



rompetrol

KazMunayGas
Group
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ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2019

The figures for 2019 include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS”). Consolidated financial statements of Rompetrol Rafinare Group include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

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

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

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

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

The improved operating results and achievement in 2019 and 2018 by the Petromidia and Vega refineries of historical processing records were sustained by completion in 2012 of the extensive modernization program and increase in the processing capacity to 5 million tonnes per year, and technological work carried out both in turnaround during March-April 2013 and in also in general turnaround (conducted in October 2015) that takes place every five years.

In 2019, the Petromidia Refinery celebrated 40 years of activity, the period when it grow from an idea, to the largest profile unit in Romania and one of the most modern in the Black Sea region.

**COMPANY SHARES AND LISTING**

Since April 7, 2004, the Company's shares are traded on the regulated market administrated by the Bucharest Stock Exchange SA ("BVB") under the symbol "RRC" and ISIN code ROPTRMACNOR5.

The Company's shares are traded on BVB Standard category. On 31.12.2019, the total number of shares issued by the Issuer is 44,109,205,726, representing a total share capital of 4,410,920,572.6 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti.

The activity carried out by RRC in 2019, as issuer of securities on the Romanian capital market, is presented as follows:

- in 2019, there were a total number of 1,309 transactions with RRC shares, with an average daily number of 6 transactions;
- the total volume of RRC shares traded was 19,717,579 shares;
- the value of transactions in 2019 with RRC shares was 941,097.42 lei;
- the RRC transactions in 2019 were concluded only on the REGS market;
- the price of a share during the year 2019 was between a maximum value of 0.0525 lei and a minimum of 0.0425 lei, decreasing from the values registered in 2018 when the maximum value was 0.06 lei and the minimum value of was 0.044 lei, respectively decreasing as compared to the values registered in 2017 when the maximum value was 0.06 lei and the minimum value was 0.0496 lei.

The market capitalization on the last trading day of 2017, 2018 and 2019 is presented in the table below:

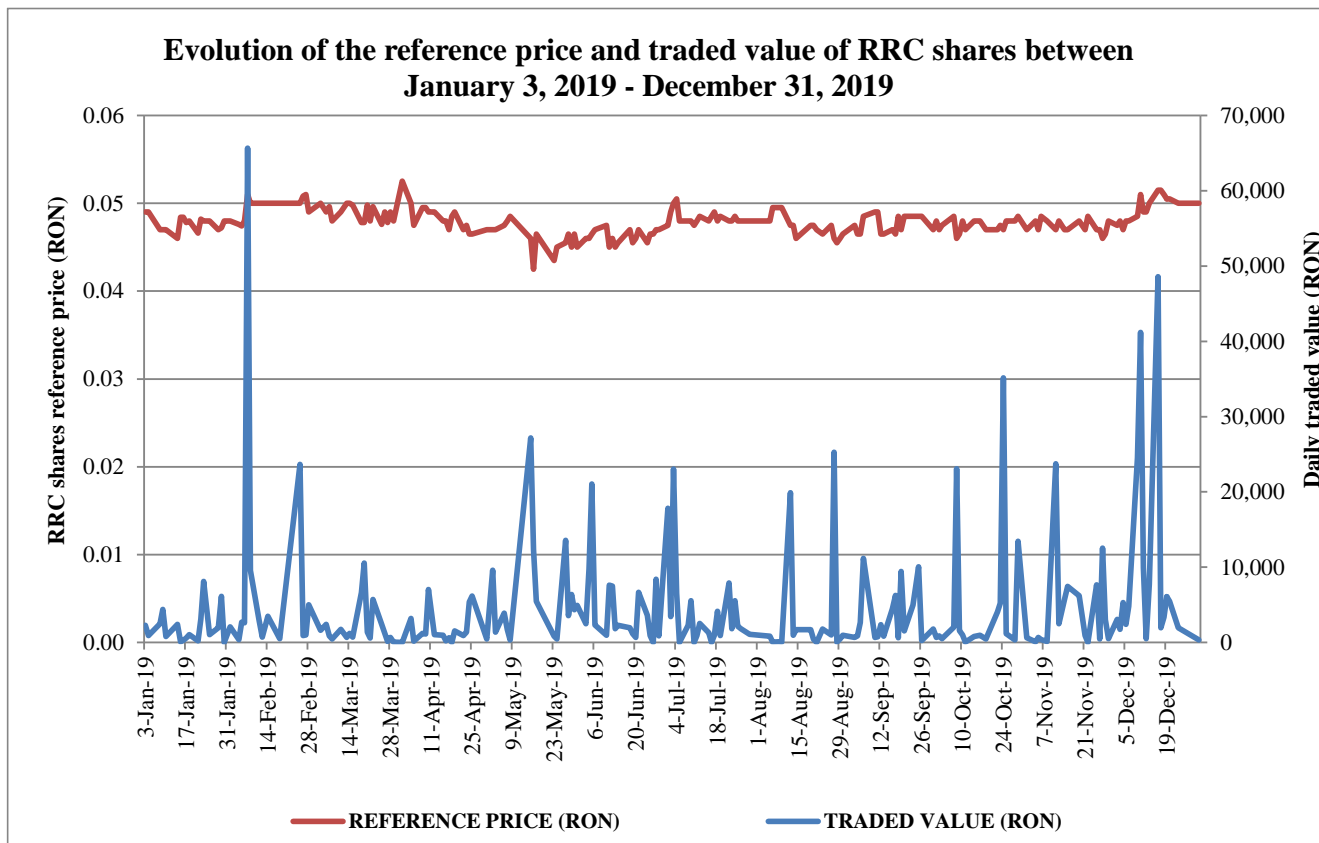
The Rompetrol Rafinare shares	2017	2018	2019
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, mil. lei ¹	2,346.61	2,108.42	2,205.46
Stock exchange capitalization, mil. Euro ²	503.60	452.07	461.54
Maximum price, lei ³	0.06	0.06	0.0525
Minimum price, lei ⁴	0.0496	0.044	0.0425
Price at the end of the year, lei	0.0532	0.0478	0.05

