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KazMunayGas
Group
Member

**ROMPETROL RAFINARE S.A.
INDIVIDUAL ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2019**

ROMPETROL RAFINARE S.A.

COMPANY MANAGED IN A ONE – TIER MANAGEMENT SYSTEM

INDIVIDUAL ANNUAL REPORT

OF THE BOARD OF DIRECTORS

2019

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.
IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION,
THE ROMANIAN VERSION PREVAILS.



ANNUAL REPORT

ROMPETROL RAFINARE S.A.

on the individual financial statements of the Company drafted according to the Order no. 2844/2016 of the Ministry of Public Finance as subsequently amended and supplemented, and according to Law no. 24/2017 on the issuers of finance instruments and market operations and to Annex 15 of Regulation 5/2018 issued by Financial Services Authority (FSA) for the financial year concluded on December 31st, 2019

Report date: March 17, 2020
Registered office: 215 Navodari Blvd.,
Administrative Pavilion,
Navodari, Constanta county

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Tax Identification Number at the Trade

Register Office by the Law Court of Constanța: 1860712

Registered with the Trade Register under No.: J13/534/1991

The shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the BUCHAREST STOCK EXCHANGE¹

Subscribed and paid-in share capital: 4,410,920,572.60 lei

The main characteristics of the securities issued by Rompetrol Rafinare S.A.:

- **Dematerialized nominal common shares, the record of which is held by the Depozitarul Central S.A. Bucharest**
 - **Total number of shares:** 44,109,205,726
 - **Nominal value:** 0.10 lei
 - **Symbol of shares at the Bucharest Stock Exchange:** RRC

¹Starting 5th of January 2015 the shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the Bucharest Stock Exchange (Bursa de Valori București - "BVB"). Up to this date they have been traded within category II of BVB.

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PETROMIDIA REFINERY – FOUR DECADES OF PERFORMANCES AND PROFESSIONALISM

In 2019, Petromidia Refinery Navodari celebrated 40 years of activity, time frame when from one idea it reached to be the largest such unit in Romania and one of the most modern in the Black Sea region.

Petromidia started up its first installation in 1979 – Atmospheric Distillation – and since then it started an evolution carried on via major investments, every year. Only in 2019, 50 million dollars are allocated for the alignment and continuation of installation revamping, as well as for the digitalization of Petromidia Refinery.

The positive trend of the operational results is the proof that at Petromidia Refinery, the development strategies were successfully implemented.

The refinery has the highest white product output in the region - 86.2% and ranks 9th among the 250 refineries in Europe and Africa, according to a study made in 2018 by Wood MacKenzie.

Its evolution and turmoil also reflected in the processed quantities: approximately 26 million tons (1979 – 1989) – part of a centralized raw material supply and finished goods sales system, 23.2 million tons (1990 – 2000) – on the background of the transition to market economy, 22.6 million tons (2001 – 2007) – alignment to the mandatory EURO standards and the generation of our own fuel distribution network in Romania and in the region, 51 million tons (2008 – 2018) – part of the national oil and gas company KazMunayGas from Kazakhstan and important investments in revamping and increasing the fining capacity.

Since Rompetrol was taken over by KazMunayGas, total investments of over 1.6 billion dollars were made. Out of this amount, approximately one billion dollars was directed to Petromidia, and the largest project, in value of approximately 450 million dollars aimed revamping and increasing the capacity from 3.5 to over 5 million tons of raw material annually.

The first steps in developing the concept of Smart Refinery were made in 2019, by implementing Advance Process Control (APC) – a software meant to optimize the production and mitigate impact on the environment. By introducing the digitalization projects at Petromidia level, the refinery enters in a new era, where the main objectives are activity efficiency, cost reduction and processed volumes increase.

Petromidia at present has a Nelson complexity level of 11.4 and it represents the processing unit in the region with the highest capability of extraction of Sulphur from the oil, exclusively obtaining the Euro 5 fuels. Also, a recent study made by Solomon Associates shows that Petromidia has a complexity index of 11.4 and is among the youngest refineries in Europe (by international standards). Also, the refinery has a utilization rate of 90%, higher compared to the European average of 83%, a level reached only through constant investments and commitment of employees.

Moving to higher quality fuels occurred in several stages: following the revamping at the beginning of the '90s, the refinery started producing Euro 2 in 1996. Four years later, from Petromidia left



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Euro 3 fuels, and in 2005, the quality standard Euro 4 was reached. In 2007, the year of being taken over by KMGI, Petromidia started delivering Euro 5 fuels on the domestic market, two years earlier than the requirements of the European Commission. This step was successfully taken because of increasing more than three folds the volumes of the reactors. The Euro 5 fuel (less than 10 parts of Sulphur per million) is improved and constantly optimized, due to revamping the installations in the refinery.

With the support of the future investments, KMG International aims to increase the quality of the fuels and to enter the Euro 6 segment, which will have an even lower impact on the environment.

At the same time, several important and innovative projects are foreseen, such as developing a new bitumen unit that would double the annual production, an alkylation unit that could develop the capacity of obtaining essence or a dewaxing installation that would allow for the optimum Diesel fuel production and for temperatures of -35 degrees Celsius.

OPERATIONAL PERFORMANCE MAINTAINED IN GOOD LEVEL TRENDS IN 2019

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

- ✓ A 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 above previous year record;
- ✓ 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.

Vega Refinery, the oldest robust processing unit in Romania, with 115 years of tradition, has also reached major operational records. The only domestic bitumen and hexane producer reported a total feedstock of 436 kt (up 7,39%), for the second time in history when the 400 kt threshold is exceeded. The refinery from Ploiesti impressed on the following parameters:

- ✓ A 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/t, slightly below previous year record.



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Vega works in perfect synergy with the Petromidia - Năvodari refinery, the largest in Romania and one of the most modern in the Black Sea region. Thus, Petromidia provides to the refinery in Ploiesti the raw materials/semi-finished products needed to obtain special products with high added value.

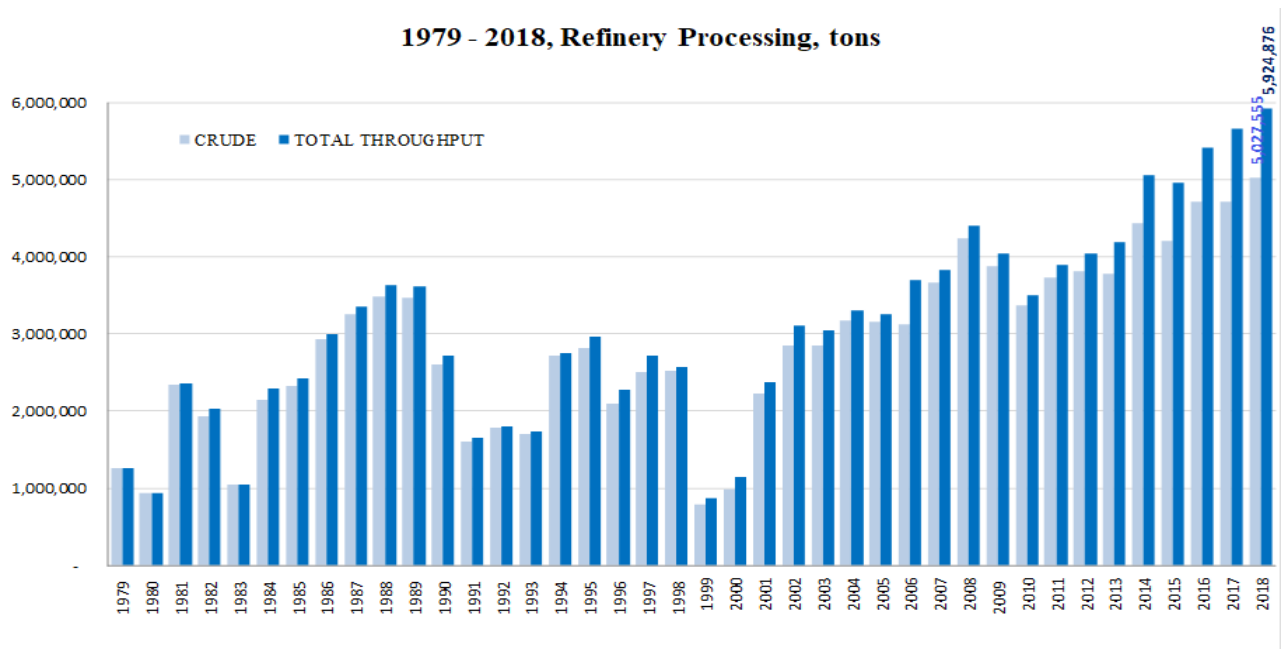
The refining segment’s financial results in 2019, were negatively affected by unfavorable market conditions, Petromidia’s gross refinery margin was lower in 2019 compared with 2018 (i.e. 39.5 \$/t in 2019 vs 45.9 \$/t in 2018). As commercial measure for partial offset to the negative Refining market 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).

Gross turnover of the refining segment amounted to more than US 4.42 billion dollars in 2019, very close to the previous year, the difference being about 1%, in line with the evolution of international quotations for raw materials and petroleum products, but also of volumes production units.

Despite the historical and operational results, the financial results of refining in 2019 were negatively influenced by unfavorable market conditions, margins that affected the annual result of the segment.

The evolution of the processed feedstock starting from 1979 (the year of starting up the first installation within the Petromidia Refinery - Atmospheric and Vacuum Refinement) up to 2019 is rendered by the graphic below:

1979 - 2018, Refinery Processing, tons





IMPORTANT PROJECTS INITIATED BY THE COMPANY – DELFIN PROJECT

In 2014, after implementation of Package Program, a consultancy contract was issued, having as scope the detailed analysis of Petromidia refinery and of main companies related to the functioning of the refinery, on the following activity flows: Supply Chain Planning, Production and Engineering Processes, Energy, Maintenance, Organizational Efficiency.

Following the analysis completion, the Delfin Project was initiated with the scope to increase the operational results of Petromidia and Vega Platforms and to identify new opportunities and future projects that will support the achievement of the long-term strategic goals of both refineries, established at group level.

The initiatives defined in Delfin Project during 2015-2016 were continued in 2017 within the 5 workstreams: No Cost – Low Cost, Continuous Improvement, Maintenance, CAPEX (on production and energy) and Organizational Effectiveness.

The conclusions resulted from the analysis rolled-out by the consultancy team were took over, developed and implemented within the 5 workstreams. The role of the consultancy team was mainly focused on monitoring the initiatives' implementation and on supporting the workstreams with the project management activities.

Starting with 2018, the project carried out exclusively with internal resources, without the assistance of an external consultancy team.

In 2019, the implementation of both the initiatives developed in the previous stage and of the new initiatives, continued. The teams were reorganized into 8 working teams: Energy, Production, Continuous Improvement, Maintenance, Organizational Efficiency, Smart Refinery, Loss, Petrochemicals.

All the streams have a common scope:

- Increase operational performance in Petromidia and Vega - *maximize refinery profitability without CAPEX investments*
- Develop, update and implement new processes / structure / systems - *implement a modern way of working and sustain constant development*
- Identify and look out for new opportunities, drive for continuous improvements - *assess and develop ideas and profitable investments for the future*

In 2019 by **Production/Capex Delfin Projects** workstream was implemented in August the project “LPG (liquefied petroleum gaz) Recovery from Delayed Coker gases”. Project has achieved the main objective to reduce SO₂ (sulphur dioxide) emissions but beside benefits estimated trough project, LPG recovery from DCU gases improve Refinery flexibility and efficiency, increase Refinery Capacity utilization and energy efficiency.



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Scope of Work 2019 was defined in 2018, with the main area to be improved: increase refinery capacity utilization, improve blending, improve refinery yields, reduce utilities consumptions and reduce technological losses, with an estimated total benefits of **7.8 mil\$**

All previous benefits had been validated by KMG International – Corporate Internal Audit Department.

The total benefits of 19.99 mil \$ achieved during 2019 from the initiatives implemented in all workstreams exceeded with 12.19 mil.\$ the 7.8 mil.\$ benefit target planned for 2019.



1. THE ANALYSIS OF THE ACTIVITY OF ROMPETROL RAFINARE S.A.

1.1. a) Main activity of the Company

Rompetrol Rafinare S.A. („RRC” or „the Company”), a company member of the KMG International Group, is a joint stock company, solely managed, located in Navodari, 215 Navodari Blvd., Administrative Pavilion, Constanta County, operating the refineries Petromidia, located in Navodari, Constanta County as well as the Vega Refinery in Ploiesti, Prahova county. The Company is registered with the Trade Registry under the number J13/534/1991, sole registration code 1860712, fiscal attribute.

As of 01.01.2014, Rompetrol Rafinare S.A. took over the operational plants (polymer and utilities production) of Rompetrol Petrochemicals S.R.L.

In accordance with the provisions of the Articles of Incorporation of the Company Rompetrol Rafinare S.A. the main domain of activity is “manufacturing of the products obtained from the processing of crude oil ” (CAEN code 192), and the main object of activity is represented by the “manufacturing of the products obtained from the processing of crude oil” (code CAEN 1920). Other secondary objects of activity are being detailed in the Articles of Incorporation of the Company.

Rompetrol Rafinare holds the quality as authorized warehousekeeper, in accordance with the applicable tax legislation. The Refineries Petromidia and Vega are authorized as production tax warehouses being manufacturers of energetic products, observing the tax rules governing the production of energetic products.

Rompetrol Rafinare also holds Integrated Environmental Authorizations, issued by the competent environmental authorities in accordance with the legislation regarding the environment, for the 2 operated refineries: Petromidia and Vega.

I) The Production Activity in the Year 2019

Rompetrol Rafinare is a business unit composed by three production capacities: Petromidia (located in Navodari) and Vega (located in Ploiesti) refineries and Petrochemical plant (located in Navodari).

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Rompetro Rafinare - work point Navodari (Petromidia Refinery)

The production plan of ROMPETROL RAFINARE S.A. for 2019 was designed with a total processing of 6,025,578 tons, of which 5,300,482 tons crude oil and 725,095 tons other raw matters.

This program formed the basis for the preparation of the 2019 income and expense budget.

The processing carried-out in 2019 is 6,330,669.5 tons, of which 5,355,508.6 tons crude oil and 975,160.8 tons other raw materials.

This processing represents 105.06% as compared to the schedule set up for the 2019 budget.

Tons

2019	Budget	Achieved
Total throughput	6,025,578.2	6,330,669.5
Processed crude oil	5,300,482.6	5,355,508.6
Other raw matters	725,095.6	975,160.8

The situation of processing, per quarters, is presented in the table hereinbelow:

Processing	Q I	Q II	Q III	Q IV	Total 2018
Plan (tons)	1,497,376	1,572,613	1,629,398	1,326,190	6,025,578
Achieved (tons)	1,515,605	1,610,562	1,630,046	1,574,457	6,330,669
Achieved/Budget (%)	101.22	102.41	100.04	118.72	105.06

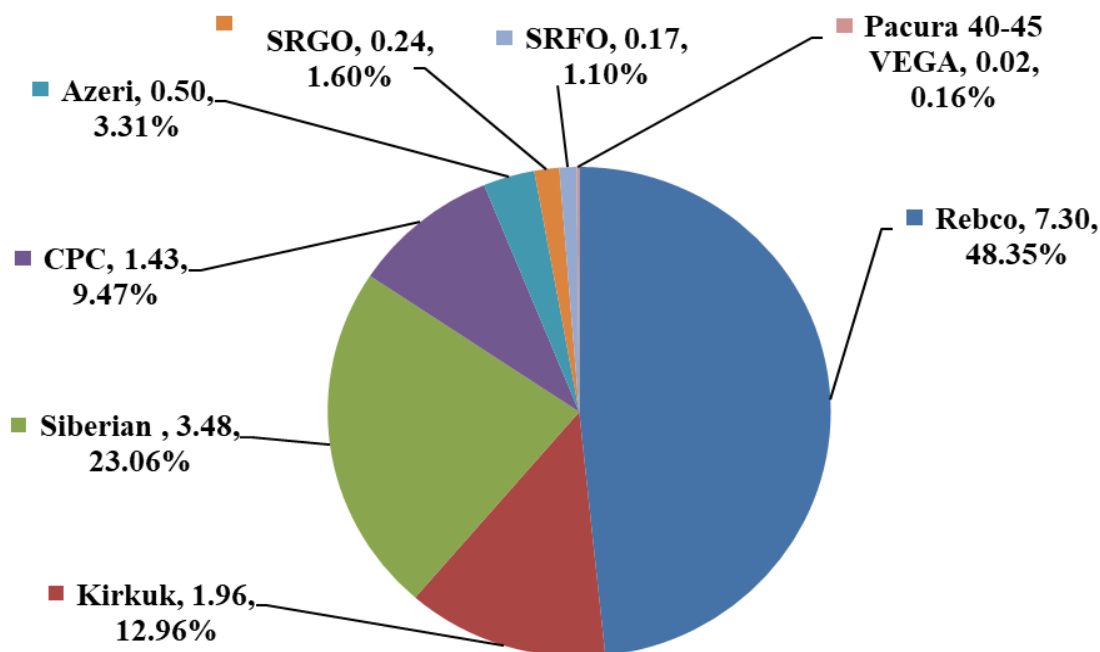
The action of attracting other raw materials (*e.g.* diesel and heavy fuel oil of first distillation) into processing was also classified under the same strategy, of ensuring an ongoing operation and at a plant loading as good as possible.

In operational terms, the refinery worked at full output of 17,344 tons of raw material per day, related to the actually worked time, registering record performances.

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

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Feedstock structure, th. tons/day & %



The yields for diesel ranked at 48.53% in 2019, while the yields for fuels (gas, diesel, Jet, automotive LPG fuel) reached the level of 75.42% in 2019.

Petromidia Refinery produced 2.92 million tons of diesel in 2019, the highest level it has ever reached since its commissioning in 1979.

The reduction of the operation costs in parallel with the increase in the mechanical and operational availability allowed an improvement of the Energy Intensity Index, which reached 97.06 points.

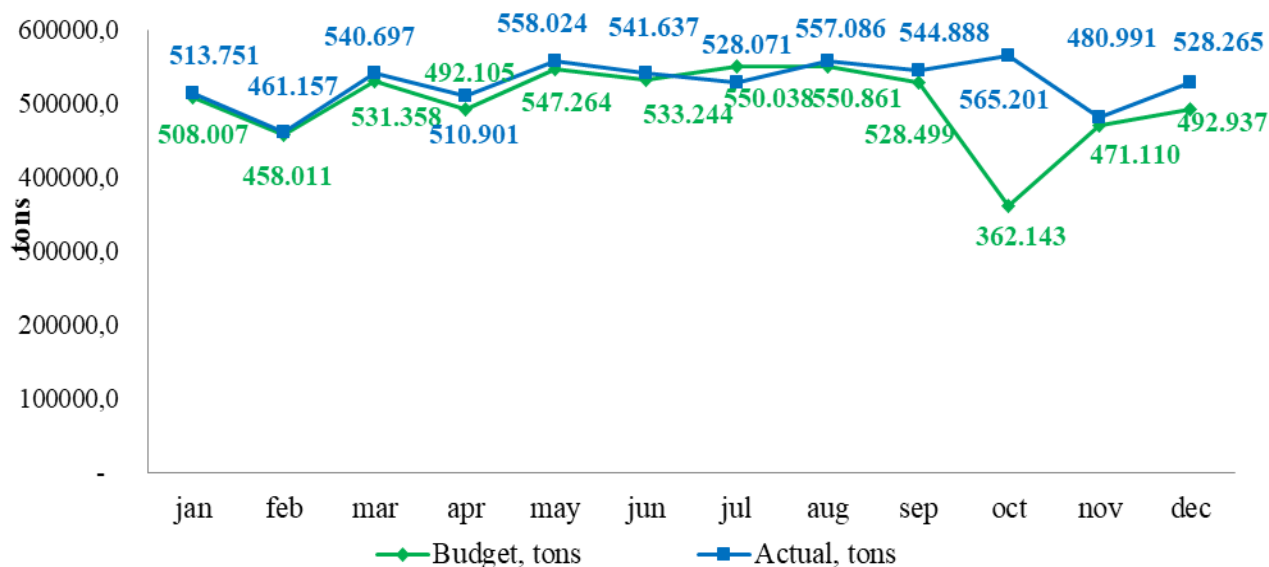
Following the general overhaul performed in 2015 and the implementation of the initiatives within the “Dolphin” project, the equipment functioned in 2017, 2018 and 2019 at a high level of safety, featuring a mechanical availability of 97.49%.

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



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2019 Monthly processing evolution versus Budget



The structure of the physical production as compared to the Budget, in 2019, is as follows:

YEAR 2019	Measurement Unit	Budget	Achieved
Finished Products	tons	5,306,219	6,172,089
Gasoline	tons	1,575,991	1,609,973
Diesel Fuel	tons	2,796,786	2,924,208
Jet	tons	300,000	405,767
Fuel Oil	tons	161,564	189,658
Propylene	tons	152,374	152,561
Liquefied Petroleum Gas (LPG)	tons	291,020	283,245
Coke	tons	294,154	267,765
Sulphur	tons	57,648	58,667
Other Products	tons	250,617	280,246
Total Consumption:	tone	145,423	150,560
White products obtained	%	86.05	86.01

In 2019, a crude oil purchase price of USD 506.38/ton was budgeted, with an average final price of USD 476.41/ton.

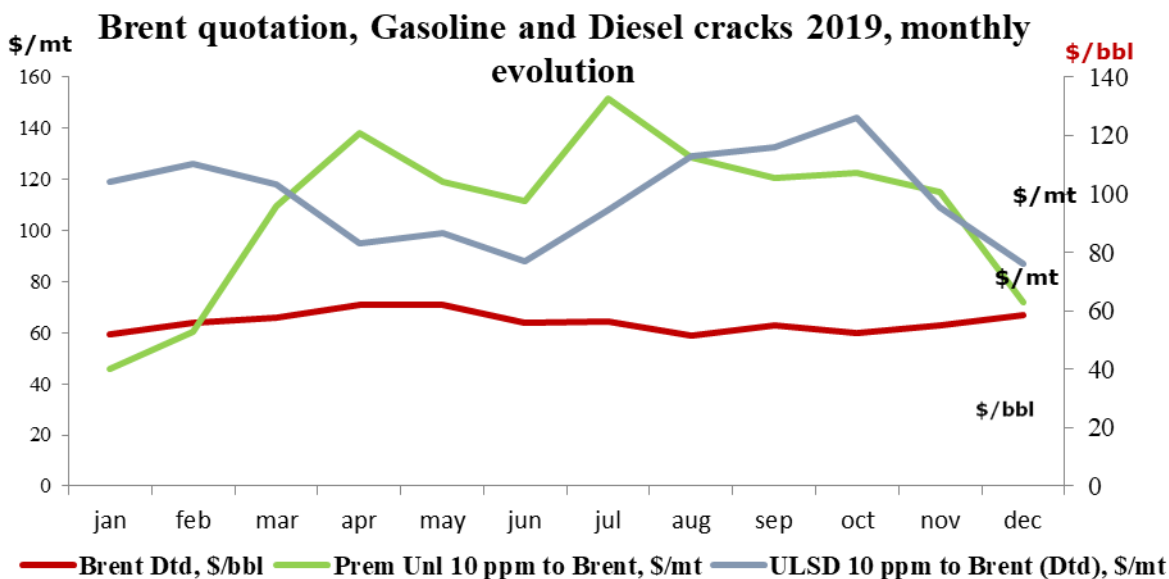
The average value of the finished products was budgeted for 2019 at USD 610.35/ton and an average price of USD 563.29/ton was achieved.



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As one can notice, the evolution of the crude oil market as compared to the budget forecast registered an annual decrease of 5.92%, and the price of oil products followed the same decreasing trend as compared to the budget, the decrease being of 7.71%.

In 2019, the gas crack exceeded the diesel one in average by approx. USD 9.04/ton, the trend being slightly upward during the period comprised between January and July 2019, and downward during August – December 2019.



Source: Platts

In 2019, it has been recorded a consumption of energy of 2.99 GJ/ton related to the ton of throughput, being at the same level the one recorded in 2018.

The utilities cost increased by 3.6% (USD ~0,34/ton), being USD 9.6/ ton, as compared to the previous year, correlated with an increase in the prices of utilities.

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

OIL PRODUCTS	DELIVERIES						
	TOTAL DELIVERIES	DOMESTIC *		EXPORT		TRANSFER	
	[tons]	[tons]	[%]	[tons]	[%]	[tons]	[%]
Gasoline	1,376,024	357,266	25.96	1,018,758	74.04		
Gasoline for chemical use	232,965	0	0,00	27,779	11.92	205,186	88.08
Petroleum	406,180	316,369	77.89	78,826	19.41	10,986	2.70
Auto diesel fuel	2,927,053	1,890,099	64.57	1,036,954	35.43	0	0.00
Fuel oil	182,204	6,604	3.62	29,256	16.06	146,343	80.32
Vacuum distillation	152,561	0	0.00	0	0.00	152,561	100.0
Propylene	284,304	284,304	100.0	0	0.00	0	
Liquefied Petroleum Gas LPG	264,804	178,678	67.47	86,131	32.53	0	
Petroleum Coke	54,147	78	0.14	57,069	99.86	0	
Petroleum Sulphur	72,682	39,396	54.20	0	0.00	33,286	45.80
Other Products	1,376,024	357,266	25.96	1,018,758	74.04	0	
TOTAL	5,955,930	3,072,857	51.59	2,334,773	39.20	548,362	9.21

* The quantities delivered for domestic consumption include the petroleum products marketed on the domestic market. The deliveries to Vega and Petrochemical are included under the heading "transfer"

Rompertrol Rafinare – work point Vega Refinery

The 2019 production schedule of ROMPETROL RAFINARE S.A., work point Vega Refinery was designed for a total processing output of 406,043 tons, out of which 405,972 tons raw materials of inside the Group and 71 tons raw materials acquired outside the Group.

This schedule formed the basis for the preparation of the 2019 income and expense budget.

The processing carried out in 2019 amounts to 436,018 tons, out of which 436,007 tons from Group and 11 tons non-Group.

The processing represents 107.38% as compared to the schedule established for the 2019 budget, according to the available raw materials from Petromidia Refinery and correlated with the market demand.

	<i>tons</i>	
2019	Budget	Achieved
TOTAL THROUGHPUT	406,043	436,018
Group	405,972	436,007
Non group	71	11

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The situation of processing, per quarters, is presented in the table hereinbelow:

Achieved, tons	79,009	122,594	123,060	111,355	436,018
Budget, tons	76,998	116,671	116,121	96,253	406,043
Achieved/Budget (%)	102.6%	105.1%	106.0%	115.7%	107.4%

In 2019 the processed quantity was by 7.4% higher than budgeted quantity, the monthly average being 36,335 tons as compared to 33,837 tons according to the budget.

Structure of Physical Production as Compared to the Budget, in 2019, is the following:

YEAR 2019	Budget [tons]	Achieved [tons]
Finished products	402,169	441,207
Gasoline + Solvents	172,786	180,320
n-Hexane	85,015	91,866
White spirit and P Fuel	5,472	7,067
Calor Extra I	4,015	3,510
Light oil fuel type III	4,220	6,351
Heavy fuel oil	27,627	32,286
Bitumen	103,034	119,807

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

In 2019, the energy consumption reported to throughput ton suffered a decrease by approximately 2% as compared to 2018, the influence resulting from the different functioning of the plants as compared to the previous year, as well as of the measures taken to reduce the consumptions.

The quantitative structure of the deliveries of petroleum products in 2019 is summarized in the following table:

Group of products	TOTAL DELIVERIES 2019		DOMESTIC		EXPORT	
	[tons]	% of total sales	[tons]	%	[tons]	%
Naphtha gasoline	138,953	31.33	48,823	35.14	90,130	64.86
Bitumen	120,199	27.10	119,219	99.18	980	0.82
Heating fuels	9,247	2.08	9,247	100.00	-	-
Hexane	89,889	20.27	3,110	3.46	86,779	96.54
Heavy fuel oil	37,120	8.37	36,833	99.23	287	0.77
Petroleum and White spirit	6,890	1.55	4,926	71.50	1,964	28.50
Ecologic solvents	41,228	9.30	679	1.65	40,549	98.35
Total	443,526	100.00	222,837	50.24	220,689	49.76

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Rompetrol Rafinare – Work Point Navodari (the Petrochemistry Plant)

The production plan of ROMPETROL RAFINARE S.A. – Petrochemistry Plant for year 2019 was prepared for the functioning of the Polypropylene plants as follows: Polypropylene plants during the entire year (PP), low pressure Polypropylene (LDPE) plants beginning from April 2019 and high pressure Polypropylene (HDPE) beginning from July 2019.

