



REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS OF JUNE 30, 2020

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

HIGHLIGHTS – CONSOLIDATED

	H1 2020	H1 2019	%	H1 2020	H1 2019	%
Financial	USD	USD		RON	RON	
Gross Revenues	1,525,454,497	2,501,387,792	-39%	6,594,997,428	10,814,249,841	-39%
Net Revenues	1,055,899,842	1,888,361,762	-44%	4,564,971,787	8,163,954,406	-44%
EBITDA	(43,678,808)	54,929,775	N/A	(188,836,591)	237,477,896	N/A
EBITDA margin	-4.1%	2.9%		-4.1%	2.9%	
EBIT	(100,075,872)	7,706,116	N/A	(432,658,018)	33,315,852	N/A
Net profit / (loss)	(126,471,111)	(19,438,112)	551%	(546,772,556)	(84,036,789)	551%
Net Profit / (loss) margin	-12.0%	-1.0%		-12.0%	-1.0%	

Rompetrol Rafinare consolidated gross revenues reached USD over 1.5 billion in first semester 2020, lower by 39% as against first semester of 2019 as result of lower market quotation vs. similar period last year alongside by lower level sales reached within H1 2020, with several events to count as factors – cyclical 4 years turnaround activities starting in March and continued in April until the beginning of May, oil & gas market unprecedented volatility and significant market demand drop caused by pandemic control measures.

The company's consolidated results in terms of EBITDA and Net result were affected by the high volatility of oil and gas market environment in the period, mainly triggering significant pressure in the gross refinery margins in H1 2020, decreasing substantially from the comparison benchmark of 2019 similar period and being affected by the global pandemic context (i.e. 5.5\$/t vs 35.8\$/t in H1 2019).



ECONOMIC ENVIRONMENT

		H1 2020	H1 2019	%
Brent Dated	USD/bbl	40.1	66.0	-39%
Ural Med	USD/bbl	39.2	66.1	-41%
Brent-Ural Differential	USD/bbl	0.87	(0.13)	N/A
Premium Unleaded 10 ppm FOB Med	USD/tonne	367	596	-38%
Diesel ULSD 10 ppm FOB Med	USD/tonne	365	594	-39%
RON/USD Average exchange rate		4.37	4.20	4%
RON/USD Closing exchange rate		4.32	4.16	4%
RON/EURO Average exchange rate		4.82	4.74	2%
RON/EURO Closing exchange rate		4.84	4.74	2%
USD/EURO Closing rate		1.12	1.14	-2%
Inflation in Romania*		1.55%	2.98%	-48%

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

Dated Brent decreased by -25.9\$/bbl. (-39%) in H1 2020 as against H1 2019 and settled to an average of 40\$/bbl.

For crude market, the year started with a significant increase in crude oil price due to U.S. and Iran conflict after an U.S. air strike killed top commander of Iran's revolutionary guard. During Q1 Dated Brent reached 17.7\$/bbl. - the lowest level since 2003, as OPEC's proposal to curb supplies by an extra 1.5 mil b/d until the end of 2020 was declined by Russia. After that, Saudi Arabia started a price war against Russia and oversupplied markets with cheap oil. Moreover, the global oil market has been facing an unprecedented oil demand shock caused by the COVID-19 pandemic that pushed almost all countries to take drastic measures to contain an unprecedented health crisis. Also, during Q1 crude oil spot prices fell more than futures, as the physical market has been hit hard by a large oil supply glut and accumulation of unsold cargoes. Sellers of crude oil were heavily discounting their crudes to find buyers, which resulted in sharp declines in crude differentials of all crude qualities and in all regions.

Crude oil spot prices recorded a second sharp monthly drop in April (-44%) on a continuing growing oil surplus in the spot market, as refiners heavily cut runs due to plunging oil demand and global oil stocks rose both onshore and offshore. Dated Brent settled at \$13.34/b on 21 April, hitting its lowest point since March 1999. But after that, in the 2nd part of Q2, the crude price shifted to an upward trend and finished Q2 at the level of 42\$/bbl. as the OPEC+ approved a 10 mil b/d cut starting with May, 1st. Spot prices also rose on gradual crude demand recovery as some refiners increased their throughputs and returned to the market to purchase crude.

Urals-Dated differential ended Q2 at the level of +2.5\$/bbl. from -5.4\$/bbl. on April, 1st as Russia's oil export remained low at -20%.

European margins increased by +2.7\$/MT (+10%) in H1 2020 as against H1 2019 and settled to an average level of 28.9\$/MT.

In the first part of Q1 2020, the margins were under pressure due to weak diesel and jet cracks then in the second part increased on the back of crude price collapse and Urals-Dated Brent differential decrease.

