

**ROMPETROL RAFINARE S.A.**

**STANDALONE FINANCIAL STATEMENTS**

**Prepared in compliance with**

Order of the Minister of Public Finance no. 2844/2016

For approval of the accounting regulations in compliance with  
the International Financial Reporting Standards

**31 DECEMBER 2020**

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Rompetrol Rafinare S.A.

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Rompetrol Rafinare S.A. (the Company) with official head office in 215 Navodari Boulevard, Administrative Pavilion, 907500 - Navodari, Romania, identified by sole fiscal registration number RO1860712, which comprise the statement of financial position as at December 31, 2020, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 2b to the financial statements which indicates that, as of 31 December 2020, the Company had net assets of RON 1,336 million and share capital of RON 4,411 million. In accordance with the requirements of Romanian Company Law (Law 31/1990 and subsequent amendments) if a company has net assets less than 50% of its share capital, as the Company has, action should be taken by the Directors and shareholders to rectify the situation.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<b><i>Impairment testing of property, plant and equipment, right of use assets and investment in subsidiaries</i></b>	
Disclosures on property, plant and equipment, right of use assets and investments in subsidiaries, including the related impairment, are included in Note 2. e), Note 5, Note 6 and Note 7 respectively.	
<p>Property, plant and equipment of RON 3,624 million, rights of use assets of RON 58 million and investments in subsidiaries of RON 1,629 million are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2020.</p> <p>The recent drop in oil prices which started in the first half of 2020, given also the economic situation generated by the Covid-19 pandemic, had a significant effect on the Company's performance and therefore impairment indicators were identified.</p> <p>Under the International Financial Reporting Standards, an entity is required to assess at least at each reporting date, whether triggers for potential impairment or reversal of impairment previously recorded exist and, if they exist, an impairment test is required. The assessment of whether there is an indication that an asset may be impaired, or an impairment may be reversed requires significant judgement,</p>	<p>We evaluated the management's assessment of the triggers for potential impairment as well as the related impairment tests. Specifically, our audit work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>• we considered whether the impairment testing covered all significant cash generating units/individual assets for which impairment indicators existed at the end of the reporting period;</li> <li>• we evaluated the management's assessment of impairment indicators for investments in subsidiaries by considering whether the assessment covered all significant investments for which impairment indicators could have existed at the end of the reporting period as well as management's assessment of the recoverability of the carrying value of investments for which triggering events were identified</li> <li>• we compared the future short and long-term oil and gas prices and product margins used in the Company's budgets to consensus analyst's forecasts;</li> </ul>

<p>as it involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.</p> <p>The impairment assessment process is complex, requires significant management judgments and is based on assumptions that are affected by expected future market conditions including uncertainty around Covid-19 developments.</p> <p>As of 31 December 2020, the management has performed a triggering events analysis and performed separate impairment testing in respect of the two CGUs' identified (Refinery and Petrochemicals) for property, plant and equipment and right of use assets.</p> <p>Furthermore, an assessment of impairment indicators has been made for the investments in the Company's subsidiaries. As a result, an impairment test for investments in Downstream CGU was performed.</p> <p>The impairment assessment indicated that the recoverable amount was higher than the carrying value, and therefore no impairment adjustment was required.</p> <p>In light of the judgements and estimates used by management in the determination of future cash flow projections and uncertainties regarding current and future economic environment this is considered a key audit matter.</p>	<ul style="list-style-type: none"> <li>• we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance in prior years;</li> <li>• we assessed the consideration of Covid-19-pandemic impact in the cash flow models;</li> <li>• we involved our internal valuation specialists to assist us in evaluating the key assumptions and the methodologies used by the Company for the impairment testing of property, plant and equipment, right of use assets and investment in subsidiaries. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows for the respective CGUs (such as expected sale prices, production/sales volumes, operating profit, discount rate, growth rate working capital changes, etc.) by analyzing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Company;</li> <li>• we checked the mathematical accuracy of the management's cash flow models for determining the fair value less cost of disposal and its conformity with the requirements of the International Financial Reporting Standards.</li> </ul> <p>Furthermore, we assessed the adequacy of the Company's disclosures about property, plant and equipment, right of use assets, investment in subsidiaries, including the related impairment testing.</p>
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Key audit matter	How our audit addressed the key audit matter
<b>Recoverability of deferred tax assets</b>  Disclosures about deferred tax assets are included in Note 2. f) and Note 23.	
<p>As at 31 December 2020, the Company has a net deferred tax liability position of RON 9 million that includes a deferred tax asset of RON 136 million resulting from tax losses carried forward as presented in Note 23 to the financial statements.</p> <p>The assessment for recoverability of deferred tax assets is significant to our audit due to the magnitude of the amounts involved and the subjective judgments of Company's management in making these estimates, which is impacted by uncertainties regarding the likely timing and level of future taxable profits, together with the expiration date of carried forward tax losses.</p> <p>The Company recognizes these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.</p>	<p>Our audit procedures included among others, evaluation of the Company's assumptions in relation to the availability of sufficient future taxable profits based on the business plans and the forecast, discussions of underlying judgements with the Company's management, timing of future deductions and summaries of tax losses' expiry dates. In addition, we assessed the historical accuracy of management's estimates by comparing budgeted and actual data. We evaluated the consistency of these forecasts with the long-term business plans used by management to manage and monitor the performance of the business, including review of sensitivity analysis.</p> <p>Our internal tax specialists were involved, as appropriate, in reviewing different taxation areas for the scope of our audit and the effect of any relevant evaluations was taken into consideration in our assessment of the future taxable profits.</p> <p>Furthermore, we assessed the adequacy of the Company's disclosures regarding deferred tax assets.</p>