This schedule formed the basis for the preparation of the 2019 income and expenses budget.

The polymer production realized in 2019 amounted to 126,782 tons, out of which PP – 89,535 tons and LDPE – 37,247 tons. The HDPE plant was stopped during the entire year of 2019.

The structure of processed raw materials as compared to the 2019 Budget is as follows:

YEAR 2019	Budget tons	Achieved tons
Raw materials	245,439	191,049
Propane propylene mixture	152,362	152,809
Ethylene		

The structure of the physical production as compared to the 2019 Budget is as follows:

YEAR 2019	Budget tons	Achieved tons
Finished products	182,638	126,782
PP	92,040	89,535
LDPE	57,193	37,247
HDPE	33,404	0
Production of polymerizable propylene	27,254	31,390

The comparison budget-achieved shows that the PP production reached 97% as compared to the budget and the HDPE production reached 65% as compared to the budget.

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The situation of polymer production, per quarters is presented in the table hereinbelow:

		Q I	Q II	Q III	Q IV	2019
PP	Budget (tons)	23,010	22,620	23,530	22,880	92,040
	Achieved (tons)	21,693	21,040	23,330	23,473	89,535
	Achieved/Budget (%)	94%	93%	99%	103%	97%
LDPE	Budget (tons)	0	18,918	19,138	19,138	57,193
	Achieved (tons)	7,356	9,196	9,556	11,139	37,247
	Achieved/Budget (%)	0%	49%	50%	58%	65%
HDPE	Budget (tons)	0	0	16,702	16,702	33,404
	Achieved (tons)	0	0	0	0	0
	Achieved/Budget (%)	0%	0%	0%	0%	0%

The average value of the cost for processed raw materials, in 2019, was for:

- Propane-propylene mixture – budgeted at USD 736/ton and USD 718/ton was achieved;
- Ethylene – budgeted at USD 1,128/ton and USD 907/ton was achieved.

The average sale price for finished products, in 2019, was for:

- PP budgeted at USD 1,230/ton and USD 1,133/ton was achieved
- LDPE budgeted at USD 1,404/ton and USD 1,064/ton was achieved
- HDPE budgeted at USD 1,447/ton and USD 1,064/ton was achieved when selling the products from stock

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

PRODUCTS	DELIVERIES				
	TOTAL DELIVERIES	DOMESTIC		EXPORT	
	[tons]	[tons]	[%]	[tons]	[%]
PP	91,771	40,112	44%	51,659	56%
LDPE	38,121	25,053	66%	13,069	34%
HDPE	3,316	1,101	33%	2,215	67%



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II) *Investment activity*

The investment activity in the year 2019 was focused, in accordance with the program, on the following:

- The increase of the processing capacity of the refinery and the generation of fuels, with the specification in line with the European standards as also an increase of the white products efficiency;
- The alignment with the requirements of the European Union, the environmental standards in force, and in particular with the aim of reducing emissions.
- The alignment with safety and security regulations
- Projects for static and dynamic equipment revamp and modernization in order to keep them in good condition for safe operation

The investments performed in **2019** added up to **56,371,699 USD**.

The main projects **completed in the year 2019** in Rompetrol Rafinare:

➤ **Modernization of the In Line Blending Unit**

- To make In - Line Blending system, a fully operational, controlled and automated process in order to obtain quality products.
- Optimizing 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.
- Implementation and use in DILB of an optimization software for additives.
- C97, C98 tanks configuration to DILB software interface (field works mechanical, electrical and instrumentation will be performed in “Rehabilitation of C100 and DV20 tanks and relocation to other storage and delivery paths” project).
- Maintain and assure the In - Line Blending system reliability at the lowest cost possible for at least the next five years.

➤ **Increase railway diesel loading capacity**

The Project represented the upgrading of the CF ramp for diesel loading / unloading including: 2 new bottom loading / unloading arms for diesel, one for each loading point and 2 new diesel pipeline sections for connecting the new pump to the new CF ramp - with partial re-use of an existing DN 250 pipeline and also new diesel collector (for the new loading arms) at CF ramp and connections to the loading arms; new pump for diesel loading activity with a nominal flow rate of 250 mc/h, powered through a frequency converter in order to allow the loading of one/two RTCs; was located on the pump platform from Objective 431; new pump for diesel unloading activity and new connection pipelines. The pump was mounted in fuel oil ramp, on a common platform with the fuel oil unloading pump; 2 new unidirectional skids for diesel (fiscal) and degassers for taking thermal dilatations (separate from the one included in the skid);



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Following project implementation, the loading capacity of diesel for domestic market on the Automated Ramp is increased with 15 kt/month;

➤ **Revamp Fuel Oil ramp to relocate black products from automated ramp**

The implementation of project „Rehabilitation of fuel oil ramp facilities” has as scope to rehabilitate the facilities from Fuel oil Ramp in order to have an operable railway fuel oil ramp where will be loaded vacuum residue and diesel for export. This will allow extra 15kt/month of diesel loadings on Automated Railway Ramp and other extra 15kT/month on Railway fuel oil ramp. The main activities in the project were:

- Rehabilitation of the PSI system from Fuel Oil ramp
- Rehabilitation of the Sewage system

➤ **LPG recovery from DCU gases**

The implementation of project “LPG (Liquefied Petroleum Gas) recovery from DCU (Delayed Coker Unit) gases” had as objective to reduce amount of organic Sulphur’s in the fuel gas before the amine scrubbing. By implementing this project Refinery complied 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/Nm³ for all furnaces at stacks (exception SRU (Sulphur Recovery Unit), FCC (Fluid Catalytic Cracker), FH2 (Hydrogen Plant)). Reducing total Sulphur in the fuel gas results in reduction of SO₂ content in the stack.

➤ **Obtaining ISCIR authorizations for equipment (ISCIR 2019-2020)**

Project consists in aligning to legislation requirements in terms of safety functionality of the refinery equipment.

In July 2010 occurred new modifications of the existing legislation, namely technical prescriptions C4, C6 and C10, 2010 edition introduced the obligation to prepare Examination, Checks and Investigation (EVI) Programs for all equipment and pressurized pipes older than 12÷18 years in order to perform Technical Checks in Use for Examinations with Technical Character (VTU-IECT).

By project implementation, the following benefits are expected:

- Running with the refinery units in safety conditions according to legislation in force, as a result of detailed verifications which will be performed during this evaluation program which will have as a result the technical evaluation of the equipment after specified years of service, as well as repair or elimination of the faults which will appear after the checks;
- Obtaining the functioning authorization for the pressurized equipment, pipes and lifting equipment as per Technical Prescriptions

The project main objective consist in running with the refinery units in safety conditions according to legislation in force, as a result of detailed verifications which will be performed during this evaluation program which will have as a result the technical evaluation of the equipment after N years of service, as well as repair or elimination of the faults which will appear after the checks.

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➤ **Fire-fighting Water Main Replacement section T003**

- Increase the safety level for personnel and assets.
- Increase the level of prevention and protection in case of emergency situations (fire) by providing the necessary operating conditions for firefighting system: 12barg in standby mode and 16barg in case of fire.

➤ **Vapor recovery system at Auto loading points**

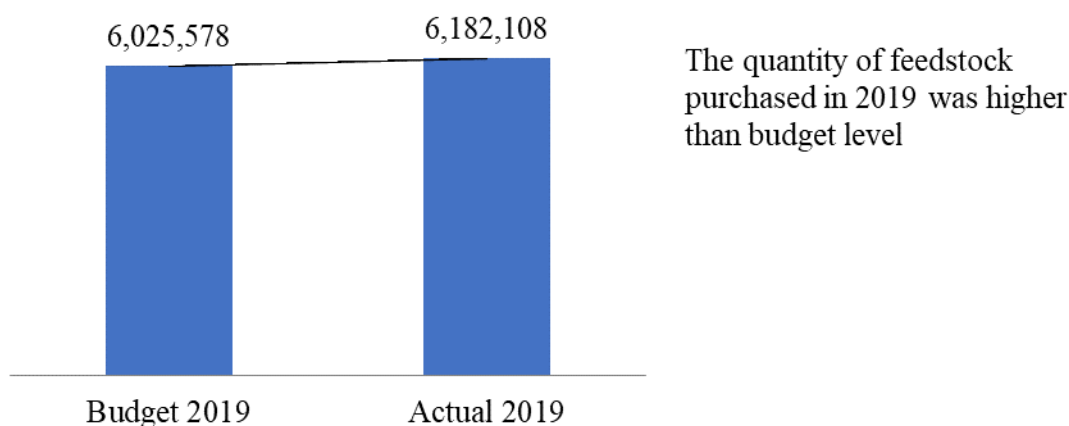
- Comply with environmental legislation regarding the emissions of COV (volatile organic compounds) at a value of 0.15 g/Nmc with benzene monitoring, applicable starting October 2018, according BAT Decision from 2014, 9th October based on 2010/75/UE Directive of European Parliament and the Council regarding industrial emissions for petroleum and gas refining.
- Decrease loading solvents technological consumption with 0,15% from overall refinery technological consumption
- Reducing the emissions in the atmosphere and comply with environmental requirements.
- The calculation methodology is based on a vapor recovery charge of 95%.

III) Commercial Activity

Rompetrol Rafinare – work point Navodari (Petromidia Refinery)

1. Supply of Raw Materials

Feedstock acquisitions vs Budget (tons)





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In the year 2019, crude oil acquisitions were higher (5,324,175 mt) than the last year (5,091,736 tons). Crude acquisitions have been exclusively carried out by the trading company of the Rompetrol Group - Kazmunaygas Trading AG.

All feedstock volumes purchased in 2019 from external sources (6,074,447 tons) were higher than in 2018 (5,794,693 tons).

Average price of acquisition for crude was in 2019 lower (474 USD/ton) than in 2018 (512 USD/ton) due to decrease of international quotations (in 2019 average for Brent was 64 USD/bbl (486 USD/ton) compared to 71 USD/bbl (537 USD/ton) in 2018).

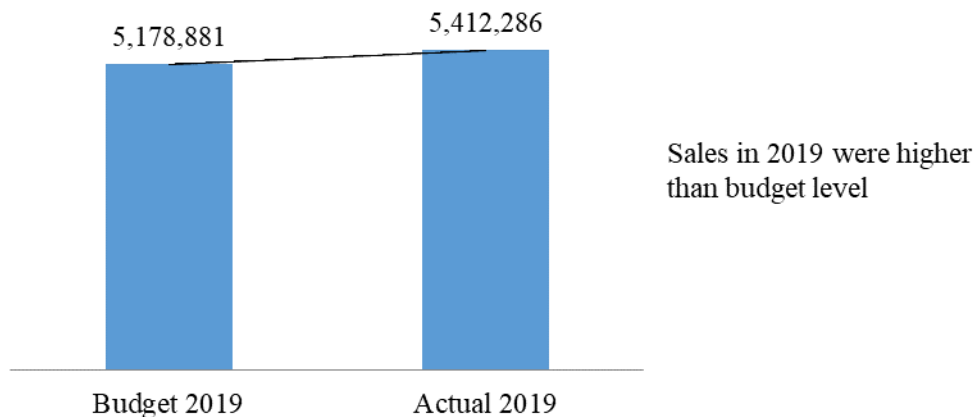
Domestic acquisitions in 2019 amounted to de 107,661 tons compared to 117,968 tons in the previous year. Added to these, there were also volumes tranferred from Vega refinery in amount of 66,904 tons (41,637 tons in 2018).

Domestic suppliers have been:

- Socar Petroleum, Ivict Europe – methanol
- Prio Biocombustibil,Expur - biodiesel
- OMV Petrom - gasoline RON 92

2. Sales

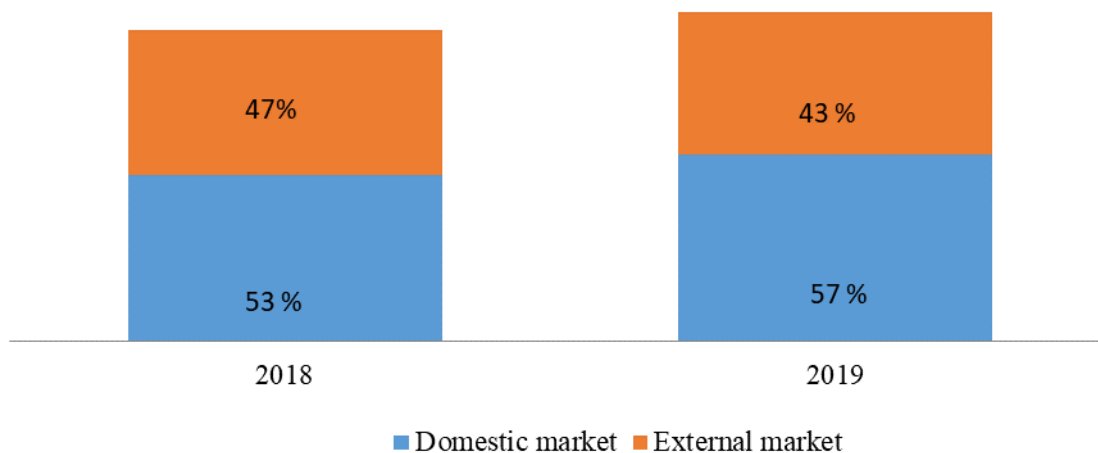
Sales of finished products vs budget (tons)



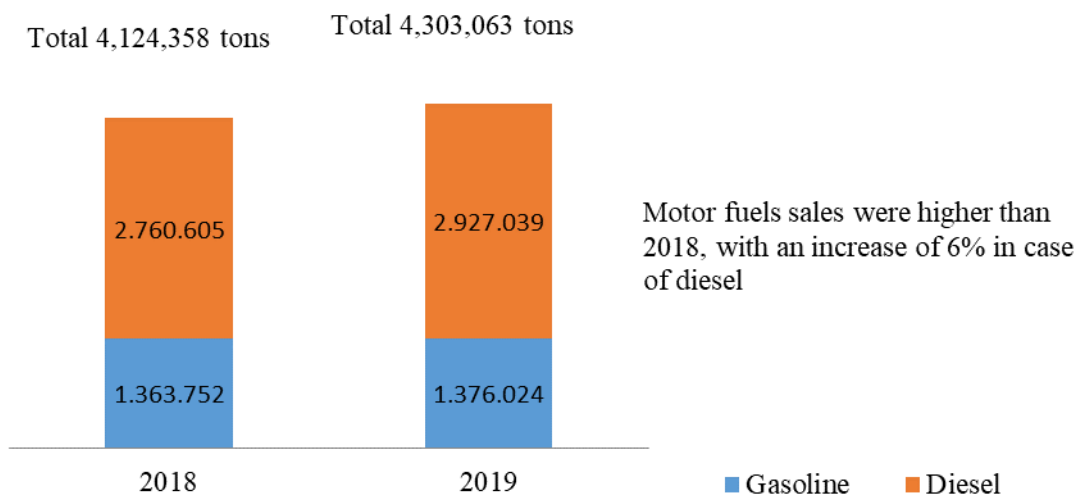


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Structure of total sales



Gasoline + Diesel sales (tons)



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Rompetro Rafinare – work point Vega Refinery

Structure of sales in 2019 is shown as below:

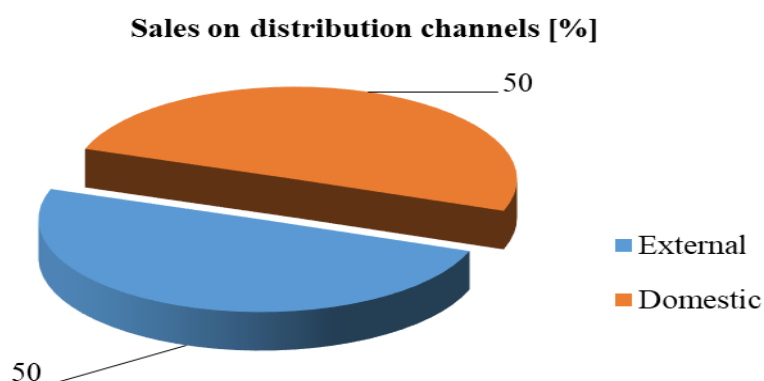
Product Group	Total sales 2019		Domestic		External	
	[tons]	% of total sales	[tons]	% of total sales	[tons]	% of total sales
Naphtha gasoline	138,953	31.33	48,823	21.91	90,130	40.84
Bitumen	120,199	27.10	119,219	53.50	980	0.44
Heating oils	9,247	2.08	9,247	4.15	-	0.00
Hexane	89,889	20.27	3,110	1.40	86,779	39.32
Fuel Oil	37,120	8.37	36,833	16.53	287	0.13
Petrol and White spirit	6,889	1.55	4,926	2.21	1,964	0.89
Ecological solvents	41,228	9.30	679	0.30	40,549	18.37
Total	443,526	100.00	222,837	100.00	220,689	100.00

The main markets for external channel were:

- Hungary, Slovakia, Czech Republic, Poland, Spain for naphtha;
- India, Turkey, Ukraine, Bulgaria, Russia for hexane;
- Germany, Cyprus, Spain, Ukraine, Hungary, Moldova for ecological solvents;
- Bulgaria, Moldova for white spirit;
- Bulgaria for fuel oil
- Bulgaria for bitumen

Market

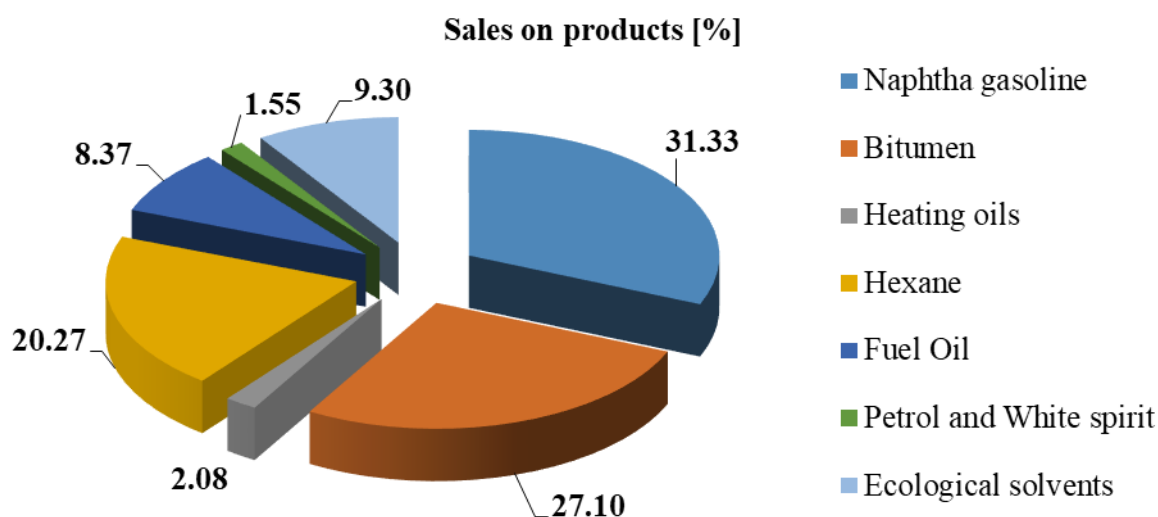
In 2019, sales amounted to 443,526 tons, on domestic market 222,837 tons and on external markets 220,689 tons. Share on distribution channels was relatively equal for the two distribution channels:





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White products sales (naphtha, ecological solvents, n-hexane and white spirit) represented about 62% of total sales in 2019.



Rompetrol Rafinare – work point Năvodari, the Petrochemistry Plant

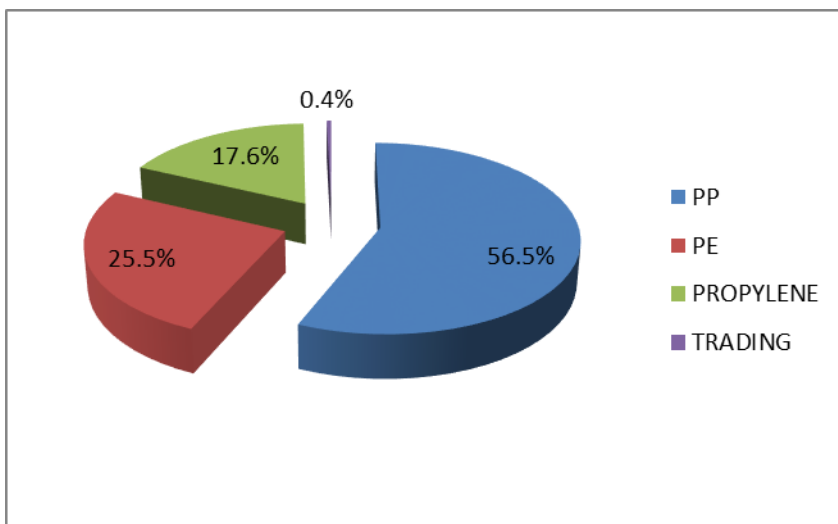
Rompetrol Rafinare SA, the Petrochemistry Plant, is the sole polypropylene (PP) and polyethylene (LDPE, HDPE) producer of Romania.

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

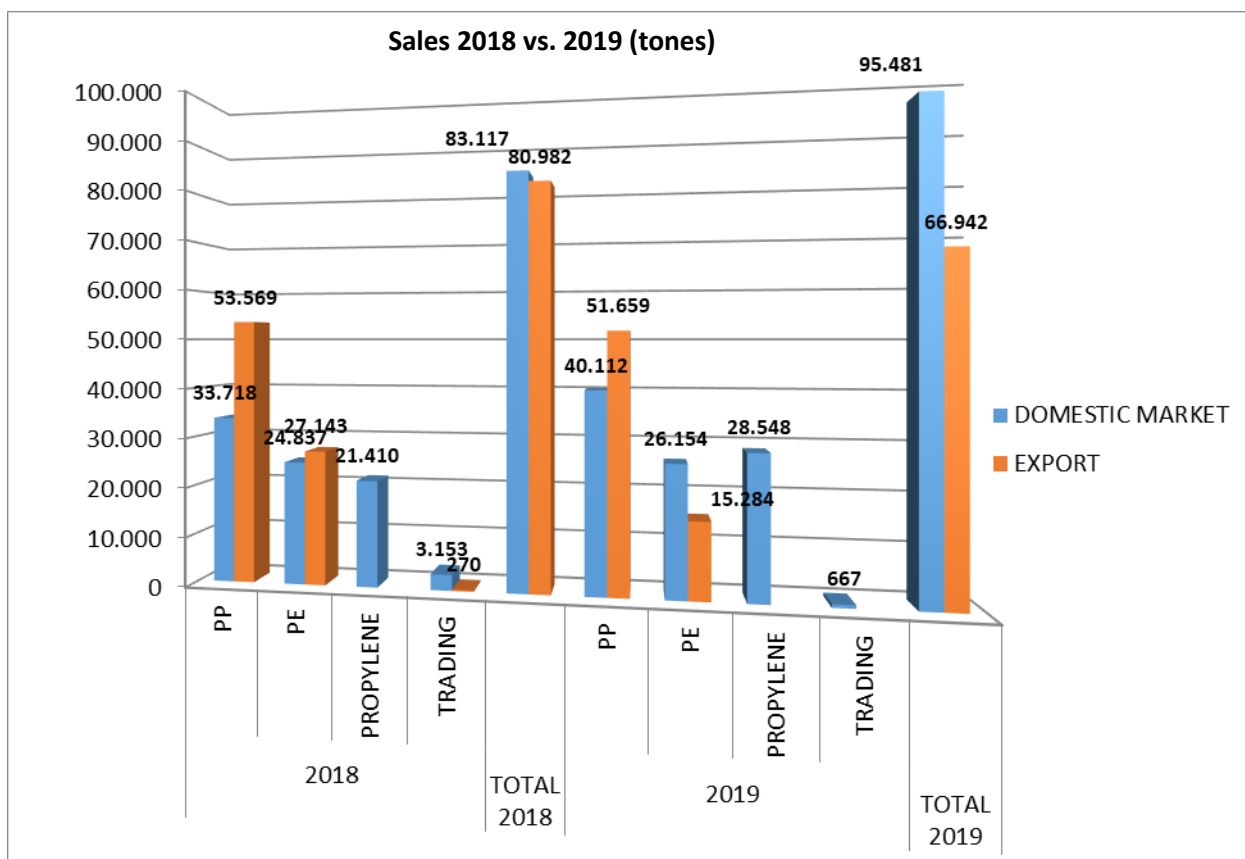
The sales of Rompetrol Rafinare – Petrochemistry Plant amounted in 2019 to a quantity of 162,424 tons.

In 2019, 56.5% of total sales stand for polypropylene (PP), 25.5% stand for polyethylene (PE) and the remaining 18% represents sales of propylene and trading activity.

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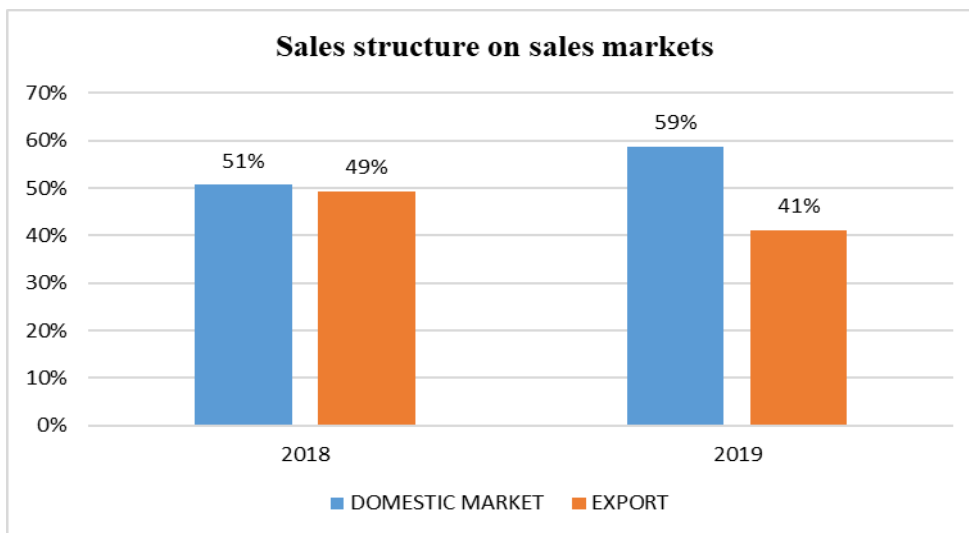


Sales growth, compared to 2018, were recorded in polypropylene (PP) (+ 5%) and propylene (+33%).



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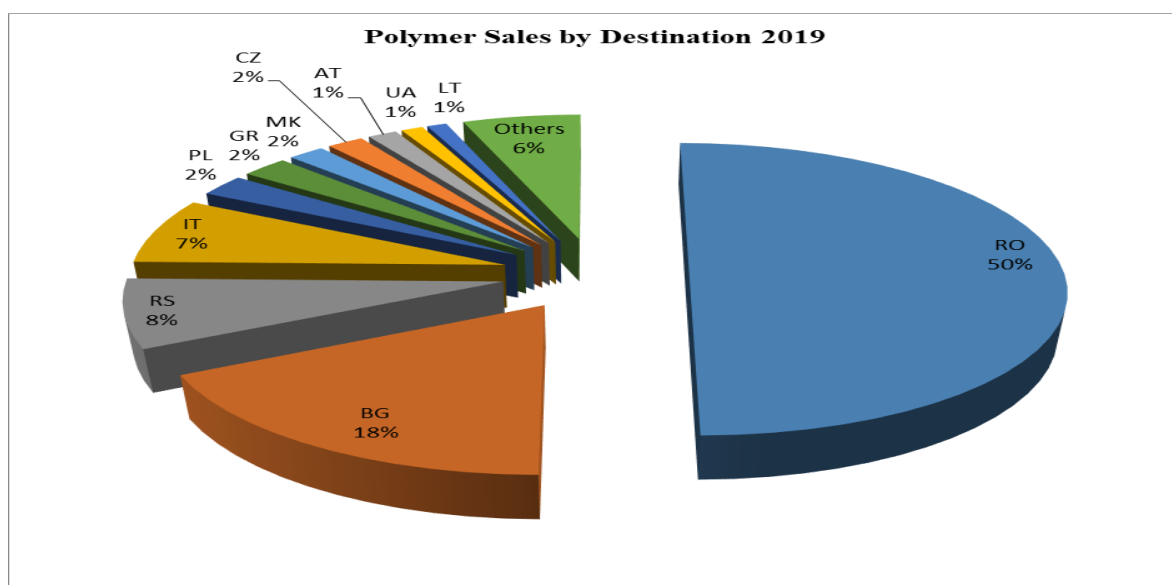
Out of total sales, 59% is the domestic market and the rest of 41% represents exports. There is a change in the sales structure compare to 2018 in terms of distributing a larger percentage of products on the domestic market.