In January, diesel crack was influenced by milder-than-usual European weather and higher Russian ULSD exports in Europe. However, diesel cracks recovered and performed strongly in March with reduced runs on the back of



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spring maintenance. In the 2nd part of Q1, gasoline cracks weakened in Europe to lows last seen in 2008, as global stocks continued to build amid a lack of demand due to Coronavirus lockdowns. Meantime, jet demand strongly decreased across the aviation sector as borders lockdowns and travel bans was put in place across the world.

Refinery margins decreased during Q2 due to high stocks of products, and an increase in crude oil price based on OPEC production cuts.

Diesel cracks collapsed during Q2 as storage was reportedly nearly 100%. This oversupply was caused by too extreme yield switching towards diesel and by records volume of diesel coming from Russia and Asia. Also, European diesel demand was down by 37% in April, putting pressure on the cracks. Gasoline cracks were low during April and May as global stocks continued to build amid a lack of demand and remained under pressure as the summer driving season had only a small support due to coronavirus restrictions. Jet cracks went negatively in Q2 and reached a new multiyear low, pressured by strong demand contraction due to the impact of COVID-19 on air travel. About 70% of Jet volume's yields has been shifted to diesel and 30% to gasoline in the refining process.

In terms of exchange rates, internally, the RON/EUR exchange rate remained quasi-stable in the first part of Q1 2020, before embarking on a relatively steep upward path. Half way through Q1 2020, the RON/EUR saw, however, its downward movement reverse suddenly, embarking on an upward path under the influence of an abrupt rise in global risk aversion, given the rapid spread of the coronavirus epidemic, in Europe as well, and heightened concerns over its impact on the global economy, reaching its maximum level on March 17th (i.e. 4.8448 RON/EUR).

In Q2 2020 the RON/EUR exchange rate continued its upward trend averaging at 4.8367, below the maximum level of H1 2020 but still at high levels.

Looking at the quarter average exchange rate dynamics in 2020, the national currency (i.e. RON) reached in Q2 2020 the highest average levels in the last 18 quarters (i.e. RON/USD average exchange rate of 4.3944 and RON/EUR average exchange rate of 4.8367).

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

REFINING SEGMENT

		H1 2020	H1 2019	%	H1 2020	H1 2019	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	1,202,484,821	2,154,650,412	-44%	5,198,702,627	9,315,200,126	-44%
Net Revenues	USD/RON	830,234,999	1,634,329,508	-49%	3,589,354,971	7,065,696,762	-49%
EBITDA	USD/RON	(50,249,588)	37,808,454	N/A	(217,244,044)	163,457,289	N/A
EBITDA margin	%	-6.1%	2.3%		-6.1%	2.3%	
EBIT	USD/RON	(86,890,379)	10,884,473	N/A	(375,653,176)	47,056,843	N/A
Net profit / (loss)	USD/RON	(110,305,138)	(9,156,253)	1105%	(476,882,204)	(39,585,227)	1105%
Net profit / (loss) margin	%	-13.3%	-0.6%		-13.3%	-0.6%	
Gross cash refinery margin/tonne (Petromidia)	USD/(RON)/tonne	5.5	35.8	-85%	23.6	154.6	-85%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON) /bbl	0.8	4.9	-85%	3.3	21.3	-85%
Net cash refinery margin/tonne (Petromidia)	USD/(RON)/tonne	(25.4)	9.8	N/A	(109.9)	42.2	N/A
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	(3.5)	1.3	N/A	(15.1)	5.8	N/A
Operational							
Feedstock processed In Petromidia refinery	thousand tonnes	2,116	3,126	-32%			
Feedstock processed In Vega refinery	thousand tonnes	154	202	-24%			
Gasoline produced	thousand tonnes	520	804	-35%			
Diesel & jet fuel produced	thousand tonnes	1,179	1,632	-28%			
Motor fuels sales - domestic	thousand tonnes	1,038	1,195	-13%			
Motor fuels sales - export	thousand tonnes	583	1,123	-48%			
Export	%	36%	48%				
Domestic	%	64%	52%				

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

Gross revenues of refining segment reached over USD 1.2 billion in H1 2020 showing a 44% decrease as against first semester of 2019. Year on year variance was mainly influenced by the decrease of international oil & gas market quotation evolution of petroleum products, alongside decrease in the volume of products sold, in the context of COVID-19 pandemic.



In H1 2020, the total throughput for Petromidia refinery was 2.116 million tonnes, lower by 32% on half year level if compared with the same period last year when the total throughput was 3.126 million tonnes in H1 2019.