¹ Calculated on the basis of the price of the share on the last transaction day of the year under consideration, respectively on December 30th 2019;

² Calculated at the euro exchange rate (4.7785) of the last trading session of the year under consideration, respectively December 30th 2019;

³ Recorded on April 1st and December 16th 2019, February 16th 2018, respectively January 9th 2017;

⁴ Recorded on May 16th 2019, September 3rd 2018, respectively July 10th 2017.



Weighted Average Price (WAP) of RRC shares during 2019 = 0.047728853 lei/share;

The volume traded in December 2019 represents 17% of the entire volume traded in 2019 (total traded volume in 2019 = 19,717,579 shares).

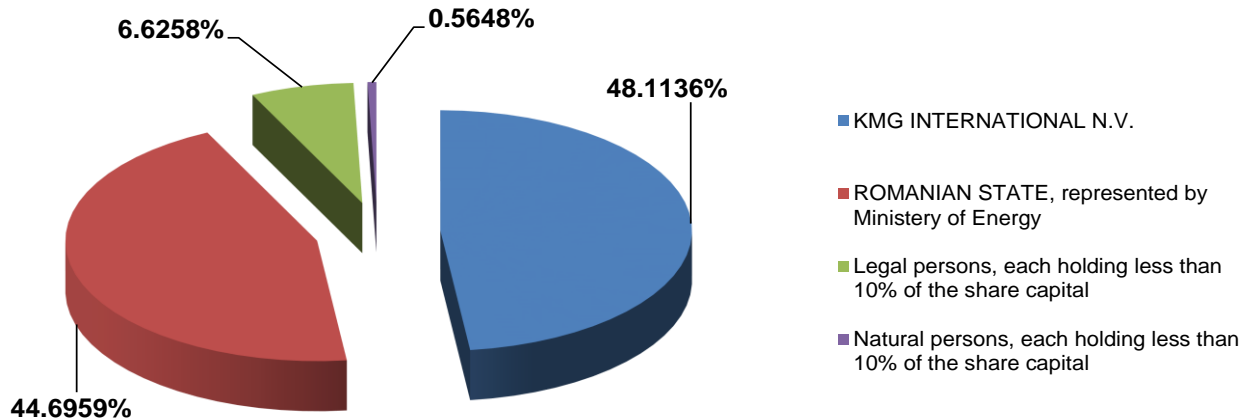
Rompetrol Rafinare Shareholders Structure

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

According to the Shareholders' register consolidated on December 31, 2019, the structure of the Company's significant shareholders is presented in the following graph



The structure consolidated by the Depozitarul Central S.A. on 31.12.2019



Note:

At 31 December 2019, the shareholders of KMG International Group own a number of 24,098,569,799 shares, representing 54.6339% of the share capital.

Company's own shares

At 31.12.2019, ROMPETROL RAFINARE S.A. held a number of own shares of 6,134,701 having a nominal value of RON 0.10 per share and a total value of RON 613,470.10, which represents 0.0139% of Company's share capital.

The Company did not trade (by acquiring or selling) its own shares during 2019.

The number and nominal value of the shares issued by the parent company, owned by subsidiaries.

In 2019, the subsidiaries of society have not held shares issued by Rompetrol Rafinare.

**The financial calendar proposed for the year 2020**

Financial Calendar	Date
Closed period*	January 28 th 2020 – February 26 th 2020
Presentation of the preliminary, unaudited, individual and consolidated results of the year 2019 and fourth Quarter of 2019	Thursday, February 27th, 2020
Closed period*	March 30 th 2020 – April 28 th 2020
Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2019	Wednesday, April 29th, 2020 (first meeting) Thursday, April 30th, 2020 (second meeting)
Publication of the 2019 Annual Report	Thursday, April 30th, 2020
Closed period*	April 14 th 2020 – May 13 th 2020
Presentation of the results recorded during the first quarter of 2020	Thursday, May 14th, 2020
Closed period*	July 14 th 2020 – August 12 th 2020
Presentation of the results recorded during the first semester and second quarter of 2020	Thursday, August 13th, 2020
Closed period*	October 14 th 2020 – November 12 th 2020
Presentation of the results recorded during the third quarter of 2020 and between January – September 2020	Friday, November 13th, 2020
Telephone conferences and / or meetings with investors and financial analysts, as appropriate	On request

**the closed period refers to 30 calendar days before the announcement of an interim financial report or a financial report at the end of the year in which the issuer cannot make changes to the calendar data agreed in this financial calendar*

Corporate Governance

Corporate Governance Report of Rompetrol Rafinare S.A. for the year 2019 it is drawn up on the basis of the Corporate Governance Code ("CGC" or "the Code"), of Law no. 24/2017 regarding the issuers of financial instruments and market operations, of the regulations and instructions issued by the Financial Supervisory Authority - "Autoritatea de Supraveghere Financiara ASF" and of the stock exchange regulations.