Key audit matter	How our audit addressed the key audit matter
<b>Completeness and measurement of provisions for litigations</b>  Disclosures about litigations are included in Note 27 and Note 28.	
<p>The Company is involved in various and significant litigations, including in relation to regulatory and / or governmental proceedings as well as investigations by tax authorities which are disclosed in Note 27 and Note 28 to the financial statements. This area is significant to our audit due to the inherent uncertainties over the final outcome of these litigations, complexity of the cases and the significant judgement applied by the management in estimating the final outcome of such assessments and exposures (i.e. whether</p>	<p>Our audit procedures included, among others, obtaining legal confirmations from the Company's external lawyers advising on these matters and also supporting documentation from the Company's internal legal counsel regarding the status of these litigations. We have inspected the minutes of the Board of Directors' meetings and held periodic meetings with management to discuss and understand the developments in legal proceedings and the management assumptions and judgement in respect of these matters.</p>

<p>a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated).</p> <p>Due to the significance and complexity of these litigations, adverse outcomes could potentially significantly impact the Company's reported financial performance and financial position.</p>	<p>We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. We assessed the competence, objectivity and independence of external lawyers. Our internal specialists were involved, where appropriate, to assist us to analyze the legal cases and the assumptions made by management.</p> <p>We further evaluated the adequacy of disclosures regarding provisions recognized and contingencies resulting from legal proceedings.</p>
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## Other information

The other information comprises the Individual Annual Report of the Board of Directors and the Sustainability report but does not include the financial statements and our auditors' report thereon. We obtained the Individual Annual Report of the Board of Directors prior to the date of our auditor's report, and we expect to obtain the Sustainability Report after the date of our auditor's report. Management is responsible for the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

## **Report on Other Legal and Regulatory Requirements**

### **Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon**

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Individual Annual Report of the Board of Directors, we have read the Administrators' Report and report that:

- a) in the Individual Annual Report of the Board of Directors we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2020;
- b) the Individual Annual Report of the Board of Directors identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 - 19;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2020, we have not identified information included in the Individual Annual Report of the Board of Directors that contains a material misstatement of fact.

### **Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council**

#### **Appointment and Approval of Auditor**

We were appointed as auditors of the Company by the General Meeting of Shareholders on April 29, 2020 to audit the financial statements for the financial year end December 31, 2020. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 13 years, covering the financial periods ended December 31, 2008 to December 31, 2020.

### Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

### Provision of Non-audit Services


No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the Individual Annual Report of the Board of Directors and in the financial statements, there are no other services which were provided by us to the Company, and its controlled undertakings.