In H1 2020, the refining capacity utilization in Petromidia refinery was 61.12%, lower by 37.05% compared with the same period last year.

This decrease is due to disruption of oil supply caused by the general turnaround started in March and continued in April, alongside the heavy market demand hit caused by the COVID-19 pandemics measures, the Black Sea weather conditions (strong wind) at the beginning of the year and by the restrictions imposed by the Midia Port Administration.

Petromidia refinery managed to achieve in H1 2020 a good refining operational performance, for its main technological and operational parameters, such as:

- ✓ White finished products yield of 87.31%wt;
- ✓ Technological loss of 0.847%wt;
- ✓ Energy Intensity Index of 102.05%.

In respect of Vega refinery (the oldest processing unit operating in Romania (since 1905) and the only domestic producer of bitumen and hexane), the total throughput was 154,122 tonnes in H1 2020, lower by 23.55% for the first 6 months if compared with the same period last year when the total throughput was 201,604 tonnes in H1 2019.

Vega refinery also managed to achieve in H1 2020 good refining performance results, of which the following are emphasized:

- ✓ Technological loss of 0.84%;
- ✓ Energy consumption of 2.84GJ/t;
- ✓ Mechanical Availability of 98.7%.

The refining segment's financial results in H1 2020, were negatively affected by unfavorable market conditions, capturing the first 2 months of the year very low refining margins prior to shutting down for turnaround in March, and also impacted by the coronavirus pandemic after returning from turnaround at the beginning of May, and as such Petromidia's gross refinery margin was lower in H1 2020 compared with the same period last year, 5.5 USD/to as against 35.8 USD/to in H1 2019.

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

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 468 million in H1 2020.



PETROCHEMICALS SEGMENT

		H1 2020	H1 2019	%	H1 2020	H1 2019	%
Financial		USD	USD		RON	RON	
Revenues	USD/RON	62,556,178	90,650,355	-31%	270,449,124	391,908,680	-31%
EBITDA	USD/RON	(15,677,242)	(10,093,285)	55%	(67,777,420)	(43,636,299)	55%
EBIT	USD/RON	(23,185,270)	(18,109,386)	28%	(100,236,877)	(78,292,308)	28%
Net profit / (loss)	USD/RON	(24,186,426)	(19,545,226)	24%	(104,565,175)	(84,499,875)	24%
Operational							
Propylene processed	thousand tonnes	48	76	-37%			
Ethylene processed	thousand tonnes	28	17	63%			
Total polymers production	thousand tonnes	61	59	3%			
Sold from own production	thousand tonnes	71	79	-10%			
Sold from trading	thousand tonnes	0	1	-99%			
Total sold	thousand tonnes	71	80	-11%			
Export	%	41%	39%				
Domestic	%	59%	61%				

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

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

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

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

In H1 2020, the total polymers production for Petrochemicals area was 61 thousand tons, higher by 3% as against H1 2019 when the total polymers production was 59 thousand tons.

Petrochemicals division results continued to be affected by the market margin pressure, while within such volatility PolyEthylene units continued to run at the most economic run-rate, thus HDPE unit continued to be non-operational in the six months of 2020.

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



MARKETING SEGMENT

		H1 2020	H1 2019	%	H1 2020	H1 2019	%
		USD	USD		RON	RON	
Financial							
Gross Revenues	USD/RON	1,044,994,900	1,421,921,925	-27%	4,517,826,451	6,147,395,058	-27%
EBITDA	USD/RON	19,639,121	26,892,486	-27%	84,905,812	116,264,285	-27%
EBIT	USD/RON	7,491,018	16,818,867	-55%	32,385,918	72,713,007	-55%
Net profit / (loss)	USD/RON	5,513,548	11,297,898	-51%	23,836,722	48,844,201	-51%
Operational							
Fuels quantities sold in retail	thousand tonnes	347	355	-2%			
Fuels quantities sold in wholesale	thousand tonnes	503	594	-15%			
LPG quantities sold	thousand tonnes	144	209	-31%			

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

In H1 2020 the marketing segment had a turnover of over USD 1.04 billion, lower by 27% compared with the same period of 2019; Marketing Segment result performance for H1 2020 reached a level EBITDA of 19.6 million USD (i.e. -27%, or 7.3 million USD below H1 2019).

In H1 2020 compared to H1 2019, the Platt's quotations (FOB Med Italy-mean), expressed in the currency of reference (i.e. USD) were on average by ~ 38.5% lower for both diesel and gasoline. Due to the ~ 4.2% depreciation of the RON against the US dollar (H1 2020 vs. H1 2019, on average) the international gasoline and diesel price decreased, in the national currency (i.e. RON), by ~ 36%, compared to H1 2019.

