

**ROMPETROL RAFINARE S.A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2020**

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**HALF-YEAR REPORT**  
**OF**  
**THE BOARD OF DIRECTORS**  
**ROMPETROL RAFINARE S.A.**  
**(“RRC”)**  
**FIRST SEMESTER OF 2020**

**ROMPETROL RAFINARE S.A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2020**

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**HALF-YEAR 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 14 of Regulation 5/2018 issued by Financial Services Authority (FSA)**

**for the period January 1<sup>st</sup> – June 30<sup>th</sup>, 2020**

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

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**1. GENERAL DESCRIPTION AND OBJECTIVES**

In the first semester of 2020, the activity of Rompetrol Rafinare, a company of the KMG International Group, relied on the main budget assumptions.

The quantity of raw materials processed in the first half of 2020 by Rompetrol Rafinare (Refineries Petromidia and Vega as well as the Petrochemical Plant) was approximately 2.126 million tonnes, of which approximately 1.647 million crude oil, as compared to a total global level of 3.103 million tonnes, of which approximately 2.718 million tonnes of crude oil, in the first semester of 2019.

For the entire year 2020, the Petromidia Refinery has planned to process approximately 5.494 million tonnes of raw materials, of which 4.769 million tonnes of crude oil, the Vega Refinery approximately 0.400 million tonnes, and the Petrochemical Plant approximately 0.151 million tonnes.

**1.1. The objectives of Rompetrol Rafinare investment program for the first half of 2020:**

**The investment program of Rompetrol Refinery accomplished in the first semester of 2020 was in the amount of USD 95.54 million, as follows:**

**I) From the category of compulsory investments required by environmental and safety regulations, in the first semester of 2020:**

- The project “**Expire authorization ISCIR (State Inspection for Control of Boilers, Pressure Vessels and Lifting Installations) for static equipment Refinery Platform (ISCIR PEM 2019-2020)**” started, a project that consists in the reauthorization of pipes and technological units equipment, according to the ISCIR requirements in force; in addition will carry out VTP (Technical Periodic Verification) activities and elaborate technical documentation for the extension of ISCIR due date to equipment due in 2019 and 2020. The project will be finalized in December 2020.
- In the frame of the Master Plan for the rehabilitation of the entire infrastructure of the water supply network for the Petromidia refinery it was started the project “**Fire-fighting Water Main Replacement Package 2020 sections T009, T010, T013, T049, T050, T051**”. The project scope is to perform replacement and rehabilitation of the firefighting civil and mechanical infrastructure, according to the established priorities for 2020, for section T009, T010, T013, T049, T050, T051, based on the project design. The project will be finished in February 2021.

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- The project “**Mount floating membrane on tanks A53, A12, A118, A92,A95**” started, a project that consist in the installing membranes, foam generators and level transducers with all necessary adjustments for the tank to ensure an safe and correct operation. The project will be finalized in December 2020.

**II) In the Development category,** one of mainly project is “**100C1 Atmospheric distillation column- increase heat removal from gasoil PA (pump around) and replacing pumps 100P3A and R for CDU unit (Crude Distillation Unit)**” The project objective is to assure a Constant operation of Crude Distillation Unit (CDU) at maximum throughput (maximum throughput following project implementation is 15 700 tons/day), to increase operability and reliability of 100-C1 Atmospheric Distillation Column, to proper recovery / increased yield of GasOil (Diesel) product when CDU is operated at high/ maximum capacity and / or when Unit is processing a Crude Recipe with high Diesel potential and to allow column operating parameters adjustment is such a way to avoid Corrosion phenomenon presence at the equipment top section. The project was finalized in June 2020.

- The implementation of the project “**Maximize usage of 185 unit (Amine and Sulphur Recovery Unit) condensate thermal potential**” continue and Phase II was started. The project objective is to increase Refinery Energy Efficiency Index (EII), reducing EII with 0.29 points, by maximizing usage of condensate from amine unit. In Phase 1 it was developed Basic Design and also a Simulation Report was performed, to find out all the constraints of system configuration and to verify the initial assumptions and benefits as well. The prject was finalized in June 2020.
- It was continued the implementation of project „**New High PressureP pipelines (36 barg ) between Refinery (UTM limit-node A ) and Petrochemicals (node H)**” – Phase 2. The scope of the project is to replace the existing 36 barg-High Pressure steam pipeline (1,200 m, Dn 350) with a smaller diameter pipe (Dn 200), between the node A in the Refinery and the node H in the Petrochemicals. The benefits of this project implementation will be to assure the high pressure steam proper parameters for all consumers. The project was finalized in July 2020.

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

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

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

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

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

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

Phase II - Is comprising additional and unexpected/found works – which will appear after we will opening the equipments and/ or will be identified by the inspections programs performed until the date of start for the effective TA2020.

Phase II was performed in parallel with Phase I.

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

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

Within this project, the benefits are as follows:

- Refinery operation at nameplate capacity, 5 mil t/year and according to the group bussines strategy until next planned shutdown and future objectives in terms of increased processing capacities (in 2020 – 5,600,000 t/year feedstock processed) with improved mechanical availability.
- Maintain Refinery at its nominal monthly capacity.
- Reduce routine maintenance costs.
- Maintain units safe and normal operating conditions until next planned shutdown.
- Improve efficiency of plant within high mechanical availability.
- Increase reliability / availability of equipment during operation.
- Safety–zero incidents (human accidents or damage to equipment).

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- It was started the program „**Refinery static equipment rehabilitation**”. The main activity of the program is the execution and replacement of the priority static equipment for a proper functioning of the refinery units. This project aims increasing the mechanical availability of the refinery, in order to have a high level of equipment functioning in safety conditions and to maintain the refinery operating capacity at its nominal level. The estimated finish date is December 2020.

## **1.2. The objectives of Rompetrol Rafinare regarding quality, health, labour security and environment (QHSE), set for 2020 are the following:**

- ✓ **Certification / maintenance of certifications:**
  - Energy Management System in accordance with ISO 50001
  - Quality-Environment-Occupational Health and Safety Management System (QHSE) according to ISO 9001, 14001 & ISO 45001
  - International Sustainability & Carbon Certification (ISCC) Management System, in terms of the sustainability requirements of the 2009/28 / EC (RED)
  - For motor fuels and bitumens, according to legal and regulatory requirements
- ✓ **Increase profitability:**
  - **Petromidia refinery** by processing **5.49** million tons of raw materials per year and achieving a white product yield of **86.05%**
  - **Vega refinery** by processing **406,000** tons of raw materials
  - **Petrochemistry** by obtaining **92,000** tons of polypropylene
- ✓ **Exclusive use** of sustainable biofuels in fuel production
- ✓ **Decreasing** the number of complaints by 10% compared to 2019
- ✓ **Solution** in proportion of min. 80% of the findings resulting from internal audits and inspections, regarding the observance of the requirements of the integrated management system
- ✓ **Revision of Permits** for Petromidia and Vega refineries (Integrated Environment Permit, GES Permit and Water Permit)
- ✓ **Maintaining / updating REACH registration dossiers** of chemical substances and disseminating information provided by CONCAWE in line with ECHA requirements
- ✓ **Improvement of waste management** in order to streamline turnaround activities



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- ✓ **Identification of fugitive emission sources and reduction of losses**, through LDAR project at tank parks and PEM loading ramps respectively VGA installations
- ✓ **Elaboration of the support documentation** in order to request the allocation of CO2 certificates free of charge for phase IV (2021-2025)
- ✓ **Achieving an energy consumption** for BU Refining at the planned level of 3.33 GJ / t throughput
- ✓ **Increase in energy efficiency** by obtaining a 96% energy intensity indicator for the Petromidia Refinery and an energy index of 2.4 GJ / t for Vega refinery and 18.81GJ / t for petrochemicals
- ✓ **"Zero" fatal accidents** and **"Zero" professional diseases** on Petromidia and Vega Platforms
- ✓ **Maintain** the effectiveness of the **"1.LIFE"** safety project by forming an Safety Process Subcommittee and by performing at **least 2000** safety audits

**Decreasing** the number of non-conformities registered in safety inspections below 10 %, regarding the work permits issued.

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## 2. FINANCIAL STATEMENT ANALYSIS

The information and the Individual Interim Financial Statements on the date and for the period of 6 months that ended on June 30, 2020 presented in this report are not revised by the financial auditor of Rompetrol Rafinare S.A. and were drafted according to the Order of the Ministry of Public Finance no. 2844/2016 for approving the Accounting Regulations according to the International Financial Reporting Standards („IFRS”), based on the International Accounting Standard 34 – „Interim financial reporting” passed by the European Union.

The submitted indicators are in Lei (RON) unless otherwise stated.

In the first semester of 2020, the company recorded a net loss in the amount of RON 592,114,118 in comparison to the first semester of 2019 when Rompetrol Rafinare S.A. recorded a net loss of RON 138,211,518. The negative net result of the first half of 2020 was mainly determined by the planned shutdown of the refineries operated by the Company for the conduct of the general turnaround carried out in March-April 2020 and by the subsequent significant reduction of production and sales activities compared to the period prior to the period of emergency situation decreed on Romanian territory in the context of the Covid-19 pandemic. These aspects, together with the much lower refining margins in the first 6 months of 2020 compared to the same period last year led to the negative net result recorded by Rompetrol Refining S.A. in the first half of 2020.

### 2.1. Financial position statement as of June 30, 2020

The financial position on June 30, 2020 is presented in **Annex 1**

<b>Indicator (thousand RON)</b>	<b>June 30, 2020</b>	<b>December 31, 2019 (audited)</b>	<b>Variation</b>
Non-current assets	5,532,646,413	5,287,888,563	104.63%
Current assets	1,891,936,294	2,632,473,722	71.87%
<b>Total assets</b>	<b>7,424,582,707</b>	<b>7,920,362,285</b>	<b>93.74%</b>
Long-term debts	797,934,637	1,029,905,625	77.48%
Current liabilities	5,224,942,361	4,922,472,621	106.14%
<b>Total liabilities</b>	<b>6,022,876,998</b>	<b>5,952,378,246</b>	<b>101.18%</b>
<b>Equity</b>	<b>1,401,705,709</b>	<b>1,967,984,039</b>	<b>71.23%</b>
<b>Total equity and liabilities</b>	<b>7,424,582,707</b>	<b>7,920,362,285</b>	<b>93.74%</b>

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At the end of the first semester of 2020, the Company's **non-current assets** amount to RON 5,532,646,413, slightly increase as compared to December 31, 2019.

As of June 30<sup>th</sup>, 2020, **current assets** are in amount of RON 1,891,936,294, registering a decrease of approximately 28% less than the level at the end of 2019. This is mainly due to the decrease in value of the receivables (from RON 1,784,692,732 on 31.12.2019, to RON 1,316,885,432 at June 30, 2020) and the decrease in stocks (from RON 822,822,149 on 31.12.2019, to RON 510,084,593 at June 30, 2020).

The **liabilities payable in a period of 1 year** increased from a value of RON 4,922,472,621 at 31.12.2019 to RON 5,224,942,361 on June 30, 2020 (by approximately 6%). This increase is mainly due to the value increase of commercial debts and other debts (from RON 4,701,068,748 at 31.12.2019 to the value of RON 5,037,010,466 at June 30, 2020).

**Long-term debts** recorder a decrease of about 23% at 30.06.2020 (RON 797,934,637) compared to 31.12.2019 (RON 1,029,905,625), mainly due to the repayment of long-term loans from banks recording a decrease of about 37% from the level of RON 613,184,904 at 31.12.2019 to the value of RON 384,044,361 at June 30, 2020.

As regards **provisions**, they shall record at 30.06.2020 the same value as the 31.12.2019.

## **2.2. Profit and loss account for the 6-month period that ended on June 30, 2020**

**During the period of 6 months that ended on June 30, 2020, RRC recorded a negative net result (loss) of RON 592,114,118**, compared to a net loss of RON 138,211,518 recorded by Rompetrol Refining S.A. in the first half of 2019. The negative net result of the first half of 2020 was mainly determined by the planned shutdown of the refineries operated by the Company for the conduct of the general turnaround carried out in March-April 2020 and by the subsequent significant reduction of production and sales activities compared to the period prior to the period of emergency situation decreed on Romanian territory in the context of the Covid-19 pandemic. These aspects, together with the much lower refining margins in the first 6 months of 2020 compared to the same period of last year led to the negative net result recorded by Rompetrol Refining S.A. in the first half of 2020.

