138,211,518, similar with the same period of 2018, when Rompetrol Rafinare SA registered a net loss amounting to RON 61,687,886. The net negative result registered in the first semester of 2019 was determined by the lower refinery margins in the first 6 months of the year 2019 compared to the same period of the last year, also being significantly influenced by the unfavourable foreign exchange differences.

**2.1.** From the liquidity point of view, the Company has made efforts to maintain the capacity to cover all current liabilities from the current assets, the current ratio registering a maintenance as compared to the same period of the prior year, namely of 0.60 in the first semester of 2019 as compared to 0.61 in the first semester of 2018.

Impact factors on the company's liquidity refer to current assets and liabilities that are directly influenced by the specificity of activity and fluctuation in oil purchase prices and petroleum products sale prices.

**2.2.** Between **January and June 2019**, the company has made investments in a total amount of approx. **USD 19.57 million**.



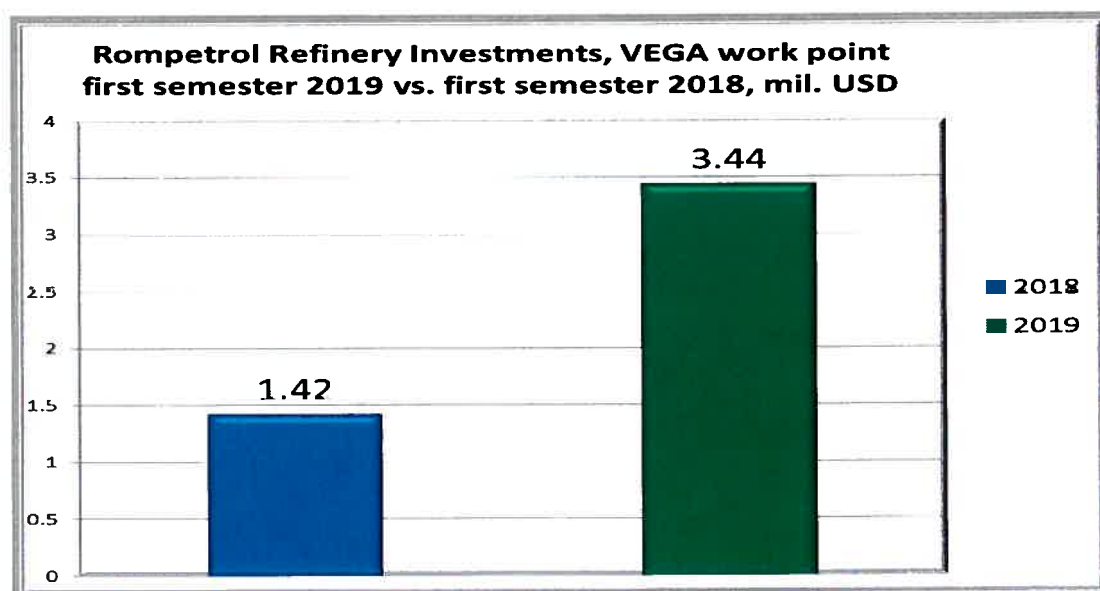
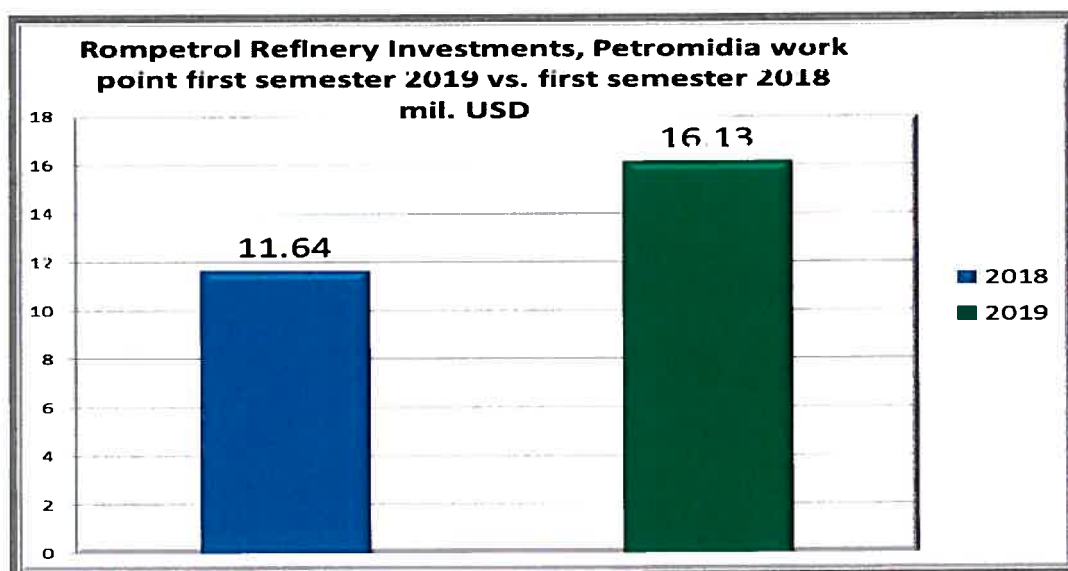
**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