Diesel and gasoline sales recorded within first two months a steady increase both as against January and February 2019 (i.e. around +20% increase), with all sales channels contributing to the growth. However, following the coronavirus outbreak and the subsequent state of emergency, sales starting with March 2020 until the end of H1 2020 were significantly affected and resulted in a level of -10% lower in H1 2020 than H1 2019, with wholesale channels taking the biggest hit.

Overall, fuel sales for H1 2020 amounted to 850 thousand tons, -10% versus H1 2019, as a direct result of two opposite trends – higher sales vs last year in January and February followed by sharp decreases as the two months of lockdown were enforced. Also, the month of June signaled a strong recovery with retail channels over performing vs last year. Overall, retail pump channels are at -2% vs H1 2019 (or 347 thousand tons vs 355 thousand tons), wholesale channels at -15% (or 503 thousand tons vs 594 thousand tons).

As of June 2020, the Rompetrol Downstream's distribution segment contained 1017 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.



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APPENDIX 1 – CONSOLIDATED INCOME STATEMENT JUNE 30, 2020, UNAUDITED

	H1 2020	H1 2019	%	H1 2020	H1 2019	%
	USD	USD		RON	RON	
Gross Revenues	1,525,454,497	2,501,387,792	-39%	6,594,997,428	10,814,249,841	-39%
Sales taxes and discounts	(469,554,655)	(613,026,030)	-23%	(2,030,025,641)	(2,650,295,435)	-23%
Net revenues	1,055,899,842	1,888,361,762	-44%	4,564,971,787	8,163,954,406	-44%
Cost of sales	(1,048,962,329)	(1,791,622,150)	-41%	(4,534,978,837)	(7,745,720,041)	-41%
Gross margin	6,937,513	96,739,612	-93%	29,992,950	418,234,365	-93%
Selling, general and administration	(108,358,457)	(98,667,287)	10%	(468,466,117)	(426,568,282)	10%
Other operating income	43,910,759	40,858,445	7%	189,839,384	176,643,316	7%
Other operating expenses	(42,565,687)	(31,224,654)	36%	(184,024,235)	(134,993,547)	36%
EBIT	(100,075,872)	7,706,116	N/A	(432,658,018)	33,315,852	N/A
Finance, net	(23,376,193)	(25,446,411)	-8%	(101,062,296)	(110,012,469)	-8%
Unrealized net foreign exchange (losses)/gains	(3,540,707)	(3,091,594)	15%	(15,307,539)	(13,365,888)	15%
Realized net foreign exchange (losses)/gains	426,278	3,368,881	-87%	1,842,928	14,564,683	-87%
EBT	(126,566,494)	(17,463,008)	625%	(547,184,925)	(75,497,822)	625%
Income tax	95,383	(1,975,104)	N/A	412,369	(8,538,967)	N/A
Net result	(126,471,111)	(19,438,112)	551%	(546,772,556)	(84,036,789)	551%
EBITDA	(43,678,808)	54,929,775	N/A	(188,836,591)	237,477,896	N/A