The statement "Apply or Explain" presents the stage of compliance of the Company with the new provisions of the CGC BVB. Rompetrol Rafinare will continue to evaluate the provisions of the Code and any subsequent progress that the Company will make in complying with it will be reported on the market.

In 2019, Rompetrol Rafinare continued the process of implementing good corporate governance practices so that the internal practices correspond qualitatively to the new requirements in respect of companies admitted to trading at BVB.

Investor Relations Contact

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

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



STRATEGY

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

The Group relies on four synergic pillars:

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

The sound strategy has allowed the Group to significantly improve financial and operational results during 2012 and 2019 period:

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

OUTLOOK FOR 2020

Group operations: The Group will continue to carry on the operational initiatives which were identified and put in motion starting 2016, such as: Refining planning and production optimization, energy efficiency and organizational effectiveness, increase of non-fuel profitability, trading profitability increase.

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

From the production perspective, in 2020, the Group has the following expectations:

- ✓ Total feedstock planned to be processed by Petromidia refinery in 2020 is 5.5 million tonnes (or 17.4 tonne/day), being a General Turnaround year;
- ✓ White products yield of 86.5%, higher by 0.3% versus 2019, mainly from different structure of feedstock (crude oil and SRGO);
- ✓ Increase in processing cost by 1.6 USD/tonne compared with 2019, mainly from lower feedstock volume processed following 51 days of general turnaround in Petromidia Refinery.

Based on the Group's budget for 2020, it's Medium-Term Development Strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.



FINANCIAL HIGHLIGHTS – CONSOLIDATED

Financial	2019	2018	%	2019	2018	%
	USD	USD		RON	RON	
Gross Revenues	5,186,124,223	5,259,166,505	-1%	22,097,038,090	22,408,256,644	-1%
Net Revenues	3,844,114,179	3,980,543,368	-3%	16,379,001,693	16,960,299,182	-3%
EBITDA	131,130,649	148,349,935	-12%	558,721,469	632,089,403	-12%
EBITDA margin	3.4%	3.7%		3.4%	3.7%	
EBIT	24,234,045	24,801,323	-2%	103,256,420	105,673,476	-2%
Net profit / (loss)	(48,977,553)	(27,675,188)	77%	(208,683,557)	(117,918,443)	77%
Net Profit / (loss) margin	-1.3%	-0.7%		-1.3%	-0.7%	

Rompetrol Rafinare consolidated gross revenues reached USD over 5.18 billion in 2019, lower by 1% as against full year 2018 being negatively affected by lower market quotation as against similar period last year despite the slight increase level of sales volumes reached within full year 2019.

The company's consolidated results in terms of EBITDA and Net result were affected by the high volatility of oil and gas market environment in the period, mainly triggering significant pressure in the gross refinery margins in 2019, decreasing substantially from the comparison benchmark of 2018 (i.e. 39.5 \$/t vs 45.9 \$/t for full year 2018).

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

ECONOMIC ENVIRONMENT

		2019	2018	%
Brent Dated	USD/bbl	64.2	71.3	-10%
Ural Med	USD/bbl	64.2	70.1	-8%
Brent-Ural Differential	USD/bbl	0.0	1.2	-98%
Premium Unleaded 10 ppm FOB Med	USD/tonne	595	662	-10%
Diesel ULSD 10 ppm FOB Med	USD/tonne	586	638	-8%
RON/USD Average exchange rate		4.24	3.94	8%
RON/USD Closing exchange rate		4.26	4.07	5%
RON/EURO Average exchange rate		4.75	4.65	2%
RON/EURO Closing exchange rate		4.78	4.66	2%
USD/EURO Closing rate		1.12	1.14	-2%
Inflation in Romania*		4.04%	3.27%	24%

Source: Platts, * INSSE (Inflation in Romania is calculated based on CPI - i.e. Consumer Price Index)

In 2019, crude oil prices fluctuated between 53.2-74.7 USD/bbl., with an average of 64.2 USD/bbl., compared with 2018 when it fluctuated in a range of 50.2-86.2 USD/bbl., averaging 71.3 USD/bbl.

Brent crude, global crude market benchmark, started 2019 at a level of 53.9 USD/bbl, down by 11% or 6.5 USD/bbl vs one month prior, only to go back up by 15% or 8.3 USD/bbl to 62.2 USD/bbl by month-end, the



highest increase for a month since April 2016. This dynamic has been mainly driven by the combined effect of oil production cuts measures taken by the Organization of the Petroleum Exporting Countries (OPEC) and its allies late 2018 after oil prices fell due to global growth anxieties and U.S. economic sanctions initiated against Venezuela, which is home to the world's largest oil reserves.