Out of this amount, **USD 16.13 million** was used by Petromidia Refinery in its investment projects described in the “Objectives of the Investment Program” Section.

A comparative analysis of the investments in the first half of 2019 vs. the first half of 2018 for both the Petromidia and VEGA refineries is shown in the diagrams below:





**rompetrol**KazMunayGas  
Group  
Member**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

**2.3.** In the first semester of 2019, the net turnover has increased by 3% as compared to the similar period of the previous year, under the conditions of processing a slightly higher quantity of crude oil and other raw materials (also slightly higher quantities of Production and sales) than in the first semester of 2018 (approx. 1.3% more) at the level of the Petromidia refinery

The quantity of processed crude oil in the first semester of 2019 was higher by 42 thousand tons than in the first semester of 2018.

**3. Changes affecting the capital and the Company management**

**3.1.** During the analysed period, there were no situations in which the company could not meet its financial obligations.

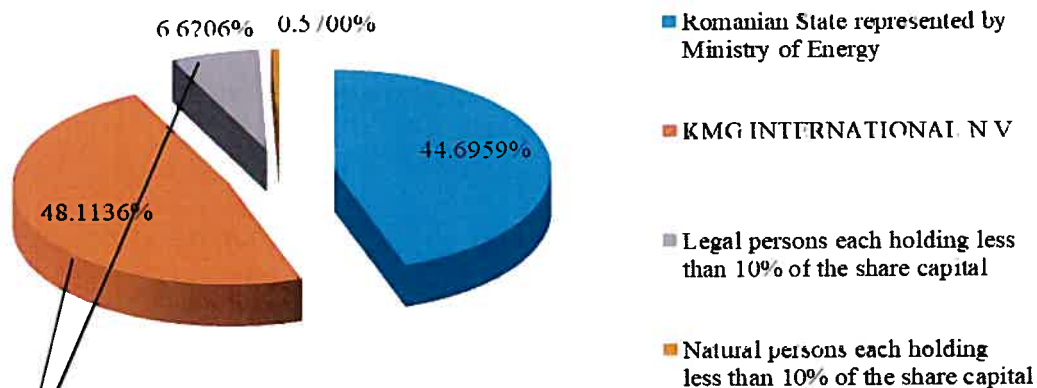
**3.2.** No changes likely to impact the share capital of the company occurred during the period under review.

On 30 June 2019, the share capital of the company, as registered by the Depozitarul Central S.A., amounted to 44,109,205,726 shares with a face value of 0.10 RON/share, with a total value of RON 4,410,920,572.60.