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

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 88% 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.





IV) Activity regarding quality, health, work safety and environment protection (QHSE)

Through QHSE specific activities it has been followed to achieve the objectives set for the year 2019. All these have materialized by **maintaining** the integrated management system quality-environment-health and occupational safety, as confirmed by **the supervision audit**, carried out by DNV-GL representatives (April 2019).

Major activities carried out in 2019 in order to achieve the QHSE objectives (detailing of the environmental and safety activities is to be found in the relevant chapters of this report):

- Integrated Management System documents have been maintained /developed /revised /reviewed (policies/objectives/plans/programs/procedures/work instructions/regulations, etc.) in compliance with the requirements of the KMG International Group Policy no. 1 and new ISO 9001 & 14001 standards, OHSAS 18001 and ISO 50001; also activities related to transition to new standards versions ISO 45001&ISO 50001.
- Active involvement in maintaining of the energy management system according to the ISO 50001 standard;
- It was maintained and quarterly updated the Risk Register for Rompetrol Refinery;
- There were performed internal audits, safety audits, inspections in accordance with the planning or unforeseen, in order to identify both weak points and improvement opportunities;
- There have been drawn up specific statistics and reports, with various frequencies (weekly/monthly/quarterly/half-yearly/annual/upon request), in order to meet as well internal requirements as also compliance obligations and the requirements of relevant interested parties;
- The certifications on vehicle fuels and bitumen were kept in compliance with the legal requirements / regulations of the European Union;
- ISCC Certification was maintained;
- Environmental Integrated Authorization revised as per legislation in force, for both workpoints (Petromidia and Vega) and CO2 Permit revised for Petromidia;
- Were implemented projects with high impact on environmental protection (LDAR-Leak Detection and Repair regarding air quality) and safety (LOTO-Logout-Tagout);
- The activity at the two work points - Petromidia refinery, with two plants (Refinery and Petrochemistry), and Vega refinery have been monitored for purposes of environment protection, pursuant to the Integrated Environment and Water Management Authorizations, as well as in what regards the compliance requirements under the Greenhouse Gas Authorization;
- The safety awareness program 1.LIFE for Petromidia and Vega employees was continued in order to consolidate employees safety culture and also to pursuing the development and implementation of occupational health and safety management to the highest standards and



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achieving a level of safety comparable to the levels of the most renowned companies in the world. The program aims to improve the activity on the line of occupational safety, in order to make the workers aware, including the subcontractors of works on the approach of a safe behavior and to reduce the risks of accident and / or occupational illness specific to all the activities carried out on the Petromidia and Vega platforms.

- Behavior Based Surveys (BBS) have been continued focusing on behavioral audit, both in the workplace and in driving cars for Rompetrol Rafinare employees;
- Emphasis was placed on participating with the consultation of the workers' representatives at:
 - Evaluation of the risks of accidental and professional injury;
 - Accident investigation
 - In reviewing of the procedures regarding the work permits, as well as the other work instructions with impact and responsibilities on the production activity and not only;
- A safety culture questionnaire was sent - "Survey on the work environment and safety training" to the SSM specialists of the contractor companies and of other entities, in order to identify the degree of satisfaction of the workers, as relevant interested parties in terms of the safety requirements;
- Update completed for training software "iKNOW" (for own employees) and contractors/subcontractors personnel have been evaluated (tested) after training for access to the Platforms;
- Continued collaboration with ophthalmic services firms for free optometric consultations for employees.
- There have been taken actions for personnel recognition and motivation, there were organized and our employees join in CSR projects:
 - Series of safety events to promote International Safety Day: emergency drills, safety contests with prizes consisting of sweets, etc.;
 - Magic Fairytales, puppet theater and cotton candy in 5 locations from poor villages, for more than 800 kids;
 - Awareness and involvement in activities regarding environmental protection and safety at work, promoted through photos;
 - SMURD first aid training (theoretical and practical in PEM and Vega);
 - Theoretical and practical usage of extinguishers for kids from nearby villages;
 - Organize the event "Santa came for the first time in PEM and Vega" for more than 340 employee's kids;
 - MSA demo truck present on the Petromidia and Vega Platforms with the latest technologies on protection equipment, gas detectors and working equipment at heights. Representatives of the contracting / subcontracting firms also participated.

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**STATEMENT
OF THE MAIN ECONOMIC-FINANCIAL INDICATORS
AND OTHER INFORMATIVE DATA, ON DECEMBER 31ST, 2019, AS
COMPARED WITH THE INCOME AND EXPENDITURE BUDGET
APPROVED IN THE GENERAL MEETING OF THE SHAREHOLDERS OF
THE COMPANY 2019**

Crt. No.	INDICATOR'S NAME	LEI	
		OMFP no. 2844/2016	
		Carried out 2019	ISB 2019
1	Crude oil processed and other raw materials (tons)	6,330,670	6,025,578
2	Net turnover	14,750,359,139	14,951,796,536
3	Cost of sold production	(14,411,331,213)	(14,228,543,987)
4	Gross profit/ (Loss)	339,027,926	723,252,549
5	Distribution and general administrative expenses	(344,429,727)	(269,742,610)
6	Other incomes/operational expenses	70,133,170	0
7	Profit / (Loss) operational	64,731,369	453,509,939
8	Financial expenses	(235,486,607)	(191,321,778)
9	Financial incomes	22,779,343	8,216,040
10	(Losses)/ Gains on exchange rate variations, net.	(145,469,631)	0
11	Gross profit/ (Loss)	(293,445,526)	270,404,201
12	Incomes / (Expense) on tax on postponed profit/ Minority interest	(59,284,942)	(66,825,000)
13	Profit/(Loss) on exercise	(352,730,468)	203,579,201
14	Fixed assets	5,287,888,563	0
15	Stocks	822,822,149	0
16	Receivables	1,784,692,732	0
17	Cash	22,373,528	0
18	Total debts (including provisions)	5,952,378,246	0
19	Own capitals	1,967,984,039	0
20	Average number of employees	1,157	1,172

From the data presented in the above table, comparing the results recorded at 31.12.2019 with those approved in the Income and Expense Budget (ISB), the following results:

1. In 2019, Rompetrol Rafinare processed a quantity of crude oil and other raw materials of 6,330,670 tons, higher by 5% to that foreseen in the Income and Expense Budget, respectively, by 305,092 tons more than budgeted.



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2. The turnover recorded in year 2019 is very close to the amount foreseen in the budget, the difference being about 1%.
3. The cost of the production sold is very close to the amount foreseen in the budget, the difference being about 1%.
4. The result of the operational activity is positive (profit) in amount of Lei **64,731,369**;
The financial expenses records values higher than budgeted, by 23%, on the background of increased production and a greater need for financing for the increased quantity of crude purchased and processed compared to the budgeted level.
5. The net differences of exchange rate recorded in 2019 are unfavourable, their value reaching Lei (145,469,631), given the continuous depreciation of the national currency to the USD;
6. **At the end of 2019, Rompetrol Rafinare records a net negativ result (loss) of Lei (352,730,468).**
7. The total amount paid in 2019 to the state budget and to the local budgets was of Lei 6,768,529,192 (equivalent of 1,595,876 thousand USD) mainly representing duties, VAT, taxes and salary taxes, local levies and others. Of the levies and taxes paid by the Company to the state budget, important amounts, quotas established by the legislation that regulates local budgets, are directed to the local authorities on whose territories the company performs.

b) Date on which the Rompetrol Rafinare S.A. has been established.

Rompetrol Rafinare S.A. is the most important asset of KMG International NV in Romania, with a significant economic impact on and contribution to energy security. The Company has an experience of 40 years in the field of making products obtained from crude oil processing and a history that began in 1979, upon the commissioning of the first unit, the AD unit (atmospheric distillation unit).



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Please find hereinbelow a brief presentation of the most important times in the Company's history:

1975 - 1977	<ul style="list-style-type: none">• Midia Năvodari Petrochemical Plant (the first name of Rompetrol Rafinare S.A.) was deigned on the basis of Romanian refining technologies and of certain foreign licenses.
1979	<ul style="list-style-type: none">• The first unit - the Atmospheric Distillation Unit - is commissioned
1991	<ul style="list-style-type: none">• Midia Petrochemical Plant turns into a joint stock company, the assets of the former unit being entirely taken over. The newly-formed company, under the name of PETROMIDIA S.A., was established under Government Decision No. 1176/1990, issued under Law No. 15/1990 on the reorganization of State economic operators as <i>regies autonomes</i> and business companies. Annex No. 1 to the regulatory act mentions the headquarters of the joint stock company, as being located in Constanta, Str. DN 228 km 23, Constanta County.• The Company is registered with the Constanta Trade Registry under No. J13/534/1991 and has sole registration code 1860712.



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2000	<ul style="list-style-type: none">• Government Decision No. 540/2000 on the approval of the classification into functional categories of public roads and private utility roads open to public traffic, road DN 228 was re-categorized as a county road under the name of County Road 226. The regulatory act resulted in the amendment of the Company's Articles of Incorporation and Registration Certificate.
2001	<ul style="list-style-type: none">• Change of the Company's name from "PETROMIDIA S.A." into "ROMPETROL RAFINARE-COMPLEXUL PETROMIDIA S.A."
2003	<ul style="list-style-type: none">• The Company changes its name into "ROMPETROL RAFINARE S.A."
2004	<ul style="list-style-type: none">• Shares listing at the Bucharest Stock Exchange, under the "RRC" symbol
2007	<ul style="list-style-type: none">• The Extraordinary General Meeting of the Shareholders of September 17, 2007 decided to acquire the full ownership over the machinery and equipment within the Vega Refinery, located in Ploiești, Str. Văleni No. 146, Prahova County.• Acquiring the ownership over and resuming the possession of the plot of land and all the assets from the premises of the Vega Refinery, the Company established its own Work Point at Ploiesti and obtained effective December 1, 2007, the capacity of Warehousekeeper authorized for the production of energy products also in relation to the Vega Refinery from Ploiesti.
2010	<ul style="list-style-type: none">• Decision No. 2 of the Board of Directors dated October 19, 2010 approved the change of the address of the registered headquarters from Navodari, County Road 226, km 23, Constanta county into Navodari, Blvd. Navodari No. 215, Administrative Pavilion, Constanta county further to Decision No. 187/24.07.2009 issued by the Navodari Local Council on the granting of names to streets and alleys which are not included in the list of street names, and to the addresses communicated by the City Hall of Navodari City in relation to the assignment of street numbers to the Company's property located in Navodari.
2013	<ul style="list-style-type: none">• Decision No. 6/2013 issued by the Extraordinary General Meeting of the Shareholders approved the obtainment, by means of purchasing, of the ownership right over the assets consisting in intangible assets, tangible assets, fixed assets (buildings and constructions, technological equipment, measurement machinery and plants, office equipment, IT equipment, transportation means, other tangible assets), investments in progress and stocks, assigned or related to the main activity of petrochemistry, found in the property of Rompetrol Petrochemicals SRL.
2019	<ul style="list-style-type: none">• Celebrating of four decades of performance and professionalism In 2019, Petromidia Refinery from Navodari celebrated 40 years of activity, time frame when from one idea it reached to be the largest such unit in Romania and one of the most modern in the Black Sea region.

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

In the 2019 financial year, there were no significant mergers or reorganizations within RRC or in its controlled companies.

d) Assets acquisitions and sales.

Throughout 2019, the Company did not register participations to other companies, purchased assets such as fixed assets and did not sell assets. In the analyzed financial year, there were no asset purchases, except for those that were necessary for the operation and development of the activity, reflected in the investment plan and in the budgets approved for this purpose. The total expenses for investments during 2019 rise to approximate Lei 261 million.

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

Rompertrol Rafinare S.A. registered a net turnover of **Lei 14,750,359,139** in 2019, amid slightly increased volumes of petroleum products sold, but market prices decreasing from those recorded in the previous year and were also influenced by USD/RON exchange rates increased compared to those recorded during 2018. In the financial year 2019 the company recorded a net loss of **Lei (352,730,468)**, caused by lower refining margins than in 2018, by higher financial expenses than in 2018 on the background of increased production and a greater need for financing for the increased quantity of crude oil purchased and processed compared to the budgeted level, by significant losses arising from negative currency exchange rates differences of about Lei 145 million on the background of the continued depreciation of the national currency against the USD and caused by the recognition of deferred tax expenses amounting to about Lei 59 million.

1.1.1. Elements of general assessment

The income of the company originates mainly from the production and delivery of petroleum products obtained from the processing of crude oil and other raw materials: Lei 14,750,359,139.

Indicators (LEI)	2019
Loss	(352,730,468)
Operating result - profit	64,731,369
Net turnover, of which:	14,750,359,139
Export	6,358,923,517
Cost of sold production	(14,411,331,213)
Market share (%) ²	28%
Liquidity (effective amounts in accounts and cash equivalents)	22,373,528

²Fuels sales (gasoline and diesel) on the domestic market segment are exclusively delivered by the Group authorized trader – ROMPETROL DOWNSTREAM SRL Bucharest which owns a 28% market share of Romanian fuel distribution.

**ROMPETROL RAFINARE S.A.****INDIVIDUAL ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2019**

a) Loss

At the end of 2019, Rompetrol Rafinare registered a negativ result (loss) of **Lei (352,730,468)**.

b) Turnover

In 2019, the company net turnover was of Lei **14,750,359,139**, very close to that foreseen in the budget, the difference being only 1% and compared to the figure recorded in 2018 it was about 4% higher.

c) Export

In 2019, the share of international sales in total sales represented approximately 43%, the Company focusing more on maximizing sales on the domestic market, which generates profit margins higher than those obtained from export sales, in the context of lower quotations on international markets of reference.

The total amount achieved in 2019 from international sales of finished goods was of Lei 6,358,923,517 (related to the two refineries Petromidia and Vega and the Petrochemistry Plant).

d) Cost of sold production

The cost of the production sold is very close to the amount foreseen in the budget, the difference being about 1%.

e) Market share owned

From the data which we hold, the market share we estimated in the year 2019 reached about 28% (through distribution to retail), and is not influenced by major changes in the structure of the other distributors on the internal market.

f) Liquidity

As regards liquidity, the company maintained its capacity to cover the current debts from the current assets, the liquid ratio increased from 0.55 in 2018 to 0.56 in 2019.

1.1.2. The Assessment of the Technical Level of the Company***The main products produced by Rompetrol Rafinare S.A. in the year 2019:***

The Production Nomenclature of *Rompetrol Rafinare S.A., work point Navodari - Petromidia Refinery*, includes a wide range of finished products, marketed both on the internal as well as on the external market, grouped into the following categories:



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1. Liquid fuels

a) Gasoline

- RON 92 Gasoline
- Euro Super 98 Gasoline
- RON 98 Gasoline
- Eurostandard Gasoline
- Europlus 50 ppm Gasoline
- Europlus 10 ppm Gasoline
- Europlus 10 ppm BIO Gasoline
- Efix S 98 Gasoline
- Efix S 95 Gasoline
- Raffinate for chemical use

b) Diesel fuels

- Euro 5 Diesel
- 51 EFIX Diesel
- 51 EFIX Diesel Winter
- Unmarked 55 Diesel
- 55 Winter diesel
- 55 Efix S Diesel
- Euro 5 Diesel (Winter Diesel)
- Marked Euro 5 Diesel (Winter Diesel)
- Euro 5 Diesel (Euro 5 Super Diesel)
- Euro 5 Diesel (Euro 5 Super Diesel) with biodiesel
- Slurry

c) Petroleum

- Aviation turbine fuel jet A1

d) Fuel oil

2. Gaseous fuels

a) Liquefied Petroleum Gas

- GPL
- Automotive LPG
- Propane fuel
- Commercial Propane-Butane

b) Gases

- C5-C6 Fraction
- Refinery fuel gasses
- Propylene/propane-propylene mixture

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3. Solid fuels

- Petroleum coke
- Petroleum Sulphur

The Production Nomenclature of *Rompetrol Rafinare S.A. work point Ploiesti - Vega Refinery* includes a wide range of finished products grouped into the following categories:

1. Liquid fuels**a) Solvents**

- Ecological solvents
- Normal hexane
- Naphtha Gasoline
- Light naphtha type II
- Light naphtha type A

b) White spirit and petroleum

- White Spirit
- Non-industrial fuel type P

c) Diesel fuels

- Calor Extra I

d) Fuels

- Light oil fuel type III
- Calor Economic 3

e) Fuel oil**f) Bitumen**

- Roads Bitumen
- Special Bitumen
- Polymer-modified Bitumen

g) Additives

The production classification of *Rompetrol Rafinare S.A. - Năvodari Unit – Petrochemistry Plant*, contains a large array of petro-chemical finished goods, grouped into the following categories:

1. Polypropylene (PP)

- a) Injection sorts – J500, J600, J700, J800, J900, J1000, J1100, J1200, J1300, J1400, J1450, RHC40, J1500 new
- b) Sorts of Raffia – F301, F401, F501



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- c) Sort thermos-forming – RTF-3
- d) Sorts of film – F500, F600, RCF9 , F400BO
- e) Sorts of fibers – S711, S1001, RSB25

2. Polyethylene of low density (LDPE)

- a) Sorts of thin film – B20/2, B21/2, B20/3, B21/3
- b) Sort of film for thick bags – B20/03,
- c) Sort of film for liquid packaging – B21/05
- d) Sorts of thin film for thermo-contracting foil – B22/025, B22/07
- e) Sorts of agro-film for greenhouses - RGH-035 UV

3. Polyethylene of high density (HDPE)

- a) Injection molding grades– 1100J, 1300J, 2200J, 2208J, RBI2, RBI8, RBI8 UV;
- b) Extrusion molding grades - 3000S, 5000S, 3300F, 5300F, RBP 01, 7700M, RBF 008, 7000F, 7700F;
- c) Blow molding grades - 5205B, 5305B, 6205B, 8200B

The Main Services of Rompetrol Rafinare:

During 2019, the company provided the following services:

➤ Energy distribution and utilities services. These services have been performed by Thermo-Hydro Unit together with the Electric Unit for the companies on Petromidia platform as well as for other companies outside the platform, consisting of:

- Instrumental air, technical air, fire extinguishing water, drinkable water, hot water, condensed return water, waste water treatment, demineralized water, raw water, filtered water, combustible refinery gases, electric energy, thermal energy, drinkable water, propane for heating.

Services provided to third parties: waste water Treatment in Water Purification Plant.

All these utilities are transported and distributed by the pipeline network exploited by the Utilities Plant. Transport and distribution costs are included in the price of the utilities, except for:

- electric energy – electric energy distribution tariffs on the two voltage levels of low voltage and high voltage are regulated by the National Energy Regulatory Agency;
- drinkable water – the tariff for the distribution of drinkable water is regulated by the National Regulatory Authority for Community Services of Public Utilities



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Concurrently, the company purchased services consisting of: take over, transport, for the purpose of the final elimination in authorized installations of hazardous sludge waste having waste codes: 05 01 09* and 19 08 13*.

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

In the year 2019, sales on domestic market accounted 57% of total sales, the share being slightly higher than that of the year 2018. Share of motor fuels (gasoline and diesel) reached 80% of total finished products sales. Domestic market absorbed about 52% of total motor fuels sold in 2019. Sales of gasoline and diesel for domestic market intended for national consumption through the gas stations network covered all Romanian areas. The highest share (abt 84%) of total motor fuels sold nationwide was represented by diesel sales.

The external sales had as final destination both European Community area and Non European Community areas. Intra-Community deliveries accounted for about 33% of the total finished products sold on the external market, slightly higher than in 2018 (32%), as a result of increased sold volumes.

International sales had the following main destinations:

Gasoline	- Greece, Georgia, Lebanon, Bulgaria, Moldova, Turkey
Diesel fuels	- Greece, Bulgaria, Moldova, Turkey, Georgia
Jet fuel	- Moldova, Georgia, Bulgaria, Albania
Petcoke	- Turkey, Moldova, Ukraine, Serbia, Hungary
Sulphur	- Egypt, Ukraine

The sold petroleum products have been shipped mostly by means of road trucks and on rail, but also by barges, in case of domestic sales. On external channel, most of the sales were largely dispatched by the sea via the Midia and Constanta ports, but also by road and rail transportation means.

The polymer sales on the international market had as destinations both the European Community area, as well as the non-European community area. The deliveries within the community represented approximately 88% of the total finished goods sold on the international market, the difference representing the sales on the non-EU markets.

By country, the polymere sales (PP, LDPE, HDPE, PET and PVC) had the following main destinations: Romania, Bulgaria, Republic of Serbia and Italy.

The distribution of the petrochemical products sold by Rompetrol Rafinare was performed by road and railway in the case of the sales on the domestic market, and for the external markets, the

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distributin of these products was performed both by road as well as by sea, via Agigea and Constanta ports.

b) The share of each category of products or services in the revenue and in the total turnover of the company, for the last 3 years.

Indicators	Value-million LEI			% in turnover		
	2017	2018	2019	2017	2018	2019
Net turnover, of which:	11,193	14,100	14,750	100.0%	100.0%	100.0%
Gasoline and diesel fuels	8,639	10,880	11,382	77.2%	77.2%	77.2%
Other petroleum products	1,681	2,401	2,606	15.0%	17.0%	17.7%
Petroleum products	765	779	732	6.8%	5.5%	5.0%
Goods	32	19	7	0.3%	0.1%	0.0%
Utilities	54	8	9	0.5%	0.1%	0.1%
Services	22	13	15	0.2%	0.1%	0.1%

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

c) The new products taken into account for which a substantial volume of assets shall be used in the future financial year as well as the development stage of these products.

In the year 2020, Rompetrol Rafinare shall continue to deliver on the domestic market only Euro 5 fuels (max Sulphur content 10 mg/kg) and a content of biofuel of minimum 8 % in volume for gasoline and minimum 6,5% in volume for Diesel fuel (in compliance with Law No. 311/2018).

The Euro 5 fuels are:

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

The winter properties of “Diesel 55” and “Efix S Diesel 55” were improved in 2019. In this way was developed “Xtreme Winter Efix S”, product which is stable at temperatures up to -35 dgr C.

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For the year 2020, Rompetrol Rafinare does not envisage any increase of portfolio on processed products.

Petrochemicals division continued in 2019 the program to upgrade the products portfolio, according to market demand, the specialty grades represented ~22% of total production. A new grade for PP (PoliPropylene) cast film application was produced and will be tested early 2020.

Another area of interest was the automotive industry, where, Romanian Government together with ACAROM (Romanian car makers association) started in 2019 a workgroup to develop a domestic supply chain for automotive parts, manufactured from raw materials produced in Romania.

Due to 2020 changes in EU regulation regarding single use plastics articles ban, Rompetrol specialists gave their support to plastics processors, regarding conversion of some PET based production lines to PP as new raw material.

In 2019, Vega Refinery, production continued to be focused on the production of solvents (SE 30/60, n-Hexane, White spirit), naphtha, heating fuels and normal road bitumen and modified bitumen.

For the year 2020 there are no plans for new products to be developed in the production program.

1.1.3. The tehnnical-Material Supply Activity

The technical-material supply regarding materials and products necessary to unfolding the activities is achieved by both internal and import sources.

RRC has the supply sources for the unfolding in good conditions of its activity, and the inventories of raw material and materials are accordingly dimensioned to ensure the continuation of operation of the two Refineries in Navodari and respectively Ploiești.

Information regarding the safety of sources of purchase, the prices of raw material and to the dimensions of raw material stocks and materials.

The stability of the oil supplies required for the optimal operation of the Petromidia Refinery was determined by the acquisition by KazMunayGaz from Kazakhstan of the entire stake previously owned by the mother company of the Rompetrol Group³ (Rompetrol Holding N.V.) in the Dutch company The Rompetrol Group N.V. (now called KMG International N.V.). At the same time, the takeover of the Kazakh Oil and Gas national company also led to considerable financial support from the majority shareholder to finance the investments.

³ With currently name KMG International Group



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KazMunayGaz Trading A.G., the trader of the KMG International Group, was the one who contracted the amount of crude oil required for the year 2019. KazMunayGaz Trading A.G. is located in Switzerland and is a specialized company in commercial operations with crude oil and petroleum products. The role is well defined: it ensures imports of crude oil and other raw materials, and on the downstream side, it takes over oil products for sale on foreign markets.

The production plan of Petromidia refinery relies on raw materials purchased under important contracts concluded, both on import and on the domestic market. The main raw material of Rompetrol Rafinare, oil, comes exclusively from import, based on firm contracts signed annually. This ensures the stability and safety that the refinery needs to operate at maximum. The main source of oil is Kazakhstan, and the large volumes that leaves the Kazakh fields reach Romania through the Midia Marine Terminal. Other raw materials come from both external and internal sources.

When it comes to the purchase of raw materials, the Group follows the tendency of quotations on international markets, and as a rule, the reference quote calculation (Brent, Ural) is used. Yearly, the level is determined by fluctuations in the market, by the international context influenced by geopolitical or economic factors. All factors are ultimately reflected in the level of purchase prices of raw materials. Currently, estimates show that the supply of raw materials and other materials will not undergo major changes in 2020.

For discharging crude oil from Kazakhstan, Rompetrol Rafionare S.A. uses a modern marine terminal, which belongs to the KMG International group and is located near the Petromidia Refinery.

For loading and unloading of raw materials and petroleum products in the ports of Constanta and Midia, contracts were signed with service providers such as Conpet S.A. and Midia Marine Terminal S.R.L.

Ethylene is a raw material for polyethylene (LDPE, HDPE) and it is purchased from the foreign market at prices following the trend of quotations.

The chemicals purchased by Rompetrol Rafinare S.A. (for the two refineries) during 2019 can be grouped into:

- catalysts
- additives
- chemical services for water treatment
- other chemicals (inhibitors, process chemicals, and so on)
- reagents/reactives
- oils

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1.1.4. Sales Activity***a) The trend in sales on the internal and/or external market and their estimate on medium and long term.***

Total sales in 2019 increased compared to 2018, with a more important growth on the domestic market, especially in diesel, jet fuel, liquefied petroleum gases. On the external market, volumes traded were slightly lower than in 2018, with an increase in sales of jet fuel, petcoke, diesel. Regional markets were consolidated (Greece, Georgia, Turkey, Bulgaria, Moldova) but important quantities were sold on other markets (Middle East, Africa). And for the year 2020, the aim is to consolidate the existing markets but also to penetrate other markets. For the domestic market, the marketing strategies continue to increase the market share through an expanded network of national gas stations.

b) Competition situation, market share of the products of the Rompetrol Rafinare and the main competitors

The main **competitors** (who are also producers) on the internal market are:

- OMV Petrom S.A.
- Lukoil Romania S.R.L

The main **competitors** on the foreign market are: OMV, Shell, Mol, Agip, Lukoil.

The main **competitors** (which are also producers, but located outside of Romania) for petrochemical products on the domestic and external markets are:

- TVK
- Sloznaft
- HIP Pancevo
- Lukoil Burgas
- Borealis
- Sabic
- DOW
- Petkim

c) Significant dependency of the company towards a single client or group of clients, the loss of which would have a negative impact on the income of the company.

From the point of view of the significant dependence towards a single client or group of clients:

- ✓ KazMunayGaz Trading A.G. - performs more than 10% of the company's external sales.
- ✓ Customers with more than 10% of the company's sales on the internal market: Rompetrol Downstream S.R.L.

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INDIVIDUAL ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2019*****1.1.5. Human resources activity******a) Number, level of training of the employees of the company and the degree of unionising the employees.***

On December 31st, 2019, Rompetrol Rafinare S.A., Năvodari Work Point (Petromidia Refinery) had a number of 1,021 employees, of which: 207 - higher education staff.

On December 31st, 2019, in the Vega Refinery Work Point, Ploiești, the company had a number of 203 employees, of which: 41 - higher education staff.