APPENDIX 2 – CONSOLIDATED BALANCE SHEET JUNE 30, 2020, UNAUDITED

	June 30, 2020	December 31, 2019	%	June 30, 2020	December 31, 2019	%
	USD	USD		RON	RON	
Assets						
Non-current assets						
Intangible assets	9,994,798	8,524,600	17%	43,210,511	36,854,404	17%
Goodwill	82,871,706	82,871,706	0%	358,279,246	358,279,246	0%
Property, plant and equipment	1,221,747,897	1,179,954,903	4%	5,281,982,677	5,101,299,028	4%
Right of use assets	60,466,305	62,843,821	-4%	261,413,975	271,692,690	-4%
Financial assets and other	30,310,475	26,613,222	14%	131,041,275	115,056,942	14%
Total Non Current Assets	1,405,391,181	1,360,808,252	3%	6,075,927,684	5,883,182,310	3%
Current assets						
Inventories	178,429,452	261,673,893	-32%	771,404,050	1,131,294,742	-32%
Trade and other receivables	421,600,118	478,076,540	-12%	1,822,703,790	2,066,868,305	-12%
Derivative financial Instruments	5,532,527	1,171,629	372%	23,918,774	5,065,304	372%
Cash and cash equivalents	11,575,131	13,196,424	-12%	50,042,764	57,052,100	-12%
Total current assets	617,137,228	754,118,486	-18%	2,668,069,378	3,260,280,451	-18%
Total assets	2,022,528,409	2,114,926,738	-4%	8,743,997,062	9,143,462,761	-4%
Equity and liabilities						
Total Equity	499,573,634	619,526,864	-19%	2,159,806,690	2,678,400,487	-19%
Non-current liabilities						
Long-term debt	184,918,672	240,000,000	-23%	799,458,895	1,037,592,000	-23%
Hybrid instruments - long-term portion	17,009,920	17,009,920	0%	73,538,987	73,538,987	0%
Provision	80,361,840	80,361,840	0%	347,428,343	347,428,343	0%
Net obligations under finance lease	59,463,124	62,098,347	-4%	257,076,924	268,469,784	-4%
Other	4,146,873	4,198,444	-1%	17,928,176	18,151,133	-1%
Total non-current liabilities	345,900,429	403,668,551	-14%	1,495,431,325	1,745,180,247	-14%
Current Liabilities						
Trade and other payables	1,122,098,462	1,026,909,009	9%	4,851,168,274	4,439,635,717	9%
Contract liabilities	29,206,051	21,448,626	36%	126,266,520	92,728,845	36%
Derivative financial instruments	13,974	3,704,969	-100%	60,414	16,017,692	-100%
Net obligations under finance lease	4,790,566	3,977,909	20%	20,711,054	17,197,694	20%
Short-term debt	20,945,293	35,690,810	-41%	90,552,785	154,302,079	-41%
Total current liabilities	1,177,054,346	1,091,731,323	8%	5,088,759,047	4,719,882,027	8%
Total equity and liabilities	2,022,528,409	2,114,926,738	-4%	8,743,997,062	9,143,462,761	-4%



APPENDIX 3 – CONSOLIDATED CASH FLOWS JUNE 30, 2020, UNAUDITED

	June 30, 2020 USD	June 30, 2019 USD	%	June 30, 2020 RON	June 30, 2019 RON	%
Net result before income tax	(126,566,494)	(17,463,008)	625%	(547,184,925)	(75,497,822)	625%
<i>Adjustments for:</i>						
Depreciation and impairment of property, plant and equipment and intangibles assets	55,458,908	54,721,611	1%	239,765,497	236,577,940	1%
Depreciation and amortization of right-of-use assets	2,609,116	1,857,670	40%	11,279,991	8,031,265	40%
Provisions for receivables and inventories (incl write-off)	(3,787,501)	(7,884,643)	-52%	(16,374,503)	(34,087,678)	-52%
Impairment for property, plant and equipment (incl write-off)	8,126	257,237	-97%	35,131	1,112,113	-97%
Late payment interest	8,038	163,171	-95%	34,751	705,437	-95%
Other financial income	(1,152,731)	(158,899)	625%	(4,983,602)	(686,968)	625%
Unwinding of discount leasing	2,223,931	1,070,544	108%	9,614,721	4,628,283	108%
Interest income	(5,519,426)	(8,222,926)	-33%	(23,862,134)	(35,550,176)	-33%
Interest expense and bank charges	26,157,319	31,189,293	-16%	113,085,937	134,840,670	-16%
Gain on sale or disposal of property, plant and equipment	(93,927)	(1,862,850)	-95%	(406,075)	(8,053,659)	-95%
Unrealised foreign exchange (gain)/loss	(726,793)	(1,404,262)	-48%	(3,142,144)	(6,071,046)	-48%
Cash from operations before working capital changes	(51,381,434)	52,262,938	N/A	(222,137,355)	225,948,359	N/A
<i>Net working capital changes:</i>						
Receivables and prepayments	51,397,182	(31,998,551)	N/A	222,205,439	(138,339,335)	N/A
Inventories	87,503,535	(24,882,381)	N/A	378,304,033	(107,573,998)	N/A
Trade and other payables and contract liabilities (including payables variation for capital expenditures)	51,242,799	78,479,642	-35%	221,537,995	339,291,038	-35%
Change in working capital	190,143,516	21,598,710	780%	822,047,467	93,377,705	780%
Income tax paid	0	0		0	0	
Cash (paid)/received for derivatives, net	(2,041,893)	3,932,376	N/A	(8,827,716)	17,000,841	N/A
Net cash provided by/(used in) operating activities	136,720,189	77,794,024	76%	591,082,396	336,326,905	76%
Cash flows from investing activities						
Purchase of property, plant and equipment	(100,619,132)	(27,611,170)	264%	(435,006,695)	(119,371,373)	264%
Purchase of intangible assets	(895,886)	(292,413)	206%	(3,873,184)	(1,264,189)	206%
Proceeds from sale of property, plant and equipment	2,793,082	20,029,050	-86%	12,075,331	86,591,592	-86%
Net cash used in investing activities	(98,721,936)	(7,874,533)	1154%	(426,804,548)	(34,043,970)	1154%
Cash flows from financing activities						
Cash pooling movement	55,182,726	41,037,072	34%	238,571,479	177,415,573	34%
Long - term loans received from banks	8,675,108	23,772,204	-64%	37,505,094	102,774,370	-64%
Long - term loans repaid to banks	(63,756,436)	(7,875,408)	710%	(275,638,200)	(34,047,751)	710%
Short - term loans (repaid to) / received from related parties	(10,733,359)	(81,541,585)	-87%	(46,403,531)	(352,528,734)	-87%
Short - term loans (repaid to) / received from banks, net	(2,523,323)	(14,095,500)	-82%	(10,909,082)	(60,939,075)	-82%
Lease repayments	(4,351,015)	(2,855,460)	52%	(18,810,743)	(12,345,010)	52%
Interest and bank charges paid, net	(22,113,247)	(24,864,126)	-11%	(95,602,201)	(107,495,076)	-11%
Net cash from/ (used) in financing activities	(39,619,546)	(66,422,803)	-40%	(171,287,184)	(287,165,703)	-40%
Increase / (Decrease) in cash and cash equivalents	(1,621,293)	3,496,688	N/A	(7,009,336)	15,117,232	N/A
Cash and cash equivalents at the beginning of period	13,196,424	11,477,183	15%	57,052,100	49,619,304	15%
Cash and cash equivalents at the end of the period	11,575,131	14,973,871	-23%	50,042,764	64,736,536	-23%