The consolidated summarized structure of the ROMPETROL RAFINARE S.A. shareholders, according to the consolidated Shareholders' Register as of 30 June 2019, as published by the Depozitarul Central S.A., is the following:

<b>SHAREHOLDER (as of 30 June 2019)</b>	<b>NO OF SHARES (as of 30 June 2019)</b>	<b>SHARE CAPITAL OWNERSHIP (as of 30 June 2019)</b>
KMG INTERNATIONAL N.V.	21,222,506,422	48.1136%
THE ROMANIAN GOVERNMENT, represented by the Ministry of Energy	19,715,009,053	44.6959%
Shareholders – Legal entities – each owning less than 10% of the share capital, but with an aggregated holding of:	2,920,273,731	6.6206%
Shareholders – Natural persons – each owning less than 10% of the share capital, but with an aggregated holding of:	251,416,520	0.5700%
<b>TOTAL</b>	<b>44,109,205,726</b>	<b>100%</b>



**rompetrol**KazMunayGas  
Group  
Member**ROMPETROL RAFINARE S.A.****REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019****The structure consolidated by Depozitarul Central S.A. as at 30.06.2019****Note:**

As at 30.06.2019, the shareholders belonging to the KMG International Group hold 24.098.569.799 shares, representing 54.6339% of shares capital of Rompetrol Rafinare S.A.

We remind that Rompetrol Rafinare S.A. (a company of the KMG International Group) operates the Petromidia and Vega refineries and owns a controlling interest in the following companies:

**Directly:**

- Rompetrol Downstream S.R.L. (99.994688898% ownership)
- ROM OIL S.A. (99.9998505% ownership);
- Rompetrol Quality Control S.R.L. (70.91% ownership)
- Rompetrol Logistics S.R.L. (66,1911% ownership)
- Rompetrol Petrochemicals S.R.L. (100% ownership)

**Indirectly:**

- Global Security Sistem S.A. (through Rompetrol Logistics S.R.L.);
- Rompetrol Gas S.R.L. (through Rompetrol Logistics S.R.L.)



**rompetrol**

KazMunayGas  
Group  
Member

## **ROMPETROL RAFINARE S.A. REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

Thus, the shares owned by the Rompetrol Rafinare S.A. shareholders automatically impact the companies where Rompetrol Rafinare holds a direct and indirect. Rompetrol Rafinare operates the Petromidia and Vega refineries, Rompetrol Downstream operates the Rompetrol chain of filling stations, while Rom Oil operates the company's storage network.

At the end of the first semester of 2019, the company owns three work points, namely:

- i) The Work point located in Năvodari, 1 - 283 Năvodari Blvd, Constanța county, called "*Rompetrol Rafinare – Năvodari refinery work point*";
- ii) The Work point located in Ploiești, 146 Văleni street, Prahova county, which carries out its activities within the premises of the company, called "*Rompetrol Rafinare Vega refinery work point*".
- iii) The work point located within the TMUC site management building, Office 1, Oil Terminal, South Platform Division, Constanța, called "*Rompetrol Rafinare – Constanța work point*". This work point was established on the basis of Resolution no. 4/2019 adopted by the Extraordinary General Meeting of Shareholders on June 21<sup>st</sup>, 2019.

### **Changes in the company's management:**

#### **• Changes in the Board of Directors**

In the first semester of 2019, the following changes have been made in the Board of Directors:

- **24 April 2019:** Resolution No 2/2019 of the General Ordinary Shareholders' Meeting approved the termination of mandate of Mr. Cătălin Dumitru as member of the Company's Board of Directors, following his request to leave this position as of 1 September 2018.
- **24 April 2019:** Resolution No 2/2019 of the General Ordinary Shareholders' Meeting the appointment of Mr. Saduokhas Meraliyev as permanent member of the Company's Board of Directors for a term beginning on 24 April 2019 and lasting through 30 April 2022 (date of expiration of the current Directors' terms). Mr. Meraliyev held the position of interim director beginning on 1 September 2018.
- **3 May 2019:** the Board of Directors decided to re-elect Mr. Saduokhas Meraliyev as president of the Board, for a term beginning on 24 April 2019 (the date of elections as permanent director by the GOMS) and lasting through 30 April 2022.