TOTAL: On December 31st, 2019, Rompetrol Rafinare S.A. had a total of 1,224 employees, of which: 248 - higher education staff.

The trade union membership rate was 82.51% (1,010 employees are Trade Union members).

The following trade unions activate in the company: Petrochimistul Free Trade Union (691 members), Vega Free Trade Union (75 members), Midia Năvodari Industrial Platform Workers Trade Union (244 members).

Break down of employees on age groups:

- **Rompetrol Rafinare Petromidia Unit**

Age Range	Number of employees	Percent of the total number of employees
<30	123	12.5%
30 – 39	149	14.59%
40 – 49	172	16.85%
50 – 59	512	50.15%
>60	65	6.37%

- **Rompetrol Rafinare Vega Unit**

Age Range	Number of employees	Percent of the total number of employees
<30	19	9.36%
30 – 39	11	5.42%
40 – 49	65	32.02%
50 – 59	97	47.78%
>60	11	5.42%



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Also, in the reported period several training programs were carried out for the employees in the following areas: functional competences; general knowledge; legislation; communication; QHSE certifications; safety; professional knowledge - support functions, etc.

A total number of 540 employees attended the trainings, which totaled 10,103.5 hours, meaning an approximate average of 20.2 hours of training/employee.

The total cost of training for 2019 was USD 116,384.20.

b) Relations between management and employees as well as any conflicting elements which characterise these relations.

The rights and obligations of employees are stipulated in the Collective Employment Agreement („CCM”) of Rompetrol Rafinare, in individual employment contracts („CIM”) and Internal Regulations of the Company.

The employees carry on their activity in accordance with the established working schedule, the job description as well as the Rules for Organization and Operation (ROF”).

The relationships between the company management and employees are normals, having no negative impact on the economic performances of the company. There is a regular dialogue between the company management and the employees’ unions.

The legal act that governs the labor relations within Rompetrol Rafinare is the Labor Code – Law No. 53/2003, as further amended and supplemented, according to which, in 2019, between the Board of Directors of the Company and its employees, represented by the „Petrochimistul” Free Union – a representative union at unit level ,with legal-personality, was negotiated and signed an addendum to the CCM through which a collective wage increase of Lei 500 net was negotiated, increased implemented in two stages: Lei 400 net since July 2019 and Lei 100 net starting with January 2020.

RRC currently uses a standardized individual employment contract both for the employees hired for a determined period of time and for the employees hired on undetermined term. The standardized individual employment contracts respects the applicable legislation in this field.

1.1.6. The activity related to environmental protection

Through the nature of the activities carried out (processing of the crude oil), the company has an impact on the environment, and for this reason the management is continuously preoccupied with the prevention and control of the impact of the activities carried out, on the environment factors, allocating considerable financial resources for investments to this purpose.

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The environment strategy of Rompetrol Rafinare is based on the compliance with the legislation, through permanent monitoring and regular reporting of the compliance degree and the continuation of the investment programs, for the alignment with the best techniques available in the industry (BAT BREF) and shall be based on the following principles:

- Compliance with legislation and other applicable requirements, the permanent monitoring of the degree of legal compliance;
- Using the environmental management system in order to integrate performance criteria as well as criteria regarding air, water, soil and natural resources protection;
- The continuation of the investment program in order to comply with the legislation in the field of environment protection;
- The assessment of the environment performances of the company, the communication with the interested parties (including the local communities) with regard to the continuing improvement of the environmental performances;
- Promoting information and awareness among the employees of the company, with regard to the measures for prevention and reduction of the emissions in the atmosphere, water and soil, including the measures concerning the waste management and dangerous substances for the activities carried out and which may have an impact on the environment;
- Informing the public about the risks associated with hazardous chemicals and the security measures and behavior in case of major accident;
- Participation in voluntary projects and social responsibility projects in the neighboring communities.

Integrated Environmental Permit

Throughout 2019 Rompetrol Rafinare SA – Navodari Unit operated based on the Integrated Environmental Permit no 1/10.05.2013 updated on 18.02.2019, update through which the activities of the refinery, petrochemical and liquefied petroleum gas bottling plants were integrated.

Vega Refinery functioned based on the Environment Integrated Permit no 9/08.07.2015 issued by APM Prahova, valid until 08.07.2025. The Integrated Environmental Authorization is in the review procedure.

Environmental Agreement

During 2019 all investment projects were completed within the assessment procedure of impact on the environment together with the receipt of the regulation documents (Decisions/environmental agreements) on the project category level, from the competent authority on environmental protection.

Project “Rehabilitation and layout of the field area on the premises of ROMPETROL RAFINARE S.A. - Rafinăria Vega Ploiești on which we have located acid pits and petroleum residue” having the Environment Permit no. 1/18.02.2015, on going, was requested the revision of the regulatory act in 2018 - the request was rejected by APM Prahova.



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The Water Permit

In 2019 Rompetrol Rafinare SA – Navodari Unit operated based on Water Management License no. 222 / 05.09.2018, issued by ANAR, valid for 2 years.

Rompetrol Rafinare SA - Vega Refinery obtained the Water Management Permit no. 1 / 03.01.2018 issued by SGA Prahova having a validity of 3 years.

The Greenhouse Gas (CO₂) Permit

During 2019 Rompetrol Rafinare SA carried out the procedure for revising the Greenhouse Gas Authorization no. 135 / 12.03.2013, for the period 2013 - 2020, as a result of the fusion of the activities of the refining plant with the petrochemical plant; the revised authorization dated 05.06.2019 is valid until the end of 2020 (phase III 2013 - 2020) for both Rompetrol Rafinare - Petromidia working point and for Rompetrol Rafinare - Vega working point.

The Greenhouse Gas Authorization for Vega refinery working point was revised in December 20, 2018.

In 2019, Rompetrol Rafinare prepared and submitted to the National Agency for Environmental Protection the Plan for monitoring and reporting CO₂ emissions for 2020, the approval procedure being ongoing.

Also, the necessary steps were taken to access the reserve for new entrances (for the period November 2018-2020) as a result of the increase in processing capacity.

In April 2019, the compliance procedure was completed by returning to the European Register of Greenhouse Gas Emissions (EUTL), the certificates for CO₂ emissions of 2018.

Compliance with the REACH Regulation – as required by the European Chemicals Agency (ECHA)

- ECHA requirements were complied on updating files for the manufactured and marketed petroleum products.
- Safety Data Sheets on all petroleum products introduced to the market were updated, in the context of applying the requirements of the EU Regulations 830/2015.
- The chemicals and chemical mixtures procured from the external market (EU and non-EU) were monitored from the point of view of complying with the REACH Regulation (registration of ECHA, MSDS, according to EU Regulation 830/215).

In 2019, at Rompetrol Rafinare - Work Point Petromidia continued the emptying of lagoon no.1.

During March 2019, on the territory of Rompetrol Rafinare SA, located in the town of Vadu, in the vicinity of Pond 1 (quiet) a portion of land contaminated with petroleum product was identified (Boxes 1 and 2, destined according to the project data for the storage of the dredged biological sludge from Year 1, in the early 1990s). Currently, there are ongoing studies to identify causes and potential pollutants, respectively contaminated site investigation, in accordance with the compliance

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requirements mentioned in Law no.74 / 2019 on the management of potentially contaminated and contaminated sites.

1.1.7. Research and development activity

The expenses in the financial year 2019 as well as those anticipated for the next financial year for the research and development activity

Although the Company is not directly involved in any research and development activities, it is a member of various organisations and associations.

Expenditure carried out in the year 2019

Expenditure for studies and technical assistance 1.385.280 USD

Expenditure planned for the year 2020

Expenditure for studies and technical assistance 559.200 USD

The main studies performed in 2019:

- *FCC Process Main Column, Gas Concentration Section and MEROX (LPG & Gasoline) – will be finalized in 2020*
- *2018 Solomon Benchmark Study*
- *Member of CONCAWE Association (European Petroleum Refiners Association)*
- *Analysis of continuous operation at minimum flow of CO Boiler*
- *Feasibility Study for Petromidia Steam Cracker Revamp/Restart*
- *Basic design and detail design for HDPE Plant (High Density PoliEthylene) swing to PP (PoliPropylene) – will be finalized in 2020*
- *Pilot Project for Neutralization of Hydrogen Sulfide emissions from Bitumen Unit - Vega*

From **the studies list proposed by Rompetrol Rafinare to be carried out in 2020** we can mention:

- *FCC Process Main Column, Gas Concentration Section and MEROX (LPG & Gasoline) – continuation from 2019*
- *Basic design and detail design for HDPE Plant (High Density PoliEthylene) swing to PP (PoliPropylene) – continuation from 2019*
- *Member of CONCAWE Association (European Petroleum Refiners Association)*
- *Study for Refinery Units capacity reclassification*
- *Specialized consultancy corrosion protection GI tower water coolers by implementing cathodic protection with sacrificial anodes*
- *Licence and Basic Design for the new Dewaxing Unit – will continue in 2021*
- *Solomon seminar on the major 2018 benchmark indicators analyse*



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- *Study on increasing the processing capacity of the plant Dezaromatisation in Vega Refinery*
- *Study regarding the modernization of Hexane C3 column in order to increase the flow feed and the efficiency of extraction and fractionation – Vega refinery*
- *Study to hydraulic and thermal for cooling water system in Vega refinery*

1.1.8. Risk management activity

Company's exposure to the price risk, credit risk, liquidity risk and cash flow risk.

The company is exposed to the risk induced by the high volatility of the prices of crude oil and petroleum products, with a direct impact on the gross margin on sales. For this reason management developed a hedge policy, which was implemented within Rompetrol Rafinare S.A. starting with January 2011. 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 Rafinare) is hedged using future contracts traded on ICE Exchange and some OTC instruments.

From the point of view of liquidity, on the background of a volatile market of petroleum and refined products, the company has made efforts to maintain the coverage of current debts from current assets, the current liquidity indicator being in 2019 at a value of 0.56

Policies and objectives of the company regarding the risk management

The Company'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 Company's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Company.

Interest rate risk

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

Foreign exchange risk

The Company's reporting currency is Romanian LEU (RON). The fact that most of the acquisitions represented by crude oil imports and other feedstock, also a significant part of petroleum products sold

are all denominated principally in US Dollars, but almost half of the Company's sales are made in national currency (RON), generates a significant foreign currency exposure risk. The Company's management is working on identification of certain methods of reduction and management of

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foreign currency risk with impact in the individual financial statements in RON, which will be brought to the knowledge of the Board of Directors of Rompetrol Rafinare SA. 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. Treasury department is responsible for handling the Company's foreign currency transactions.

Liquidity and cash flow risks

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

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. During 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 Company is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

- *Trade receivables*

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

- *Financial instruments and bank deposits*

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

Commodity price risk

The Company 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 '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 Company started on January 2011 to hedge commodities held by Rompetrol Rafinare.

According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The



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base operating stock is the equivalent of priced stocks that are held at any moment in time in the Company, hence price fluctuations will not affect the cash-flow. Based on the expectations of crude oil price increase, the hedge strategy for 2018 was split between futures and options while a certain quantity above base operating stock left unhedged.

Trading activities are separated into physical effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Company sells or buys the equivalent number of future contracts based on the current position at that particular moment. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. The company also had hedge operations for refinery margins.

Operational risk

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

For the projects and activities performed, Rompetrol Rafinare proactively develops and implements management strategies on the risks which may potentially affect the company and the interested parties.

Rompetrol Rafinare is an active part in consolidating the risk awareness culture in KMGI, addressing the preventive risk management in a disciplined, iterative, accessible and consistent way, through the following stages:

1. Implementation of the risk policy and methodology developed by KMGI, aligned with the best practices and professional standards from a global perspective;
2. Implementation of the annual identification and evaluation process by:
 - Timely identification of all risk factors / risks that could affect the objectives established using the Unified Risks Classification, by maintaining the Risk Register containing detailed information and analyzing all the risks of the company, as well as a description of those factors whose change could influence or cause the emergence of risks;
 - Evaluation of the impact of the identified risk factors, using the detailed methods in the methodology;
 - Mitigation measures and information on the realization of risks;
3. Implement the quarterly monitoring and reassessment of the risks already identified through:



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- Updating the data and the level of risk in order to determine their impact on the achievement of the set objectives;
 - Administration and implementation of the measures established for the control of the risks related to the implementation of the processes through the quarterly evaluation of the progress made;
 - Monitoring the quarterly evolution of risk factors;
 - Analysis and closure of risk events, if applicable;
 - Maintaining the database with the risks materialized quarterly;
 - Ensuring the provision of complete and timely information on the status of risks and the performance of the control measures implemented through the Risk Reporting Package sent quarterly to Rompetrol Rafinare management for approval and to the Enterprise Risk Management department of KMGI;
4. Ensuring that there are management mechanisms for specific risks, appropriate control procedures for processes (standards, regulations, corporate policies for managing certain types of risks) and aimed at reducing the level of risk.

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

The company is concerned with maintaining and continuous improvement of the Quality Environment Health and Safety Management Integrated System, with results on the improvement of the organization image, improvement of relations with the public authorities, socio-economic community as a whole, limitation of civil and penal responsibility, by meeting the clients requests, the legal requirements and regulations on Quality Environment and Safety.

In this respect, Rompetrol Rafinare holds certifications on all vehicle fuels on the market and the QHSE Management Systems was maintained throughout 2019 as well. The management system for the Sustainability Requirements Management System (ISCC) has also been recertified according to International Sustainability & Carbon Certification System (ISCC).

At the level of Rompetrol Rafinare S.A. adequate actions have been taken to achieve the objectives regarding occupational health and safety as well as activities necessary to comply with legal and regulatory requirements.

In 2019, the company still continued to identify and assess the major dangers generated by normal operation as well as accidental circumstances, as well as to assess their probability and severity, to this purpose performing HAZOP type risk analysis, for technological plant HB, HPM, HPR and for operation the tanks from DH-DV plant.

The implementation of the Change management (MOC) also continued with the help of a dedicated application, so that the identification/tracking/communication/review and approval of the changes could be secured before implementation.

"The operation authorization" of the rescue Stations from both Industrial platforms, has been maintained through the surveillance audit carried out by INCD INSEMEX Petroșani. The operative staff who work within the rescue Station were reauthorized by INSEMEX Petrosani.

For the training of the staff operating on platforms, and on the basis of the scenarios from the Internal Emergency Plan, there are carried out regularly simulation exercises of a major accident in

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which there are also involved the subcontractors. Also, during 2019, practical exercises have been carried out with the staff, having as a subject “the use of extinguishers of all types”.

1.1.9. Elements of perspective regarding the activity of Rompetrol Rafinare

a) Factors of uncertainty which could affect the liquidity of the Company

The company made efforts to maintain its capacity to cover the current debts from the current assets; the liquidity ratio increased from 0.55 in 2018 to 0.56 in 2019.

The liquidity risk derives from the possibility that the financial sources may not be available in such a way as to meet the obligations of the company in due time. The Company management follows the liquidity level daily, as well as ensuring that its obligations towards suppliers, the state budget, local budgets, etc. are met in accordance with their maturity, with the aid of the expected cash. The coefficients of current and immediate liquidity are monitored at all times.

Knowing the effects of these liquidity risks constitutes one of the concerns of the management of the company Rompetrol Rafinare S.A. in conducting the economic-financial activity in a smooth way. Ensuring continuous funding sources also to the planned levels has been made possible by an appropriate credit-granting policy related to identifying the current needs and the needs for investments.

The activity of the company will continue to be influenced by developments in the international situation as far as the market of crude oil and petroleum products is concerned, as well as by a series of internal macroeconomic factors.

In the specific market context of petroleum products, marked by a high volatility of prices, the management of the company has implemented a policy of risk management with the main objective: the mitigation of risk regarding the price of crude oil and petroleum products in the financial results of the company. In addition, a major concern has also been granted to the policy of risk management regarding the development of the exchange rate and the interest rate.

The Company is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as supplies to its customers. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Starting with January 2011 the Group implemented the hedge policy within Rompetrol Rafinare.

b) Capital expenses, current or anticipated on the financial situation of the company

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The investment activity in the year 2019 has focused, in accordance with the program, on the following:

- The increase of the processing capacity of the refinery and the generation of fuels, with the specification in line with the European standards as also an increase of the white products efficiency;
- The alignment with the requirements of the European Union, the environmental standards in force, and in particular with the aim of reducing emissions.

The main projects completed in the year 2019, in the Petromidia Refinery:

➤ **Modernization of the In Line Blending Unit**

- To make In - Line Blending system, a fully operational, controlled and automated process in order to obtain quality products;
- Optimizing 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;
- Implementation and use in DILB of an optimization software for additives;
- C97, C98 tanks configuration to DILB software interface (field works mechanical, electrical and instrumentation will be performed in “Rehabilitation of C100 and DV20 tanks” project).
- Maintain and assure the In - Line Blending system reliability at the lowest cost possible for at least the next five years.

➤ **LPG recovery from DCU gases**

The implementation of project “LPG (Liquefied Petroleum Gas) recovery from DCU (Delayed Coker Unit) gases” had as objective to reduce amount of organic Sulphur’s in the fuel gas before the amine scrubbing. By implementing this project Refinery complied 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/Nm³ for all furnaces at stacks (exception SRU (Sulphur Recovery Unit), FCC (Fluid Catalytic Cracker), FH2 (Hydrogen Plant)). Reducing total Sulphur in the fuel gas results in reduction of SO₂ content in the stack.

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c) Events, transactions and economic changes that affect revenues from the main activity.

The turnover in year 2019 in amount of Lei 14,750,359,139 is very close to that foreseen in the budget, the difference being only 1% and bigger than the one registered at the end of 2018, by Lei 634,443,448. This is due mainly to increasing of the quantities of finished goods sold compared with budget provisions, as well as due to the decrease in sales prices for finished products compared to the budgeted provisions.

d) Others:***I. Procedures in which the Company, Rominserv SRL and employees of the 2 companies are involved, following the procedure of the technical incident at Petromidia Refinery on August 22nd 2016:***

On August 22nd 2016, a technical incident occurred on the Vacuum and Atmospheric Distillation followed by fire extinguished by the refinery personnel together with the private and public fire-fighting brigades. Following the incident, two employees of Rominserv SRL, member company of the Group KMG International, suffered burns and two persons died. The competent authorities initiated investigations trying to establish the circumstances and causes that generated the technical incident, the accident and death of the Rominserv SRL employees. As far as the work accident is concerned, the Public Prosecutor's Office attached to the Court of Appeal was notified *ex-officio*, opening file no. 586 / P / 2016, within which, the employees of the two companies were interviewed and a technical expertise was ordered. Following the conclusion of the criminal investigation, Rompetrol Rafinare S.A., Rominserv SRL and 4 employees of the 2 companies were sent to trial on account of: not having taken the occupational health and safety measures, guilty bodily injury, manslaughter, accidental pollution. At the same time, Rompetrol Rafinare S.A. also features in the file as responsible civil party. The court found both 2018 and 2019, relative nullity of the indictment Prosecutor's Office by Constanta Court of Appeal issued in case no. 586 / P / 2016 of 07.12.2016, irregularity which attracts the impossibility of establishing the object or the limits of the trial, and sent the file to the criminal prosecution body. At the same time, the Territorial Labour Inspectorate notified the Company with the Minutes of March 10th, 2017, document based on which, the Company was sanctioned with a fine in amount of 18,000 lei; the minutes of finding and sanctioning of the contravention were challenged in to the court, at the date of the present report, the litigation being suspended until the criminal case will be finally resolved.

II. Procedures regarding the Company's obligations to the environment

On November 15th, 2017 National Environmental Guard, performed an inspection at Vega refinery to ascertain the implementation stage of the acidic pitch pits remediation project, for which an environment agreement had been obtained. Following the inspection, the ascertainment notice was issued, based on which the Company was sanctioned with a fine in amount of 100.000 lei. At the same time, National Environmental Guard informed the Environment Protection Agency Prahova requesting to analyze the situation and order accordingly. On November 21st, the Environment

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Protection Agency Prahova sent to the Company the prior Notification requesting it to observe the provisions of the Integrated environment Permit regarding the remediation of the acidic pitch pits, setting December 21st, 2017 as compliance term, the sanction established by the environment authority in case of non-compliance being the suspension of the regulation document.

Against the documents issued by the environment authority, the Company initiated prior procedures regulated by the Contentious Law and procedures in front of the court.

During 2018 the Company initiated the works of the project for the rehabilitation of the lagoons, the first phase being completed.

During the year 2019, the procedures for selecting the contractors who are currently carrying out rehabilitation works of the lagoons. In June the agreement for rehabilitation lagoon 18 was signed and in October another contract, for rehabilitation of the lagoons 16 and 17. On August 22nd, 2019 the company received Notification no. 109 issued by the Prahova Environmental Protection Agency, by which a period of 60 days was granted in order to comply with the provisions of the Integrated Environmental Authorization no. 9/08.07.2015 held for operation Vega refinery, the non-compliance leading to the legal suspension of the regulatory act and implicitly to the suspension of the activity of the Vega refinery. The invoked reason was that the agreement for the rehabilitation of all the lagoons was not communicated to the competent authority. On December 4th, 2019, the notification was received from the same authority, according to which the notification issued during August ceases its applicability.



2. TANGIBLE ASSETS OF ROMPETROL RAFINARE

2.1. Location and characteristics of the main production capacities

The company ROMPETROL RAFINARE S.A. is located about 20 km North of the Constanța County, between the Black Sea and the lake Năvodari (Tașaul), on a plot of land partly recovered from the sea and from the lake, in the vicinity of the port Midia and the Poarta Albă – Midia channel.

The Petromidia Refinery is the only profiled unit in Romania located at the Black Sea, and thus having a competitive advantage due to the immediate access to the sea and river transport routes, namely:

- Strategic placement in the Black Sea area, near the Constanța port - one of the biggest in the region;
 - Direct access to the Danube - Black Sea Channel;
 - Direct access to the Midia Port;
 - Near the network of crude oil pipes;
 - Own railway infrastructure system;
 - Logistical facilities (Midia Marine Terminal S.R.L.) which allow for reception and delivery of the liquid products by ships, barges, rail tankers and tank wagons.
- Nominal project capacity from 1975: **3.5 million tonnes raw material**
- Utilized capacity: **6.330 million tonnes raw materials in 2019** (pursuant to the refining capacity expansion project)
- Future capacity starting from the year **2020**: **5.494 milion tonnes raw material/year**
- Infrastructure:
The Petromidia platform has a surface of 480 hectares where more than 20 companies (also including sub-contractors from outside the Group) operate in various business areas.

The supply of crude oil and other raw materials is mainly carried out through the marine terminal located in the vicinity of the Petromidia Refinery, at a distance of about 8 km from shore and through the Midia port. As an alternative, the supply may also be made through the port of Constanța (one of the biggest in the region), through the pipe of OIL TERMINAL S.A., for a distance of approximately 40 km.



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As of 2014 the Petrochemistry sector joined the Refinery in the Refining Business Unit. The Petrochemistry sector is specialized in the production of polymers, with a production capacity of 80,000 tonnes/year of polypropylene, 60,000 tonnes/year of high-density polyethylene and 60,000 tonnes/year of low density polyethylene. It is the sole national producer on this market segment. It delivers on both internal and external markets (the Black Sea and the Mediterranean regions, Central and Eastern Europe).

Strategically located on the Black Sea coast, the Petrochemistry section includes a maritime terminal for the unloading of ethylene, cryogenic ethylene and propylene storage tanks, and various solutions for delivery to ships, rail wagons or trucks.

As of December 2007, the **VEGA Refinery** was transformed into a production tax warehouse for Rompetrol Rafinare SA.

The VEGA Refinery is located on the national road DN 1A, at a distance of approximately 60 km from Bucharest, the capital of Romania, near the European road E 60, with access to both the road and the railway network.

The Vega Refinery is located in the northern part of Ploiești city, about 1 km from the Ploiești North railway station, with which it is directly connected. The exploitation of the railways lines as also the manoeuvre and transport operations shall be carried out by the Romanian railway company Group Feroviar Român, the owner of the railways lines being Rompetrol Logistics S.A.

The Vega Refinery is currently operating the following facilities: Vacuum distillation, Bitumen, Hexane, Rectification, Dezaromatization Unit, AFP Unit. Auto platforms and railways related to AFP Unit are operated by Midia Marine Terminal S.R.L.

Currently, the raw materials are brought in the refinery in railway reservoirs from the Petromidia Refinery and are discharged through raw material-specific railway platforms. From the specially prepared platforms, the raw material is pumped through the pipes towards the storage reservoirs of the AFP area, where they are taken up by each plant separately.

The Refinery has a fleet of reservoirs of raw material and finished products, auto platforms and the railway platform for the delivery of petroleum products. At the moment, the supplies of petroleum products from the Vega Refinery are made in both railway reservoirs and in auto tanks.

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2.2. The depreciation degree of the assets

On December 31st, 2019, the accumulated depreciation of the fixed assets, tangible assets (expressed in lei) is as follows:

Depreciation of tangible assets	Balance on 01.01.2019	Balance on 12.31.2019
Lands-(developments)	27,557,579	29,214,330
Constructions	97,507,255	209,504,136
Technical equipment and machinery	2,036,264,871	2,259,602,810
Other facilities, equipment and furniture	7,956,079	8,954,926
Total	2,169,285,783	2,507,276,201

2.3. Potential problems related to the ownership right regarding the tangible assets of Rompetrol Rafinare S.A.

1. On September 10, 2010, ANAF issued a decision of distraint on all the share packages held by Rompetrol Rafinare in its affiliated companies, as well as on the movable and immovable assets of Rompetrol Rafinare, except for the stocks. This measure is still in force; however, on the issue date of this report, this distraint has no direct effects on the Company's current operations.

On the preparation date of this report, the Romanian State waived the trial of all pending disputes on the dockets of the courts of law with regard to the method of applying the provisions of GEO No. 118/2003, as approved and amended under Law No. 89/2005.

The termination of the debts of Rompetrol Rafinare SA to the Romanian State, generated by the method of applying GEO No. 118/2003, as subsequently amended, makes us foresee that the distraint presented in this chapter shall be waived shortly, on lack of grounds.

2. On May 6th, 2016, the Public Prosecutor's Office attached to the High Court of Cassation and Justice – Investigation Office of Organized Crime and Terrorism issued the Order of distraint on all the share packages held by Rompetrol Rafinare in its affiliated companies, as well as on the movable and immovable assets of Rompetrol Rafinare, except for the stocks, bank accounts and receivables. In April 2019, the Public Prosecutor's Office attached to the High Court of Cassation and Justice – Investigation Office of Organized Crime and Terrorism issued an Order to release from seizure all immovable assets of Rompetrol Rafinare S.A. except those of Petromidia Refinery. On 5th December 2019, the Public Prosecutor's Office attached to the High Court of Cassation and Justice – Investigation Office of Organized Crime and Terrorism, by the Ordinance issued, released



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from seizure all immovable assets of the Company except a number of 4 instalations and the related land, as well as the catalysts from the instalations, located in Petromidia Refinery.

3. In 2016, Marway Fertilchim SA, currently known as Novifert SRL, filed against Rompetrol Rafinare SA two actions at law:

- An action for the delimitation of property pending on the dockets of the Constanța Court, regarding setting the delimitation between the secondary headquarters of Rompetrol Rafinare SA from Navodari and the building belonging to the plaintiff, having a surface of 51,873 sqm, identified with land book No. 103053, and for compelling Rompetrol Rafinare to leave in the quiet enjoyment and peaceful possession over the plot of land resulting from measurements as belonging to Novifert. The action is pending for settlement on the date when these specifications are made.
- An application for arbitration on the dockets of the International Commercial Arbitration Court within the Chamber of Commerce and Industry of Romania, requesting that Rompetrol Rafinare SA should be compelled to restore and repair the pipe system that is the property of Novifert, and which was decommissioned by Rompetrol. Also, they requested that Rompetrol Rafinare should be compelled to execute all the construction, repair and maintenance works undertaken by the Parties' Covenant authenticated under No. 1548/11.06.2001. Under the same action at law, they requested that Rompetrol Rafinare SA should be compelled to return to Novifert SRL the immovable assets that formed the object of the 2001 Commodatum Agreement. On the preparation date of this report, the application for arbitration filed by plaintiff Novifert SRL was admitted in part, Rompetrol Rafinare SA being compelled to return the assets that formed the object of the Commodatum Agreement and the assets which were the plaintiff's property, and which existed on the plot of land related to the secondary headquarters of the defendant. However, at the same time, the claims of plaintiff Novifert SRL to compel Rompetrol Rafinare SA to repair the pipes which were the property of Novifert SRL were rejected. Also, the counterclaim filed by Rompetrol Rafinare SA was admitted in part, being ascertained the cessation of the easement right of Novifert SRL over the land of Rompetrol Rafinare SA. The ruling made by the arbitration court was challenged by an action for annulment filed by Novifert SRL, which action was rejected.
- In 2018, Novifert SRL filed with the Constanța Tribunal, against Rompetrol Rafinare SA, a new action at law, having, however, the same object as that specified by the plaintiff in its application for arbitration, solved by the International Arbitration Court within CCINA Romania. The Constanța Tribunal re-sent the case for competent ruling, to the International Arbitration Court within the Chamber of Commerce and Industry of Romania. The file is currently pending.