During February 2019 Brent Dtd price increase up to 67.1 USD/bbl during the month, closing at an average level of 64 USD/bbl, i.e. 8% higher compared to January 2019 average price. This increase has been the effect of OPEC+ production cuts pursued measures and increased optimism at that time in regards to the progress in the trade talks between the U.S. and China, which can influence demand for energy from the globe's largest two economies.

During March 2019 Brent price increased to an average of 66.1 USD/bbl, 3% over February 2019 as OPEC output reached its lowest level in four past years. Brent continues to increase up to 74.3USD/bbl by 25th of April 2019 to an average level of 71.3 USD/bbl or 8% higher compared to March 2019, resulting from ending waivers for Iranian crude oil exports and sanctions on Venezuela.

Brent average price in May 2019 has been of 71.1 USD/bbl close to the average level of April, crude price reaching its annual highest daily level of 74.7 USD/bbl during 16th of May 2019 and then going down by 9.1 USD/bbl or 12% to 65.6 USD/bbl till the month end. Reason of this negative dynamic has been the increasing concerns around Unites States - China trade dispute, as U.S.'s tariffs on imports from China increased during May 2019. This intensified economic conflict between the world's two largest national economies, China and the United States increased concern of the global economy deceleration.

During June 2019 Brent price remained at a low average level of 64.1 USD/bbl, 10% or 7 USD/bbl below May 2019, being the highest monthly average price drop of 2019. U.S.-China trade tensions have continued to feed expectations for a slowdown in energy demand, the International Energy Agency downgraded its forecast for global oil demand for a second month, to 1.2 million barrels a day from 1.3 million barrels a day the previous month. Following 20th of June 2019 Iran shot down of an United States surveillance drone with a surface-to-air missile over the Strait of Hormuz, Brent price increase to 66.7 USD/bbl on 26th of June and ended the month at 66.1 USD/bbl.

Brent price closed July 2019 month with an average level of 64.1 USD/bbl, in line with June monthly average, yet with an intra-month strong volatility price of 6.3 USD/bbl, crude price going up to 67.3 USD/bbl on 11th of July then down to the month lowest level of 61.1 USD/bbl on 18th of July. Increase dynamic has been triggered by continued tensions in the Middle East and lower reported level of U.S. inventories, while decrease intra-month dynamic has been caused by the increasing demand concerns as global economic data continued to deteriorate.

Crude price continued to decrease during August 2019 to a monthly average level of 59 USD/bbl, -8% below July average level, second highest monthly drop in the year, intensified by US-China trade war tensions, China responding to US increased trade tariffs by adding tariffs of its own to American products.

On 14 September 2019, drones have been used to attack the state-owned Saudi Aramco oil processing facilities in eastern Saudi Arabia. Brent Price increased to 68.2 USD/bbl vs 61.1 USD/bbl prior to this attack, settling at a monthly average level of 62.8 USD/bbl, 6% higher versus August month average.

Following this incident, Saudi Arabia restored production to where it was before the attacks. Trump announced a trade deal with China on 11th of October. October closed with an average Brent price level of 59.7 USD/bbl, continued by a gradual increase during November to a monthly average level of 63 USD/bbl and then in December up 67 USD/bbl average. This fourth quarter 2019 crude price trend has been driven by OPEC plans for more cuts, improved expectations about the world economy growth and U.S. relations with China.



Prior to 2019, for the last nine years interval (2010-2018), sour crude has always been traded at a discount to sweeter lower Sulphur content crude – average discount of 1.1 USD/bbl. For the first time since 2010, during 2019, sour crude Urals has been traded at a positive market price differential USD/bbl vs Brent, finalizing 2019 at 0.0 USD/bbl differential for the full year interval.

This negative market driven effect has not been anticipated by the international market research agencies and has been triggered by several key factors:

- Lower sour crude availability triggered by the over-compliance of OPEC+ producers with the targeted cuts, first crude type impacted by cuts being the sour type of crudes;
- the chloride pollution incident on Transneft' Druzhba pipeline during April 2019 triggered a shortage during April-May 2019, reflected in the increased Urals differential vs Brent;
- U.S. sanctions on Venezuela state oil company initiated during January 2019 alongside Iran sanctions resumed added additional upward price pressure on sour crude price, by limiting heavy grade supplies into Europe.

The European margins decreased by -6.44 USD/MT (-15.8%) in 2019 vs. 2018 and settled to an average level of 34.32 USD/MT.

In terms of market refining margin environment, 2019 year has recorded one of the lowest levels of market refining margin in the last decade. Main reasons of such low levels have been:

- the historically high Urals to Brent differential triggered by an unforeseen lower sour crude availability, caused mainly by the new US sanctions against Venezuela and the restart of the sanctions against Iran;
- excess of products into the market, impacting within Europe mainly Gasoline Market Cracks;
- global economic downturn, accelerated by the US-China trade war - global growth in 2019 has been downgraded to 2.6% (World Bank), 0.5 percentage points below last year forecast, reflecting weaker-than expected international trades.