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Matters regarding related parties

The ultimate parent of the Group is the “National Welfare Fund Samruk Kazyna” JSC, an entity with its headquarters in Kazakhstan, fully owned by State of Kazakhstan. The related parties and the nature of relationship is presented below:

Name of related party	Nature of relationship
KMG International N.V.	Majority Shareholder
Byron Shipping SRL	Company owned by KMG International Group
Byron Shipping LTD	Company owned by KMG International Group
Global Security Systems S.A.	Company owned by KMG International Group
KazMunayGas Engineering B.V.	Company owned by KMG International Group
KazMunayGas –Engineering LLP	Company owned by KMG International Group
KazMunayGas Trading AG	Company owned by KMG International Group
KMG Rompetrol S.R.L	Company owned by KMG International Group
KMG Rompetrol Services Center	Company owned by KMG International Group
KMG Rompetrol Development S.R.L.	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Oilfield Exploration Business Solutions S.A.	Company owned by KMG International Group
Palplast S.A.	Company owned by KMG International Group
Rominserv S.R.L	Company owned by KMG International Group
Rominserv Valves Iaifo SRL	Company owned by KMG International Group
Rompetrol Bulgaria JSC	Company owned by KMG International Group
Rompetrol Energy S.A.	Company owned by KMG International Group
Rompetrol Financial Group S.R.L.	Company owned by KMG International Group
Rompetrol Georgia LTD	Company owned by KMG International Group
Rompetrol Moldova SA	Company owned by KMG International Group
Rompetrol Well Services S.A.	Company owned by KMG International Group
TRG Petrol Anonim Sirketi	Company owned by KMG International Group
Rompetrol Ukraine LTD	Company owned by KMG International Group
Fondul de Investitii in Energie Kazah - Roman S.A.	Company owned by KMG International Group
Dyneff SAS	Company owned by KMG International Group
Agat LTD	Company owned by KMG International Group
Rompetrol Drilling	Company owned by KMG International Group
Benon Rompetrol LLC	Company owned by KMG International Group
The Romanian State and the Romanian Authorities	Significant shareholder
Tengizchevroil LLP	Company affiliated to KMG International Group
Uzina Termoelectrica Midia S.A.	Associate of KMG International Group

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received.



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Receivables and other assets