4. File no 28860/281/2014 is pending for judgment on the dockets of the Ploiești Court of Law, having as its object the action at law filed by the Ploiești Hospital for Children, requesting the court of law to ascertain the hospital's ownership right over the clinic building found on the premises of the Company's work point from Ploiești. The action at law was suspended and maintained this status also in 2018.



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The plot of land related to the Fuel Supply Station located in Constanța, Primăverii street corner of Soveja street, is in the State's private property and Rompetrol Rafinare has a right to use it under a joint venture agreement concluded by, on the one hand, the Constanța Local Administrative Unit, through the mayor, and by Rompetrol Rafinare SA, then named Petromidia SA. During November 2018, the Company was informed about the existence of a court decision which received a final resolution, ascertaining that the Constanța City Hall concluded, *inter alia*, the joint venture agreement with Rompetrol Rafinare SA, in breach of the provisions of Law 215/2001. Discussions were held with the Constanța City Hall to remedy any legal deficiencies. No agreement was reached in this respect, given that the court decision is not relied on as against us, the Company was not a party in the dispute and was unable to express its point of view on the joint venture that took place in 2000. The situation remains unchanged during 2019.



3. SECURITIES ISSUED BY THE COMPANY

3.1. The Romanian markets and the markets of other countries where the securities issued by the Company are traded

Effective April 7, 2004, the Company's shares are traded on a regulated market operated by the Bucharest Stock Exchange (Bursa de Valori București SA - "BVB") under the "RRC" symbol and ISIN code ROPTRMACNOR5.

The shares of Rompetrol Rafinare are traded at the Standard category of the Bucharest Stock Exchange. On 31.12.2019, the total number of shares issued by Rompetrol Rafinare is 44,109,205,726, representing a total value of the share capital of Lei 4,410,920,572.6. The Company's shares are common, nominative, issued in dematerialized form, whose records are held by DEPOZITARUL CENTRAL SA Buchares as independent registry company, authorized by the Authority for Financial Supervisory.

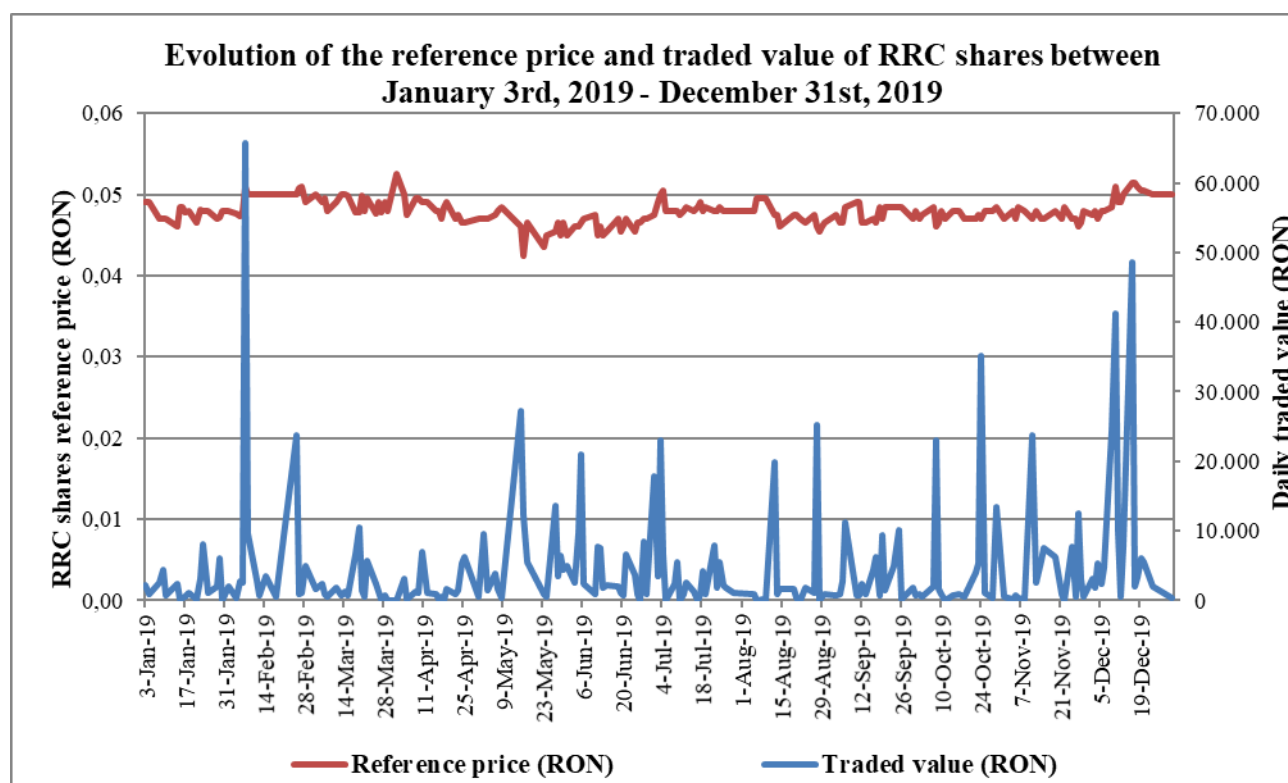
3.1.1. RRC activity to BVB

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

- ❖ In 2019, in total, 1,309 transactions with RRC shares took place, with an average number of 6 transactions per day;
- ❖ The total volume of the RRC shares traded was of 19,717,579 shares;
- ❖ The amount of the transactions in 2019 for RRC shares was of 941,097.42 lei;
- ❖ In 2019, the RRC's transactions were performed only REGS market;
- ❖ The price of a share during 2019 was of max. 0.0525 lei and a min. amount was 0.0425 lei, decreasing compared to the values recorded for 2018 when the maximum value was of 0.06 lei and the minimum value was of 0.044 lei, respectively also decreasing compared to the values recorded for 2017 when the maximum value was of 0.06 lei and the minimum value was of 0.0496 lei.
- ❖ Please find in the table below the market capitalization for the last day of trading in 2017, 2018 and 2019.

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Shares of Rompetrol Rafinare	2017	2018	2019
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, Lei mil. ⁴	2,346,61	2,108,42	2,205,46
Stock exchange capitalization, Euro mil. ⁵	503,60	452,07	461,54
Maximum price, Lei ⁶	0,06	0,06	0,0525
Minimum price, Lei ⁷	0,0496	0,044	0,0425
Price at yearend, Lei	0,0532	0,0478	0,05



The weighted average price (WAP) of the RRC shares during 2019 = Lei 0.047728853/share. The volume traded in December 2019 represents approximately 17% of the total volume traded in 2019 (total volume traded in 2019 = 19,717,579 shares).

3.1.2. Shareholders of the Rompetrol Rafinare

In the analysed period, there were no changes liable to influence the value of the Company's share capital.

⁴ Calculated on the basis of the share price on the last trading day of the year under consideration, respectively December 30, 2019.

⁵ Calculated at the euro exchange rate (Lei 4.7785) from the last trading session of the year under consideration, respectively December 30, 2019.

⁶ Registered on April 1st and December 16th 2019, February 16th 2018, respectively January 9th, 2017

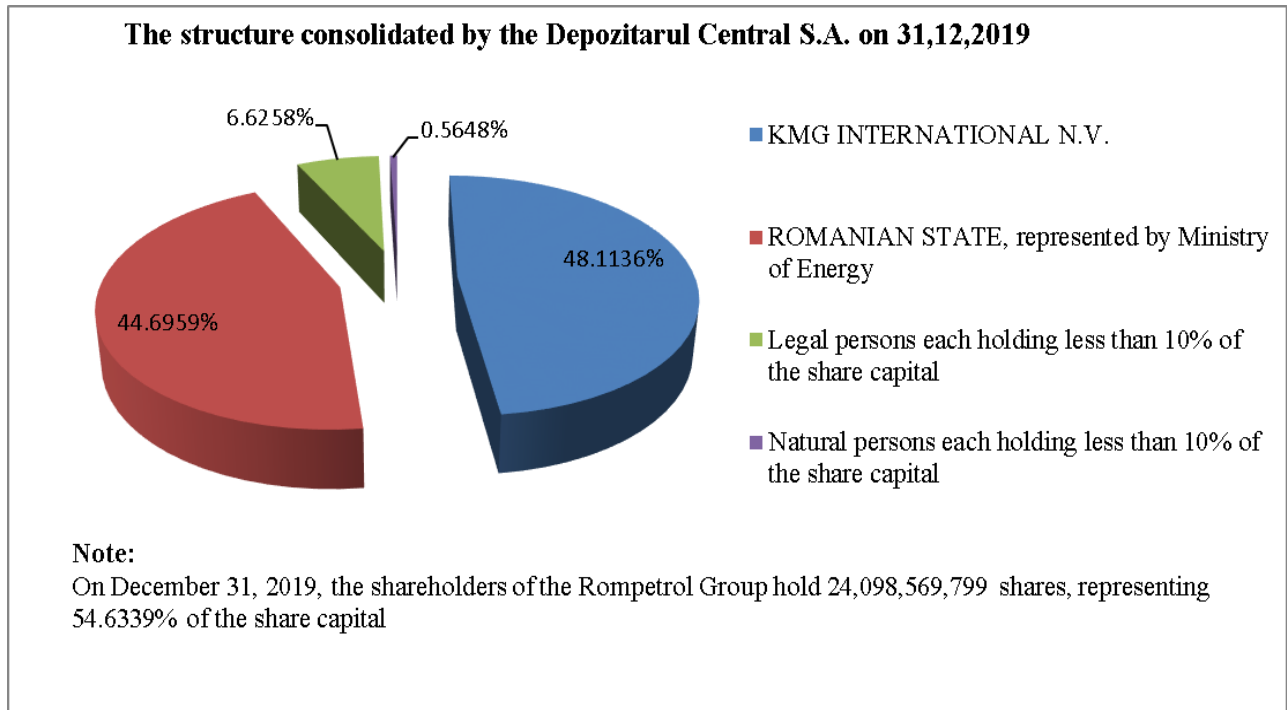
⁷ Registered on May 16th 2019, September 3rd 2018, respectively July 10th, 2017.



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According to the Register of Shareholders with the consolidation date on December 31, 2019, made available by Depozitarul Central, the structure of the Company’s significant shareholders is presented in the chart below:



3.1.3. Communication with the shareholders and investors

The activity concerning the Communication and Relationship with the Investors is carried out in compliance with legal provisions in force as defined in Law no. 31/1990 republished, as further amended and completed, updated, Law no. 24/2017 on the issuers of financial instruments and market operations, the Regulation no. 5/2018 regarding the issuers of financial instruments and market operations, the Code of the Stock Exchange Bucharest and the Code of Depozitar Central, as well as the regulations of the Financial Supervisory Authority.

Internally, it is taken into account to disseminate the financial, legal, corporate governance and social responsibility information to investors and shareholders (a mandatory requirement of a company traded on the stock exchange or following a request of the shareholders, investors, or other stakeholders interested in the evolution of the Company).

The actions related to the communication with the shareholders and investors were materialized in 2019 as follows:

- ❖ Submitting as a matter of priority the information requested by the shareholders/possible investors;
- ❖ Taking part in the events organized by BVB regarding the capital market;



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- ❖ Taking part by some of the Company's representatives in to informative discussions organized by the authorities in the sector in order to improve the corporate governance and increasing the transparency to the shareholders;
- ❖ Organizing the General Meetings of the Shareholders and of all other actions on guaranteeing the rights of shareholders;
- ❖ Collecting the information, preparing the current reports, sending them to the competent authorities (BVB and FSA) and publishing them on the Company's website in full compliance with the deadlines imposed by the legislation in force;
- ❖ Taking part in training classes and discussions held regarding the corporate governance standards;
- ❖ Updating the RRC website to improve the access to relevant information of the shareholders and investors.

3.2. Dividends

As of December 31, 2017, ROMPETROL RAFINARE registered a profit of Lei 418,336,728, approved by the Ordinary General Meeting of the Shareholders of Rompetrol Rafinare of April 27, 2018, to be distributed as follows:

- Legal Reserve Lei 20,916,836
- Coverage of accounting loss in the previous years Lei 397,419,892.

The amounts distributed for the legal reserve were determined based on the provisions of Article 183 of Law no. 31/1990 according to which "an amount representing at least 5% of the company's profit shall be taken over each year to establish the reserve fund, until it amounts at least to the fifth part of the capital".

On December 31, 2018, ROMPETROL RAFINARE registered a net loss of Lei (230,205,630).

On December 31, 2019, ROMPETROL RAFINARE registered a net loss of Lei (352,730,468).

In consideration of the above mentioned, the Company was unable to grant dividends to its shareholders for any of the following financial years: 2017, 2018 and 2019.

3.3. Own shares

ROMPETROL RAFINARE S.A. held on December 31st, 2019 a number of 6,134,701 own shares with a nominal value of Lei 0.10 each, amounting Lei 613,470.10, representing 0.0139% of the registered capital of the Company.

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During the financial year ended December 31st, 2019, the company did not trade (bought, respectively sold) own shares.

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

In 2019, the company's subsidiaries did not hold any shares issued by Rompetrol Rafinare.

4. THE MANAGEMENT OF THE COMPANY

4.1. The presentation of the Board of Directors

The Board of Directors is responsible for the taking of all the measures necessary for the performance and monitoring of the Company's activity. Its membership, duties and responsibilities are established under the Company's Articles of Incorporation, available on our website (www.rompetro-rafinare.ro, section Relation with Investors/Corporate Governance, subsection Corporate Governance Documents).

In 2019, the following changes were made in the Board of Directors:

- *April 24th, 2019:* Decision No. 2/2019 adopted by the Ordinary General Meeting of the Shareholders approved the election of Mr. Saduokhas Meraliyev as permanent Director of the Company in the stead of Mr. Cătălin Dumitru, following his request for resignation of his term as Director and Chairman of the Board of Directors as of September 1, 2018. The term of office of Mr. Saduokhas Meraliyev was established as beginning with the date of this general meeting and ending with 30.04.2022 (the expiry date of the term of office of the other directors in office on the election date). During the period September 1, 2018 – April 23, 2019 Saduokhas Meraliyev was the interim director of the company.
- *3 May 2019:* by the Decision dated May 3, 2019, the Board of Directors elected Mr. Saduokhas Meraliyev as Chairman starting with the date of April 24, 2019 (the date of the General Meeting of the Shareholders to appoint a permanent director), until April 30, 2022. During the period September 1, 2018 – April 23, 2019, Mr. Saduokhas Meraliyev has been the interim chairman of the Board of Directors.

The Chairman of the Board of Directors has been appointed by the Board of Directors amongst its members. The Chairman of the Board of Directors is appointed for a period that cannot exceed the period of his/her mandate as a director and can be revoked at anytime by the Board of Directors.

The directors can be revoked at any time by the Ordinary General Meeting of the Shareholders. Each director has expressly accepted the exercise of his/her mandate.

In compliance with the legal provisions in force, the members of the Board of Directors have the obligation to ensure that they avoid any conflict of interests directly or indirectly with the Company, and in case such conflict occurs, to refrain from the debates held and voting regarding the related matters.

The members of the Board of Directors have the obligation to exercise their mandate in a professional manner, in good-faith, honestly, with the prudence and diligence of a good director, in

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the best interest of the Company and they are not allowed to disclose confidential information and business secrets of the Company.

On December 31, 2019, the membership of the Board of Directors was as follows:

- **Meraliyev Saduokhas**, a citizen of Kazakhstan, Chairman of the Board of Directors;
- **Alexey Golovin**, a citizen of Kazakhstan, member of the Board of Directors;
- **Yedil Utekov**, a citizen of Kazakhstan, member of the Board of Directors who was also exerting the office of the Company's General Manager until December 31st, 2019;
- **Mihai-Liviu Mihalache**, a citizen of Romania, member of the Board of Directors;
- **Nicolae Bogdan Codruș Stănescu**, a citizen of Romania, member of the Board of Directors.

Please find hereinbelow the most relevant items related to the expertise and professional background of the Company's directors in office on 31.12.2019.

The Curriculum Vitae of the current directors of the Company are also posted on the Company's web page www.rompetrol-rafinare.ro, section "Relations with Investors – Corporate Governance – Board of Directors".

Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)	Date of mandate expiration
Meraliyev Saduokhas	61	<p>Chairman in the Board of Directors: 01.09.2018 – present date;</p> <p>- elected as interim director under Decision No. 1 adopted by the Board of Directors on September 1, 2018 and re-elected as the permanent director by the Decision no. 2/2019 OGMS dated 24 April 2019</p> <p>- starting from the same date, September 1, 2018, he was elected as the Chairman of the Board of Directors (in the stead of Mr. Cătălin Dumitru) until the adoption date of the Decision issued by the next Ordinary General Meeting of the Shareholders of the Company in relation to the election of a new permanent director of the Company and of a new Decision to be issued by the Board of Directors for the election of the new chairman of the Board of Directors</p>	<p>Studies made within the following institutions: Petroleum and Gas University from Moscow, specialization in the chemical technology of petroleum and gas processing; the Institute of Finance and Economy, specialization Economy and Management; California University, business management specialization.</p> <p>He joined the group in 2008 as a deputy CEO, and in the period comprised between 2009 and 2012 he was designated as the CEO of the Rompetrol Group. From 2012, he has been CEO advisor of the KMG International Group; since 2017 he has been Chief Production Officer and since March 2019 until the present date, he holds the position of Chief Officer Operations in direct subordination of the Group CEO.</p> <p><i>Responsibilities:</i></p> <p>starting with the 1st of April 2019 he was elected non-executive member of the Strategy Committee established by the Decision no. 4 of the Board of Directors dated March 20, 2019.</p>	April 30, 2022

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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)	Date of mandate expiration
Alexey Golovin	41	<p>- Member of the Board of Directors from 13.04.2017 – present date.</p> <p>- Interim member of the Board of Directors in the period comprised between 10.02.2017 and 12.04.2017.</p>	<p>Alexey Golovin is a graduate of the "Adilet" Law School, a Pre-Master's Degree Program of the Oxford University, UK and holds a Master of Arts degree in Business Management within the Essec & Mannheim EMBA program.</p> <p>He joined the KMG International Group in November 2009 as the Group's Corporate Governance Director. In 2011, he was appointed as the Group's Marketing and Communication Corporate Officer, being in charge with the coordination of the Marketing, Brand Management, Public Relations and Internal Communications functions, while between 2013 and 2014 he was the Corporate Development and Communication General Manager, being in charge with the development of the company's long-term strategy. Between January 2015 and December 2016, he coordinated the strategy and activity of the national company KazMunayGas in the processing sector, outside Kazakhstan.</p> <p>Starting from December 2016, Alexey Golovin was the Vice-President for Strategic and Corporate Development of the KMG International Group. In this capacity, he coordinated the strategic development, the merger and acquisition projects, the public relations, and the relations with the government agencies and with the sole shareholder.</p> <p>Since March 2019, he has been the Chief Legal and Corporate Affairs Officer within KMG International Group.</p> <p><i>Responsibilities</i></p> <p>- starting from April 2018 he was elected as a non-executive member of the Audit Committee established under Decision No. 1 of the Board of Directors dated April 13, 2018, and reconfirmed under BD Decision No. 3 dated May 3, 2018, for a term of office until April 30, 2022.</p> <p>- starting with the 1st of April 2019 he was elected non-executive member of the Strategy Committee established by the Decision no. 4 of the Board of Directors dated March 20, 2019.</p>	April 30, 2022



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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)	Date of mandate expiration
<p>Yedil Utekov</p>	<p>42</p>	<p>- Member of the Board of Directors since 04.03.2015.</p> <p>- Interim member of the Board of Directors between 01.10.2014 and 03.03.2015.</p>	<p>A graduate of the Faculty of Resources and Hydrocarbons Chemical Technology within the Astrakhan State Technical University in Russia.</p> <p>With a professional background of more than 10 years in the oil and gas industry, he joined the KMG International Group in January 2010, as a Deputy General Manager of Rompetrol Petrochemicals SRL.</p> <p>He was elected as the General Manager of Rompetrol Rafinare on June 12, 2014, before that time, he was the Company's Deputy General Manager, since January 2013.</p> <p>He started his career in the oil and gas industry back in 2001, as a process operator with Akasaraisky Gas Processing Plant in Russia.</p> <p>Between September 2001 and June 2002, he worked as an operator for ZAO Intergaz Central Asia, Kazakhstan.</p> <p>Starting from June 2002, he gradually advanced from the position of engineer with the Atyrau Refinery, to that of Ecology, Technology, Health and Safety Manager.</p> <p>Between April 2005 and April 2010, he worked for Agip KCO, in Atyrau, Kazakhstan. The last position held in this company was Group Coordinator for Technical Control and Inspection between August 2008 and April 2010.</p> <p><i>Responsibilities:</i> within the KMG International Group, he is also the Sole Director of Rompetrol Petrochemicals S.R.L.</p>	<p>April 30, 2022</p>
<p>Mihai-Liviu Mihalache</p>	<p>40</p>	<p>Member of the Board of Directors: 20.07.2015 – present date;</p> <p>He was elected as a member of the Board of Directors within the General Meeting of Shareholders of July 20, 2015, and he was re-elected to this</p>	<p>He is the representative of the Ministry of Energy⁸.</p> <p>Bachelor of Arts degree in Legal Studies in 2001.</p> <p>He was a legal advisor with Tehnomon SRL Between 2003 and 2007, and 2010 and</p>	<p>April 30, 2022</p>

⁸ At the date this report, named Ministry of Economy, Energy and Business Environment



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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)	Date of mandate expiration
		office for a term of office expiring on April 30, 2022.	<p>2013 he was an attorney at law with the `Mihalache Mihai Liviu` Law Practice. Between 2007 and 2010, he was a Parliament's expert with the Permanent Electoral Authority–South-West Oltenia Subsidiary.</p> <p>He was appointed as the head of the Office of the State Secretary within the Ministry of Economy, between July and September 2013 and Deputy Head of the Office for State Ownership and Privatization in Industry (OPSPI) within the same institution, between October 2013 and February 2014. Subsequently, Mr. Mihalache became the head of OPSPI, holding this office until January 2015. From May 2015 to February 2016, he was the Deputy General Director of the General Directorate for Companies with the Ministry of Energy, Small and Medium Size Enterprises and Business Environment (MEIMMMA). Since February 2016, he was employed as an expert of the General Directorate for Privatization and Management of State Ownership in Energy – Ownership Management Directorate – Legal Department Liquidations and Insolvencies within the Ministry of Energy.</p> <p>Since January 2017 and until the present date, he has been the General Director of the General Directorate for Privatization and Management of State Ownership in Energy.</p> <p>He was elected as a member of the Board of Directors within the General Meeting of Shareholders of July 20, 2015, until 30.04.2018, being re-elected under OGMS Decision No. 3/2018 of April 27, 2018, for a new term of office of four years, namely from May 1, 2018 until April 30, 2022.</p> <p><i>Responsibilities:</i></p> <p>- starting from November 8, 2018, the establishment date of company FONDUL DE INVESTITII IN ENERGIE KAZAH-ROMAN S.A., he was elected as a member of the Board of Directors, for a term of office of 2 years.</p>	



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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)	Date of mandate expiration
Nicolae Bogdan Codruț Stănescu	45	<p>Member of the Board of Directors: starting from 27.04.2018</p> <p>He was elected as a member of the Board of Directors by Decision No. 3/2018 adopted by the Ordinary General Meeting of the Shareholders din data de 27 April 2018.</p> <p>He was one of the Company's directors also between 12.06.2015 and 27.04.2016</p>	<p>He is the representative of the Ministry of Energy within the Board of Directors of Rompetrol Rafinare.</p> <p>Since 2016 and until the present date, he has been a Strategy Consultant within the Chancellery of the National Bank of Romania.</p> <p>Holder of a Ph. Degree in Law, a Bachelor of Arts degree in Legal Studies in 1996, and also a graduate of the Oil and Gas University, in 1999. He completed Master of Arts programs for "Mediation of Law Conflicts" (Titu Maiorescu University), "National Security and Defense" (National Defense University Carol I), "European Public Space" (National School of Political Science and Public Administration), "Public International Law" (Alexandru Ioan Cuza Police Academy, Bucharest). He is also specialized in the banking field, holding two certificates issued by the Romania Banking Institute– Banking European Certificate and Banking Mediation diploma.</p> <p>Starting from 1998, he was a legal expert jurist within the State Ownership Fund, a director with APAPS Bucharest, a Director of the Directorate for Privatization Disputes within the Authority for State Assets Recovery, and the General Director of the Legal General Directorate within the same institution (2007 – 2010). Between 2013 and 2014, he was an expert with the Procurement Division of the Nuclearelectrica National Company.</p> <p>Starting from 2010 he served as an advisor of the Vicegovernor of the National Bank of Romania, and between 2013 and January 2014 he was the personal advisor of the Minister of Economy on legal matters.</p> <p>From January 2015 to August 2016 he was the General Director of the General Directorate for Privatization and Management of State Ownership (DGPAPSE) within the Ministry of Energy.</p> <p>Starting with August 2019 until the current date, he is the Chairman of the Management team within "Societatea de Administrare a Participațiilor în Energie S.A." (S.A.P.E.).</p>	April 30, 2022

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Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)	Date of mandate expiration
			<p><i>Responsibilities:</i></p> <ul style="list-style-type: none"> - starting from May 1, 2018 he was elected as an independent non-executive member of the Audit Committee, for a term of office until April 30, 2022. - Starting with April 1, 2019 he was elected independent non-executive member of the Strategy Committee, for a mandate until April 30, 2022. 	

The Members of the Board of Directors are appointed by the shareholders, during the Ordinary General Meeting of Shareholders. According to the directors' knowledge, **there was no agreement, understanding or family connection** between the directors and any other person, due to whom the respective director was appointed.

According to the Registry of the Company's shareholders, consolidated on 31.12.2019 and made available by Depozitarul Central SA, directors of Rompetrol Rafinare do not hold any shares issued by the Company.

None of the members of the Company Board of Directors is a person affiliated to the Company, within the meaning of the ASF Regulation No. 5/2018.

4.2. The members of the company's Executive Management

In accordance with the provisions of the Company's Articles of Incorporation, the only offices to be delegated with the company's management on the strength of the provisions of Art. 143 of Company Law 31/1991 are the offices of General Manager and Economic Manager. Any other office of manager within the company (human resources manager, commercial manager, administrative manager, IT manager, etc.), regardless of its name, shall not involve also the company's management.

Yedil Utekov – General Manager

By Decision No. 1 of June 12, 2014, the Board of Directors appointed Mr. Yedil Utekov as the General Manager and delegated to him the Company's management and Company representation duties.

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Previously, he was at the same time the deputy general manager of the Company (since December 24, 2012) and general manager of Rompetrol Petrochemicals SRL – a company wholly owned by Rompetrol Rafinare (from November 13, 2013).

By Decision No. 2 of May 3, 2018, Mr. Yedil Utekov was re-elected as the General Manager of the Company.

By the Decision dated December 18, 2019, **the Board of Directors appointed Mr. Felix Crudu-Teslovenu as the General Manager of the Company** starting with the 1st of January 2020, until April 30, 2022 and assigned him for the executive management of the company and representative of the Company.

Mircea-Ștefan Stănescu – Economic Manager

By Decision No. 2 of November 12, 2018, the Board of Directors appointed Mr. Mircea-Ștefan Stănescu to the office of Economic Manager of the Company and delegated to him the Company's executive management and Company representation duties, for a term of office starting with November 15, 2018 to expire on April 30, 2022.