On behalf of,

#### Ernst & Young Assurance Services SRL

15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania  
Registered in the electronic Public Register under No. FA77



Name of the Auditor/Associate Partner: Carmen Spiridon  
Registered in the electronic Public Register under No. AF4838  
Bucharest, Romania  
26 March 2021



**ROMPETROL RAFINARE S.A.**  
**Standalone Financial Statements**

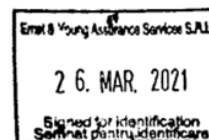
Prepared in compliance with the Order of the Minister of Public Finance no. 2844/2016  
**as at 31 December 2020**

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF THE FINANCIAL POSITION**  
**as at 31 December 2020**

(all amounts expressed in Lei ("RON"), unless otherwise specified)



	Notes	31 December 2020	31 December 2019
Intangible assets	3	26,873,710	22,713,799
Goodwill	4	152,720	152,720
Property, plant and equipment	5	3,623,946,290	3,516,851,506
Rights of use assets	6	58,002,943	9,018,898
Investments in subsidiaries	7	1,629,020,055	1,629,020,055
Deferred tax asset	23	-	110,131,585
<b>Total non current assets</b>		<b>5,337,995,718</b>	<b>5,287,888,563</b>
Inventories, net	8	527,073,050	822,822,149
Receivables and prepayments, net	9	1,167,390,890	1,784,692,732
Derivative Financial Instruments	30	-	2,585,313
Cash and cash equivalents	10	365,595,493	22,373,528
<b>Total current assets</b>		<b>2,060,059,433</b>	<b>2,632,473,722</b>
<b>TOTAL ASSETS</b>		<b>7,398,055,151</b>	<b>7,920,362,285</b>
Subscribed share capital	11	4,410,920,573	4,410,920,573
Share premium	11	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	11	509,938,277	533,398,479
Other reserves	11	3,395,246,289	3,386,268,737
Accumulated losses		(6,567,312,044)	(6,242,510,389)
Current year result		(645,823,057)	(352,730,468)
<b>Total equity</b>		<b>1,335,607,145</b>	<b>1,967,984,039</b>
Hybrid loan - long-term portion	11	-	69,291,612
Long-term borrowings from banks	15	570,759,324	613,184,904
Provisions	17	297,034,901	342,060,438
Long-term lease debts	16	56,981,732	5,368,671
Deferred tax liability	23	9,417,626	-
<b>Total non-current liabilities</b>		<b>934,193,583</b>	<b>1,029,905,625</b>
Trade and other payables	12	4,774,877,899	4,701,068,748
Contract liabilities	13	91,363,247	47,196,182
Short-term lease debts	16	2,542,555	6,451,650
Derivative Financial Instruments	30	617,651	15,786,131
Short-term borrowings from related parties	14	48,949,030	103,891,017
Short-term borrowings from banks	14	209,904,041	48,078,893
<b>Total current liabilities</b>		<b>5,128,254,423</b>	<b>4,922,472,621</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,398,055,151</b>	<b>7,920,362,285</b>

The standalone financial statements have been endorsed by the Company's Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of shareholders on 28 April 2021 by:

**YEDIL UTEKOV**

Chairman of the Board of Directors

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**RAMONA GEORGIANA GALATEANU**

Financial Manager

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**FELIX CRUDU-TESLOVEANU**

General Manager

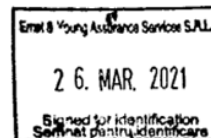
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**Prepared by, Alexandru Cornei Anton**

Chief Accountant

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Explanatory notes from 1 to 31 are part of these financial statements  
 English translation is for information purposes only. Romanian language text is the official text for suit

**ROMPETROL RAFINARE S.A.****INCOME STATEMENT****for the financial year ended 31 December 2020***(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	January – December 2020	January – December 2019
Net revenues from contracts with customers	18	8,275,110,517	14,750,359,139
Cost of sales	19	(8,646,900,936)	(14,411,331,213)
<b>Gross profit / (loss)</b>		<b>(371,790,419)</b>	<b>339,027,926</b>
Selling, general and administrative expenses	20	(343,120,147)	(344,429,727)
Other operating expenses	21	(323,102,822)	(59,734,969)
Other operating income	21	402,984,304	129,868,139
<b>Operating profit / (loss)</b>		<b>(635,029,084)</b>	<b>64,731,369</b>
Financial expenses	22	(182,465,147)	(235,486,607)
Financial revenues	22	86,748,261	22,779,343
Net foreign exchange gains / (losses)	22	208,940,736	(145,469,631)
<b>Loss before income tax</b>		<b>(521,805,234)</b>	<b>(293,445,526)</b>
Deferred tax	23	(124,017,823)	(59,284,942)
<b>Net Loss</b>		<b>(645,823,057)</b>	<b>(352,730,468)</b>
<b>Earnings per share (money/share) Basis</b>	26	(1.46)	(0.80)