Turnover recorded on June 30, 2020 is RON 3,882,494,802, compared to RON 7,247,881,365 reached in the first half of 2019 (down by 46%), strongly impacted by a cumulation of factors represented by the planned shutdown of the refineries operated by the Company for the conduct of the general turnaround carried out in March-April 2020, the reduction of production and quantities of petroleum products sold on the background of reduced demand in the market, as well as the significant reduction in oil products prices on the international market in the context of the Covid-19 pandemic.

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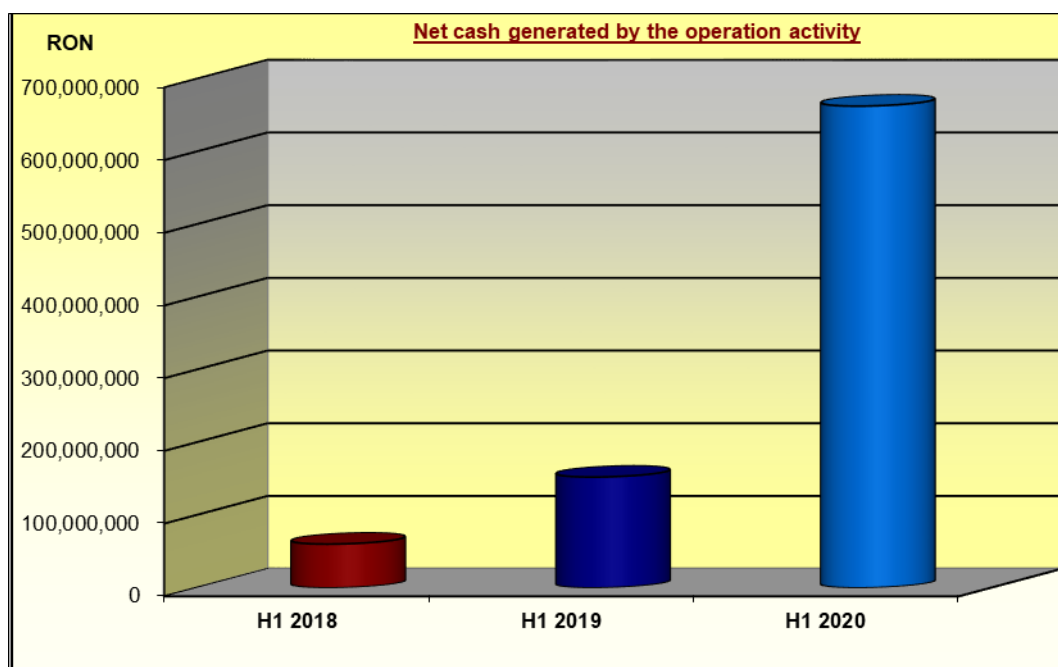
**In the first semester of 2020 the Company recorded an operating loss of RON 437,029,040, down from the first half of 2019 when a profit of RON 12,331,410 was recorded.**

During the first half of 2020, financial expenses exceeded financial revenues, ultimately recording a loss from financial activity in the amount of RON 155,085,078. The financial indicators recorded on June 30, 2020 include the results of the activity of the Refinery and Petrochemistry Plants on the Năvodari platform, as well as the Vega Ploiesti refinery.

The profit and loss account for the six-month period ending June 30, 2020 is set out in **Annex 2**.

### **2.3. Cash flow**

Cash flows from operating activity in the first half of 2020 were significantly influenced by reduced production and sales activities along with lower refining margins recorded in the first half of 2020 compared to the first half of 2019, as well as the increase in commercial debts and other debts, while decreasing commercial receivables and the value of stocks. At the end of the first half of 2020, The Brent quote of crude oil rating reached \$41.83 per barrel compared to the end of the first half of 2019, when it stood at \$66.1 per barrel.

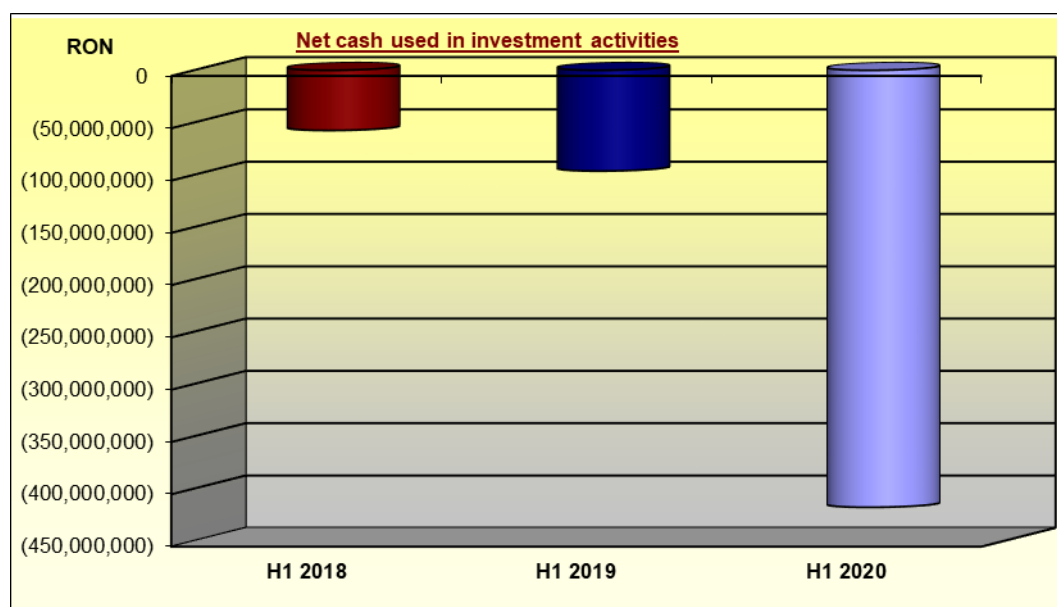


In the first half of 2020 Rompetrol Refining S.A. continued the implementation of new technologies, allowing the processing of various types of crude oil and obtaining products to the

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quality required by European standards, as well as increasing the yield in white products. A continuing concern has been to align with the requirements of the European Union and to comply with the requirements of the Directives on the promotion and use of biofuels and the environmental rules in force, in particular with a view to reducing emissions of oxides of nitrogen, sulphur, volatile organic compounds and carbon dioxide and the storage of hazardous waste.

Major investment projects in the first half of 2020 concerned the general turnaround of the refineries and petrochemical unit operated by the Company, the authorization/reauthorization of equipment from the point of view of ISCIR, the replacement of catalysts in installations, the modernization projects tanks and the project of rehabilitation of the installation Fluid Catalytic Cracking.



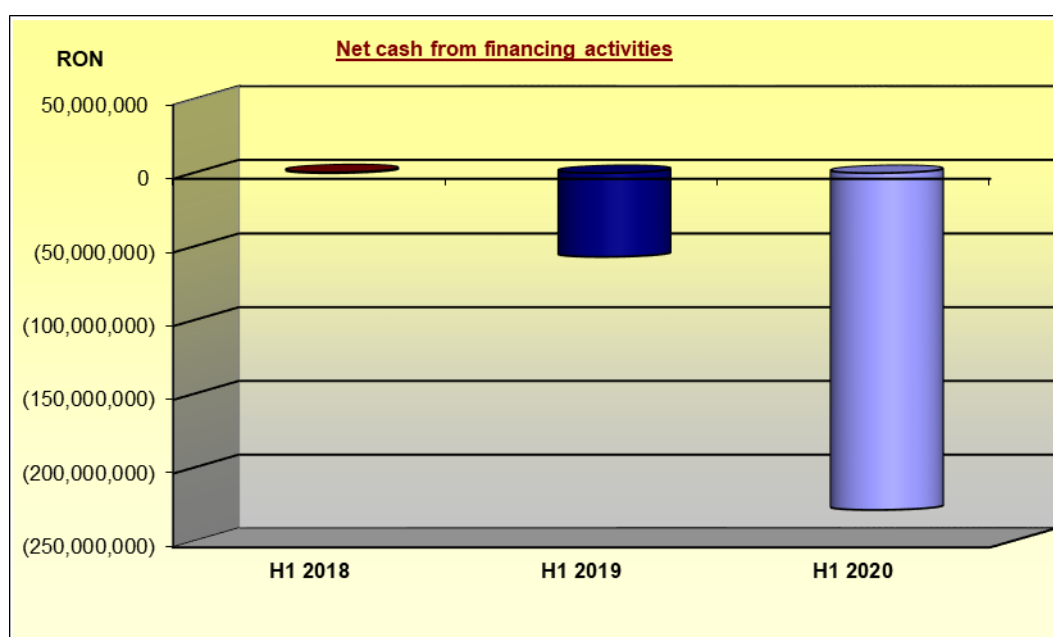
Cash flow from financing activities in the first half of 2020 was influenced by the fact that the Company benefited from a Cash pooling contract – a system for optimising cash balances, in order to support both the needs generated by the investment activity and the development of the operational activity of the refinery, as well as a long-term facility – syndicated.

Other factors that influenced cash in the financing activity were also a significant reduction in the company's exposure to short-term and long-term loans contracted from banks and affiliated companies. The company continued the repayments of the short-term loan received from the affiliated company KMG International N.V., fully repaid the short-term loans received from Rompetrol Financial Group SRL and Midia Marine Terminal.

The capital maintenance works planned during the General Turnaround of the Petromidia and Vega refineries and the petrochemical unit operated by the Company were caught in an unfavorable market context with significantly lower refining margins in the first half of 2020 compared to the same period of 2019 on the background of strongly reduced demand in the market for petroleum products caused by the Covid-19 pandemic. The need to finance major

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investments in this period together with the reduction of exposure to bank creditors caused by a lower volume of guarantees (receivables and inventories significantly reduced compared to the period before the declaration of emergency situation in Romania due to the Covid-19 pandemic) they put pressure on the operating cash generated by the Company, which had to resort to a series of measures to overcome the need for cash used in the investment activity and to reduce the exposure to bank loans. Among these measures we mention: postponing the payment of debts to the State Budget and local budgets according to the legal regulations valid during this period, obtaining agreements to extend the maturities of commercial debts and renegotiating contracts to extend the due payment terms.



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### 3. ECONOMIC ENVIRONMENT, OPERATIONAL ACTIVITIES AND ANALYSIS OF THE COMPANY'S ACTIVITY

#### 3.1. 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.

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 2<sup>nd</sup> part of Q2, the crude price shifted to an upward trend and finished Q2 at the level of 42\$/bbl. as the OPEC+ approved

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a 10 mil b/d cut starting with May, 1<sup>st</sup>. 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, 1<sup>st</sup> 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 spring maintenance. In the 2<sup>nd</sup> 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).