Pag. 37

**The individual financial statements in this report are drafted in accordance with the International Financial Reporting Standards and have not been audited**



**rompetrol**

KazMunayGas  
Group  
Member

## **ROMPETROL RAFINARE S.A. REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

The Directors incumbent on 30 June 2019 are the following:

- **Meraliyev Saduokhas**, citizen of Kazakhstan, Chairman of the Board of Directors;
- **Alexey Golovin**, citizen of Kazakhstan, member of the Board of Directors;
- **Yedil Utekov**, citizen of Kazakhstan, member of the Board of Directors who is also the General Manager of the Company;
- **Mihai-Liviu Mihalache**<sup>1</sup>, Romanian citizen, member of the Board of Directors;
- **Nicolae Bogdan Codruț Stănescu**<sup>2</sup>, Romanian citizen, member of the Board of Directors.

### **• Establishment of the Strategy Committee**

On 20 March 2019, the Board of Directors of Rompetrol Rafinare S.A. approved the establishment of a Strategy Committee made up of three members, namely:

- **Saduokhas Meraliyev**, *non-executive director*
- **Alexey Golovin**, *non-executive director*
- **Nicolae Bogdan Codruț Stănescu**, *independent non-executive director*

Therefore, on 30 June 2018, the Consulting Committees set up within the Board of Directors are the following:

#### **➤ The Audit Committee with the following structure:**

- **Dan Alexandru Iancu**, financial auditor registered with the Romanian Chamber of Financial Auditors, independent member of the Audit Committee, elected on the basis of Resolution No 5 of OGMS of 27 April 2018 for a term equal to that of the Board of Directors, i.e. 1 May 2018 – 30 April 2022;

<sup>1</sup> Proposed within the Company's Board of Directors by Letter No. 101409/12.04.2018 (registered to the Company under no. 3346/12.04.2018) sent by the significant shareholder the Romanian State through the Ministry of Energy – Minister's Cabinet.

<sup>2</sup> Proposed within the Company's Board of Directors by Letter No. 101409/12.04.2018 (registered to the Company under no. 3346/12.04.2018) sent by the significant shareholder the Romanian State through the Ministry of Energy – Minister's Cabinet

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

- **Alexey Golovin**, non-executive director, re-elected by Decision No 3 adopted by the Board of Directors on 3 May 2018, for a 4 year term, namely from 1 May 2018 through 30 April 2022,  
**Nicolae Bogdan Codruș Stănescu**, independent non-executive director, designated by Decision No 3 adopted by the Board of Directors on 3 May 2018, for a term equal to that of the Board of Directors, i.e. from 1 May 2018 to 30 April 2022.

➤ **The Strategy Committee, with the following structure:**

- **Saduokhas Meraliyev**, non-executive director, elected by Decision No 4 of the Board of Directors on 20 March 2019, for a term from 1 April 2019 through 30 April 2022;
- **Alexey Golovin**, non-executive director, elected by Decision No 4 of the Board of Directors on 20 March 2019, for a term from 1 April 2019 through 30 April 2022.
- **Nicolae Bogdan Codruș Stănescu**, independent non-executive director, elected by Decision No 4 of the Board of Directors on 20 March 2019, for a term from 1 April 2019 through 30 April 2022.

## • **Changes in the Executive Management**

According to the provisions of the Company's Articles of Incorporation, the only positions eligible for being delegated the company's management under art. 143 of Law 31/1991 on companies are those of General Manager and Financial Manager. Any other executive position within the company (HR manager, commercial manager, administrative manager, IT manager, etc.), irrespective of name, does not involve the company management.

**During the analysed period there were no changes in the Company's executive management structure.**

On 30 June 2019, the two managers to whom the management was delegated under the above provisions were the following:

Full name	Position
Yedil Utekov	General Manager
Mircea Ștefan Stănescu	Financial Manager

The members of the executive management exercise the positions whose term will expire on 30 April 2022 (once with the directors who appointed them).