The standalone financial statements have been endorsed by the Company's Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of shareholders on 28 April 2021 by:

**YEDIL UTEKOV**

Chairman of the Board of Directors

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**RAMONA GEORGIANA GALATEANU**

Financial Manager

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**FELIX CRUDU-TESLOVEANU**

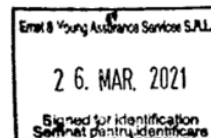
General Manager

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prepared by, **Alexandru Cornel Anton**  
 ef Accountant

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the financial year ended 31 December 2020**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*


	January – December 2020	January – December 2019
<b>Net Loss</b>	<b>(645,823,057)</b>	<b>(352,730,468)</b>
<b>Other comprehensive income</b>	-	-
<i>Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):</i>	-	-
Gains / (losses) from derivatives	-	(6,179,009)
<b>Total comprehensive income to be reclassified income statement in subsequent periods (net of tax):</b>	<b>-</b>	<b>(6,179,009)</b>
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</i>		
Actuarial gain / (losses) relating to retirement benefits	8,977,552	(16,512,245)
<b>Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</b>	<b>8,977,552</b>	<b>(16,512,245)</b>
<b>Total other comprehensive result for the year, net of tax</b>	<b>8,977,552</b>	<b>(22,691,254)</b>
<b>Total comprehensive result for the year, net of tax</b>	<b>(636,845,505)</b>	<b>(375,421,722)</b>

The standalone financial statements have been endorsed by the Company's Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of shareholders on 28 April 2021 by:

**YEDIL UTEKOV**  
Chairman of the Board of Directors

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**FELIX CRUDU-TESLOVEANU**  
General Manager

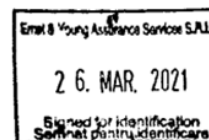
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**RAMONA GEORGIANA GALATEANU**  
Financial Manager

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**Prepared by, Alexandru Cornel Anton**  
Chief Accountant

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF CASH FLOWS**
**For the financial year ended 31 December 2020**
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*


	Notes	31 December 2020	31 December 2019
<b>Net result before income tax</b>		<b>(521,805,234)</b>	<b>(293,445,526)</b>
<i>Adjustments for:</i>			
Depreciation and amortization	19, 20	373,391,169	367,196,858
Provisions for receivables and inventories (incl write-off)	21	(8,811,513)	(45,434,626)
Provision for environmental liabilities and litigations	17	(38,516,625)	(23,254,697)
Restructuring and retirement benefit provisions	17	(5,719,771)	(312,493)
Expenses with penalties		76,447	819,800
Interest expenses		174,276,738	220,886,585
Interest income		(85,938,636)	(21,719,706)
Income from dividends		(809,625)	(437,106)
Other non-monetary adjustments		(791,387)	-
Unrealized foreign exchange (gain)/loss	22	(18,121,459)	(47,301,537)
<b>Cash generated from / (used in) operations before working capital changes</b>		<b>(132,769,896)</b>	<b>156,997,552</b>
<i>Net working capital changes in:</i>			
Receivables and prepayments		602,451,271	(281,764,898)
Inventories		308,523,505	38,870,468
Trade and other payables and contract liabilities, including payables variation for capital expenditures		(319,185,398)	246,797,868
<b>Change in working capital</b>		<b>591,789,378</b>	<b>3,903,438</b>
<b>Net cash provided by operating activities</b>		<b>459,019,482</b>	<b>160,900,990</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(471,594,487)	(253,881,014)
Purchase of intangible assets		(9,970,727)	(6,609,174)
Dividends received		809,625	437,106
Interest received		-	21,120,371
<b>Net cash used in investing activities</b>		<b>(480,755,589)</b>	<b>(238,932,711)</b>
<b>Cash flows from financing activities</b>			
Cash pooling movement		445,630,333	594,719,063
Short - term loans received from banks		71,591,383	321,656,415
Short - term loans repaid to banks		-	(383,452,125)
Long - term loans received from banks		69,454,582	99,126,521
Short - term loans (repaid to) / received from shareholders and related parties		(43,677,500)	(301,893,603)
Lease repayments		(4,383,624)	(7,194,511)
Interest and bank charges paid, net		(173,657,102)	(242,006,956)
<b>Net cash from financing activities</b>		<b>364,958,072</b>	<b>80,954,805</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>343,221,965</b>	<b>2,923,084</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>365,595,493</b>	<b>22,373,528</b>