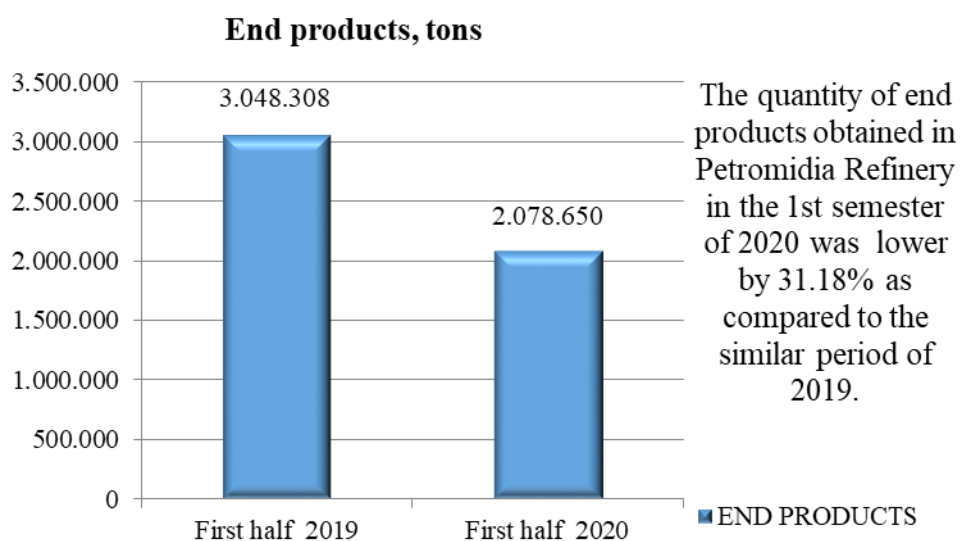
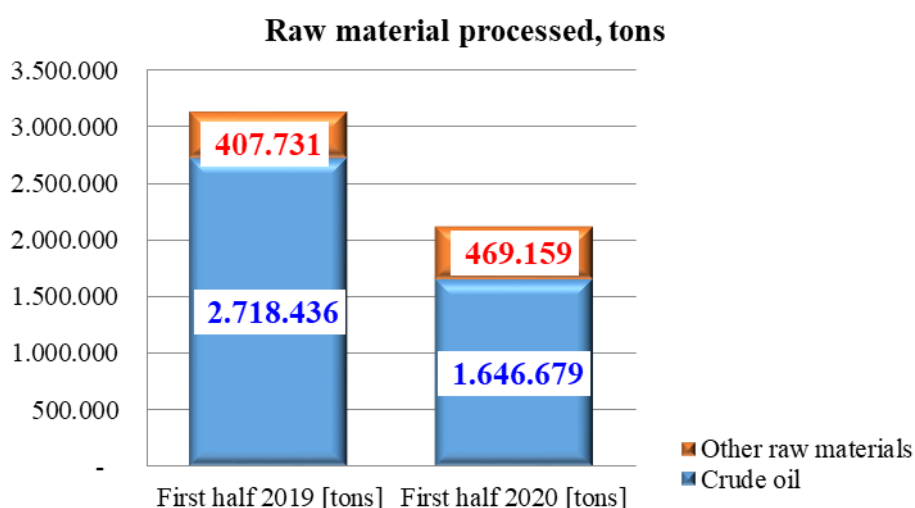
In Q2 2020 the RON/EUR exchange rate continued its upward trend averaging at 4.8367, below the maximum level of H1 2020 but still at high levels.

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).

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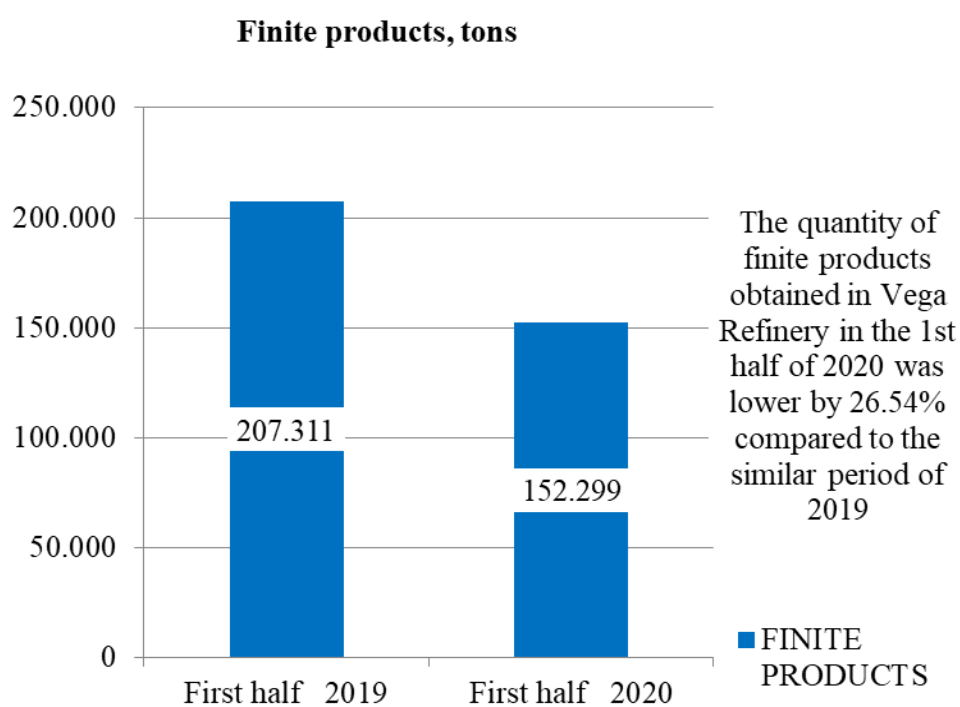
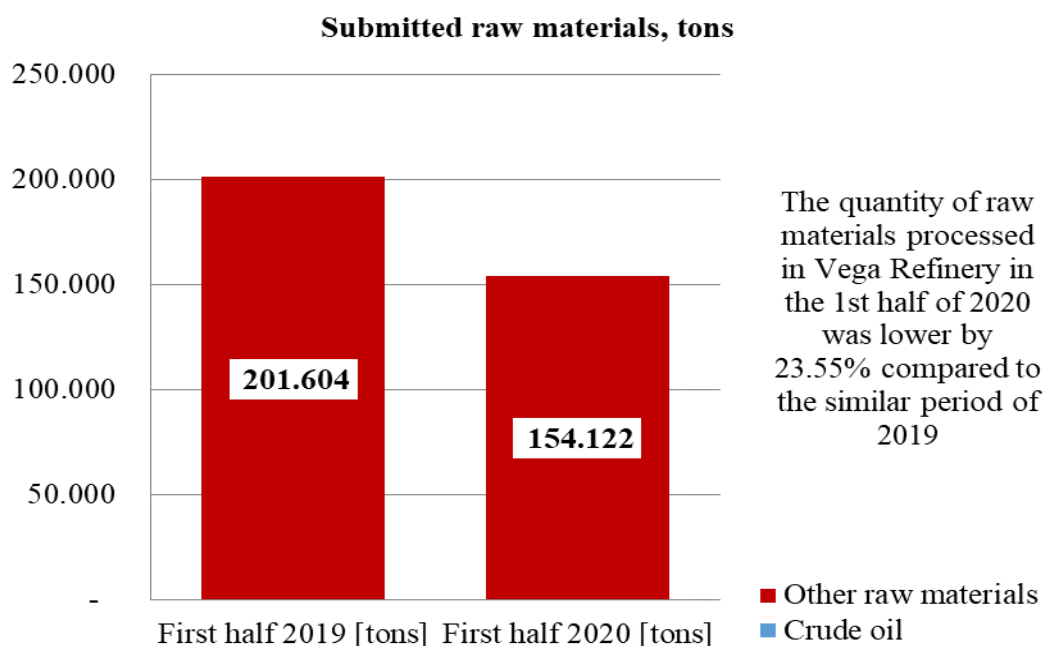
## 3.2. PRODUCTION ACTIVITY

### 3.2.1. PRODUCTION ACTIVITY of Rompetrol Rafinare – Năvodari Work Point (Petromidia Refinery) – in the 1<sup>st</sup> Half of 2020



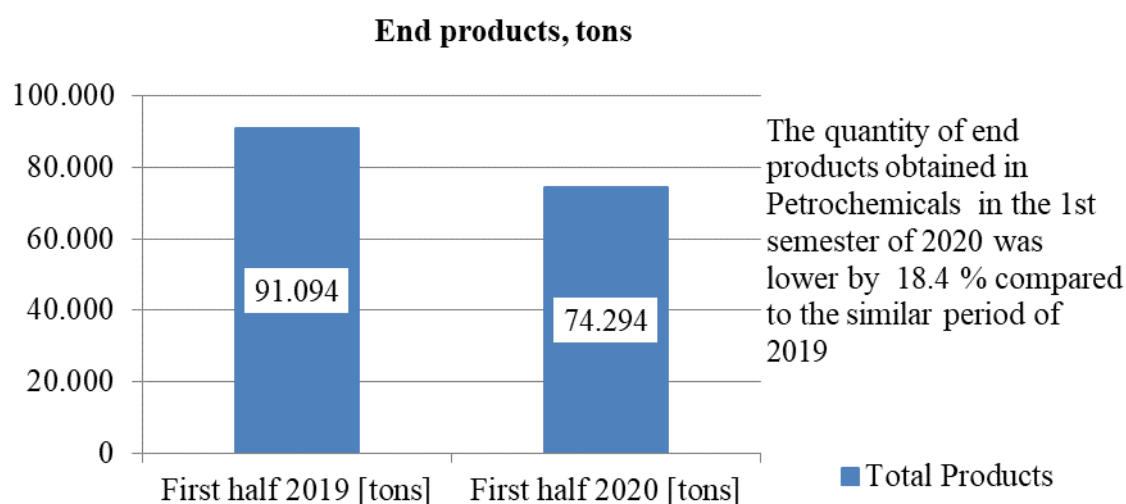
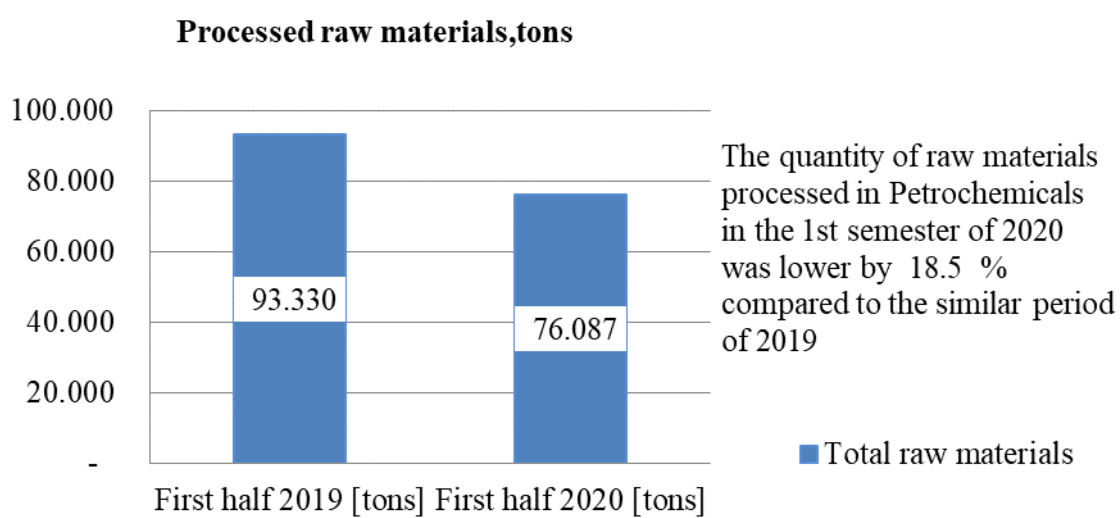
**ROMPETROL RAFINARE S.A.**  
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### 3.2.2. PRODUCTION ACTIVITY of Rompetrol Rafinare – Vega Refinery Work Point (located in Ploiești) – in the 1<sup>st</sup> Half of 2020



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**3.2.3. PRODUCTION ACTIVITY of Rompetrol Rafinare –  
Petrochemicals area - in the 1<sup>st</sup> Half of 2020**



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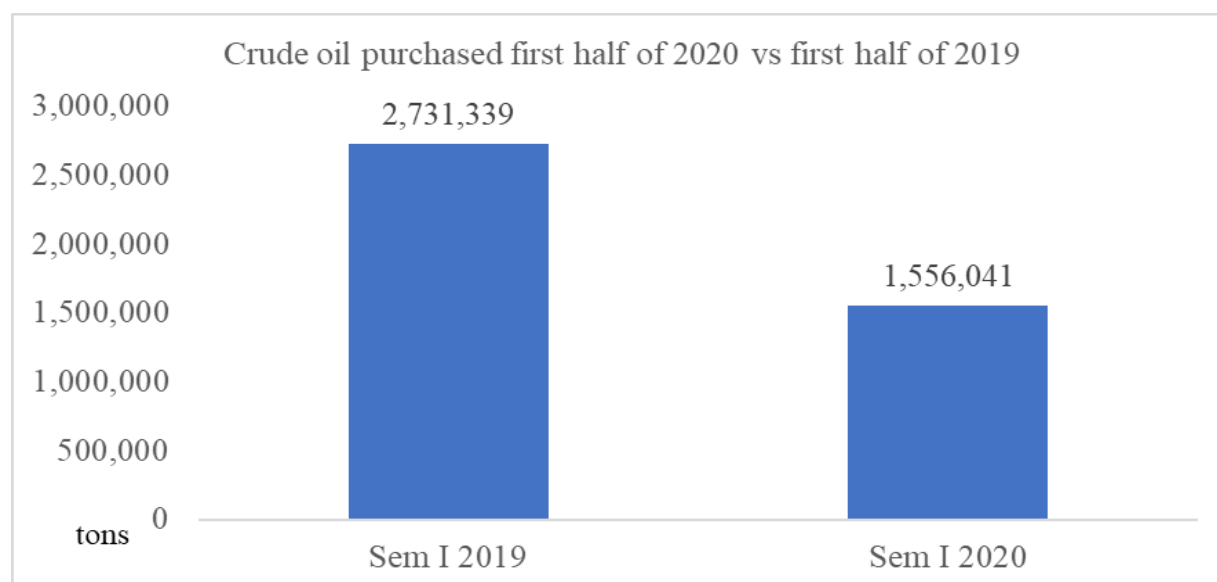
### 3.3. COMMERCIAL ACTIVITY