The main three products (accounting for approximately 75% of the production yields) market cracks year-on-year dynamics has been the following:

- Diesel Market Crack Spread against Ural (KMGI main crude oil type) has recorded a level of 121 USD/tonne in 2019, -9 USD/tonne or 7% below 2018 market crack spread;
- Jet Market Crack Spread has been 147 USD/tonne in 2019, -18 USD/tonne or 11% below 2018 market crack spread;
- Gasoline has been the most affected product from market impact perspective, with an yearly market crack level of 130 USD/tonne, -24 USD/tonne or -16% below 2018 market realities. Gasoline Market Crack vs Urals has accounted an historically low level of 130 USD/ton, never met in the past 10 years average levels, ~-28% below historical level (average 2010-2018 actual market crack of 181USD/ton), which aside from the unfavorable Urals price differential has been particularly impacted by the unforeseen global gasoline surplus. Gasoline exports from US increased, as they outperformed all prior forecasts, becoming 2018-end the largest world oil producer with 10.96 million barrels per day, surpassing Saudi Arabia and Russia; this excess export flow of gasoline added significant pressure on gasoline market margins, especially Europe, which is net exporter of gasoline.

Refinery margins are however set to increase over first half of 2020, for most refinery configurations but will ultimately ease later in 2020. IMO (i.e. International Maritime Organization) new regulation are triggering therefore its impact on crude and product markets, refinery operations, shipping market and trading and are now accelerating with much more to come.



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Internally, the EUR/RON exchange rate witnessed a relatively abrupt increase in the last part of the first month of 2019, before remaining close to January's historical peak (i.e. 4.7648 on January 25th), on a relatively fluctuating path.

In mid-March, the EUR/RON posted, however, a renewed steeper rise, after which the currency pair stuck to levels in the immediate vicinity of the January peak.

In the first two months of Q2 2019, the EUR/RON exchange rate remained quasi-stable at the higher values recorded at the beginning of the year, before posting a relatively sharp downward correction towards the end of May and in the first days of June and at the beginning of Q3 2019, the downward trend continued and then towards the end of the third quarter an upward trend followed.

Looking at the average annual exchange rate dynamics in 2019, the national currency (i.e. RON) saw its nominal depreciation accelerate versus both the EURO and US dollar in Q4 2019 (the largest nominal depreciation in the past 16 quarters; i.e. maximum EUR/RON exchange rate for the year 2019 was 4.7808 on 21st of November 2019 and maximum USD/RON exchange rate for the year 2019 was 4.3605 on the first day of Q4 2019).

The National Bank of Romania kept interest rates on hold at 2.50%, in line with the broad consensus, and pledged to further tighten liquidity control, likely by introducing new policy tools to enable a faster policy reaction.

In Romania the inflation remained during 2019 at a high level of 4.04%, calculated based on CPI - i.e. Consumer Price Index.

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

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



REFINING SEGMENT

		2019	2018	%	2019	2018	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	4,417,308,906	4,446,012,518	-1%	18,821,269,787	18,943,570,137	-1%
Net Revenues	USD/RON	3,304,612,063	3,382,773,261	-2%	14,080,291,078	14,413,320,310	-2%
EBITDA	USD/RON	108,211,674	127,945,445	-15%	461,068,301	545,149,952	-15%
EBITDA margin	%	3.3%	3.8%		3.3%	3.8%	
EBIT	USD/RON	42,799,069	39,843,613	7%	182,358,274	169,765,666	7%
Net profit / (loss)	USD/RON	(16,882,860)	(1,154,989)	1362%	(71,934,489)	(4,921,178)	1362%
Net profit / (loss) margin	%	-0.51%	-0.03%		-0.51%	-0.03%	
Gross cash refinery margin/tonne (Petromidia)	USD/(RON)/t	39.5	45.9	-14%	168.2	195.8	-14%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	5.4	6.3	-14%	23.2	27.0	-14%
Net cash refinery margin/tonne (Petromidia)	USD/(RON)/t	13.7	20.4	-33%	58.5	87.0	-33%
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	1.9	2.8	-33%	8.0	12.0	-33%
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	6,331	5,925	7%			
Feedstock processed in Vega refinery	thousand tonnes	436	406	7%			
Gasoline produced	thousand tonnes	1,628	1,586	3%			
Diesel & jet fuel produced	thousand tonnes	3,323	3,058	9%			
Motor fuels sales - domestic	thousand tonnes	2,557	2,215	15%			
Motor fuels sales - export	thousand tonnes	2,169	2,229	-3%			
Export	%	46%	50%				
Domestic	%	54%	50%				

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

Gross revenues of refining segment reached over USD 4.4 billion in 2019 showing a 1% decrease year-on-year level. Year on year variance was mainly influenced by the decrease of international oil & gas market quotation evolution of petroleum products, despite a 6% increase in the volume of products sold.

In 2019, the total throughput for Petromidia refinery was 6.33 million tonnes, higher by 6.85% year-on-year level if compared with the same periods last year when the total throughput was 5.92 million tonnes for full year 2018.