The standalone financial statements have been endorsed by the Company's Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of shareholders on 28 April 2021 by:

**YEDIL UTEKOV**

Chairman of the Board of Directors

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**RAMONA GEORGIANA GALATEANU**

Financial Manager

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**FELIX CRUDU-TESLOVEANU**

General Manager

DocuSigned by:  
  
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**Prepared by, Alexandru Cornel Anton**

Chief Accountant

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the financial years ended 31 December 2020 and 31 December 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
<b>1<sup>st</sup> of January 2019</b>							
Result carried out from application IFRS 16	4,410,920,573	232,637,107	(6,279,313,076)	674,938,770	(107,990,204)	3,408,959,991	2,340,153,161
<b>Restated opening balance at 1<sup>st</sup> of January 2019</b>	-	-	(3,137,893)	-	-	-	(3,137,893)
<b>Net loss for 2019</b>	4,410,920,573	232,637,107	(6,282,450,969)	674,938,770	(107,990,204)	3,408,959,991	2,337,015,268
Revaluation reserves	-	-	(352,730,468)	-	-	-	(352,730,468)
Deferred tax on the revaluation reserve	-	-	39,940,580	(39,940,580)	-	-	-
Actuarial gain/losses related to retirement benefits	-	-	-	-	6,390,493	-	6,390,493
Gains/losses related to derivative financial instruments	-	-	-	-	-	(16,512,245)	(16,512,245)
<b>Total other comprehensive income for 2019</b>	-	-	-	-	-	(6,179,009)	(6,179,009)
	-	-	-	-	-	(22,691,254)	(22,691,254)
<b>Total comprehensive income for 2019</b>	-	-	-	-	-	-	-
<b>31<sup>st</sup> of December 2019</b>	4,410,920,573	232,637,107	(6,595,240,857)	634,998,190	(101,599,711)	3,386,268,737	1,967,984,039
	4,410,920,573	232,637,107	(6,595,240,857)	634,998,190	(101,599,711)	3,386,268,737	1,967,984,039
<b>1<sup>st</sup> of January 2020</b>	4,410,920,573	232,637,107	(6,595,240,857)	634,998,190	(101,599,711)	3,386,268,737	1,967,984,039
<b>Net loss for 2020</b>	-	-	(645,823,057)	-	-	-	(645,823,057)
Actuarial gain/losses related to retirement benefits	-	-	-	-	-	8,977,552	8,977,552
<b>Total other comprehensive income for 2020</b>	-	-	-	-	-	8,977,552	8,977,552
<b>Total comprehensive income for 2020</b>	-	-	(645,823,057)	-	-	8,977,552	(636,845,505)
Revaluation reserves transferred to retained earnings	-	-	27,928,813	(27,928,813)	-	-	-
Deferred tax on the revaluation reserve	-	-	-	-	4,468,611	-	4,468,611
<b>31<sup>st</sup> of December 2020</b>	4,410,920,573	232,637,107	(7,213,135,101)	607,069,377	(97,131,100)	3,395,248,289	1,335,607,145

The standalone financial statements have been endorsed by the Company's Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of shareholders on 28 April 2021 by:

**YEDIL UTEKOV**  
Chairman of the Board of Directors  
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*Yedil Utekov*  
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**FELIX CRUDU-TESLOVEANU**  
General Manager  
DocuSigned by:

*Felix Crudu Tesloveanu*  
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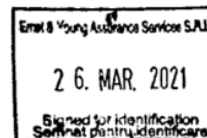
**RAMONA GEORGIANA GALATEANU**  
Financial Manager  
DocuSigned by:

*Ramona Galateanu*  
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**Prepared by, Alexandru Cornel Anton**  
Chief Accountant  
DocuSigned by:

*Alexandru Anton*  
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Emis la Young & Rubicam Services S.A.L.  
26. MAR. 2021  
Signed for Identification  
SARL - at printing/identification



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

## 1. GENERAL

Rompetrol Rafinare S.A. (hereinafter referred to as "the Company" or "Rompetrol Rafinare") is a company incorporated under Romanian laws. The Company operates two refineries Petromidia and Vega and also a petrochemical plant. Petromidia Refinery is the one with the highest capacity (of 5 million tons/annum, nameplate capacity) and the only Romanian refinery at the Romanian Black Sea shore, which processes exclusively imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975 and 1977 and was further upgraded in the early '90s and between 2005 - 2012. Vega refinery was built in 1905 and upgraded in the following decades.

Rompetrol Rafinare S.A. production facilities are located in Romania. The number of employees of the Company as at 31 December 2020 is 1,119, respectively 1,157 as at 31 December 2019.

The registered address of Rompetrol Rafinare S.A. is 215 Navodari Blvd., Constanta, Romania.

Rompetrol Rafinare S.A. is a joint stock company listed in the Bucharest Stock Exchange since 2004.

The Company is a part of the KMG International N.V Group. The consolidated financial statements are prepared at the level of the parent company KMG International N.V., with the head office located at World Trade Center, Strawinskylaan 807, Tower A, 8th Floor, 1077 XX, Amsterdam, The Netherlands. These annual financial statements are public. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS').

The ultimate parent of the KMG International N.V. is the company "National Welfare Fund Samruk Kazyna" JSC, an entity with its headquarters in Kazakhstan.

The company also prepares consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS') that have a public character and are available on the website of the company, <https://rompetrol-rafinare.kmginternational.com/>, at the section Relation with Investors.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation and statement of compliance

Effective as of 31 December 2012, the standalone financial statements of the Company are prepared in accordance with the Order of the Minister of Public Finance no. 1286/2012 subsequently amended by Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting regulations in compliance with the International Financial Reporting Standards applicable to the companies whose shares are accepted for transaction on a regulated market. These stipulations are compliant with the requirements of the International Financial Reporting Standards as approved by the European Union, except the regulations of IAS 21, *the Effects of the exchange rate variation* with regards to the functional currency.

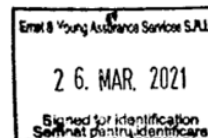
For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON). For the purpose of the consolidated financial statements the Company has considered its functional currency to be USD, in accordance with IAS 21.

The standalone financial statements were prepared based on the historical cost, except for financial instruments and buildings category which are presented at the fair value in the account of profit and loss, and in the statement of other comprehensive income, respectively.

The standalone financial statements are prepared in RON and all the values are rounded up to the closest amount in lei, if not otherwise indicated.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**

*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **b) The going concern**

The financial statements of the Company are prepared on a going concern basis. As at 31 December 2020 and 31 December 2019, the Company net assets amount to RON 1,336 million and RON 1,968 million, respectively. For the years ending 31 December 2020 and 31 December 2019, the Company reported losses of RON 645.8 million and RON 352.7 million, respectively.

The accumulated losses recorded until present are due to the fact that the Company was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years, but, considering the massive investment trend of the last periods combined with an improvement in market conditions the Company is aiming for future positive financial results which will decrease the cumulated loss recorded so far.

The strategy for the following years is a mix of projects for optimization of production and energy costs, optimum utilization of refining capacity and improvement of production yields. In order to improve the financial performance, the following measures have been taken:

- Reducing the refinery costs for the purpose of rendering the processes efficient and increasing profitability;
- Improvement of the product mix in order to increase the share of higher margin products.

Management estimates that the evolutions mentioned above, will lead to an improvement of the Company's capacity to sustain its ongoing operations.

In 2020 the Company has updated a medium-term development strategy that reflects the decreased demand for refined products and the impacts associated with Covid-19 and other factors on the demand for refined products. Crude oil prices have been revised to reflect the lower, post-Covid-19 prices currently prevailing and anticipated for 2021, and revised views of oil prices in the longer term.