Name of related party	<u>30-June-20</u>	<u>31-Dec-19</u>	<u>30-June-20</u>	<u>31-Dec-19</u>
	USD	USD	RON	RON
KazMunayGas Trading AG	6,484,449	10,197,947	28,034,218	44,088,784
Rominserv S.A.	3,473,413	3,439,274	15,016,606	14,869,013
KMG International N.V.	68,318,899	70,145,211	295,363,096	303,258,791
KMG Rompetrol S.R.L.	1,184,686	869,819	5,121,753	3,760,488
KMG Rompetrol SRL - cash pooling	173,977,186	177,516,122	752,155,568	767,455,450
Oilfield Exploration Business Solutions S.A.	1,069,267	1,084,268	4,622,762	4,687,616
Rompetrol Well Services S.A.	51,573	74,723	222,966	323,050
KMG Rompetrol Services Center	34,612	16,725	149,638	72,307
Palplast S.A.	787,314	822,163	3,403,795	3,554,457
Rompetrol Bulgaria JSC	1,042,047	5,833,446	4,505,082	25,219,737
Rompetrol Moldova SA	643,943	161,149	2,783,959	696,695
Rompetrol Financial Group S.R.L.	2,515	2,518	10,873	10,886
KazMunayGas Engineering B.V.	3,573	3,573	15,447	15,447
Rompetrol Energy S.A.	1,180	-	5,101	-
Byron Shipping SRL	1,186	1,815	5,127	7,847
Rompetrol Albania Wholesale Sh.A.	16,684	16,716	72,130	72,268
Midia Marine Terminal S.R.L.	209,452	229,954	905,524	994,160
Rominserv Valves Iairo SRL	182	4,907	787	21,214
KazMunayGas –Engineering LLP	168,167	168,167	727,036	727,036
Rompetrol Georgia LLC	50	50	216	216
Uzina Termoelectrica Midia S.A.	3,266,105	3,063,208	14,120,352	13,243,167
KMG Rompetrol Development S.R.L.	57,335	-	247,876	-
Global Security Systems S.A.	176,404	267,600	762,647	1,156,915
Total	<u>260,970,222</u>	<u>273,919,355</u>	<u>1,128,252,559</u>	<u>1,184,235,544</u>

Payables, loans and other liabilities

Name of related party	<u>30-June-20</u>	<u>31-Dec-19</u>	<u>30-June-20</u>	<u>31-Dec-19</u>
	USD	USD	RON	RON
KazMunayGas Trading AG	524,529,191	568,613,877	2,267,697,051	2,458,288,374
Rominserv S.A.	73,426,541	25,850,339	317,444,965	111,758,771
KMG International N.V.	26,298,433	27,349,698	113,696,015	118,240,949
KMG International N.V.- Short term debt - principal	10,655,710	12,655,710	46,067,831	54,714,431
KMG International N.V.- Short term debt - interest	1,541,819	1,330,945	6,665,746	5,754,075
KMG Rompetrol S.R.L.	10,832,080	16,647,903	46,830,331	71,973,879
KMG Rompetrol SRL - cash pooling	302,852,712	251,208,922	1,309,323,130	1,086,051,532
Oilfield Exploration Business Solutions S.A.	222,144	222,175	960,395	960,529
Rompetrol Well Services S.A.	99,803	53,178	431,478	229,904
KMG Rompetrol Services Center	1,173,776	1,003,018	5,074,586	4,336,348
Rompetrol Bulgaria JSC	144,183	126,855	623,346	548,432
Rompetrol Moldova SA	12,494,744	1,818,256	54,018,527	7,860,866
Rompetrol Financial Group SRL - Short term debt - principal	-	2,347,000	-	10,146,785
Rompetrol Financial Group SRL - Short term debt - interest	-	1,420,051	-	6,139,306
Byron Shipping SRL	2,171	2,174	9,386	9,399
Midia Marine Terminal S.R.L.	5,401,246	3,470,424	23,351,207	15,003,684
Midia Marine Terminal S.R.L.- Short term debt - principal	-	6,386,444	-	27,610,513
Midia Marine Terminal S.R.L. - Short term debt - interest	-	242,954	-	1,050,363
Rominserv Valves Iairo SRL	16,993	16,972	73,466	73,375
Rompetrol Georgia LLC	50	50	216	216
Uzina Termoelectrica Midia S.A.	7,816,823	7,357,882	33,794,471	31,810,331
Rompetrol Georgia LLC	15	16	65	69
KMG Rompetrol Development S.R.L.	1,476,008	1,525,669	6,381,225	6,595,925
Global Security Systems S.A.	324,668	562,367	1,403,637	2,431,281
TRG Petrol Anonim Sirketi	2,538	2,538	10,973	10,973
Total	<u>979,311,648</u>	<u>930,215,417</u>	<u>4,233,858,047</u>	<u>4,021,600,310</u>