#### 3.3.1. COMMERCIAL ACTIVITY carried out at Năvodari Work Point (Petromidia Refinery) in the 1<sup>st</sup> Half of 2020

##### A. Feedstock supply

In the first half of 2020, Rompetrol Rafinare S.A. – Petromidia Refinery purchased crude oil and other feedstock from external and domestic sources, as indicated in the table below:

Feed stock purchases	Quantity (tons)
1. Crude oil	1,556,041
2. Other feedstock	405,409
<b>3. Total external purchases (1+2)</b>	<b>1,961,450</b>
<b>4. Total internal purchases</b>	<b>46,890</b>



In the first half of 2020, crude oil purchases were lower than the same period of last year due to planned turnaround performed in march-april 2020.

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

### **REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2020**

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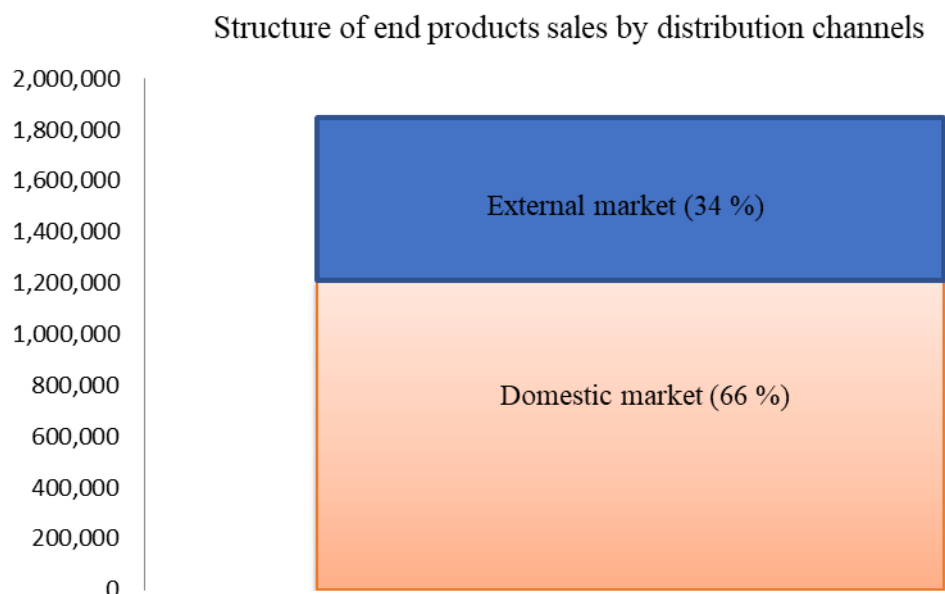
The supplier of imported feedstock (crude) was KazMunayGas Trading AG.  
The main internal suppliers of feedstock were:

- Prio Biocombustibil
- Expur SA.
- Socar Petroleum

## **B. Sales activity**

The sales in the first half of 2020 amounted to a total of 1,847,580 tons as compared to 2,671,146 tons in the same period in 2019. The net value of end product sales was 773,284,952 USD as compared to 1,537,612,656 USD in the first half of 2019, respectively 3,360,299,878 RON as compared to 6,460,232,170 RON in the first half of 2019. Volumes of sales in 2020 were lower due to planned turnaround performed in march-april and also due to the coronavirus epidemiological crisis which affected the market and industry overall.

In terms of sales markets, the share of domestic sales was higher (66%) than external market. On the external markets, sales amounted to a total 636,518 tons and a net value of 247,136,464 USD.

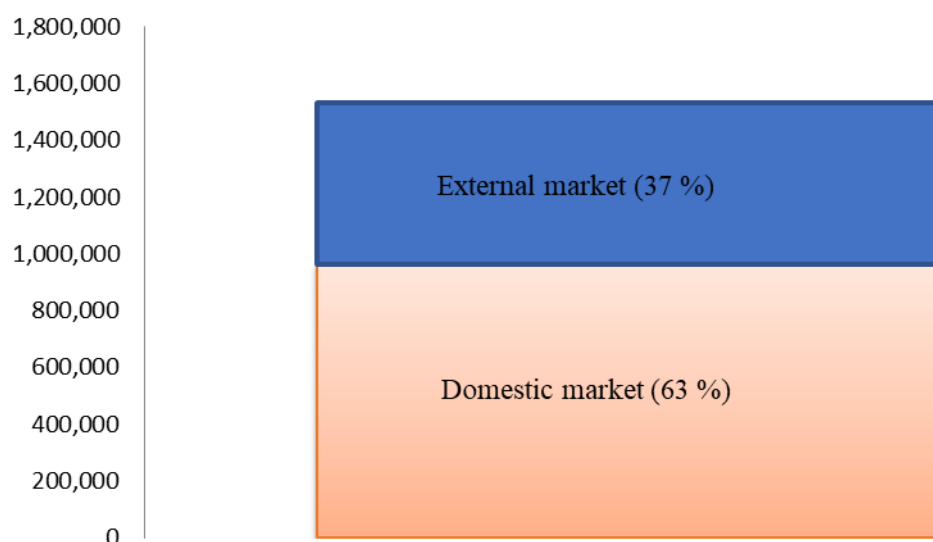


Approximately 83% of the total quantity of end products sold was represented by gasoline and diesel sales (1,530,212 tons). Regarding the distribution channels, the share of domestic market

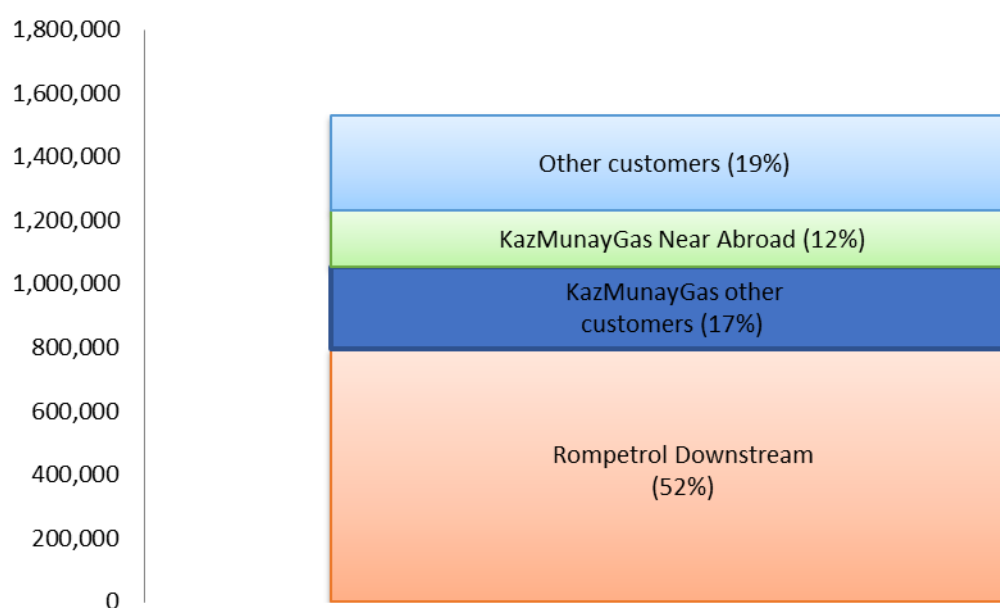
**ROMPETROL RAFINARE S.A.  
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was higher (63%) compared to the external market. On the external market, 565,631 tons of motor fuels (gasoline and diesel) were sold.

Structure of motor fuels sales by distribution channels



As concerns the distribution channels, the highest volume of gasoline/diesel was sold to Rompetrol Downstream (52%).


**Gasoline**

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Of the total quantity of 446,445 tons of gasoline sold, approx. 70% was sold on the external market, whereas the remaining percentage was sold on the domestic market. Approx. 93% of the total quantity of gasoline was unleaded Europlus gasoline 10 ppm sulphur

### **Diesel**

Between January and June 2020, were sold 1,083,767 tons of motor diesel, the percentage of domestic sales (76%) exceeding that of external sales.

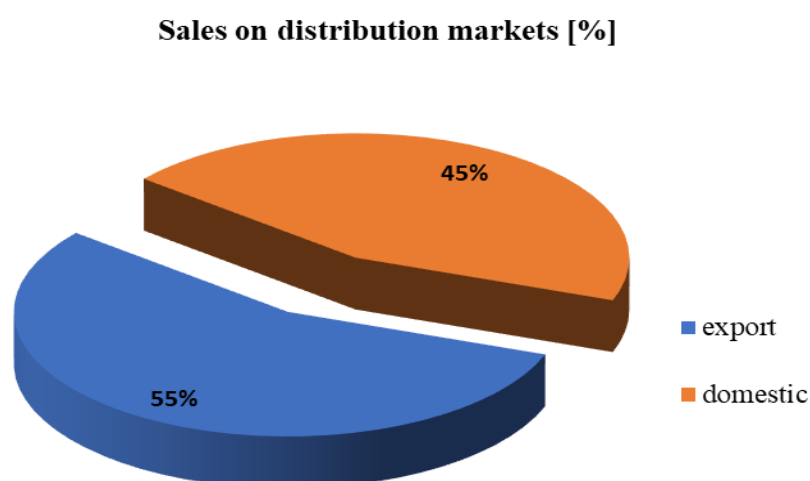
### **LPG**

A total of 93,569 tons of liquefied petroleum gases was sold to Rompetrol Gas S.R.L.

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

### **3.3.2. COMMERCIAL ACTIVITY carried out at Vega Refinery (in Ploiești) in the 1<sup>st</sup> Half of 2020**

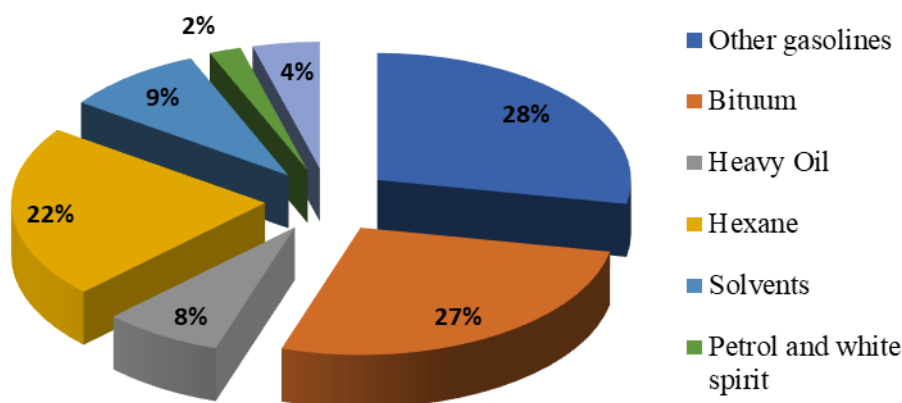
The sales of Vega Refinery in Ploiești in the first half of 2020 amounted to a total of 157,220 tons compared to 209,996 tons sold in the same period of the year 2019. By sales market, the external sales were higher (55%) than the domestic sales (45%). 87,056 tons were sold on the external market compared to 115,126 tons sold in first part of 2019.