In 2019, the refining capacity utilization in Petromidia refinery was 97.5%, higher by 5.53% compared with the same period last year.

Petromidia refinery managed to achieve in 2019 a very good operational performance, for its main technological and operational parameters such as:



- ✓ 2019 total feedstock processed of 6.33 mil tons, the highest level reached by Petromidia refinery, +406 kt above previous year record;
- ✓ Auto gasoline production of ~1.37 mil tons, by +10 kt above previous year record;
- ✓ Jet group production reached a new record of 406 ktons (the highest Jet yield of 6.4%wt), by +89 ktons above previous year record as a result of production optimizations;
- ✓ Diesel production ~2.93 Mil tons, above last year record by 171 ktons;
- ✓ White finished products yield of 86.2%wt;
- ✓ The lowest technological Loss of 0.8%wt, better than previous year record by 0.03%;
- ✓ Energy consumption reached the lowest level of 2.9 GJ/mt, close to previous year.

In respect of Vega refinery (the oldest processing unit operating in Romania (since 1905) and the only domestic producer of bitumen and hexane), the total throughput was 436,018 tonnes in 2019, higher by 7.39% for 2019 full year if compared with 2018 when the total throughput was 406,004 tonnes.

Vega refinery also managed to achieve in 2019 very good performance results, of which the following are emphasized:

- ✓ Total feedstock processed of 436 kt, above previous record by +30 kt;
- ✓ Record for hexane production which reached 92 kt level, above previous record by 7 kt;
- ✓ Bitumen production of 120 kt, all-time record in Vega refinery history, above previous year record by 18 kt;
- ✓ The lowest technological loss of 0.84%, better than previous year record by 0.1%;
- ✓ Lowest energy consumption of 2.39GJ/mt, slightly below previous year record;

The refining segment's financial results in 2019, were negatively affected by unfavorable market conditions, Petromidia's gross refinery margin was lower in 2019 compared with 2018 (i.e. 39.5 \$/t in 2019 vs 45.9 \$/t in 2018). As commercial measure for partial offset to the negative Refining market margin environment within the year and also as strategic direction of the Company, sales were pushed to for the most profitable channels, thus increasing domestic market full products basket up to the level of 57% from total sales (i.e. +4pp vs. 2018 level of 53%, or 347kt), while diesel & gasoline fuels on domestic market reaching 54% of total fuels sales (i.e. +4pp vs. 2018 level of 50%, or 342kt).

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

Various planned shutdown activity totaling ~ 31 days, took place in 2019, aiming to keep the installations in optimal operating parameters in order to ensure the units maximum flow and the quality of the obtained products.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 1.59 billion in 2019.



PETROCHEMICALS SEGMENT

		2019	2018	%	2019	2018	%
Financial		USD	USD		RON	RON	
Revenues	USD/RON	173,446,415	202,703,696	-14%	739,020,485	863,679,908	-14%
EBITDA	USD/RON	(29,149,694)	(17,952,893)	62%	(124,201,016)	(76,493,686)	62%
EBIT	USD/RON	(45,222,718)	(34,055,720)	33%	(192,684,957)	(145,104,612)	33%
Net profit / (loss)	USD/RON	(48,355,331)	(37,441,593)	29%	(206,032,395)	(159,531,140)	29%
Operational							
Propylene processed	thousand tonnes	153	143	6%			
Ethylene processed	thousand tonnes	38	60	-36%			
Total polymers production	thousand tonnes	127	148	-14%			
Sold from own production	thousand tonnes	162	161	1%			
Sold from trading	thousand tonnes	1	3	-81%			
Total sold	thousand tonnes	162	164	-1%			
Export	%	41%	49%				
Domestic	%	59%	51%				

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

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

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

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

In 2019, the total polymers production for Petrochemicals area was 127 thousand tons, lower by 14.3% as compared with 2018 when the polymers production was 148 thousand tons. The decrease in polymers production was mainly driven by operation in the polyethylene's units as result of the unfavorable market conditions. However, in line with the strategy of increasing sales on most profitable channels, domestic market sales reached a level of 59% of total petrochemicals sales (vs. 51% in 2018, +8pp), equivalent of 95 kt (vs. 83 kt in 2018).

Petrochemicals division results continued to be affected by the market margin pressure, having reached in 2019 the lowest level in the last decade - i.e. 2019 PolyPropylene crack = 398\$/t; PolyEthylenes crack = 158 \$/ton low density grades, 157\$/ton high density grades; also, as historical key highest references reached in the last decade, was within 2010: PP crack level was 614 \$/t and LDPE crack level was 401\$/t. As such, immediate decision triggered for the Polyethylene Units was to run at most economic run-rate, thus lowering the production in 2019 (i.e. LDPE Unit operational almost six months, HDPE non-operational throughout entire full year 2019).