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



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Sales and other revenues

Name of related party	30-June-20	30-Jun-19	30-June-20	30-Jun-19
	USD	USD	RON	RON
KazMunayGas Trading AG	173,927,382	528,263,427	751,940,251	2,283,841,274
Rominserv S.A.	416,677	436,812	1,801,420	1,888,469
KMG Rompetrol S.R.L.	39,656	71,854	171,445	310,646
Oilfield Exploration Business Solutions S.A.	1,323	1,670	5,720	7,220
Rompetrol Well Services S.A.	182,321	548,760	788,228	2,372,454
Palplast S.A.	5,070	7,096	21,919	30,678
Rompetrol Bulgaria JSC	14,670,742	25,005,493	63,426,019	108,106,248
Rompetrol Moldova SA	50,669,358	112,135,639	219,058,835	484,796,008
KMG Rompetrol Services Center	65,892	66,992	284,871	289,627
Midia Marine Terminal S.R.L.	139,084	239,964	601,302	1,037,436
Byron Shipping SRL	6,971	12,158	30,138	52,563
Rominserv Valves Iai SRL	4,090	8,992	17,682	38,875
Uzina Termoelectrica Midia S.A.	8,595,410	10,597,740	37,160,536	45,817,209
Rompetrol Energy S.A.	444	17	1,920	73
Global Security Systems S.A.	34,891	50,159	150,844	216,852
KMG Rompetrol Development S.R.L.	2,627,252	19,678,649	11,358,399	85,076,703
TRG Petrol Anonim Sirketi	-	7,913	-	34,210
Total	<u>251,386,563</u>	<u>697,133,335</u>	<u>1,086,819,529</u>	<u>3,013,916,545</u>

Purchases and other costs

Name of related party	Nature of transaction	30-June-20	30-Jun-19	30-June-20	30-Jun-19
		USD	USD	RON	RON
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	744,498,277	1,505,572,530	3,218,689,401	6,509,041,719
Rominserv S.A.	Acquisition and maintenance of fixed assets	92,807,980	36,292,722	401,236,740	156,904,325
KMG International N.V.	Management services	6,797,954	7,155,916	29,389,595	30,937,172
KMG Rompetrol S.R.L.	Management services	16,112,487	17,734,583	69,659,115	76,671,923
Oilfield Exploration Business Solutions S.A.	Management services	20,524	17,407	88,731	75,256
Rompetrol Financial Group S.R.L.	Environmental services	14,629	709,337	63,246	3,066,677
Rompetrol Well Services S.A.	Interest on loan	53	191,087	229	826,126
KMG Rompetrol Services Center	Shared services	3,450,193	3,652,020	14,916,219	15,788,778
Midia Marine Terminal S.R.L.	Handling services/Transit	7,480,007	7,915,352	32,338,314	34,220,441
Rominserv Valves Iai SRL	Valves	47,457	47,228	205,171	204,181
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	12,637,815	13,503,236	54,637,066	58,378,540
KMG Rompetrol Development S.R.L.	Retail	2,578,033	234,688	11,145,610	1,014,627
Global Security Systems S.A.	Security and protection services	1,502,663	1,797,651	6,496,463	7,771,785
Total		<u>887,948,072</u>	<u>1,594,823,757</u>	<u>3,838,865,900</u>	<u>6,894,901,550</u>

The nature of sale transactions consists in sale of petroleum products. Sales to related parties include sales taxes.

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, through a Government Ordinance, the shareholder became Ministry of Economy Trade and Business Environment ("MECMA") until May 2013, when following MECMA reorganization the new holder became Ministry of Economy ("ME"). Later it was renamed the Ministry of Energy, Small and Medium Enterprises and Business Environment. As at December 31, 2019 it is named the Ministry of Energy, and starting February 2020 it was renamed Ministry of Economy, Energy and Business Environment. As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. No entities in the Group have had any transactions during the period since MPFR, MECMA and ME became a related party or had balances as of period end, other than those arising from Romanian fiscal and legislative requirements, with MFPR, MECMA, ME and Other Authorities in Romania.



Risk Management

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

Interest rate risk

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

Foreign exchange risk

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

Liquidity and cash flow risks

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

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. During 2020 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 Group and therefore can cover unexpected cash outflows by drawing from the facility.

Credit risk

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

- *Trade receivables*

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

- *Financial instruments and bank deposits*

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

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Commodity price risk

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

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

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

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

Operational risk

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

Subsequent events

Facilities granted to Rompetrol Rafinare S.A. by Banca Transilvania in amount of EUR 30 million and EUR 27.96 million have been extended until July 30, 2021.

In July, a new credit facility was granted by Banca Transilvania, to the companies Rompetrol Rafinare SA and Rompetrol Downstream SRL, a joint facility, in amount of EUR 9 million maturing on April 26, 2021.



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Note:

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

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.3233 as of 30 June 2020.

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

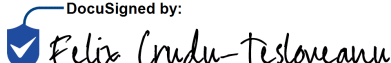
Saduokhas Meraliyev

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General Manager

Felix Crudu-Tesloveanu

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Financial Manager

Mircea-Stefan Stanescu

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