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White product sales (gasoline naphtha, ecologic solvents, n-hexane, white spirit) represented about 61% of the total sales in first half of 2020.

**Sales on products [%]**



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

### 3.3.3. COMMERCIAL ACTIVITY carried out in Petrochemicals Area in the 1<sup>st</sup> Half of 2020

Rompotrol Rafinare – Petrochemicals Area is the single producer of polypropylene (PP) and polyethylene (LDPE) in Romania.

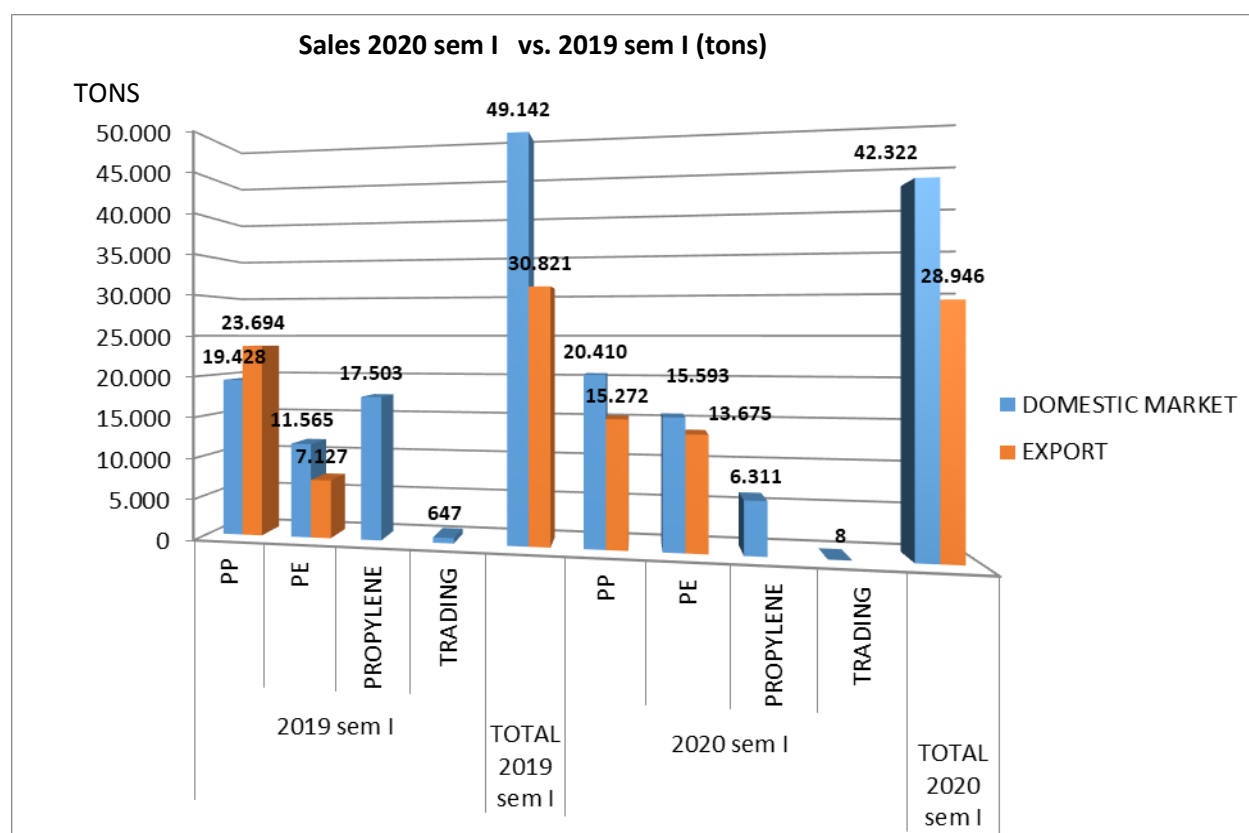
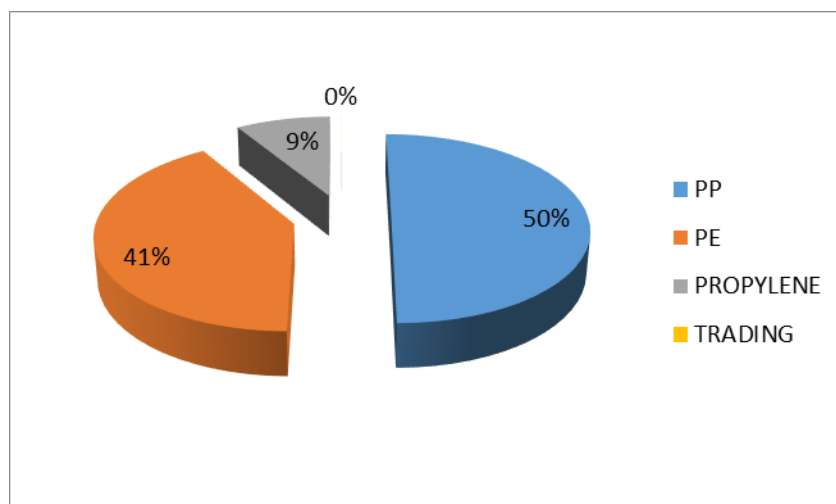
Besides its own products, the Company is now actively selling a wide range of petrochemical products which are not currently produced by the Rompotrol Rafinare – the Petrochemical Plant, but which are in demand on the Romanian market, namely: High density polyethylene variants (HDPE pipe variants), linear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

The sales of the Petrochemicals Area in the first half of 2020 amounted to a total quantity of 71,268 tons.



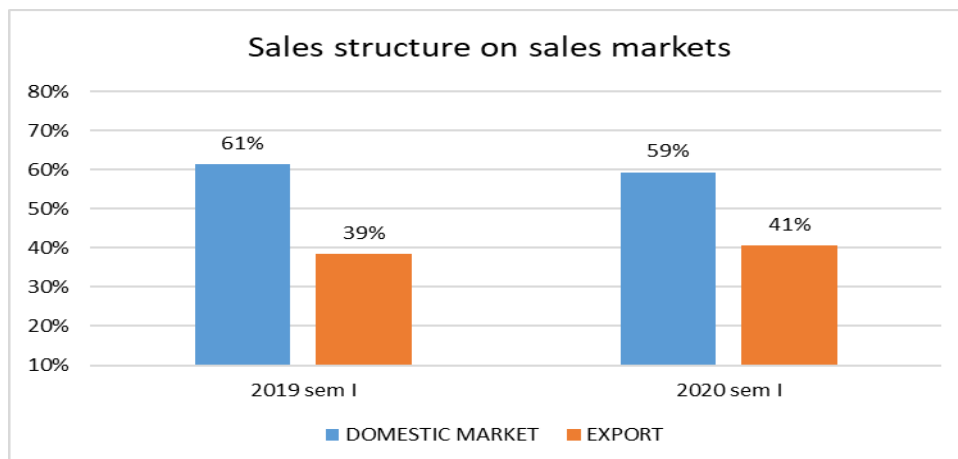
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In the first half of 2020, 50% of the total sales were represented by polypropylene (PP), 41% by polyethylene (PE: LDPE and HDPE) and the remaining 9% represents the sales of propylene and trading activity.



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Out of total sales, 59% is the domestic market and the rest of 41% represents exports.

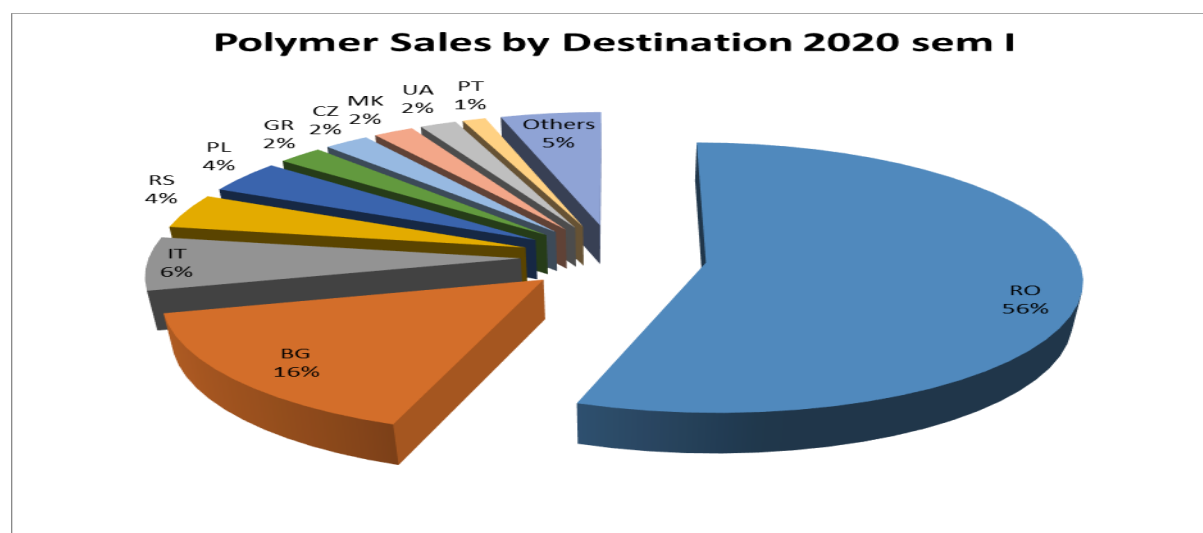


The most important distribution channels for polymers (PP, LDP, HDPE, PET and PVC) are Romania-56%, Bulgaria-16%, Turkey-6% and Rep. of Serbia-4%.

There is an increase in the percentage of sales for polymers on domestic market: 56% in sem. I 2020 compared to 51% in sem. I 2019.

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 68% 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 SA 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.



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### 3.4. Elements, events or factors of uncertainty that affect or could affect the Company's liquidity

From a liquidity point of view, the company made efforts to maintain the capacity to cover current liabilities from current assets, with the current liquidity indicator decreasing compared to the same period last year, 0.38 in the first semester of 2020 versus 0.60 in the first semester of 2019.

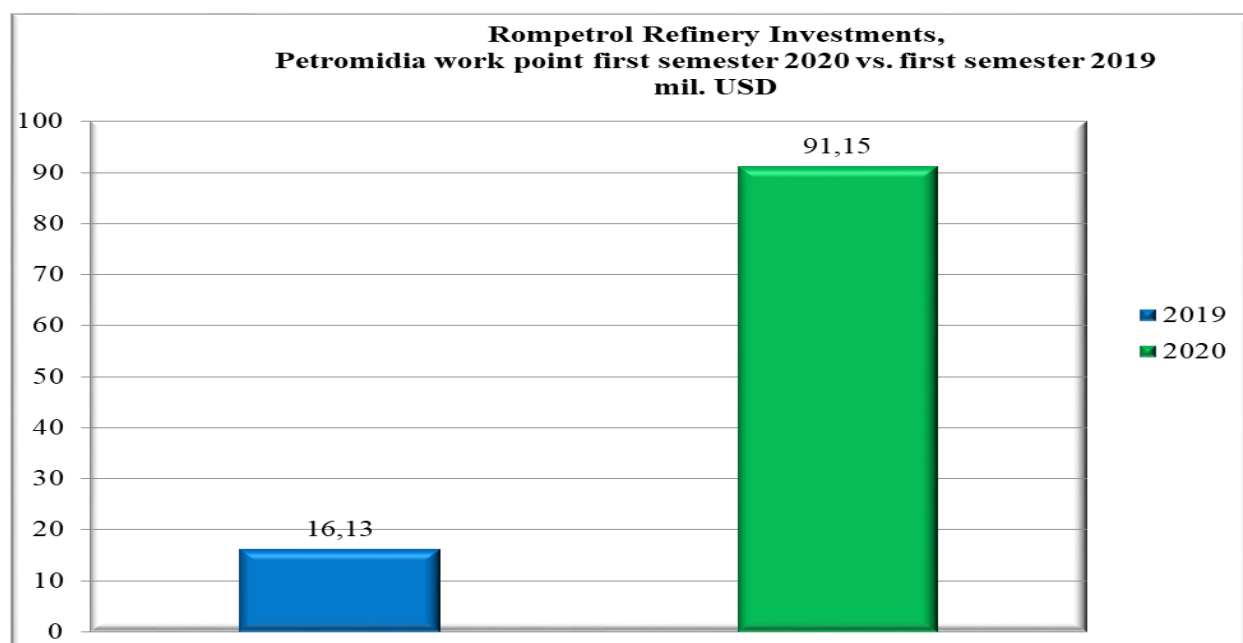
Impact factors on the liquidity of the company relate to current assets and liabilities that are directly influenced by the specific activity and fluctuation of crude oil purchase prices and oil products sales prices.