On 31.12.2018, the two directors who were delegated to manage for the abovementioned purposes were:

Name and First Name	Office
Yedil Utekov	General Manager
Mircea-Ștefan Stănescu	Economic Manager

Members of the executive management shall exert their offices for a term of office to expire on 30.04.2022 (at the same time with the directors who appointed them to their offices).

Felix Crudu-Teslovenu – The General Manager of the Company, at the date of this Report

By the Decision dated December 18, 2019, the Board of Directors appointed Mr. Felix Crudu-Teslovenu as the General Manager of the Company and assigned him for the executive management of the company and representative of the Company for a mandate starting with the 1st of January 2020, expiring on April 30, 2022.

We have no information about any cases of understandings, agreements of family connections between the members of the executive board and any other persons which resulted in their appointment to their offices.

Neither one of the two Managers presented in the Table under Item 4.2. has any shares with the Company.



4.3. Litigations in which the directors or members of the executive management have been involved, in the last 5 years

None of the two actual Executives holding the positions on the issue date of this report (General Manager and Finance Manager) has been involved in litigations or administrative procedures.

Starting with 22 March 2005, criminal investigations started related to certain former directors, managers and external censors of Rompetrol Rafinare S.A.; these ones were officially performed and materialized in various specific criminal procedural activities (including specific judicial expertise), currently under criminal investigation.

The said charges have been disjoined by the prosecutors' office from the initial case file in 2004 (that was sent to trial following such disjoining and which is definitively closed) and are subject to a separate file which concerns the followings: a) failure to fulfil the investment commitments undertaken under the privatization contract concerning the Parent Company; b) unlawful declaration of excises and other debts to the state budget; c) incorrect keeping of accounting registries regarding the transactions undertaken at the oil terminal owned by Oil Terminal. These charges concern events occurred during April 2001 – October 2002. d) status of adoption of the Government Emergency Ordinance 118/2003. On the 5th of December 2019, the charges mentioned above have been entirely closed by an ordinance issued by DIICOT. At the current date, the procedures specific for the settlement of complaints filed against this ordinance are in progress.

4.4. Changing the Articles of Incorporation

The Articles of Incorporation may be amended by Decision of the General Meeting of Shareholders, according to the provisions of Law no. 31/1990 on companies, in conjunction with the provisions of the Articles of Incorporation. The Articles of Incorporation may also be amended by the Board of Directors of the Company, by delegation of powers by the Meeting of the Shareholders in accordance with the provisions of Art. 114 of Law no. 31/1990 on companies.

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5. INDIVIDUAL FINANCIAL STATEMENT AS AT 31.12.2019

The individual financial statements are attached. Extracts containing the main elements are presented below.

a) The individual financial position statement

THE SITUATION OF THE MAIN INDICATORS DURING THE PERIOD 31.12.2017 to 31.12.2019

	2019		2018		2017	
	Lei	%	Lei	%	Lei	%
Intangible assets	22,713,799	0%	17,940,585	0%	14,618,988	0%
Goodwill	152,720	0%	152,720	0%	152,720	0%
Tangible assets	3,516,851,506	45%	3,622,505,369	45%	3,680,205,350	45%
Rights of use assets	9,018,898	0%	-	0%	-	0%
Financial assets	1,629,020,055	21%	1,629,020,055	20%	1,629,020,055	20%
Deferred tax assets	110,131,585	2%	163,026,035	2%	156,961,477	2%
Total non-current assets	5,287,888,563	68%	5,432,644,764	68%	5,480,958,590	68%
Inventories, net	822,822,149	10%	816,566,125	13%	1,014,258,927	13%
Receivables and expenses Registered in advance, net	1,784,692,732	23%	1,530,215,763	19%	1,577,627,271	19%
Derivatives Financials Instruments	2,585,313	0%	6,197,265	0%	-	0%
Cash at bank and in hand	22,373,528	0%	19,450,444	0%	22,863,280	0%
Total current assets	2,632,473,722	32%	2,372,429,597	32%	2,614,749,478	32%
TOTAL ASSETS	7,920,362,285	100%	7,805,074,361	100%	8,095,708,068	100%
Subscribed Share Capital	4,410,920,573	56%	4,410,920,573	54%	4,410,920,573	54%
Premium related to capital	232,637,107	3%	232,637,107	3%	232,637,107	3%
Revaluation reserve, net of deferred tax impact	533,398,479	7%	566,948,566	7%	600,663,192	7%
Other reserves	3,386,268,737	43%	3,408,959,991	42%	3,424,144,892	42%
Reported loss	(6,242,510,389)	-79%	(6,049,107,446)	-80%	(6,507,244,042)	-80%
Result of the current financial year	(352,730,468)	-5%	(230,205,630)	5%	418,336,728	5%
Total Equity	1,967,984,039	25%	2,340,153,161	32%	2,579,458,450	32%
Hybrid loan – long term portion	69,291,612	1%	69,291,612	1%	57,155,251	1%
Long-term loans from banks	613,184,904	8%	489,405,927	0%	-	0%
Provisions	342,060,438	4%	335,464,381	4%	327,130,219	4%
Long-term lease debts	5,368,671	0%	-	0%	-	0%
Total long term liabilities	1,029,905,625	13%	894,161,920	5%	384,285,470	5%

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Commercial debts & Other debts	4,701,068,748	59%	3,936,412,324	48%	3,981,167,078	49%
Contractual debts	47,196,182	1%	89,334,760	1%	-	0%
Short-term lease debts	6,451,650	0%	-	0%	-	0%
Derivatives	15,786,131	0%	-	0%	515,760	0%
Short term loans from subsidiary companies	103,891,017	1%	438,118,914	8%	683,141,317	8%
Short term bank loans	48,078,893	1%	106,893,282	6%	467,139,993	6%
Total current liabilities	4,922,472,621	62%	4,570,759,280	63%	5,131,964,148	63%
TOTAL LIABILITIES AND EQUITY	7,920,362,285	100%	7,805,074,361	100%	8,095,708,068	100%

- i) Within the assets, an important share (45%) it represents the **tangible assets** – lands, buildings, technical equipment, construction in progress. At the end of 2019, these reached the value of Lei 3,516,851,506, lower by 3% than that recorded in 2018, respectively lower by 4% than that recorded in 2017 especially influenced by the following factors:
- continuation of the new investments;
 - amortisation (depreciation of fixed asset).
- ii) Within the **financial assets** (21%), the entire value (Lei 1,629,020,055) is represented by shares and shares held in the affiliated entities. Their value remained at the same level recorded at the end of 2018.
- iii) **Receivables and prepayments** (23%) are higher than those booked at 31.12.2018 by 17%.
- iv) **Share capital** (56%) has a value similar to that at the end of 2018 and 2017, respectively Lei 4,410,920,573;
- v) **Equity** has registered the value of Lei 1,967,984,039, reaching a level by 16% lower compared with the value at 31.12.2018 and by 24% lower compared with the equity at the end of 2017.

At 31 December 2019 the Company's net assets are lower than half of the value of the subscribed share capital, compared with the end of 2018 when net assets were higher than half of the value of the subscribed share capital in compliance with Law no. 31/1990 regarding the trade companies, as amended.

- vi) **Trade and other payables** at the end of 2019 are higher by 19% as against the value registered at 31.12.2018 and by 18% as against 2017.
- vii) In terms of **short-term loans (from affiliates and banks)** its level reached in 2019 a total value of Lei 151,969,910 decreasing as against 2018 with 72%. Also, against 2017 its level decreased by 87%. The decrease in 2019 against 2018 was determined mainly due to repayment of loans from affiliated companies and repayment of short-term bank loans on the account of additional use from the Long-Term Syndicated Credit and cash pooling facility.

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b) The profit and loss account

Continuous activities	2019	2018	2017
Net Turnover	14,750,359,139	14,115,915,691	11,192,755,314
Gross incomes from the sales of petroleum finished goods	19,439,433,814	18,265,248,407	14,727,580,720
Income from sales of goods	6,698,163	18,191,556	31,297,529
Income from sales of utilities	9,255,572	8,313,460	7,915,850
Income from sales of other products	797,266	746,271	979,801
Income from rents and other services	13,712,960	12,958,673	13,892,564
Gross turnover	19,469,897,775	18,305,458,367	14,781,666,464
Minus sales associated taxes	(4,719,538,636)	(4,189,542,676)	(3,588,911,151)
Total	14,750,359,139	14,115,915,691	11,192,755,314
Cost of sold production	(14,411,331,213)	(13,609,234,205)	(10,628,344,179)
of which:			
Crude oil and other raw materials	13,226,728,823	12,638,548,476	9,783,827,276
Utilities	489,802,104	397,646,059	338,134,378
Gross Profit/ (Loss)	339,027,926	506,681,486	564,411,135
Distribution and general administrative expenses	(344,429,727)	(326,753,920)	(277,870,892)
Other operational incomes/(expenses)	70,133,170	(68,837,668)	(63,179,014)
Operational Profit / (Loss)	64,731,369	111,089,898	223,361,229
Financial expenses	(235,486,607)	(173,755,558)	(159,732,555)
Financial income	22,779,343	14,718,404	46,439,668
Net (Losses)/ gains on exchange rate difference	(145,469,631)	(181,901,099)	308,268,386
Gross Profit / (Loss)	(293,445,526)	(229,848,355)	418,336,728
Deferred income tax Revenue	(59,284,942)	(357,275)	-
Profit / (Loss) exercise	(352,730,468)	(230,205,630)	418,336,728

- i) **The net turnover** registered in 2019 was higher by about 4% as compared to last year and by 32% higher as compared to 2017, being supported in 2019 by a slight increase of the quantity of finished products sold, but affected by the decrease in quotations for the sale of finished



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products compared to the previous year. Thus, the average of gasoline prices decreased by 10% in 2019 as compared with 2018 and for diesel with 8%.

- ii) In respect of the **cost of production sold**, it increased by 6% compared to 2018 and by 36% compared to 2017.
- iii) At 31.12.2019, Rompetrol Rafinare S.A. recorded an **operational profit** of Lei 64,731,369, as against to that recorded in 2018 of Lei 111,089,898 and as against to that recorded in 2017 of Lei 223,361,229.
- iv) **Financial expenditures** recorded an increase of 36% in 2019 compared to 2018 and of 47% compared to 2017. To be mentioned that at the end of 2019, the company recorded a net loss from significant exchange rate differences in amount of Lei (145,469,631), compared to the loss recorded in 2018 in amount of Lei (181,901,099) and to the gain of Lei 308,268,386 in 2017. The unfavorable exchange rate differences recorded at the end of 2019 were due to the continuous depreciation of the national currency against US Dollar. Thus, if at the end of 2018 1 USD = 4.0736 lei, on 31.12.2019, 1 USD was equal to 4.2608 lei.

In respect of the **final result of the financial exercise concluded on 31.12.2019, the Company recorded a net loss in amount of Lei (352,730,468).**

c) Cash flow statement

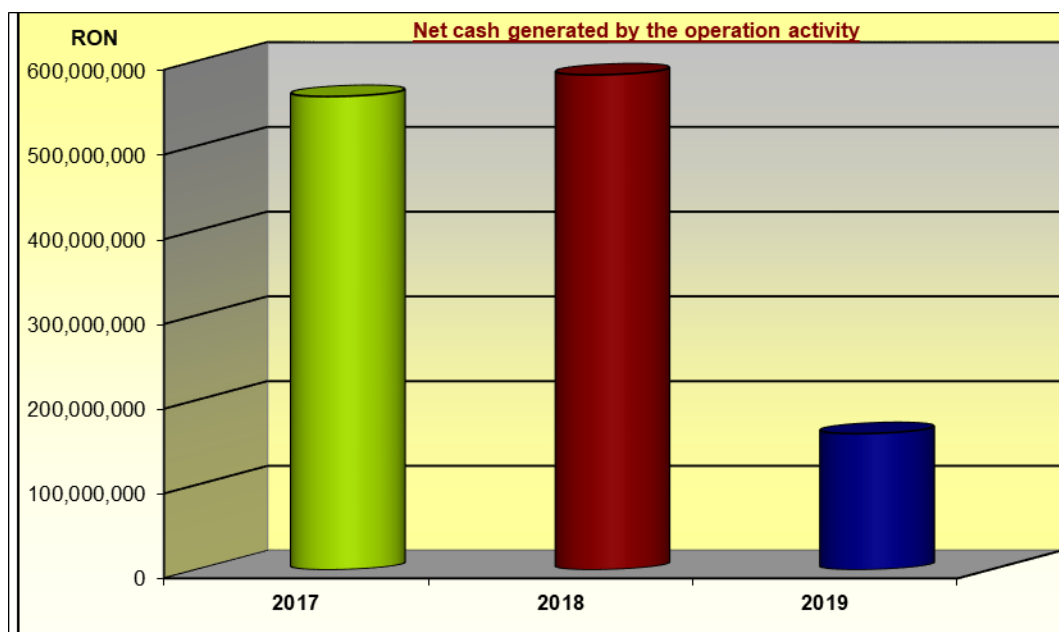
In 2019, the net cash flow shows the effort of the company to efficiently match the cash needs from the operation activity with a balanced financing policy.

Cash flows from operating activity were influenced by the decrease in quotations on petroleum products sold and the continued depreciation of the national currency (RON) against the US dollar (USD) during 2019, as well as by the increase of trade payables level, while increasing the value of trade receivables.

At the end of 2019, Brent crude oil reached the value of 66.77 USD/barrel compared to the end of 2018, when it was located at 50.57 USD/barrel level.



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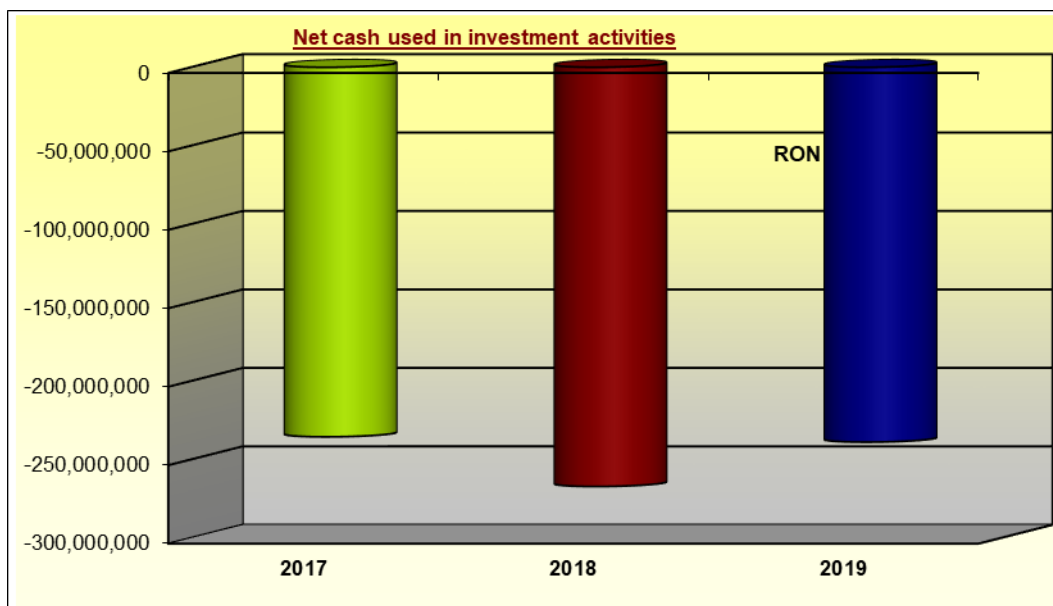


In 2019 Rompetrol Rafinare continued implementing new technologies allowing processing of various types of crude and obtaining new products at the quality imposed by the European standards, as well as the increase yield in white products. A permanent concern was the aligning with the requirements of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

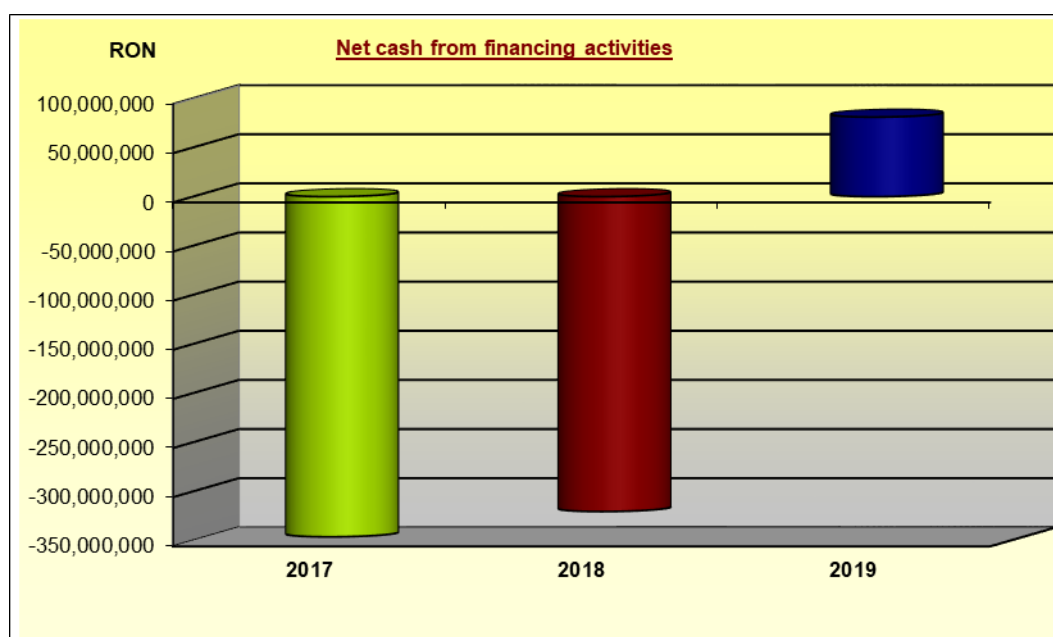
Also, in 2019, the scheduled shutdown of the refinery took place, a capital maintenance project that was initiated for the periodic inspection of the machinery, changing of catalysts, machinery maintenance, etc. Other major investment projects concerned ISCIR equipment authorization/re-authorization, LPG recovery from DCU gases, the modernization projects of products loading ramps, rehabilitation of tanks and replacement of catalysts.



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Cash flow from financing activities was influenced by the fact that the Company benefitted from a Cash pooling contract – a system of optimization of cash balances, aiming to support both the needs generated by the investment activity as well as by the development of the operational activity of the refinery, and a long-term Syndicated Credit facility. Also, other factors that have been influenced the cash flow from the financing activity were short-term loan repayments from affiliated companies and banks on the account of additional use from long-term credit and cash pooling facility.





6. CORPORATE GOVERNANCE DECLARATION

Rompetrol Rafinare is a trading company managed in unitary system, issuer of shares listed on the regulated market operated by Bursa de Valori București S.A. (Bucharest Stock Exchange) (“BVB”). The admission to trading of the shares issued by the Company on the operated BVB market was decided by the Decision no. 27 dated 03/25/2004 of the Stock Exchange Council regarding the admission to trading and the trading starting date was 7 April 2004. Prior to this date the Company shares were listed on the regulated market operated by RASDAQ.

The Company shares are traded at BVB under the market symbol “RRC”.

The Corporate Governance report of Rompetrol Rafinare S.A. for the year 2019 is drafted according to the Corporate Governance Code (“CGC” or the “Code”), to Law no. 24/2017 on the issuers of financial instruments and market operations, to the regulations and instructions issued by the Financial Supervisory Authority – “FSA” and to the stock exchange regulations.

The scope of the code is to guarantee high transparency and visibility conditions for all shareholders and for all the third parties (“stakeholders”).

6.1. The BVB standards regarding the Corporate Governance

Rompetrol Rafinare adhered for the first time to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2010 and continues to improve the good corporate governance principles.

During 2019, Rompetrol Rafinare continued to implement the good practices for a corporate governance so that the internal practices correspond qualitatively to the new requirements for a company admitted to be traded on the BVB.

Rompetrol Rafinare complies with most of the provisions stipulated by the Corporate Governance Code issued by the Bucharest Stock Exchange, which came into force on 4 January 2016. Further details about the Company conformity with the principles and recommendations provided by the Corporate Governance Code of the Bucharest Stock Exchange are presented in the Corporate Governance Statement, which is an integral part of this Annual Report.

The company proposes to improve the implementation modality of the principles and recommendations of the CGC of BVB.

The statement “Apply or Explain” (see Appendix 6 to the present report) presents the level of compliance by the Company with the new provisions of CGC BVB. Rompetrol Rafinare shall continue to assess the provisions of the Code and any subsequent progress that the Company shall make in complying with it shall be reported on the market. All the “negative” aspects (from conformity to non-conformity) shall also be reported.



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6.2. Information on the General Meeting of Shareholders and the Shareholders' rights

The corporate bodies of RRC, trading company managed in unitary system, are structured as follows: The General Meeting of Shareholders, which is the highest decision-making body of the Company and the Board of Directors.

The General Meeting of the Shareholders ("AGA")

The General Meeting of Shareholders is the main corporate governing body of the Company, having decision making tasks on detailed activities within the Article of Incorporation of the Company.

In terms of structure, depending on the points on the agenda that the shareholders are required to approve, the General Meeting of the Shareholders can be ordinary or extraordinary.

The Ordinary General Meeting of the Shareholders ("OGMS")

According to article 11 of the Company's updated Articles of Incorporation, corroborated with the applicable legal provisions, the Ordinary General Meeting is summoned at least once a year, within the term required mandatorily by the law, and includes the following main tasks:

- a) to discuss, to approve or to modify the annual financial statements, based on the reports presented by the board of directors and by the financial auditor and to establish the dividend;
- b) to appoint and to revoke Company directors;
- c) to appoint and to establish the minimum duration for the financial audit contract, and also to revoke the financial auditor;
- d) to establish for each current financial year the remuneration owed to the directors;
- e) to pass opinion on the directors' manner of administration;
- f) to establish the income and expenses budget, and, if such is the case, the activity schedule, for the following financial year;
- g) to decide the pledge, the lease or the cancellation of one or more units of the Company;
- h) to approve the maximum limits of the remuneration of the people handling/having managing positions according to the legal provisions in force.

The Extraordinary General Meeting of the Shareholders ("EGMS")

The Extraordinary General Meeting has the following tasks:

- a) to change the Company's legal form;
- b) to move the headquarters of the company;
- c) to change the company's object of activity;
- d) to set up or to dissolve secondary offices: branch offices, agencies, representations or any other such units without legal personality;
- e) to extend the company duration;
- f) to increase the share capital;



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- g) to reduce the share capital or to replenish it by the issue of new shares;
- h) merger with other companies or the division of the company;
- i) the company's anticipated dissolution;
- j) conversion of shares from one category to another;
- k) conversion of one category of bonds into another one or into shares;
- l) issue of bonds;
- m) any other change of the Articles of Incorporation or any other decision for which the extraordinary general meeting consent is required;

The Extraordinary General Meeting delegates the Board of Directors to exercise the tasks mentioned at letters b) and c) of the paragraph above from the revised Articles of Incorporation.

Moreover, the Extraordinary General Meeting may delegate to directors the increase of the share capital, according to the provisions of art. 85 of Law 24/2017 on the issuers of financial instruments and market operations.

Summoning, operation, the voting process as well as other provisions related to the GMS are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A., as well as in the Regulation on the organization and conduct of the General Meeting in full observance of the rights of Rompetrol Rafinare S.A. shareholders.

Summoning the General Meeting of the Shareholders

The General Meeting is summoned by the Board of Directors any time required, in compliance with legal provisions. The summoning reports, and, subsequently, the Decisions of the GMS are submitted to the Stock Exchange Bucharest and the Financial Supervisory Authority, in compliance with the regulations of the capital market and disclosed to public on the website of the Company as well, in the section "*Relation with the Investors – General Meeting of the Shareholders*".

The General Meeting of the Shareholders is summoned by the directors anytime required, by publishing a notification in the Official Gazette of Romania, Part IV, as well as within one of the wide-spread national or local newspapers in the city where the headquarters of the Company are located. The General Meetings are summoned by the Board of Directors, and the summoning is submitted at least 30 days prior the date of the meeting. At the same time, the summoning notice of the general meeting is submitted to the Stock Exchange Bucharest and the Financial Supervisory Authority, however, 30 days before the meeting, it shall be also available on the Company's website: www.rompetrol-rafinare.ro, in the section Relation with Investors. Information will be published both in Romanian, as well as in English.

GMS can be summoned under the following situations;

- i. Anytime required following the Decision of the Board of Directors, by the President of the Board of Directors or a member thereof, based on the mandate granted by the Chairman;
- ii. At the request of the shareholders, representing, jointly or separately, at least 5% of the capital and if the request includes provisions within the tasks and responsibilities of the General Meeting.



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In compliance with the legal provisions applicable (Law no. 31/1990, the Financial Supervisory Authority Regulation no. 5/2018) as well as the provisions of the Articles of Incorporation, the Summoning report of the General Meeting of the Shareholders, includes at least the following information:

- ❖ Name of the issuer;
- ❖ Date, starting time and place chosen to hold the General Meeting of the Shareholders for the first and second summoning;
- ❖ The agenda proposed;
- ❖ Clear and exact description of the procedures to be complied with by the shareholders to be able to take part and vote within the General Meeting, respectively information related to:
 - The right of one or several shareholders, representing jointly or severally at least 5% of the Company's capital, to add issues on the agenda (accompanied by a supporting point of view), within no less than 15 days following the date when the summoning report was published and to submit resolution drafts for the issues included or proposed to be included on the agenda of the General Meeting. The agenda filled in with the issues proposed by the shareholders shall be published at least 10 days before the date of the General Meeting of the Shareholders, at the date mentioned in the initial summoning report.
 - Specifying expressly that the voting right can be exercised directly, by proxy or by correspondence, as well as the conditions to exercise such rights. When exercising the vote by proxy (representation), it shall be taken into account by for such type of vote, the proxy forms (special and general) shall be used.
 - How the special/general proxy forms can be obtained for the representation within the General Meeting of the Shareholders, the deadline and the place where the proxy can be submitted to/received, as well as the means by which the Company can accept the notification regarding the proxy appointed by electronic means.
 - The procedures that allow voting by correspondence.
- ❖ The reference date, as well as the mentions related to the fact that only the persons that are shareholders at that date have the right to take part and vote within the General Meeting of the Shareholders;
- ❖ The deadline to receive the proposals related to the candidates for the office of directors, in case that the agenda of the meeting also includes electing the directors. In the summoning report, it will be mentioned that the list including the information related to the name, domicile and professional training of the persons proposed as members of the Board of Directors is made available for the shareholders, as it can be read and completed by the shareholders;
- ❖ The place where the integral text of the documents and resolution drafts can be obtained, as well as other information related to the issues included on the agenda of the General Meeting of the Shareholders, the date when they become available, as well as the procedure to be followed in this regard;
- ❖ If the agenda includes proposals for amending the Articles of Incorporation, the summoning report shall include the entire text of the proposals;
- ❖ The Company's website;
- ❖ The proposal regarding the registration date, regarding the ex-date and if applicable, the proposal related to the date of payment;



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- ❖ The express specification of the fact that the voting right can be exercised directly, by proxy, by correspondence and the conditions to exercise such rights;
- ❖ The way to distribute the ballot by correspondence and the special proxy form for representation within the General Meeting of the Shareholders, as well as the date when they become available;
- ❖ The deadline and the place where the special proxy and the ballots by correspondence should be submitted/received;
- ❖ Indicating the fact that the significant shareholders have the right to choose to implement the cumulative vote method to elect the members of the Board of Directors, in case that this issue is on the agenda of the General Meeting of the Shareholders in compliance with the provisions of Article 84 of Law no. 24/2017.

The summoning report of the general meeting, any other issue to be added on the agenda at the request of the shareholders, the document and information regarding the issues to be discussed on the agenda of the general meeting, the financial reports, the annual report, the proposal related to the dividends distribution (if applicable), the Special Proxy forms, the Correspondence Voting Forms and decision drafts, are made available to the shareholders of the Company both in Romanian and English, at the headquarters of the Company and they can be downloaded from the Company website, at the summoning date.

The shareholders will be able to request in writing copies of these documents, by courier or e-mail.

Quorum requirements

The shareholders present during the meeting (personally or by proxy), as well as those who submitted their vote by correspondence will be taken into account by the secretary of the general meeting in determining the weight of the capital represented in the meeting out of the total of the capital of Rompetrol Rafinare S.A., to determine the quorum required to hold the meeting and validate the resolutions adopted.