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



MARKETING SEGMENT

		2019	2018	%	2019	2018	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	3,078,017,249	3,087,416,280	0%	13,114,815,895	13,154,863,286	0%
EBITDA	USD/RON	51,571,501	37,721,397	37%	219,735,851	160,723,328	37%
EBIT	USD/RON	28,688,248	15,368,434	87%	122,234,886	65,481,824	87%
Net profit / (loss)	USD/RON	18,662,421	11,343,003	65%	79,516,842	48,330,268	65%
Operational							
Fuels quantities sold in retail	thousand tonnes	789	714	11%			
Fuels quantities sold in wholesale	thousand tonnes	1,296	1,248	4%			
LPG quantities sold	thousand tonnes	417	424	-2%			

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

In 2019 the marketing segment had a turnover of over USD 3.07 billion, at similar level year-on-year. Marketing Segment result performance reached a level EBITDA of 51.6 million USD (i.e. +37%, or ~13,9 million USD above 2018).

Rompetrol Downstream, covering the Romanian market, reached record sales in 2019 of 2.11 million tons, increase by 7% against 2018 (1.98 million tons), mainly due to a boost in sales of diesel by 104 thousand tons and opening of 6 new CODO gas stations.

In 2019, the average Platts quotations (FOB Med Italy) in USD (reference currency) decreased by -8.2% for diesel and by -10.2% for gasoline compared with 2018 full year. Due to the 7.5% depreciation of the national currency (i.e. RON) against the US dollar (2019 vs. 2018, on average) the international gasoline price decreased in the national currency by -3.5% and the international diesel price decrease in the national currency by -1.3% compared to 2018.

The excise level was higher in 2019 compared to 2018, excise level increased with 3.2% for gasoline and for diesel. Excise duties on fuel increased starting with January 1, 2019 by 6.2 bani/liter for gasoline and by 5.8 bani/liter for diesel.

As of December 2019, the Rompetrol Downstream's distribution segment contained 964 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

During 2019, Rompetrol Gas improved its retail sales volume performance by +10% compared to 2018, up to 58.6 ktons, while LPG Auto wholesale performance within Romania reached 71.7ktons, +16% above 2018.

Rompetrol Quality Control is an independent and competitive company on the laboratory analysis market, which grants its results as reliable proof for third parties and Group companies. In 2019, Rompetrol Quality Control (RQC) continued the good results from last year in order to consolidate its overall market share and to increase the turnover and profitability from third-party customers.



APPENDIX 1 – CONSOLIDATED INCOME STATEMENT FULL YEAR 2019

	2019	2018	%	2019	2018	%
	USD	USD		RON	RON	
Gross Revenues	5,186,124,223	5,259,166,505	-1%	22,097,038,090	22,408,256,644	-1%
Sales taxes and discounts	(1,342,010,044)	(1,278,623,137)	5%	(5,718,036,397)	(5,447,957,462)	5%
Net revenues	3,844,114,179	3,980,543,368	-3%	16,379,001,693	16,960,299,182	-3%
Cost of sales	(3,624,595,337)	(3,724,419,488)	-3%	(15,443,675,811)	(15,869,006,554)	-3%
Gross margin	219,518,842	256,123,880	-14%	935,325,882	1,091,292,628	-14%
Selling, general and administration	(210,561,860)	(211,912,916)	-1%	(897,161,973)	(902,918,553)	-1%
Other operating income	66,706,333	65,537,105	2%	284,222,345	279,240,496	2%
Other operating expenses	(51,429,270)	(84,946,746)	-39%	(219,129,834)	(361,941,095)	-39%
EBIT	24,234,045	24,801,323	-2%	103,256,420	105,673,476	-2%
Finance, net	(55,570,767)	(46,437,440)	20%	(236,775,924)	(197,860,645)	20%
Unrealized net foreign exchange (losses)/gains	(236,872)	10,282,494	-102%	(1,009,264)	43,811,650	-102%
Realized net foreign exchange (losses)/gains	(1,101,834)	(16,370,615)	-93%	(4,694,695)	(69,751,916)	-93%
EBT	(32,675,428)	(27,724,238)	18%	(139,223,463)	(118,127,435)	18%
Income tax	(16,302,125)	49,050	N/A	(69,460,094)	208,992	N/A
Net result	(48,977,553)	(27,675,188)	77%	(208,683,557)	(117,918,443)	77%
EBITDA	131,130,649	148,349,935	-12%	558,721,469	632,089,403	-12%



APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2019

	December 31, 2019	December 31, 2018	%	December 31, 2019	December 31, 2018	%
	USD	USD		RON	RON	
Assets						
Non-current assets						
Intangible assets	8,524,600	7,606,675	12%	36,321,616	32,410,521	12%
Goodwill	82,871,706	82,871,706	0%	353,099,765	353,099,765	0%
Property, plant and equipment	1,179,954,903	1,235,103,661	-4%	5,027,551,845	5,262,529,674	-4%
Right of use assets	62,843,821	-	N/A	267,764,953	-	N/A
Financial assets and other	26,613,222	40,930,859	-35%	113,393,615	174,398,203	-35%
Total Non Current Assets	1,360,808,252	1,366,512,901	0%	5,798,131,794	5,822,438,163	0%
Current assets						
Inventories	261,673,893	292,898,693	-11%	1,114,940,123	1,247,982,751	-11%
Trade and other receivables	478,076,540	409,254,839	17%	2,036,988,522	1,743,753,018	17%
Derivative financial Instruments	1,171,629	2,608,512	-55%	4,992,077	11,114,348	-55%
Cash and cash equivalents	13,196,424	11,477,183	15%	56,227,323	48,901,981	15%
Total current assets	754,118,486	716,239,227	5%	3,213,148,045	3,051,752,098	5%
Total assets	2,114,926,738	2,082,752,128	2%	9,011,279,839	8,874,190,261	2%
Equity and liabilities						
Total Equity	619,526,864	675,364,584	-8%	2,639,680,061	2,877,593,417	-8%
Non-current liabilities						
Long-term debt	240,000,000	224,103,204	7%	1,022,592,001	954,858,932	7%
Hybrid instrument - long-term portion	17,009,920	17,009,920	0%	72,475,867	72,475,867	0%
Provisions	80,361,840	85,664,505	-6%	342,405,728	364,999,323	-6%
Net obligations under lease agreements	62,098,347	-	N/A	264,588,637	-	N/A
Other	4,198,444	4,345,265	-3%	17,888,730	18,514,305	-3%
Total non-current liabilities	403,668,551	331,122,894	22%	1,719,950,963	1,410,848,427	22%
Current Liabilities						
Trade and other payables	1,026,909,009	916,434,940	12%	4,375,453,898	3,904,745,990	12%
Contract liabilities	21,448,626	25,947,213	-17%	91,388,306	110,555,885	-17%
Derivative financial instruments	3,704,969	76,580	4738%	15,786,132	326,292	4738%
Net obligations under lease agreements	3,977,909	-	N/A	16,949,075	-	N/A
Short-term debt	35,690,810	133,805,917	-73%	152,071,404	570,120,250	-73%
Total current liabilities	1,091,731,323	1,076,264,650	1%	4,651,648,815	4,585,748,417	1%
Total equity and liabilities	2,114,926,738	2,082,752,128	2%	9,011,279,839	8,874,190,261	2%



Risk Management

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies.

Interest rate risk

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk.

Foreign exchange risk

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

Liquidity and cash flow risks

The liquidity risk consists in not having financial resources available in order to fulfil company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfilment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. During 2019 the company enjoyed continuous financing resources at the needed levels and ensured that no cases of temporary lack of financial resources or of lack of liquidity of the company occurred, as a result of selling products guaranteed with payment instruments and negotiating receipt terms from clients and payment terms to suppliers that are advantageous, maintaining at the same time a good relation with the business partners. Rompetrol Rafinare is part of the cash pooling facility of the KMG I Group and therefore can cover unexpected cash outflows by drawing from the facility.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

- *Trade receivables*

The Group is exposed to credit risk. Overdue customer receivables are regularly monitored. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

- *Financial instruments and bank deposits*

Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy.



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Commodity price risk

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased).

The Group sells or buys the equivalent number of future contracts based on the current position at that particular moment. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

Operational risk

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality – environment – security.



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Subsequent events

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Financial Group S.R.L. in amount of USD 29.5 million has been fully repaid on February 6, 2020.

Facility granted to Rompetrol Rafinare S.A. by Midia Marine Terminal S.R.L. in amount of USD 7 million has been fully repaid on February 10, 2020.

Coronavirus is the most severe shock to hit the world economy since 2008's financial crisis. Containment measures to limit the spread of the outbreak have shut down factories, schools and events around the world, driving travel & freight transport restrictions by land, sea and air. The result has been a plunge in oil demand.

The OPEC+ group of countries has compounded the problems by Saudi Arabia and Russia failing to agree a cut in output. On Monday 9th March 2020, the oil price saw its biggest fall in 30 years. Mtd March 13th Brent Dated level is at 43.2\$/bbl, -26.1\$/bbl or -38% below December 31th 2019 level.

On the short term the Group, similar to all companies operating within downstream sector – refining, trading and retail operations – is impacted by the cumulative effect of 1) low market margins environment determined by the abnormally low global demand and 2) inventory holding losses triggered by the decreasing trend of quotations. On the medium and long term, similar to other episodes of price war between largest oil producers carried in recent past (2014-2016), it is estimated the crude oil price curve to be reversed and first quarter 2020 impact to be off-set by gradual inventory holding gains and an increasing trend of market refining margins towards the multi-annual historical average levels.

With respect to 31 December 2019 financial statements, the financial reporting impact arising from the outbreak of Covid-19 is limited to non-adjusting subsequent events under International Reporting Standards given that the changes in business activities and economic conditions occurred after the reporting period.



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Note:

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

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.2608 as of 31 December 2019.

**CHAIRMAN OF THE BOARD OF DIRECTORS
Saduokhas Meraliyev**

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**MEMBER OF THE BOARD OF DIRECTORS
Alexey Golovin**

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**MEMBER OF THE BOARD OF DIRECTORS
Yedil Utekov**

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**MEMBER OF THE BOARD OF DIRECTORS
Mihai-Liviu Mihalache**

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**MEMBER OF THE BOARD OF DIRECTORS
Nicolae Bogdan Codrut Stanescu**

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**GENERAL MANAGER
Felix Crudu-Tesloveanu**

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**FINANCE MANAGER
Mircea-Stefan Stanescu**

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