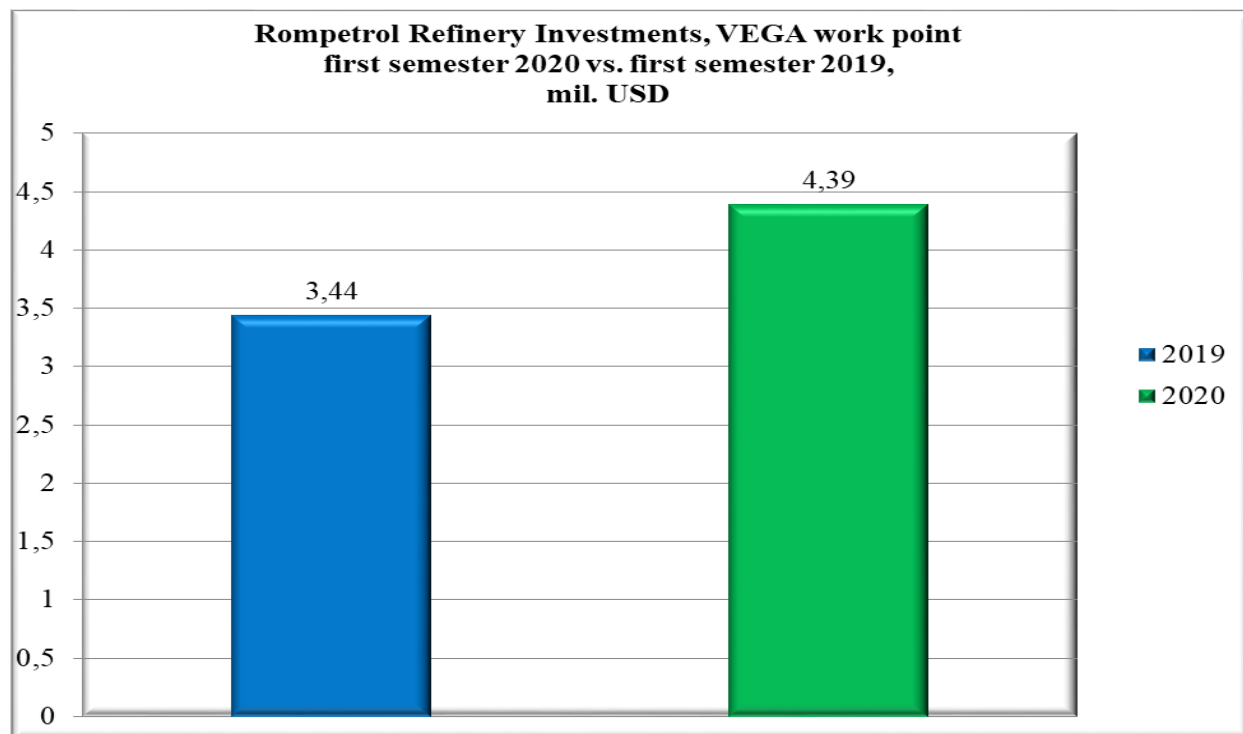
### 3.5. Capital expenditures, current - first semester 2020

Between **January and June 2020**, the company has made investments in a total amount of approx. **USD 90.51 million**.

Out of this amount, USD 3,1 million was used by Petromidia Refinery in its investment projects described in the “Objectives of the Investment Program” Section.

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



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### **3.6. Events, transactions, which affected the income from the core activity**

In the first half of 2020, net turnover decreased by 46% compared to the same period last year, being impacted by a cumulation of factors represented by the planned shutdown of the refineries operated by the Company for the general turnaround carried out in March-April 2020, reducing production and quantities of petroleum products sold on the background of reduced demand in the market, as well as the significant reduction in oil products prices on the international market in the context of the Covid-19 pandemic.

The amount of crude oil processed in the first half of 2020 was 1.072 thousand tonnes lower than in the first half of 2019, with a reduction of almost 40%.

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#### **4. CHANGES AFFECTING THE CAPITAL AND THE COMPANY MANAGEMENT**

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

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

On 30.06.2020, the share capital of the Company registered with Depozitarul Central S.A. was represented by 44,109,205,726 shares, with a nominal value of 0.10 lei / share, in a total amount of 4,410,920,572.60 lei.

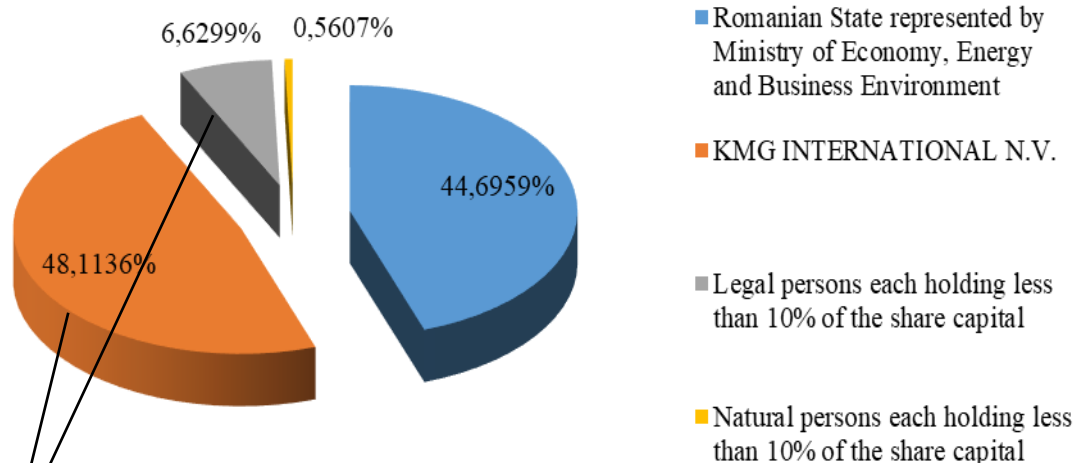
The consolidated synthetic structure of the shareholders ROMPETROL RAFINARE S.A., according to the Consolidated Register of Shareholders on 30.06.2020 issued by Depozitarul Central S.A. is as follows:

<b>SHAREHOLDER</b> (as of 30 June 2020)	<b>NO OF SHARES</b> (as of 30 June 2020)	<b>SHARE CAPITAL OWNERSHIP</b> (as of 30 June 2020)
KMG INTERNATIONAL N.V.	21,222,506,422	48.1136%
THE ROMANIAN GOVERNMENT, represented by the Ministry of Economy, Energy and Business Environment	19,715,009,053	44.6959%
Shareholders – Legal entities – each owning less than 10% of the share capital, but with an aggregated holding of:	2,924,383,829	6.6299%
Shareholders – Natural persons – each owning less than 10% of the share capital, but with an aggregated holding of:	247,306,422	0.5607%
<b>TOTAL</b>	<b>44,109,205,726</b>	<b>100%</b>



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**The structure consolidated by Depozitarul Central S.A. as at 30.06.2020**



**Note:**

As at 30.06.2020, the shareholders belonging to the KMG International Group hold 24.098.569.799 shares, representing 54.6339% of shares capital of Rompetrol Rafinare S.A.

We mention that Rompetrol Rafinare S.A. (part of the KMG International Group) operates the Petromidia and Vega Refineries and holds a controlling position in the following companies:

directly:

- Rompetrol Downstream S.R.L. (holding 99.994688898%)
- ROM OIL S.A. (holding 99.9998505%);
- Rompetrol Quality Control S.R.L. (70.91%)
- Rompetrol Logistics S.R.L (holding 66.1911%)
- Rompetrol Petrochemicals S.R.L. (holding 100%)

directly:

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

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**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2020**

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As a result, the holdings of the shareholders of Rompetrol Rafinare S.A. they also automatically affect companies, where Rompetrol Rafinare holds a controlling position directly and indirectly. Rompetrol Rafinare operates the Petromidia refinery and the Vega refinery, Rompetrol Downstream operates the Rompetrol refueling network, and Rom Oil, the company's deposit network.

At the end of the first semester of 2020, the Company has two working points, namely:

- i) Working point located in Navodari, Navodari Boulevard, no. 1 - 283, Constanța county, called "*Rompetrol Rafinare - Petromidia Refinery working point*";
- ii) The working point located in Ploiești, str. Valeni no. 146, Prahova county, which carries out its activity in the space owned by the Company, called "*Rompetrol Rafinare - Vega Refinery working point*".

On April 29, 2020, based on Decision no. 4/2020 of the EGMS of April 29, 2020, it was approved the closure of the Working Point located in the TMUC site organization building, Office no. 1, located inside the Oil Terminal, South Platform Section, Constanta, called "*Rompetrol Rafinare - Constata Working Point*", due to the fact that the activity for which it was established no longer materialized because the excess of petroleum products that we expected to we focus on the deliveries from the Oil Terminal was absorbed by the commercialization and logistics possibilities existing at the level of the fiscal warehouse.

#### **4.1. Changes in the administration of the Company:**

- **Changes in the composition of the Board of Directors**

During the first semester of 2020, the following change took place at the level of the Board of Directors:

- *June 4, 2020*: pursuant to Decision no. 1 adopted by the Board of Directors, the appointment of Mr. Bogdan-Catalin Steriopol was approved, as a temporary member of the Board of Directors of the Company, following the request of Mr. Mihai-Liviu Mihalache to resign from the mandate of Director of the Company. Bogdan-Catalin Steriopol will exercise this quality until the date of adoption of the Decision of the next Ordinary General Meeting of the Company's Shareholders regarding the election of a new permanent director of the Company.

**The Directors of the Company in office on June 30, 2020** are as follows:



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- **Meraliyev Saduokhas**, Kazakh citizen, Chairman of the Board of Directors – Non-Executive Administrator;
- **Alexey Golovin**, Kazakh citizen, Member of the Board of Directors - Non-Executive Administrator;
- **Yedil Utekov**, Kazakh citizen, Member of the Board of Directors – Non-Executive Administrator;
- **Nicolae Bogdan Codrut Stanescu**<sup>1</sup>, Romanian citizen, Member of the Board of Directors, appointed by the Ministry of Energy – Independent Non-Executive Administrator.
- **Bogdan-Catalin Steriopol**<sup>2</sup>, Romanian citizen, temporary Member of the Board of Directors - Independent Non-Executive Administrator.

• **Committees set up at the level of the Board of Directors**

As of June 30, 2020, the Advisory Committees set up at the level of the Board of Directors are the following:

➤ **The Audit Committee having the following structure:**

- **Dan Alexandru Iancu**, financial auditor registered with the Romanian Chamber of Financial Auditors, independent member of the Audit Committee, elected based on OGMS Decision No. 5 of April 27, 2018 for a term equal to that of the Board of Directors, respectively from May 1, 2018 until April 30, 2022 - *Chairman*;
- **Alexey Golovin**, non-executive administrator, re-elected by Decision no. 3 adopted by the Board of Directors on May 3, 2018, for a term of 4 years, starting with May 1, 2018 and until April 30, 2022 - *Member*;
- **Nicolae Bogdan Codrut Stanescu**, independent non-executive administrator, appointed by Decision no. 3 adopted by the Board of Directors on May 3, 2018, for a term equal to that of the Board of Directors, respectively from May 1, 2018 until April 30, 2022 - *Member*.

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<sup>1</sup> Proposed in the Board of Directors of the Company by address no. 101409 / 12.04.2018 (registered with the Company under no. 3346 / 12.04.2018) formulated by the significant shareholder of the Romanian State through the Minister of Energy - Cabinet Minister (with the current name of the Ministry of Economy, Energy and Business Environment);

<sup>2</sup> Proposed in the Board of Directors of the Company by the significant shareholder Romanian State through the Minister of Economy, Energy and Business Environment.