The Ordinary General Meeting of Shareholders (OGMS)

For the first summoning of the OGMS, the quorum conditions are met if the shareholders representing at least $\frac{1}{4}$ of the total number of voting rights are present or represented within the General Meeting. The resolutions can be taken in a valid manner with the vote “for” of the shareholders representing the majority of votes expressed by the shareholders present or represented. For the second summoning, the Meeting can decide regarding the issues included on the agenda of the first meeting summoned, regardless of the number of shareholders present, adopting decisions with the majority of votes held by the shareholders present or represented.

The Extraordinary General Meeting of Shareholders (EGMS)

For the first summoning of the EGMS, the quorum conditions are met if the shareholders representing at least $\frac{1}{4}$ of the total number of voting rights are present or represented within the



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General Meeting. The resolutions can be taken in a valid manner with the vote “for” of the shareholders representing the majority of votes expressed by the shareholders present or represented. For the second summoning, the Meeting can decide regarding the issues included on the agenda of the first meeting summoned, if at least 1/5 of the total number of voting rights are present or represented, adopting decisions with the majority of votes held by the shareholders present or represented.

The resolution for the amendment of the main scope of activity of the Company, of reducing or increasing the capital of the company, to amend its legal form of registration, of merger, division or dissolution of the Company are taken with the majority of votes of at least two thirds of the voting rights held by the shareholders present or represented.

The General Meeting of the Shareholders of Rompetrol Rafinare S.A., according to its updated Articles of Incorporation:

The general meeting may be summoned at the headquarters of the Company or in other places established by the directors according to the summons. At the general meetings of shareholders, only the shareholders registered in the Register of Company Shareholders, held and issued by Depozitarul Central S.A. Bucharest have the right to participate and vote on the reference date established through the summons of the general meeting. According to the legal provisions, the shareholders may be personally represented (by legal representatives) or by representative, based on a special power of attorney or on a general power of attorney, or by correspondence, based on a voting Form by correspondence, both documents being made available to the shareholders, translated into English language. The shareholders may fill in the Special / General Powers of Attorney or the voting Form by correspondence either in Romanian or in English.

The shareholders may also be represented at the general meeting by persons who do not have the condition of the Company shareholders, except for the directors.

The general meeting is presided by the Chairman of the Board of Directors or by a person appointed by the latter, who appoints, among the members of the general meeting members or the company shareholders, one to three secretaries, plus a technical secretary among the employees. They will draft the list of presence of shareholders and verify the following:

- Identity documents of the people attending the General Meeting as shareholders or their authorized representatives;
- Special or general power of attorney presented by the authorized representatives of the shareholders. The special power of attorney is valid only for the General Meeting of Shareholders for which it has been requested.
- voting forms by mail.

The secretary of the meeting shall also verify the fulfilment of the legal conditions regarding the quorum of presence of shareholders for validating the general meetings.

If the ordinary or extraordinary general meeting cannot take place because the legal conditions of attendance are not met, the meeting that will take place at a second summoning may deliberate upon



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the matters of the agenda of the first meeting, regardless of the gathered quorum, passing resolutions with the majority of the expressed votes.

After submitting the materials corresponding to the agenda, the shareholders are invited to ask questions and the issues referred to debate are subject to vote by the chairman of the meeting.

The resolutions of the general meeting are made by open vote, except for the cases when the general meeting decides for the vote to be secret or if the law requires a secret vote.

Each share entitles to express one vote within the meetings of the general meeting of shareholders of Rompetrol Rafinare. The person representing several shareholders based on special powers of attorney expresses the votes of the represented persons by summing up the total number of votes “for”, “against” and “abstention” without compensation (ex. “at point x on the agenda I represent “a” votes “for”, “b” votes “against” and “c” abstention “). The votes thus expressed are validated or, as the case may be, invalidated, based on the third copy of the special power of attorney, by the secretary of the general meeting. The votes pertaining to the special power of attorney are exercised only in the manner decided by the shareholder.

The secretary or secretaries of the meeting, based on the freely expressed vote by the shareholders, shall draft the minutes of the general meeting.

Within no more than 24 hours as of the date the general meeting of shareholders took place, the company prepares a current report presenting in a short form the method employed to run the General Meeting, as well as the resolutions adopted during the meeting. The Report shall be submitted to the institutions of the capital market, i.e. to B.V.B. and F.S.A. respectively. The current report corresponding to the resolutions made by the general meeting of shareholders is published on the Company website together with the vote results. Moreover, the decisions of the general meeting are published in the Romanian Official Gazette, Part IV.

Resolutions adopted by the general meetings of shareholders during 2019:

The Ordinary General Meeting of Rompetrol Rafinare’s Shareholders of April 24, 2019 decided as follows:

- the approval of the individual annual financial statements prepared according to the International Financial Reporting Standards (“IFRS”), as provided in Order No. 2844/2016 issued by the Ministry of Public Finance, as subsequently amended, and the consolidated statements (prepared according to IFRS), audited, related to financial year 2018, based on the Reports of the Board of Directors and on the Reports of the Financial Auditor;
- the release of management of all the Company’s directors for the activity carried out in financial year 2018, based on the presented Reports;
- the approval of the income and expense budget and of the Company’s activity plan for 2019, including the investment plan for 2019;



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- the establishment of the remuneration due for financial year 2019 of the members of the Company's Board of Directors, i.e. maintaining the same net monthly quantum of the directors' remuneration valid for 2018 i.e. a net monthly quantum of lei 9,000 for each director, corresponding to a gross monthly remuneration of Lei 15,385 Lei, the tax and national insurance contributions related to this remuneration, due by the Members of the Board of Directors, being withheld and paid to the state budget according to tax legislation provisions;
- electing Mr. Saduokhas Meraliyev, citizen of Kazakhstan, resident in Bucharest, as permanent member of the Company's Board of Directors, for an office starting with the date of this Ordinary General Meeting of the Shareholders and expiring as of April 30, 2022, as a result of the fact that the mandate as director of Mr. Cătălin Dumitru was terminated;
- the appointment of company ERNST & YOUNG ASSURANCE SERVICES SRL, represented by LUPEA ALEXANDRU, as a financial auditor of the Company, for financial year 2019, the term of the audit contract being one year;
- the approval of the date of May 15, 2019, as *a registration date* for the identification of those shareholders affected by the effects of Decisions No. 1/2019, No. 2/2019; and No. 3/2019 adopted within the OGMS of April 24, 2019 and of the date of May 14, 2019 as *ex date*;
- the authorization of Mr. Yedil Utekov, General Manager and member of the Company's Board of Directors, with the possibility to grant further powers of attorney to third parties, to conclude and/or sign on behalf of the Company and/or of the Company's shareholders Decision No. 1/2019, No. 2/2019 and No. 3/2019 adopted by this OGMS and to carry out all the legal formalities for the registration, publicity, enforceability, enforcement and publication these decisions.

The Extraordinary General Meeting of Rompetrol Rafinare's Shareholders of June 21, 2019 decided as follows:

- approval of establishing by Rompetrol Rafinare S.A. of an operating division located in the Project Site Building TMUC, located near the Oil Terminal, South Platform Section, Constanța, a location with a surface of 15 s.q.m. according to the Agreement no. 183/02.05.2019. The name of the project site within the relationship with third parties and authorities will be "Rompetrol Rafinare S.A. – Project Site Constanța";
- the approval of the date of July 10, 2019, as *a registration date* for the identification of those shareholders affected by the effects of Decision No. 4/2019 adopted within EGMS of June 21, 2019 and of the date of July 9, 2019 as *ex date*;
- the authorization of Mr. Yedil Utekov, General Manager and member of the Company's Board of Directors, with the possibility to grant further powers of attorney to third parties, to conclude and/or sign on behalf of the Company and/or of the Company's shareholders Decision No. 4/2019 adopted by this EGMS and to carry out all the legal formalities for the registration, publicity, enforceability, enforcement and publication of this decision.



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6.3. Information on the Board of Directors

As mentioned at art. 4.1 of the present document, the Board of Directors is liable for fulfilling all the measures necessary to perform the activity of the Company, as well as for supervising its activity. Its structure, organization, tasks and responsibilities are set forth by the *Regulation for the organization and operation of the Board of Directors* and the *Articles of Incorporation of the Company*, both available on the web page of the company (www.rompetrol-rafinare.ro) in Investor Relations section.

The Company activity is managed by a Board of Directors composed of 5 members, appointed by the Ordinary General Meeting of Shareholders, who can also be shareholders of the company, natural or legal entities, having Romanian or foreign citizenship respectively nationality. During 2019, out of the 5 members of the Board of Directors, 3 are representatives of the main shareholder - KMG International N.V. (out of whom one is executive) and 2 representatives of the significant shareholder – the Romanian State by the Ministry of Energy ⁹ (out of whom one is non-executive and independent director). **The mandate of the actual directors will end on 30 April 2022.**

The directors may be replaced under the following situations:

- a) Upon the expiration of the 4 years mandate or another period established by the General Meeting of Shareholders at the same time with the appointing of the director;
- b) In case of resignation or recalling by the General Meeting of Shareholders.

Upon the mandate expiration, any member of the Board of Directors may be re-appointed by the General Meeting of Shareholders.

The tasks of the Board of Directors, according to the Articles of Incorporation and Organizational and Operational Guidelines are the following:

- a) establishes the main activity and development directions of the company;
- b) establishes the accounting and financial control system and approves the financial planning;
- c) appoints, recalls, concludes and terminates the agreements of the Company managers;
- d) supervises the managers' activity;
- e) prepares the annual report, organizes the general meeting and implements its decisions;
- f) introduces the request for opening the company insolvency procedure, according to Law 85/2006 on the insolvency procedure;
- g) except for the legal documents for whose adoption / conclusion the approval of the General Meeting of Shareholders is necessary, according to the imperative provisions of the law, approves the adoption / conclusion on behalf of the company of the legal documents whose object exceeds the value of:
 - ii) USD 50,000,000 as regards the legal documents having as object the supply of crude oil, respectively the distribution of refined products;
 - iii) USD 20,000,000 as regards the legal documents having another object than the supply of crude oil, respectively the distribution of refined products, the approval of the

⁹ At the date of this Report, the Ministry is called - Ministry of Economy, Energy and the Business Environment



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participation in the establishment of some trading companies with a contribution exceeding this value, other documents with patrimony content exceeding this value limit;

h) approves the Company organizational structure.

These tasks may not be delegated to the company managers.

The Board of Directors also has the following tasks delegated by the Extraordinary General Meeting of Shareholders under the conditions provided by art. 114 of Law no 31/1990, republished:

a) decides regarding the relocation of the company headquarters;

b) decides regarding the change of the company business object of activity (except for the main domain and the main activities of the company);

c) decides regarding the increase of the share capital by the issue of new shares, according to the law.

The Board of Directors also meets other tasks, established de jure under their charge, by virtue of the applicable normative acts.

As regards the issue of shares, the Board of Directors may initiate this operation within the share capital increase operations, exercised based on the tasks delegated according to the provisions of Law no. 31/1990 corroborated with the provisions of Law no. 24/2017.

During 2019, the structure of the Board of Directors was changed as follows:

During the period 1 January 2019 – 23 April 2019, the members of the Board of Directors were the following:

- Meraliyev Saduokhas – *interim non-executive director and Chairman of the Board of Directors*;
- Alexey Golovin – *non-executive director*;
- Yedil Utekov – *executive director*;
- Mihai-Liviu Mihalache – *non-executive director*;
- Nicolae Bogdan Codruț Stănescu – *independent non-executive director*.

During the period 24 April 2019 – present, the members of the Board of Directors were as follows:

- Meraliyev Saduokhas – *permanent non-executive director and Chairman of the Board of Directors*;
- Alexey Golovin – *non-executive director*;
- Yedil Utekov – *executive director*;
- Mihai-Liviu Mihalache – *non-executive director*.
- Nicolae Bogdan Codruț Stănescu – *independent non-executive director*

Remuneration of the Members of the Board of Directors

The remuneration of the members of the Board of Directors is established on an annual basis by the Ordinary GMS, for the current year. The remuneration of the members of the Board of Directors

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and of the managers (executive and non-executive) is disclosed in Explanatory Note No. 25 related to the individual annual financial statements as of 31.12.2019.

The allowances paid to the Company's directors in 2019 were Lei 1,246,164 (Lei 953.855 in 2018). The salaries and bonuses paid to the Company's management in 2019 (on the average 12 individuals) were of Lei 4,114,475 (Lei 3.960.493 in 2018, on the average 12 individuals).

Non-executive Directors and the independence of the Directors

According to the criteria for evaluating the independence of the non-executive members of the Board of Directors, a single member – Mr. Nicolae Bogdan Codruț Stănescu¹⁰ - in office on 31.12.2019, met the independence criteria provided by the principles and recommendations of the Code.

Evaluation of the Board of Directors

During 2019, the Board of Directors did not initiate any program for evaluating its activity.

6.4. Information about the members of the Board of Directors of Rompetrol Rafinare on 31.12.2019

Name, year of birth, nationality, the duration of the mandate for each member of the Management Board, responsibilities, training and professional qualification.

The membership of the current Board of Directors is the following:**Saduokhas Meraliyev**

Born in 1959, citizen of Kazakhstan,

Term of office of director: from 01.09.2018 until 23rd April 2019 as interim director, being re-elected as permanent director since 24th April 2019 until 30th April 2022.

Non-executive member of the Board of Directors.

Starting from 01.09.2018, he was elected also as a Chairman of the Board of Directors instead of Mr. Cătălin Dumitru who submitted its application to waive his office, being re-elected in this position starting with April 24, 2019 until April 30, 2022.

¹⁰ Elected as director from May 1, 2018 according to OGMS Resolution No. 3/2018 of April 27, 2018



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Responsibilities: Starting from 2014, he is the Chief Production and Industrial Services Officer within the KMG International Group. From this office, he is in charge with the management of the Refinery and of the Petrochemistry Plant, and with the industrial services operations, in accordance with the strategy of the KMG International Group.

Expertise and professional experience: graduate of the Petroleum and Gas University from Moscow, specialization in the chemical technology of petroleum and gas processing; graduate of the Institute of Finance and Economy, specialization Economy and Management; and of the California University, business management specialization. Mr. Saduokhas Meraliyev joined the group in 2008 as a deputy CEO, and then, between 2009 and 2012, he was designated as the CEO of the Rompetrol Group. Lately, starting from 2012, he has been an advisor to the CEO; since 2017 until March 2019, he has been Chief Production Officer.

As of March 2019 until the current date, he has been acting as COO & Production and Industrial Services Officer, the first deputy of the Management Council Chairman

Alexey Golovin

Born in 1978, citizen of Kazakhstan

The term of office of director: from 10.02.2017 to 30.04.2018, being re-elected for a new four-year term of office, *i.e.* until 30.04.2022¹¹.

Non-executive member of the Board of Directors

Responsibilities: Starting with March 2019, he has been the Chief Legal and Corporate Affairs Officer within the KMG International Group, until this date he held the position of Vice-president for Strategic and Corporate Development of the Group.

Expertise and professional experience: a graduate of “Adilet” Law School, a Pre-Master’s Degree Program of the Oxford University, United Kingdom and a Master of Arts Degree in Business Management within the EMBA Essec & Mannheim program.

¹¹ Between 10.02.2017-12.04.2017 he held the interim Director position. He has been permanently elected by resolution no.1/2017 adopted by the Ordinary General Meeting of Shareholders of 13.04.2017.



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Yedil Utekov

Born in 1976, citizen of Kazakhstan

The term of office of director: from 10.02.2017 to 30.04.2018, being re-elected for a new four-year term, *i.e.* until 30.04.2022¹².

Executive member of the Board of Directors

Responsibilities: he is also the General Manager of Rompetrol Rafinare SA¹³ and the General Manager and Sole Director of Rompetrol Petrochemicals S.R.L. Starting with December 18, 2019 he took over the position of Production and Industrial Services Manager of the KMG International Group, under the direct subordination of Saduokhas Meraliyev, Chief Officer Operations.

Expertise and professional experience: a graduate of the Faculty of Resources and Hydrocarbons Chemical Technology within the Astrakhan State Technical University in Russia. He started his career in the oil and gas industry in 2001, as a process operator with Akasaraisky Gas Processing Plant in Russia; between September 2001 and June 2002, he worked as an operator for ZAO Intergaz Central Asia, Kazakhstan. Then, starting from June 2002, he gradually advanced from the position of engineer with the Atyrau Refinery, to that of Ecology, Technology, Health and Safety Manager. Between April 2005 and April 2010, he worked for Agip KCO, in Atyrau, Kazakhstan. The last position held in this company was Group Coordinator for Technical Control and Inspection between August 2008 and April 2010. With a professional background of more than 10 years in the oil and gas industry, Mr. Yedil Utekov joined the KMG International Group (formerly known as Rompetrol Group) in January 2010, as a Deputy General Manager of Rompetrol Petrochemicals SRL. He was elected as the Company's General Manager on June 12, 2014.

The two new director offices established under Decision No. 7/2011 adopted by the Extraordinary General Meeting of Shareholders of November 29, 2011, for approving the increase in the number of the members of the Board of Directors from 3 to 5, **on 31.12.2019 are held by Mihai-Liviu Mihalache and Nicolae Bogdan Codruț Stănescu**. Both of them were elected to hold these offices upon the proposal made by the Romanian State in its shareholder capacity, represented by the Ministry of Energy.

Mihai-Liviu Mihalache was elected as a member of the Board of Directors by Decision No. 6/2015 adopted by the OGMS of July 20, 2015, while Nicolae Bogdan Codruț Stănescu was elected as a member of the Board of Directors by Decision No. 3/2018 adopted by the OGMS of April 27, 2018.

¹² Between 01.10.2014-03.03.2015 he held the interim Director position. He has been permanently elected through resolution no.1/2015 adopted by the Ordinary General Meeting of Shareholders of 04.03.2015.

¹³ Starting with January 1, 2020, the General Manager of Rompetrol Rafinare is Mr. Felix Crudu-Tesloveanu.



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Mihai-Liviu Mihalache¹⁴

Born in 1978, citizen of Romania

The term of office of director: from 20.07.2015 to 30.04.2018, being re-elected for a new four-year term, *i.e.* until 30.04.2022.

Non-executive member of the Board of Directors

Expertise and professional experience: Holding a Bachelor of Arts Degree in Legal Studies from the Ecological University, Bucharest, in 2001. Between 2006 – 2011, he completed and is a graduate of various post-University training courses/workshops, organized by the Vâlcea Bar and by the Balkan Trust for Democracy, respectively.

Career Benchmarks:

- Expert of the General Directorate for Privatization and Management of State Ownership in Energy – Ownership Management Directorate – Legal Department Liquidations and Insolvencies within the Ministry of Energy (09.02.2016 – current date);
- General Director of the General Directorate for Privatization and Management of State Ownership in Energy with the Ministry of Energy (January 2017- present date). Deputy General Director of the abovementioned Directorate (19.05.2015 - January 2017);
- Head of the Cabinet of the State Secretary within the Ministry of Energy, Small and Medium Enterprises and Business Environment (13.01.2015 - 18.05.2015);
- Head of the Office for State Ownership and Privatization in Industry (OPSPI) within the Ministry of Economy (28.02.2014 - 13.01.2015);
- Deputy Head of OPSPI within Ministry of Economy (2.10.2013 - 28.02.2014);
- Head of the Cabinet of the State Secretary within the Ministry of Economy (July - September 2013);
- Attorney at law with “Mihalache Mihai Liviu” Law Practice (2010 – 2013 and October 2003 - April 1, 2007);
- Parliament’s Expert with the Permanent Electoral Authority–South-West Oltenia Subsidiary (April 1, 2007 - October 2010);
- Legal advisor with TEHNOMON SRL (2002 - October 2003)

¹⁴ Proposed within the Company’s Board of Directors by Letter No. 102293/04.06.2015 sent by the Minister of Energy, Small and Medium Enterprises and Business Environment (currently, the Ministry of Energy) –Minister’s Cabinet.



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Nicolae Bogdan Codruț Stănescu¹⁵

Born in 1974, citizen of Romania

The term of office of director: from 01.05.2018 to 31.04.2022

Independent and non-executive Member of the Board of Directors

Expertise and professional experience: holder of a Philosophical Dr. Degree in Law of “Alexandru Ioan Cuza” Academy (graduated in 2001); holder of a Bachelor of Arts Degree in Legal Studies of Hyperion University, Bucharest (graduated in 1996) and also a graduate of the Faculty of Oil Processing Technology and Petrochemistry (graduated in 1999). He completed Master of Arts programs for “Mediation of Law Conflicts” (Titu Maiorescu University), “National Security and Defense” (National Defense University Carol I), “European Public Space” (National School of Political Science and Public Administration), “Public International Law” (Alexandru Ioan Cuza Police Academy Bucharest). He is specialized in the banking industry, holding two certificates issued by the Romanian Banking Institute– Banking European Certificate and Banking Mediation diploma. He holds a Public Leaders Certificate and a specialization in “Protocol and Communication.”

Career Benchmarks:

- Strategy Consultant within the Chancellery of the National Bank of Romania (2016 – current date)
- Advisor of the Vicegovernor of the National Bank of Romania (June 2010 – current date);
- Personal advisor of the Minister of Economy on legal matters (October 2013 – January 2015);
- General Director of the General Directorate for Privatization and Management of State Ownership within the Ministry of Energy (January 2015 – August 2016)
- and Management of State Ownership in the Energy Department with the Ministry of Economy;
- expert with the Procurement Division of the Nuclearelectrica National Company (September 2013 – September 2014);
- General Director of the Directorate for Privatization Disputes within the Authority for State Assets Recovery (September 2004 – January 2007), and Director of the General Legal Directorate with the same institution (2007 – 2010).
- Starting from 1998, he was a legal expert jurist within the State Ownership Fund (“FPS”), and a director within APAPS Bucharest, (former FPS).

¹⁵ Proposed within the Company’s Board of Directors by Letter No. 101409/AA/12.04.2018 sent by major shareholder the Ministry of Energy –Minister’s Cabinet.

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Information related to other commitments and professional duties relatively permanent of the members of the Board of Directors

<i>Name</i>	<i>Company</i>	<i>Position held</i>	<i>Period</i>
Saduokhas Meraliyev	<i>Rompetrol Downstream S.R.L.*</i>	<i>Chairman of the Board of Directors</i>	<i>April 1, 2019 – March 31, 2021</i>
	<i>Rompetrol Well Services S.A.*</i>	<i>Chairman of the Board of Directors</i>	<i>April 29, 2018 – April 29, 2022</i>
	<i>Rominserv S.R.L.*</i>	<i>Chairman of the Board of Directors</i>	<i>April 1, 2018 – April 1, 2021</i>
	<i>Rompetrol Energy S.A.*</i>	<i>Chairman of the Board of Directors</i>	<i>April 12, 2019 – January 31, 2022</i>
	<i>KazMunayGas Engineering BV*</i>	<i>Chairman of the Board of Directors</i>	<i>Indefinite period starting with September 3, 2018</i>
Alexey Golovin	<i>The Kazakh-Romanian Energy Investment Fund *</i>	<i>Member of the Board of Directors</i>	<i>November 7, 2018 – November 7, 2020</i>
	<i>Rompetrol Energy S.A.*</i>	<i>Member of the Board of Directors</i>	<i>01.10.2018 – January 31, 2022</i>
	<i>Uzina Termoelectrică Midia S.A.*</i>	<i>Member of the Board of Directors</i>	<i>November 8, 2018 – November 8, 2022</i>
	<i>TRG PETROL TICARET ANONIM ŞIRKETI*</i>	<i>Vicepresident of the Board of Directors</i>	<i>March 31, 2017 – up to current date</i>
	<i>Rompetrol France SAS*</i>	<i>Member of the Board of Directors</i>	<i>June 13, 2017 – June 13, 2021</i>
Yedil Utekov	<i>Rompetrol Petrochemicals S.R.L.*</i>	<i>General Manager</i>	<i>November 13, 2013 – up to current date</i>
		<i>Sole Director</i>	<i>March 1, 2014 – up to current date</i>
Nicolae Bogdan Codruş Stănescu	<i>Arcadia 2000 SA, Bucureşti</i>	<i>Director during insolvency procedure</i>	<i>August 1, 2012 – until the finalization of the insolvency procedure</i>
	<i>Oltchim SA, Rm. Vâlcea</i>	<i>Director during insolvency procedure</i>	<i>March 27, 2013 – until the finalization of the insolvency procedure</i>
	<i>SNGN Romgaz SA – FIGN DEPOGAZ</i>	<i>Chairman of the Board of Directors</i>	<i>April 2018 – up to current date</i>
	<i>Societatea de Administrare a Participațiilor în Energie S.A.</i>	<i>Chairman of Management Board</i>	<i>August 1st, 2019 – August 1st, 2023</i>



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Mihai- Liviu Mihalache	<i>The Kazakh-Romanian Energy Investment Fund *</i>	<i>Member of the Board of Directors</i>	<i>November 7, 2018 – November 7, 2020</i>
	<i>SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE „HIDROELECTRICA” S.A. (SPEEH HIDROELECTRICA S.A.)</i>	<i>Member of the Supervisory Board</i>	<i>February 05, 2019 – February 05, 2023</i>

** A company member of KMG International Group*

6.5. Presence of the administrators in the meetings of the Board of Directors

According to the Articles of Incorporation, the Board of Directors shall meet at least once every three months and whenever it is necessary. The Members of the Board of Directors have paid at all times the due attention to the duties of diligence and loyalty to the Company. Thus, the members of the Board of Directors and of the Executive Management made the decisions regarding the business of Rompetrol Rafinare considering the Company’s best interests.

During 2019, the Board of Directors met in 17 meetings, 4 of which were held in the physical attendance of the directors, while the other 13 meetings were organized by means of electronic communication (the form of communication – is to be determined – via email – electronic vote). The agenda of the meetings held by the Board of Directors included matters that referred to the current business conducted by the Company, for instance: in view of approving the Annual Report and organizing the ordinary general meeting for approving the annual financial results, including the informative documents and materials to be subject to approval by GMS; in view of approving the reports and materials related to the biannual, and quarterly financial results for 2019; the approval of the conclusion of significant legal acts for the supply of raw matters, electricity, procurement of maintenance services for 2019, etc. and respectively the sale of oil products; in view of re-electing Mr. Saduokhas Meraliyev as the chairman of the Board of Directors as a result of electing as a permanent director of the Board of Directors by OGMS Resolution No. 2 of April 24, 2019; in view of establishing the Strategy Committee as well as electing the members of such consultative committee; the approval of Mr. Felix Crudu-Tesloveanu as General Manager, following the dismissal of Mr. Yedil Utekov, for a mandate starting with January 1, 2020 until April 30, 2022; the approval for the Company to implement the Transfer Pricing Policy of the KMG International Group; the approval of the Regulation of the Strategy Committee, etc.

Also, the agenda of the meetings held by the Board of Directors included matters regarding: the approval of the summoning of the Ordinary General Meeting of Shareholders for July 21, 2019 for the approval of establishing by Rompetrol Rafinare of an operating division located in the Project Site Building TMUC, located near the Oil Terminal, South Platform Section, Constanța, and other approvals for the proper performance of both the Company’s business, and of its subsidiaries, etc.

During 2019, the membership of the Board of Directors changed on one occasion, namely: as a result of Resolution No. 2/2019 adopted by the Ordinary General Meeting of Shareholders of 24 April 2019 based on which Mr. Saduokhas Meraliyev was elected as the permanent director of the Company, for a term of office starting on the date of this meeting and until April 30, 2022.

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All the meetings of the Board of Directors were held in the attendance of the 5 directors according to the provisions of the Articles of Incorporation and Regulation of the Board of Directors, by direct attendance or under a power of attorney granted to another member of the Board.

The decisions of the Board of Directors in 2019 were adopted with the unanimity or majority of the votes of the attending members (in some cases, abstention votes were formulated but no vote against was registered). Most of the abstention votes were formulated because account was taken of the fact that the items subject to approval referred to the designation of the director to various offices and, for this reason, he refrained from voting.

The table below records the attendance in the meetings of the Board of Directors of the directors in office, for the year ended on December 31, 2019:

Name	Attendance
Saduokhas Meraliyev ¹⁶	17/17 ¹⁷ /17
Alexey Golovin	17 ¹⁸ /17/17
Yedil Utekov	17 ¹⁹ /17/17
Mihai-Liviu Mihalache	17 ²⁰ /17/17
Nicolae Bogdan Codruț Stănescu	17/17/17

The first number indicates the number of sessions attended by the individual in its capacity of director, the second number represents the number of sessions held during the term of office in 2019, and the third number represents the total number of sessions held in 2019.