**rompetrol**

KazMunayGas  
Group  
Member

## **ROMPETROL RAFINARE S.A. REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

---

### **• Changes regarding the Company's Financial Auditor**

The General Ordinary Shareholders' Meeting of 24 April 2019 took place during the period under review, with Resolution No 3/2019 appointing the company ERNST & YOUNG ASSURANCE SERVICES S.R.L. (Romanian legal person, based in Bucharest, 15 17 Ion Mihalache Blvd., Bucharest Tower Center Building, floor 21, Sector 1, registered with the Trade Register Office attached to the Bucharest Tribunal under No J40/5964/1999, single identification number 11909783, authorization number 77 of 15 August 2001, as issued by the Romanian Chamber of Financial Auditors), with permanent representative LUPEA ALEXANDRU, Romanian citizen, residing in Bucharest, as financial auditor of the Company for the 2019 financial year, with a contractual term of one year.

### **4. Significant transactions**

Rompetrol Rafinare reported the legal documents concluded by the Company during the first semester of 2019, pursuant to art. 82 of Law No 24/2017 and art. 144 B of the Regulation No 5/2018 issued by the Financial Supervisory Authority (FSA), via the Current Reports registered by the Company under No 4715 of 4 June 2019, No 5387 of 28 June 2019, No 5896 of 15 July 2019 and No 6209 of 26 July 2019. The reports have been submitted to the market operator (i.e. the Bucharest Stock Exchange), published on the Company's website [www.rompetrol-rafinare.ro](http://www.rompetrol-rafinare.ro) in the first semester of 2019 under the Investor Relations section, Current Reports subsection, and on the ASF website ([www.asfromania.ro](http://www.asfromania.ro)), the section: Oversight/Capital Market/Electronic Reports.

Moreover, the significant transactions between the Company and its regular counterparties, or the transactions involving such counterparties during the period under review, have been submitted to the Board of Directors for approval pursuant to statutory provisions and the Articles of Incorporation, as follows:

- On 3 January 2019, the Board of Directors adopted Decision No 2, whereby the directors unanimously approved the conclusion by the Company of Addendum No 12 to the Loan Agreement No 448 of 20 September 2010 between Rompetrol Rafinare SA (as debtor) and KMG International N.V. (as lender) for the modification of certain contractual clauses
- On 26 February 2019, the Board of Directors adopted Decision No 3, whereby the present directors unanimously: (i) approved the Investment Works Framework Agreement for the Petromidia and Vega refineries, between Rompetrol Rafinare SA (the beneficiary of the investment works) and Rominserv SRL (the general contractor of

Page 40

**The individual financial statements in this report are drafted in accordance with the International Financial Reporting Standards and have not been audited**



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2019**

the KMG International Group), a legal act which replaced the Framework Contractor Agreement No 4/31 December 2012 (RIS No 346C/31 December 2012) and the subsequent addenda, (ii) approved the conclusion by the Company (as recipient) of a Maintenance Service Agreement with ROMINSERV S.R.L. (as contractor), aimed at the purchasing of maintenance services for the year 2019 and implementing the maintenance budget for 2019, with a total value of USD 26,305,673 (for the Petromidia and Vega refineries and the Petrochemical Plant)

**5. Subsequent events**

Rompetrol Rafinare S.A credit facility in amount of EURO 30 million granted by Banca Transilvania (overtaken form Bancpost) was extended until July 30, 2020.

Rompetrol Rafinare S.A credit facility in amount of EURO 27,96 million granted by Banca Transilvania (overtaken form Bancpost) was extended until July 30, 2020.

**Note:**

***I) During the period, the Company's Articles of Incorporation were not amended.***

***II) The individual financial statements were drafted in accordance with the International Financial Reporting Standards and have not been audited.***

**Chairman of the Board of Directors  
of ROMPETROL RAFINARE S.A.**

  
Saduokhas MERALIYEV

**General Manager**

  
Yedil UTEKOV

**Financial Manager**

  
Mircea-Ștefan STĂNESCU