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REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2020**

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➤ **The Strategy Committee having the following structure:**

- **Saduokhas Meraliyev**, non-executive director, elected by Decision no. 4 adopted by the Board of Directors on March 20, 2019, for a term starting with April 1, 2019 and until April 30, 2022 - *Chairman*;
- **Alexey Golovin**, non-executive administrator, elected by Decision no. 4 adopted by the Board of Directors on March 20, 2019, for a term starting with April 1, 2019 and until April 30, 2022- *Member*;
- **Nicolae Bogdan Codrut Stănescu**, independent non-executive administrator, elected by Decision no. 4 adopted by the Board of Directors on March 20, 2019, for a term starting with April 1, 2019 and until April 30, 2022 - *Member*.

• **Changes regarding the Executive Management**

In accordance with the provisions of the Articles of Association of the Company, the only functions to which the management of the company is delegated pursuant to the provisions of art. 143 of Law 31/1991 on companies are those of General Director and Financial Director. Any other position of Director within the company (Human Resources Director, Commercial Director, Administrative Director, IT Director, etc.), regardless of its name, does not involve the management of the company.

**During the period under review, there was a single change in the executive management structure of the Company, namely:**

- *January 1<sup>st</sup>, 2020*: pursuant to Decision adopted by the Board of Directors on December 18, 2019, the appointment of Mr. Felix Crudu-Tesloveanu was approved as General Manager of the Company, starting with January 1, 2020, following the request of Mr. Yedil Utekov to resign from the mandate and capacity of Director of the Company.

On June 30, 2020, the two directors to whom the management was delegated in the sense mentioned above, were:

<b>Name and surname</b>	<b>Function</b>
Felix Crudu-Tesloveanu	General Manager
Mircea Stefan Stanescu	Financial Manager

The members of the executive management exercise the positions held for a term that will expire on April 30, 2022 (together with the administrators who appointed them).

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- **Changes regarding the Financial Auditor of the Company**

**During the analyzed period, the Ordinary General Meeting of Shareholders of April 29, 2020 took place, which, by Resolution no. 3/2020 approved the appointment of ERNST & YOUNG ASSURANCE SERVICES S.R.L. (Romanian legal entity, headquartered in Bucharest, Bvd. Ion Mihalache, no. 15-17, Bucharest Tower Center Building, floor 21, Sector 1, registered at the Trade Register Office attached to the Bucharest Tribunal under no. J40 / 5964 / 1999, having CUI 11909783, having the authorization No. 77 of 15.08.2001, issued by the Chamber of Financial Auditors of Romania), having a permanent representative ION BOGDAN, Romanian citizen, domiciled in Bucharest, as financial auditor of the Company, for the financial year 2020, the duration of the audit contract being one year.**

**ROMPETROL RAFINARE S.A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2020**
**IMPORTANT EVENTS – FIRST SEMESTER 2020**
**4.2. RELATED PARTIES**

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured (except for some related parties loans), interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the exercise ended at June 30, 2020, the Company did not record any depreciation of the receivables referring to the amounts due to the related parties (2019: zero). This assessment is performed every year, by analyzing the financial position of the related party and the market in which it is carrying on its activity.

**A.** At 30 June 2020 and 31 December 2019, Rompetrol Rafinare SA had the following balances with the related parties:

	<b>Receivables and other assets</b>	
	<b>June 30, 2020</b>	<b>December 31, 2019</b>
KazMunayGas Trading AG	543,606,579	754,334,283
Rompetrol Downstream S.R.L.	395,434,416	547,599,327
Rompetrol Petrochemicals S.R.L.	481	481
KMG International N.V.	5,234,340	8,686,860
Rompetrol Gas SRL	4,537,549	42,544,087
Rompetrol Bulgaria JSC	2,675,841	16,016,832
Rominserv S.R.L.	14,709,339	14,108,866
Rompetrol Quality Control S.R.L.	138,181	146,912
Rompetrol Logistics S.R.L.	10,085	3,020
Midia Marine Terminal S.R.L.	880,560	951,546
Uzina Termoelectrica Midia S.A.	14,120,642	13,051,590
KMG Rompetrol SRL	66,404,345	7,277,980
Global Security Systems S.A.	607,024	606,694
Kazmunaygas – Engineering LLP (former Rominserv Kazakhstan(RKZ))	727,036	716,526
Palplast S.A.	3,399,745	3,499,745
Byron Shipping Ltd.	1,905	2,441
Rompetrol Ukraina	16,371	16,134
Oilfield Exploration Business Solutions S.A.	3,015,261	3,062,259
Rompetrol Financial Group SRL	10,872	10,728
KMG Rompetrol Services Center SRL	55,008	55,103
<b>Total</b>	<b>1,055,585,580</b>	<b>1,412,691,414</b>

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	<b>Payables, loans and other liabilities</b>	
	<b>June 30, 2020</b>	<b>December 31, 2019</b>
KazMunayGas Trading AG	2,787,078,472	3,138,358,824
Rompetrol Downstream S.R.L.	31,345,129	39,446,513
Rompetrol Petrochemicals S.R.L.	8,440,871	8,440,871
KMG International N.V.- loans(note14)	46,067,832	53,923,450
KMG International N.V.-interest	6,665,666	5,670,811
KMG International N.V.-interest hybrid loan	69,291,612	69,291,612
KMG International N.V.-trade debts	24,199,961	30,838,648
Rompetrol Gas SRL	3,576,193	3,549,340
Rompetrol Moldova ICS	53,798,221	7,849,029
Rominerv S.R.L.	295,235,787	87,755,381
Rompetrol Quality Control S.R.L.	14,738,198	13,287,728
Rompetrol Logistics S.R.L.	762,045	664,272
Midia Marine Terminal S.R.L.- loans(note14)	-	27,211,100
Midia Marine Terminal S.R.L.-interest	-	1,035,171
Midia Marine Terminal S.R.L.-trade debts	23,325,740	20,388,322
Uzina Termoelectrica Midia S.A.	27,297,347	31,350,852
KMG Rompetrol SRL- debt cash pooling	1,217,607,140	992,053,807
KMG Rompetrol SRL-interest cash pooling	3,546,477	4,136,452
KMG Rompetrol SRL-trade debts	18,770,166	38,528,222
Global Security Systems S.A.	622,358	611,947
KMG Rompetrol Development	1,677,754	2,582,822
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note14)	-	10,000,000
Rompetrol Financial Group SRL-interest	-	6,050,485
KMG Rompetrol Services Center SRL	1,680,154	1,488,149
Rompetrol Bulgaria JSC	489,065	481,994
TRG Petrol Ticaret Anonim Sirketi	10,346	10,346
<b>Total</b>	<b>4,636,226,601</b>	<b>4,595,006,214</b>

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the “Coordinating company” and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2021.

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

0 Name of related party	0 Nature of transaction , sales / purchases	Sales		Purchases	
		S1 2020	S1 2019	S1 2020	S1 2019
KazMunayGas Trading AG	Raw materials / Petroleum products	761,173,525	2,222,351,519	3,095,371,620	6,395,993,690
Rompetrol Downstream S.R.L.	Petroleum products, rent, utilities and other	1,637,698,567	2,513,702,924	1,068,032	1,115,152
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	-	8,555	-	-
KMG International N.V.	Loan interest, management services	-	-	6,200,554	10,202,419
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	126,098,446	215,478,195	1,918,008	579,981
Rompetrol Moldova ICS	Sales intermediary services	216,032,508	464,588,543	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	36,597,103	51,846,342	-	-
Rominerv S.R.L.	Acquisition and maintenance of fixed assets	1,432,080	1,376,195	389,973,523	139,899,070
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	743,497	1,164,551	15,308,611	14,580,252
Rompetrol Logistics S.R.L.	Transport, rent/Rent, utilities	5,972	8,084	82,162	82,162
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, re-invoicing, loan interest ,others	516,871	883,236	32,703,635	32,907,789
Rompetrol Well Services S.A.	Loan interest and others	-	-	232	799,095
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	37,313,149	44,484,976	61,279,830	56,666,002
KMG Rompetrol S.R.L.	Loan interest, management services	2,363,044	5,560,944	49,596,928	65,740,382
Global Security Systems S.A.	Security and protection services	921	756	4,064,614	5,559,737
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	12,134	20,086	76,401	2,440
Rompetrol Financial Group SRL	Loan interest	-	-	63,517	2,994,033
KMG Rompetrol Services Center SRL	Shared services	284,027	271,908	8,678,913	8,497,348
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	-	32,285	-	-
		<b>2,820,271,844</b>	<b>5,521,779,099</b>	<b>3,666,386,581</b>	<b>6,735,619,550</b>

The Ministry of Public Finance of Romania (“MFPR”) held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, based on a Government Ordinance, the Ministry of Economy Trade and Business Environment (“MECMA”) became shareholder until May 2013 when, following the reorganization of MECMA, the Ministry of Economy (“ME”) became the new shareholder. The ministry was later renamed as Ministry of Energy, Small- and Medium-sized Enterprises and Business Environment (“MEIMMMA”) and later on renamed as Ministry of Energy (“ME”). Its current name is Ministry of Economy, Energy and Business Environment (“MEEMA”) according to the OUG 68/11.06.2019.

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

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With regard to purchases in relation to related parties amounting to 3,666,386,581 lei registered in the first half of 2020 compared to 6,735,619,550 lei in the first half of 2019, they recorded a 46% decrease mainly due to transactions with KazMunayGas Trading AG, the main supplier of crude oil and other raw materials for Rompetrol Rafinare S.A. In the context of the decrease in the quantity of crude oil purchased and processed by the Company in the first half of 2020 compared to the same period in 2019, the value of transactions with KazMunayGas Trading AG decreased by almost 52% in the first 6 months of 2020 compared to the value recorded in the same period in 2019.

With regard to sales in relation to related parties of 2,820,271,844 lei recorded in the first half of 2020 compared to 5,521,779,099 lei in the first half of 2019, characterized by a decrease of 49%, these are mainly due to transactions in the sale of petroleum products. The main clients of Rompetrol Rafinare S.A. are represented by the parties KazMunayGas Trading AG, Rompetrol Downstream S.R.L, Rompetrol Gas SRL, Rompetrol Bulgaria and Rompetrol Moldova ICS. The decrease in transactions in relation to related parties in the first 6 months of 2020 compared to the same period of 2019 was determined by the conduct of the general turnaround carried out in March-April 2020 at the refineries operated by the Company, the reduction of production and quantities of petroleum products sold on the background of reduced demand on the market, as well as the significant reduction of the quotations on petroleum products on the international market in the context of the Covid-19 pandemic.

### **4.3. LEGAL ASPECTS**

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

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

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

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

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

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

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

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

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

Since the KMGI companies had no capacity in the file till 2016 and it seems the entire process (with minor exceptions) of gathering the evidences by DIICOT have been performed before May 2016, the Companies submitted on April 7, 2017 their own application for, on the one hand, evidences to be attached to the file in order to defend and on the other hand to be redone some evidences (such as expertise report) performed before 2016. No reply received yet from DIICOT on this topic.

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

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

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

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

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

A similar challenge was submitted on November 23, 2018. On December 4, 2018 the prosecutor agreed in principle with a partial release of the seizure provided that an expertise will be performed, and the final report will show that the value of the assets frozen exceed the alleged claims. The report was submitted to DIICOT on March 15, 2019. A new request for partial release of seizure was filled in on April 8, 2019.

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

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

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

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Chamber of Commerce, in line with the provisions of the treaties and with KMG companies' envisaged reliefs and measures to be obtained.

As 23/10/2019, all the shares seized back in May 2016 as well as the KMGI assets, and assets of Refinery located on the Vega, Ploiesti Platform and OEBS assets were released from seizure (on April 22, 2019). Therefore, the only assets still remaining under freezing orders are the ones of RRC located in Navodari on the Petromidia refinery Platform. On June 12 and July 29, 2019 the Group submitted another statement of defence by challenging the allegations mentioned within the case.

On December 5, 2019 DIICOT issued another Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. The seizure is lifted entirely but to protect the civil parties, namely Faber and State Authority which manages the State assets, a temporary seizure is kept up to \$106m over 4 RRC' installations for a limited period of 30 days. If the said civil parties will not fill in a civil claim to the civil courts against Group companies, this temporary seizure is also null and void. If they still do, then it is up to the civil court to assess the grounds for keeping such a seizure in place until the civil claim will be settled.