6.6. Consultative Committees

In its activity, the Board of Directors is supported by two consultative committees, namely: the Audit Committee and the Strategy Committee, being entrusted with concluding analysis and preparing recommendations for the Board of Directors, in the specific areas of activity, having the obligation of submitting periodic activity reports to the members of the Board of Directors.

The Audit Advisory Committee

¹⁶ Interim member and President of the Board of Directors until April 23, 2019, being reelected permanent director and President of the Board of Directors as of April 24, 2019 until April 30, 2022

¹⁷ For 5 meetings, he has been acting as interim director

¹⁸ During a meeting of the Board of Directors, he granted a mandate of representation to another member of the Council

¹⁹ During a meeting of the Board of Directors, he granted a mandate of representation to another member of the Council

²⁰ During two meetings of the Board of Directors, he granted a mandate of representation to another member of the Council

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The Committee has been established based on the Decision No. 1 of the Board of Directors as of April 13, 2018.

The Strategy Advisory Committee

The Committee has been established based on the Decision No. 4 of the Board of Directors as of April 20, 2019.

A detailed description of the tasks and responsibilities of the Advisory Committees is found in the Organizational and Operational Guidelines approved by the Board of Directors, regulations published on the company's webpage www.rompetrol-rafinare.ro, section "Relationship with investors – Corporate Governance – Corporate Governance Documents".

The Audit Advisory Committee

The Audit Committee fulfils its legal duties provided under Art. 65 of Law No. 162/2017²¹ consisting mainly in monitoring the financial reporting process, the internal audit process, the risk management process within the Company and compliance assurance, as well as in supervising the activity of statutory audit of the annual financial statements and in the management of the relationship with the external auditor.

On December 31, 2019, the structure of the Audit Committee was as follows:

- Dan Alexandru Iancu – Chairman
- Alexey Golovin
- Nicolae Bogdan Codruț Stănescu

Information about the meetings of the Audit Committee during 2019

In 2019, 7 meetings of the Audit Committee were held with the actual attendance of the Committee's members (5 meetings), or via electronic means of communication of the Committee members (2 meetings).

Name and surname	Actual Attendance/electronic means of communication
Dan Alexandru Iancu	5/2
Alexey Golovin	5 ²² /2
Nicolae Bogdan Codruț Stănescu	5 ²³ /2

²¹ Law No. 162 of July 15, 2017 regarding the statutory audit of the annual financial statements and of the consolidated financial statements and for amending certain regulatory acts

²² During two meetings of the Audit Committee, he granted a mandate of representation to another of the Committee

²³ During one meeting of the Audit Committee, he granted a mandate of representation to another of the Committee

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The Advisory Strategy Committee

The Strategy Committee supports the Board of Directors in fulfilling its responsibilities in terms of preparing and updating the general strategy for the development of the Company.

On December 31, 2019, the structure of the Strategy Committee was as follows:

- Saduokhas Meraliyev – Chairman
- Alexey Golovin
- Nicolae Bogdan Codruț Stănescu

6.7. Executive Management of Rompetrol Rafinare

Pursuant to Article 16.1 of the latest Articles of Incorporation of the company - updated on 20 December 2016, the company's executive management which was delegated powers of management by the Board of Directors pursuant to the provisions of Article 143 of Law No 31/1991 on trading companies, has been provided by the General Manager and the Chief Financial Officer.

As at 31 December 2019, the executive managers of the company are:

Mr. Yedil Utekov	– General Manager and member of the Board of Directors
Mr. Mircea-Ștefan Stănescu	– Chief Financial Officer

6.8. Shares and the Shareholders rights

The rights of the shareholders of Rompetrol Rafinare are those conferred by Law no. 31/1990 on companies, Law no. 24/2017 on the issuers of financial instruments and market operations, F.S.A. Regulation no. 5/2018, other regulations and guidelines, issued by F.S.A., of the Stock Exchange Code and other legal regulations currently in force.

Each share subscribed and paid-up by the shareholders, according to the law, gives them the right to vote within the general meeting of shareholders, the right to appoint and to be appointed by the management bodies, the right to participate in the distribution of profit, in compliance with the provisions of the Articles of Incorporation of the company and the legal dispositions respectively the rights stipulated in the Articles of Incorporation.

The acquisition by a person, directly or indirectly, as provided for by the law, of the ownership right on a share, has an effect the acquisition de jure of the status of shareholder of the company with all their rights and obligations derived therefrom, according to the law and to the Articles of Incorporation.

The shareholder who in certain operation has, either personally or as a representative of another person, an interest contrary to the interest of the Company, will have to refrain from any deliberations on that account.



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The shares issued as dematerialized shares are traded on a regulated market in compliance with the legislation of the capital market. The rights and obligations related to the shares follow the shares in case there are transferred under the ownership of other persons. The shareholders have the right to be completely informed during the General Meeting of the Shareholders on the Company's situation. In case that new shares are issued, the shareholders existing have the preemption right for subscription, under the conditions of the law, in relation with the percent of shares held within the Company.

All holders of financial instruments issued by Rompetrol Rafinare of the same type and class of titles benefit of equal treatment, and the Company makes permanent efforts to ensure transparent communication for the exercise of rights in an equitable manner.

The company has created a special section called Investor Relation, on its own website, where relevant information on the procedures regarding the access and the participation at the general Meeting of Shareholders (GMS), GMS convocation, supplemented agenda of the GMS, the responses to shareholders' questions, Current Reports, Annual, semester and quarterly reports, financial statements, exercise of voting rights in GMS, GMS agenda materials, special mandate models, financial calendar, corporate governance etc. of the company is constantly updated and accessible, that contributing to transparency and equitable information for all persons interested.

The main shareholders' rights regarding GMS are:

- *The right to notice regarding a new GMS*

The Company's Shareholders are informed about an upcoming meeting of shareholders by convocation published in the Romanian Official Gazette and in a newspaper of national circulation at least 30 days before the meeting; also, the convocation is published on the website of the Company, in the Investor relation section and it is transmitted to the Financial Supervisory Authority and the Bucharest Stock Exchange.

- *The right of access to information*

RRC publishes the documents and informative materials on its website.

- *The right to supplement the agenda of the meeting*

One or several shareholders representing, severally or jointly, at least 5% of the share capital, has/have the right, under the legal conditions, to request to the company Board of Directors: a) to introduce new items in the agenda of the general meeting, provided that each item is accompanied by a justification or by a draft resolution proposed to be adopted by the general meeting and b) to submit the draft resolutions for the items included or proposed to be included in the agenda of the general meetings.

- *The right to participate at the GMS*

The shareholders registered in the list of shareholders on the reference date received from the Central Depository shall be entitled to attend in person or by representative the GMS.



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- *Voting right*

Each share registered on the shareholder's name on the reference date confers a voting right in GMS.

The shareholders of Rompetrol Rafinare can exercise their vote right as follows:

1. Direct vote – in person, during the General Meeting of the Shareholders;
2. Vote by representative with a special or general proxy;
3. Vote by correspondence.

- *The right to ask questions*

Each shareholder, regardless of the participation to the share capital, has the right to ask questions referring to the agenda of the general meetings, and the Company may answer the questions asked by the shareholders by posting such answers on the Company website. Questions must be pertinent, be connected to the agenda and not harm the confidentiality and commercial interests of the Company and be in writing, either by mail or courier services, or by electronic means. Furthermore, the summons of the general meeting will comprise the deadline until which shareholders may exercise the above-mentioned rights.

Summoning, operation, the voting process as well as other provisions related to the GMS are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A., as well as in the Regulation on the organization and conduct of the General Meeting in full observance of the rights of Rompetrol Rafinare S.A. shareholders.

Shareholders' right to dividends

If the General Meeting of Shareholders approves the distribution of dividends from the net profit of the company, all shareholders registered in the Register of shareholders at the time of registration decided by the General Meeting which also approves the amount of dividends received and the time limit within which they shall be paid to the shareholders, shall be entitled to receive dividends.



6.9. Other elements regarding the Corporate Governance

6.9.1. Transparency, communication and regular and continued reporting

Being a company admitted on the stock exchange, RRC operates in compliance with the information requirements regulated by the capital market norms, by preparing periodic and constant reporting regarding the events concerning the Company, including, but not limited to, its financial reports, performance, ownership and management of the Company.

To ensure the transparency in communicating with the legislation in force, Rompetrol Refinery created its own website (www.rompetrol-rafinare.ro) a special section (Relationship with Investors), where any investor can easily access information on: (i) news, information and events; (ii) corporate governance; (iii) shareholders rights; (iv) reports; (v) financial statements; (vi) the General Meeting of the Shareholders; (vii) the financial communication calendar; etc.

Rompetrol Rafinare grants special importance to the communication and information of shareholders and investors. During year 2019, reports, presentations and press releases related to the financial results, the summoning of the General Meeting of Shareholders and the resolutions adopted by General Meeting of Shareholders, periodical reports (quarterly, semester, annual), significant transactions, etc. were issued. The information included in the current and periodic reports was communicated to the market operator, the Bucharest Stock Exchange, the Financial Supervisory Authority and was made available by posting on the Company's website, www.rompetrol-rafinare.ro at the Investor Relations section. The information is disseminated in both Romanian and English.

According to the legal provisions, the separate and consolidated financial statements are audited by the company Ernst & Young Assurance Services S.R.L., independent financial auditor.

RRC submits to the Stock Exchange ("BVB"), within no more than 120 days following the end of the reporting period, the Annual Report period prepared in compliance with the regulations of this sector of activity, issued by the Financial Supervisory Authority ("ASF"), accompanied by all the documents provided for by the ASF regulations.

RRC submits to BVB, within no more than 45 days following the end of the reporting period, both the Half-Yearly Report, as well as the Quarterly Report for the first and the third quarter respectively, prepared in compliance with the regulations of this sector of activity, issued by the Financial Supervisory Authority, accompanied by all the documents provided for by the regulations of the capital market.

6.9.2. Corporate Social responsibility (CSR) 2019

Sustainability

Rompetrol Rafinare S.A, a company member of KMG International Group, is mainly focused on conducting operations in a safe, ethical and aware manner, in terms of social matters, reducing the impact on the environment as much as possible. These issues are integrated in our strategy and are included in our operational processes, from planning to taking decisions and implementation. The



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initiatives to encourage the innovation and continual progress emphasis these aspects even more, brining efficiency and sustainability for the whole company at all times. Our social responsibility and sustainability are our core principles guiding us in the development of our business strategy and operations administration.

Environmental performance

At all times, Rompetrol Rafinare monitors the energy consumption and proposes improvements in compliance with legal requirements and operational evolutions, to ensure the energy efficiency depending on the consumption activities specific to each department.

As a part of our commitment to contribute to the fulfilment of the Sustainable Development Goals included in the 2030 Agenda, we strive to preserve water resources in our operations and ensure that wastewaters are properly treated prior to discharge, to avoid degradation of the environment.

We are aware of the impact that the oil industry can have on habitats and biodiversity and, in our commitment to preserve the Black Sea Biosphere, located in the vicinity of the Petromidia Refinery, our environmental strategy provides specific actions and measures to prevent soil and underground water pollution, as well as to avoid using raw materials that could be toxic to the environment in our operational chain.

Moreover, through our wastewater treatment operations carried out in the wastewater treatment plant within Rompetrol Refinery (treating both the wastewater from the Petromidia platform and the domestic waters of the city of Năvodari) we have contributed to the improvement of the habitat development in the two ponds on the Petromidia platform (the natural purification of wastewater before being discharged into the Black Sea), which accommodates an increasing number of animal species, becoming a true refuge for birds, especially during the winter time.

Health and Safety

Health and safety of our employees is a priority in all our operations, the principle “safety first” being the core support of each of our decisions. When we have official agreements with trade unions, several health and safety subjects are covered to highlight their critical importance.

Rompetrol Rafinare acknowledges and accepts the moral responsibilities such as promoting and protecting the health, safety and wellbeing of all people involved in its activities. To make sure that the principles and responsibilities of Quality, Health, Safety and Environment Management (QHSE) are clearly understood in all levels of the company within the Group, our employees are actively involved in the development of the QHSE management system and promoting an operational culture in all entities within the KMG International Group.

Additionally, in accordance with law no. 319/2006, health & safety committees are active across business units, comprised of management representatives, labour administration and employees, as well as union reps, which make sure the company is compliant with the relevant legislation and to integrate the opinions of all people regarding the way KMG International can continually improve its occupational health and safety practices and policies.



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Our employees

Rompetrol Rafinare is committed to maintain an effective and healthy organization, by investing in the development of our people and providing an inclusive and respectful workplace, free from discrimination. We are proud to maintain a constant open dialogue with our employees, with our partner organizations as well as with local communities where we conduct our business, so that our business and sustainable development plans to take constantly into consideration their needs as well.

We consider that it is our responsibility to make sure that our employees have a clear understanding on their professional path within the Group and we intend to provide them the necessary means to reach their objectives. To facilitate this objective, each of our employees take part in various training and their performance is assessed once a year. This is their chance to share their aspirations and desires with their managers, but as well as to receive constructive feedback regarding the way they can improve their abilities and reach their professional objectives.

Rompetrol Rafinare acknowledges the legal right of employees to form trade unions and join other third-party organizations without fear of coercion.

Community

We have a holistic approach over the sustainability, for which our efforts to improve the lives of local communities take into account all aspects of human life, beyond environmental protection or social involvement, turning our attention to health and wellbeing, culture and education, developing the professional and leadership abilities amongst them.

We have developed strong partnerships with various stakeholders, including NGOs, local authorities and communities, governments or factors in the academic environment as well as of the civil society, because we think that thus we can identify the proper opportunities for local communities.

Rompetrol Rafinare, as part of the KMG International Group, is actively involved in developing the students' abilities and prophecy, with a tradition of over 18 years in conducting internship programs, for more than 1,300 high-school and university students in all of our operation areas in Romania. Starting with 2018, we have extended the addressability of the program, including within our initiatives the students in high-school education, to improve their technical grasp and to provide the required guidance in choosing the right career path for them.

Several of the projects carried out in Constanța and Ploiești by Rompetrol Rafinare, as part of the KMG International Group:

- In October 2019, we initiated a national oral health program, through which 1,000 children aged between 4 and 14 from 40 rural communities with limited access to dental services in Prahova, Constanța and Galați counties will receive free dental treatment, as well as dental brushing and nutrition sessions carried out in schools supported by the volunteer dentists.

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- We supported the 53rd edition of the Chemistry Olympiad, organized by the Constanta County School Inspectorate, supporting the participation of 350 students from the 8th to 12th grades from all over Romania.
- We equipped the Regional Transfusion Center in Constanța with new equipment that increased the technical capacity of the medical care facility: a platelet stirring machine and a hemomixer for total blood drawing, requisite devices for a blood transfusion center, meant to help ensure the compliance of blood transfusion performed by the center.

6.9.3. Internal Control and risk management systems in relation to the financial reporting procedures

The company has permanently adapted the current internal control mechanism as a set of working procedures and methods in order to prevent the contrary of the economic interests of the Company and of the framework covered by the way they do business, for the identification of deficiencies and laying down the measures necessary to restore the framework covered. It refers to relationships, the phenomena and financial processes, having as purpose mainly to ensure the proper functioning of economic activity. The aspects of the opportunity, necessity and exigencies of the operations carried out by the company are also analysed. As regards the financial reporting procedures, procedures for reporting internal and external outside the company are developed at the level of the company. The procedures are regularly reviewed by the specialised departments of the company. The financial reporting systems are based on principles, rules and legal provisions in force. Also, as a member of KMG International Group, the company is audited regularly by the KMG International Group's internal audit department. Also, control and internal audit activity is provided by an internal auditor and employee of the Company.

6.10. Reported legal documents

Rompetrol Rafinare reported the legal documents concluded during 2019 by the Company, pursuant to art. 82 of Law 24/2017 and to art. 144 letter B of the F.S.A. Regulations no. 5/2018, by the current Reports registered with the Company under no. 4715 dated June 4th, 2019, no. 5387 dated June 28th, 2019, no. 5896 dated July 17th, 2019, no. 6209 dated July 26th, 2019, no. 8854 dated October 31th, 2019, no. 9676 dated November 27th, 2019, no. 663 dated January 23rd, 2020, and no. 732 dated January 28th, 2020. The reports were submitted to the market operator (respectively to the Bucharest Stock Exchange), published on the website of FSA (www.asfromania.ro) under section: supervision/Capital market/Electronic reporting as well as on the site www.rompetrol-rafinare.ro under section Investor Relations /Financial Reports, subsection Current Reports.



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6.11. Events subsequent to the balance sheet

Changes in the Management of the Company

By the Decision adopted in December 18, 2019, the Board of Directors of RRC approved the appointment of the General Manager of the Company, Mr. Felix Crudu-Tesloveanu starting with the 1st of January 2020, for a mandate that will expire on April 30, 2022.

By the Decision no. 3 adopted in December 24, 2019, the Board of Directors of RRC approved the new Organizational Chart of the Company regarding the first four hierarchical levels, starting with the 1st of January 2020, therefore, for the position of Deputy General Manager, Mr. Kuanysh Dosmuratov was appointed.

Changing the name of a significant shareholder

Following the implementation of the provisions of the Government Emergency Ordinance no. 868/November 6, 2019, Depozitarul Central informed the RRC that on February 11, 2020 it registered the transfer of 19,715,009,053 shares (representing 44.69% of the share capital) issued by RRC on behalf of the Romanian State through the Ministry of Energy, on behalf of the Ministry of Economy, Energy and Business Environment.

As a result, the Extraordinary General Meeting of the Shareholders will be summoned to amend and update the Company's Articles of Incorporation with the modification and updating the data identifying the significant shareholder - the Romanian State represented by the Ministry of Energy (as a result of the implementation of the provisions of the Government Emergency Ordinance No 868/November 6, 2019)

Other information

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 RON 27.211 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.



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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.

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

See information in Chapter "1.1.8. Risk management activity", chapter entitled "Policies and objectives of the company regarding the risk management".

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Financial Agenda proposed for year 2020

Financial Calendar	Date
Closed period*	January 28, 2020 - February 26, 2020
Presentation of preliminary, individual and consolidated results for the year 2019 and QIV 2019	February 27, 2020 <i>Thursday</i>
Closed period*	March 30, 2020 – April 28, 2020
Ordinary General Meeting of Shareholders for approving financial results for the year 2019	April 29, 2020 (first convocation)/ April 30, 2020 (second convocation) <i>Wednesday / Thursday</i>
Release of the 2019 Annual Report	April 30, 2020 <i>Thursday</i>
Closed period*	April 14, 2020 – May 13, 2020
Presentation of the results recorded during the First Quarter of 2020	May 14, 2020 <i>Thursday</i>
Closed period*	July 14, 2020 – August 12, 2020
Presentation of the results recorded during the First Semester and Second Quarter of 2020	August 13, 2020 <i>Thursday</i>
Closed period*	October 14, 2020 – November 12, 2020
Presentation of the results recorded during the Third Quarter of 2020 and between January – September 2020	November 13, 2020 <i>Friday</i>
Phone conferences and / or meetings with investors and financial analytics, as the case may be	at request

** the closed period refers to 30 calendar days before prior to the announcement of an interim financial report or an annual financial report, in which the issuer cannot change calendar dates, agreed in the present financial calendar*

Important Information and news regarding the interests of the shareholders, analysts and investors with regard to the activity of the company are available on www.rompetrol-rafinare.ro the Romanian and English version, section Relationships with Investors.

Contact for the relationship with investors

The annual, semester and quarterly Reports shall be made available to the shareholders, at their request. Requests may also be carried out in electronic format, by e-mail sent to the address: office.rafinare@rompetrol.com.



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7. STATEMENTS AND SIGNATURES

Based on the best information available, we confirm that the Individual Financial Statements and the Consolidated Financial Statements prepared in accordance with the applicable accounting standards (International Financial Reporting Standards (“IFRS”) approved by the European Union), provide a true correct image regarding the Financial Position of the Company and its subsidiaries respectively included in the process of consolidating the financial statements (“RRC Group”), the Financial Performance and Cash Flows for the financial year 2019. This Report, prepared in accordance with the provisions of Article 63 of Law no. 24/2017 regarding the issuers of financial instruments and market operations and Annex no. 15 of Regulation no. 5/2018 issued by the Financial Supervisory Authority, for the financial year ended on December 31, 2019, contains accurate and factual information regarding the development and performance of the Company and the RRC Group, as well as a description of the main risks and uncertainties specific to the activity carried out.

THE BOARD OF DIRECTORS:

Chairman

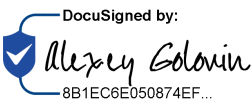
Saduokhas Meraliyev

DocuSigned by:

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Member

Alexey Golovin

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Member

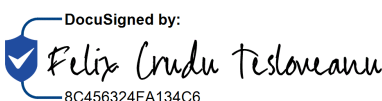
Nicolae Bogdan Codruț Stănescu

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General Manager

Felix Crudu-Tesloveanu

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Member

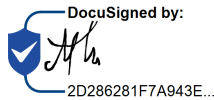
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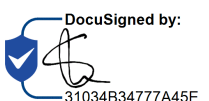
Member

Mihai-Liviu Mihalache

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Financial Manager

Mircea-Ștefan Stănescu

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



8. ANNEXES

ANNEX 1 - Amendments to the Articles of Incorporation of the Company

The Articles of Incorporation may be amended by the General Meeting of Shareholders, in accordance with the provisions of Law no. 31/1990 on companies, in conjunction with the provisions of the Articles of Incorporation. The Articles of Incorporation may also be amended by the Company Board of Directors, by delegation of powers by the Meeting of the Shareholders in accordance with the provisions of Art. 114 of Law no. 31/1990 on companies.

In 2019, no amendment or update of the Articles of Incorporation occurred. The Articles of Incorporation valid on the issue date of this report was updated on 20 December 2016 and may be consulted on the web page of the Company, section Investor Relations, subsection.



rompetrol

KazMunayGas
Group
Member

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ANNEX 2 - The resignation/dismissal acts of members of the Directors, Executive Management, Auditors.

During the reported year, there were no resignations or dismissals acts of the members of administrations.

During the reported year, Mr. Yedil Utekov submitted a request to waive of the position of General Manager of the Company, starting with January 1st, 2020.

No resignations or dismissals of the financial auditor of the Company occurred.



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ANNEX 3 – List of work points of Rompetrol Rafinare

At the end of the year 2019, the company had two work points, namely:

- i) Work point located in Năvodari, 1 – 283 Năvodari Blvd., Constanța County;
- ii) Work point located in Ploiești, 146 Văleni Str., Prahova county, which carry out their activities in the space which is owned by the Company, called "Rompetrol Rafinare - work point Vega Refinery ";
- iii) Work point located in Building TMUCB, office no. 5, situated in Oil Terminal, South Platfor section, Constanta city, Constanta County.

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ANNEX 4 - List of subsidiaries

At present, Rompetrol Rafinare S.A. holds the control position in the following companies:

Directly:

- Rompetrol Logistics S.R.L;
- Rompetrol Petrochemicals S.R.L.;
- ROM OIL S.A.;
- Rompetrol Quality Control S.R.L.
- Rompetrol Downstream S.R.L.

In an indirect way:

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



ANNEX 5 - List of the persons affiliated to the Company²⁴

Rompetrol Rafinare S.A. makes part of the KMG International Group²⁵.

The Group is registered with the Financial Supervisory Authority.

The ultimate parents of the Company are the company National Welfare Fund “Samruk-Kazyna” Joint Stock Company (90%) and National Bank of Republic of Kazakhstan (10%), companies with its headquarters in Kazakhstan, entirely owned by the Kazakh State.

The related parties is presented below:

1) Companies with headquarters in Romania

- Oilfield Exploration Business Solutions S.A.
- Rompetrol Downstream S.R.L.
- Rompetrol Well Services S.A.
- Palplast S.A.
- Rompetrol Logistics S.R.L.
- Rominserv S.R.L.
- Rom Oil S.A.
- Global Security Sistem S.A.
- Uzina Termoelectrică Midia S.A.
- Rompetrol Petrochemicals S.R.L.
- Rompetrol Quality Control S.R.L.
- Rompetrol Financial Group S.R.L.
- Rompetrol Gas S.R.L.
- Midia Marine Terminal S.R.L.
- KMG Rompetrol S.R.L.
- Byron Shipping S.R.L.
- Rominserv Valves Iaifo S.R.L.
- Rompetrol Energy S.A.
- KMG Rompetrol Development S.R.L.
- Fondul de Investitii in Energi Kazah-Roman S.A.
- KMG Rompetrol Services Center SRL²⁶
- Rompetrol Drilling S.R.L.

2) Companies with headquarters abroad

- KMG International N.V.²⁷

²⁴ At this point there have been listed all of the companies in the KMG International Group

²⁵ As Rompetrol Group until March 2014

²⁶ With the old designation of ROMPETROL EXPLORATION & PRODUCTION SRL

²⁷ As The Rompetrol Group N.V. until March 2014



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- Byron Shipping LTD
- Intreprinderea Mixtă “Rompetrol Moldova” S.A.
- Rompetrol Georgia LTD
- Rompetrol France SAS
- Dyneff SAS
- Rompetrol Ukraine LLC
- AGAT LTD.
- KazMunayGas-Engineering LLP²⁸
- TRG PETROL TICARET ANONIM ŞIRKETI
- Rompetrol Bulgaria JSC
- KazMunayGaz Trading A.G.
- Rompetrol Albania Downstream Sh.A - în curs de lichidare
- Rompetrol Albania Wholesale Sh.A - în curs de lichidare
- Rompetrol Albania ShA - în curs de lichidare
- Rompetrol Distribution Albania Sh.A. - în curs de lichidare
- KazMunayGas Engineering B.V.
- Oman J.V.²⁹

Note: There are also 9 branches and representatives of KMG International Group.

²⁸ With the old designation of Rominserv Kazakhstan LLC

²⁹ With the old designation of Benon Rompetrol

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ANNEX 6 - Stage of the implementation of the Corporate Governance Code of the Bucharest Stock Exchange at December 31st, 2019

Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES		
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice.	YES		

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Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
<p>A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.</p>	YES		
<p>A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.</p>	YES		
<p>A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.</p>	YES		
<p>A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.</p>		NOT	The company will develop a policy/guidance concerning the Board's evaluation, including the purpose, criteria and frequency of the evaluation process.
<p>A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.</p>	YES		
<p>A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board</p>	YES		

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Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
<p>A.11. The Board of Premium Tier companies should set up a nomination committee formed of nonexecutives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.</p>		N/A	The company is included in the Standard category.
<p>B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.</p>	YES		
<p>B.2. The audit committee should be chaired by an independent nonexecutive member.</p>	YES		
<p>B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.</p>	YES		
<p>B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.</p>	YES		

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Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		Partial compliance	The requirement will be implemented in 2020.
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	YES		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		NOT	The requirement will be implemented in 2020.
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		

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Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		NOT	The Company does not have a Board formal remuneration policy, but their remuneration is done according to legal requirements. The requirement will be implemented.
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES		
<ul style="list-style-type: none"> D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; 	YES		
<ul style="list-style-type: none"> D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and nonexecutive Board positions in companies and not-for-profit institutions; 		Partially compliant	The recommendation is not implemented as concerns other professional commitments of the Board's members, including executive and non-executive positions in boards of directors of other companies or non-profit institutions. It will be implemented.
<ul style="list-style-type: none"> D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code 	YES		

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Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
<ul style="list-style-type: none"> • D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; 	YES		
<ul style="list-style-type: none"> • D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; 	YES		
<ul style="list-style-type: none"> • D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; 	YES		
<ul style="list-style-type: none"> • D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports. 	YES		
<p>D.2. A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.</p>	YES		

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Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
<p>D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.</p>		NOT	The requirement will be implemented
<p>D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.</p>	YES		
<p>D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.</p>	YES		
<p>D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.</p>	YES		
<p>D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.</p>	YES		

ROMPETROL RAFINARE S.A.
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Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		
D.9. A company should organize at least two meetings /conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		Partially compliant	The regular reporting of the company disclosing financial information is considered complete, highly transparent and relevant in terms of the information needed for investment decision-making. The organization of such events will be established as requested by investors.
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	YES		

Legend:

GMS = General Meeting of Shareholders

BoD = Board of Directors

CV = Curriculum Vitae