The ordinance is subject of challenge within 20 days. Both Faber and AAAS and the Group challenged it. The Group challenge filled in on December 27, 2019 concerns the relevant criminal charges to be dismissed on merits and not because of passing the status of limitation. On February 7, 2020 DIICOT rejected the Group challenge against December 5, 2019 Ordinance. The group submitted to Supreme Court challenge against the DIICOT rejection and the first hearing is scheduled for April 8, 2020. The last term was schedule for May 29, 2020 and the Court postpone it for June 26, 2020 to allow the parties to prepare their defences. On July 10, 2020, the Supreme Court issued the final decision according to which all the complaints formulated against the dismissal ordinance issued on December 5, 2019, issued in file no. 225 / D / P / 2006 by the PICCJ-DIICOT were rejected as inadmissible.

We noticed that Faber submitted a civil claim to the Bucharest court against both the Group companies and defendants. On May 25, the Bucharest Court rejected the request of Faber for settlement of the stamp fee that Faber should pay for its claim (for the time being is \$530,000). On July 8, Bucharest Court annulled Faber's claim as unstamped. On the other hand, Faber resumed one of the older files by which Faber challenged the increasing of the RRC share capital back in 2003-2005. The hearing is scheduled for April 14 but the case has been suspended due to the emergency enforced since March 16. The next hearing was settled for August 18, 2020.

#### **4.4. Other significant transactions**

Significant transactions in form of supplies of goods and services take place on a constant and regular basis with companies from KMG International Group.

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The standalone financial statements in this report are drafted in accordance with the Order of the Minister of Public Finance no. 2844/2016 for approval of the accounting regulations in compliance with the International Financial Reporting Standards and have not been audited

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Rompetrol Rafinare reported the legal documents concluded during the first semester of 2020 by the Company in accordance with art. 82 of Law no. 24/2017 and with art. 144 lit. B of the FSA Regulation no. 5/2018, through the current Reports registered at the Company with no. 4244 dated 25.06.2020 and no. 4722 dated 17.07.2020. The reports were sent to the market operator (respectively to the Bucharest Stock Exchange), posted on the company's website in the Investor Relations section [www.rompetrol-rafinare.ro](http://www.rompetrol-rafinare.ro), the Current Reports subsection as well as on the FSA website ([www.asfromania.ro](http://www.asfromania.ro)) in the section: Surveillance / Capital market / Electronic reporting.

Also, another major transaction concluded by the Company with the persons with whom it acts in concert or in which these persons were involved in the reported period of time, was the one subject to the approval of the Board of Directors according to the legal provisions and the provisions of the Articles of Association. February 20, 2019. According to the Decision of the Board of Directors from the above mentioned date, the conclusion of the Additional Act no. 1 to the Maintenance Services Contract no. 5 / 27.02.2019, respectively RIS no. 92 / 27.02.2019, between Rompetrol Rafinare S.A. (beneficiary of maintenance works) and ROMINSERV SRL (general contractor of the KMG International Group), having as object the acquisition by Rompetrol Rafinare S.A. of maintenance services for 2020, in the sense of implementing the maintenance budget for 2020, in the total amount of USD 24,205,662 (for the Petromidia and Vega refineries, as well as the Petrochemical Plant).

#### **4.5. Subsequent events**

Rompetrol Rafinare S.A credit facility in amount of EURO 30 million granted by Banca Transilvania was extended until July 30, 2021.

Rompetrol Rafinare S.A credit facility in amount of EURO 27,96 million granted by Banca Transilvania was extended until July 30, 2021.

Rompetrol Rafinare S.A new credit facility in amount of EURO 9 million granted by Banca Transilvania with maturity 26.04.2021.

#### **4.6. Amendment of the Articles of Association of the Company**

By Decision no. 4/2020 of the Extraordinary General Meeting of Shareholders of April 29, 2020 the amendment and updating of the Articles of Association of Rompetrol Rafinare SA were approved, in accordance with the Note presented to shareholders for this item on the agenda (item 1 of the EGMS agenda from April 29, 2020). The amendment concerns: the transfer made

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by the Bucharest Central Depository of the shares held by the Romanian State issued by Rompetrol Rafinare, from the Romanian State account through the Ministry of Energy to the Romanian State account through the Ministry of Economy, Energy and Business Environment as a result of implementing GEO no. 68/2019 and the updating of the corresponding articles of the Articles of Association of the Company, in this case sub-item 2) of article 1 called "Shareholders", point 1.1., Letter A. "Significant shareholders" of the Articles of Association of the Company as follows:

**"2) The Romanian State represented by the Ministry of Economy, Energy and Business Environment holds 19,715,009,053 shares, fully paid, amounting to RON 1,971,500,905.3, representing 44.6959% of the share capital;"**;

**5. MAIN FINANCIAL INDICATORS AS OF 30.06.2020**

Indicators	Calculation	U.of M	Value 30.06.2020 <sup>*)</sup>
<b>1. Current liquidity indicator</b>	Current assets/Current liabilities	X	0.36
<b>2. Debt liquidity indicator</b>			
2.1. Debt ration indicator (1)	Borrowed capital/Own capital x 100	%	32.34
2.2. Debt ratio indicator (2)	Borrowed capital/Committed capital x 100	%	24.44
<b>3. Rotation tempo of debits – clients</b>	Average balance for receivables/Revenues x 180	Days	60.92
<b>4. Assets rotation tempo <sup>**) </sup></b>	Revenues/Non current assets		1.40

<sup>\*)</sup> Based on the Individual Interim Financial Accounting on the date and for the period of 6 months closed on June 30, 2020;

<sup>\*\*)</sup>  Assets rotation tempo este is calculated by the analisys of the quarterly turnover (360 days/180 days).

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## 6. ANNEX

### Annex 1 – Statement of financial position as of 30 June 2020

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Intangible assets	23,677,497	22,713,799
Goodwill	152,720	152,720
Property, plant and equipment	3,764,565,258	3,516,851,506
Rights of use assets	5,099,298	9,018,898
Investments in subsidiaries	1,629,020,055	1,629,020,055
Deferred tax asset	110,131,585	110,131,585
<b>Total non current assets</b>	<b>5,532,646,413</b>	<b>5,287,888,563</b>
Inventories, net	510,084,593	822,822,149
Receivables and prepayments, net	1,316,885,432	1,784,692,732
Derivative Financial Instruments	25,983,033	2,585,313
Cash and cash equivalents	38,983,236	22,373,528
<b>Total current assets</b>	<b>1,891,936,294</b>	<b>2,632,473,722</b>
<b>TOTAL ASSETS</b>	<b>7,424,582,707</b>	<b>7,920,362,285</b>
Subscribed share capital	4,410,920,573	4,410,920,573
Share premium	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	519,292,756	533,398,479
Other reserves	3,412,104,525	3,386,268,737
Accumulated losses	(6,581,135,134)	(6,242,510,389)
Current year result	(592,114,118)	(352,730,468)
<b>Total equity</b>	<b>1,401,705,709</b>	<b>1,967,984,039</b>
Hybrid loan - long-term portion	69,291,612	69,291,612
Long-term borrowings from banks	384,044,361	613,184,904
Provisions	342,060,438	342,060,438
Long-term lease debts	2,538,226	5,368,671
<b>Total non-current liabilities</b>	<b>797,934,637</b>	<b>1,029,905,625</b>
Trade and other payables	5,037,010,466	4,701,068,748
Contract liabilities	92,770,723	47,196,182
Short-term lease debts	4,581,610	6,451,650
Derivatives	60,412	15,786,131
Short-term borrowings from related parties	52,733,499	103,891,017
Short-term borrowings from banks	37,785,652	48,078,893
<b>Total current liabilities</b>	<b>5,224,942,361</b>	<b>4,922,472,621</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,424,582,707</b>	<b>7,920,362,285</b>

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**Annex 2 – Profit and loss account for the 6-month period closed on June 30, 2020 profit and loss**
**Lei**

	<b>January - June 2020</b>	<b>January - June 2019</b>
Net revenues from contracts with customers	3,882,494,802	7,247,881,365
Cost of sales	(4,127,279,901)	(7,110,502,660)
<b>Gross profit/(loss)</b>	<b>(244,785,099)</b>	<b>137,378,705</b>
Selling, general and administrative expenses	(197,125,528)	(159,788,304)
Other operating expenses	(161,787,932)	(27,571,235)
Other operating income	166,669,520	62,312,243
<b>Operating profit/(loss)</b>	<b>(437,029,040)</b>	<b>12,331,409</b>
Financial expenses	(98,178,166)	(105,982,484)
Financial revenues	9,110,068	11,312,236
Net foreign exchange gains / (losses)	(66,016,980)	(55,872,680)
<b>(Loss) before income tax</b>	<b>(592,114,118)</b>	<b>(138,211,518)</b>
Deferred tax	-	-
<b>Net (Loss)</b>	<b>(592,114,118)</b>	<b>(138,211,518)</b>
<b>Earnings per share (<i>bani/share</i>)</b>	<b>(1.34)</b>	<b>(0.31)</b>
<b>Basis</b>		

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**Anexa 3 – Cash flow**

	June 30, 2020	June 30, 2019
<b>Net result before income tax</b>	<b>(592,114,118)</b>	<b>(138,211,518)</b>
<i>Adjustments for:</i>		
Depreciation and amortisation	170,663,763	167,312,240
Provisions for receivables and inventories (incl write-off)	(4,563,222)	(34,182,053)
Expenses with penalties	42,535	772,998
Interest expenses	98,178,166	105,982,484
Interest income	(9,110,068)	(10,433,104)
Income from dividends	-	(437,106)
Other non-monetary adjustments	2,391,239	-
Unrealised foreign exchange (gain)/loss	10,523,785	(78,114,626)
<b>Cash generated from / (utilized in) operations before working capital changes</b>	<b>(323,987,920)</b>	<b>12,689,315</b>
<i>Net working capital changes in:</i>		
Receivables and prepayments	508,974,219	(208,360,585)
Inventories	317,454,292	(184,947,475)
Trade and other payables and contract liabilities, including payables variation for capital expenditures	167,925,290	533,511,602
<b>Change in working capital</b>	<b>994,353,801</b>	<b>140,203,542</b>
Cash receipt / (payments) for derivatives, net	(7,418,747)	(251,109)
<b>Net cash provided by/(used in) operating activities</b>	<b>662,947,134</b>	<b>152,641,748</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(414,750,434)	(95,908,688)
Purchase of intangible assets	(3,062,416)	(441,898)
<b>Net cash used in investing activities</b>	<b>(417,812,850)</b>	<b>(96,350,586)</b>
<b>Cash flows from financing activities</b>		
Cash pooling receipt / (payments), net	166,715,337	309,564,975
Short - term loans received / (repaid) from /to banks	(10,208,223)	(56,129,429)
Long - term loans received / (repaid) from/to banks	(238,360,396)	99,126,521
Short - term loans repaid to shareholders and related parties	(43,677,500)	(301,893,603)
Repayment / remeasurement of lease liabilities	(5,001,169)	(1,529,874)
Interest and bank charges paid, net	(97,992,626)	(105,982,484)
<b>Net cash from / (used in) financing activities</b>	<b>(228,524,576)</b>	<b>(56,843,894)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>16,609,708</b>	<b>(552,732)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>22,373,528</b>	<b>19,450,444</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>38,983,236</b>	<b>18,897,712</b>



**rompetrol**

KazMunayGas  
Group  
Member

**ROMPETROL RAFINARE S.A.  
REPORT OF THE BOARD OF DIRECTORS FOR THE 1<sup>st</sup> HALF OF 2020**

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***Notă:***

***I) During the period under review the Articles of Association of the Company was changed on April 30, 2020 as described in section 5.5.***

***II) We would like to specify that the individual financial statements have been prepared in accordance with International Financial Reporting Standards and have not been audited.***

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

DocuSigned by:  
  
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Saduokhas MERALIYEV

**General Manager**

DocuSigned by:  
  
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Felix CRUDU-TESLOVEANU

**Financial Manager**

DocuSigned by:  
  
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Mircea-Ştefan STANESCU