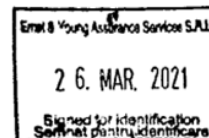
As of 31 December 2020, the Company is in net current liability position of RON 3,068 million. The Company's position of current liability higher than the current assets, is mainly generated by the net liability position in relation to the crude oil supplier of Rompetrol Rafinare SA, respectively the trader of the KMG International Group, with which the Company also operates the vast majority of export sales of petroleum products. The net position towards it does not derive from the lack of debt coverage capacity. Thus, based on the crude oil purchase agreement, the Company benefits from extended commercial credits having payment terms of up to 120 days and the possibility of extending up to another 120 days of payment terms, by using the financing facilities made available by the supplier through specialized banking institutions in the field. Thus, the Company's activity can be carried out under optimum conditions, the supply of crude oil being ensured through the trader of the KMG International Group.

The Company's net asset amounting to RON 1,336 million as at 31 December 2020 (2019: RON 1,968 million) continues to be at a level lower than a half of the value of share capital (amounting to RON 4,410 as at 31 December 2020) and the Company's management takes the necessary steps to regulate this situation within the timeframe stipulated by the law, based on the stipulations of art.153.24 of company Law no.31/1990, as subsequently amended and in accordance with the statutory decisions adopted. In this regard, the Company's management prepares a plan with several proposed options in order to remediate the situation, and this is to be submitted to the shareholders' decision.

On 19 March 2021, the Company received a letter of support from its main shareholder, KMG International NV, valid for the next 12 months from the date of approval of the financial statements.. Management believes that the support from KMG International NV and banks is sufficient to enable the Company to continue its operations and settle its obligations in the ordinary course of business without substantial disposal of assets, externally forced, reversing of its operations or similar actions.

Considering the Company's plans for 2021, as well as other aspects mentioned above, it is considered that the preparation of financial statements is made under going concern basis.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) Changes in accounting policies

#### New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective as of 1 January 2020:

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020. Management has assessed there is no material impact at Company's level from application of this standard.

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Company's level from application of this standard.

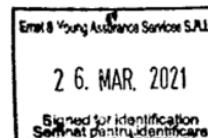
- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed there is no material impact at Company's level from application of this standard.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has assessed there is no material impact at Company's level from application of this amendments.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### d) Standards issued but not yet effective and are not early adopted

The Company has not early adopted the following standards/interpretations:

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management is in process of assessing the impact at Company's level from application of this amendments.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

The amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Company's level from application of this amendments.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

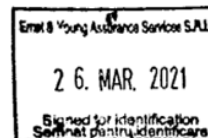
The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

Management has assessed there is no material impact at Company's level from application of this amendments.



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. Management is in process of assessing the impact at Company's level from application of this amendments.

### e) Significant professional judgements, estimates and assumptions

The preparation of the financial statements requires that the management should issue professional judgments, estimates and assumptions that affect the reported amounts of revenues and expenses, of assets and liabilities and the disclosure of contingent liabilities at the reporting date. The estimates and associated assumptions are based on the previous experience and on other factors considered relevant. However, uncertainty about these forecasts and estimates could result in adjusting the accounting value of the assets and liabilities in the future periods.

The estimates and assumptions that are the basis of the accounting judgements are constantly reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period or in the period of the revision and the future periods if the revision affects both current and the future periods.

The matters presented below are considered to be the most important in understanding the professional judgments that affect the preparation of these financial statements and the uncertainties that could affect the result of the operations, the financial position and the cash flows.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that can lead to material adjustments to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

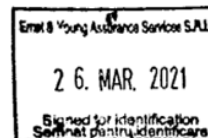
#### - **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are tested for impairment.

If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company bases its impairment calculation based on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs. Budgets and forecasts used for impairment calculation generally cover the period of five years. Also, Budgets and forecasts are based on management estimates of future commodity prices, market supply and demand and product margins.

Impairment assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs and future capital expenditures. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the CGUs.

Estimates of future cash flows are based on management estimates of future commodity prices, market supply and demand and product margins. Other factors that can lead to changes in estimates include restructuring plans and legislations changes. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 5.

### **- Provision for environmental liability**

The Company is involved in refining and petrochemicals. Environmental damage caused by such activities may require the Company to incur restoration costs to comply with the regulations in force. Analysis and estimates are performed by the Company together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which cash outflow may be probable, are recognized as a provision in the Company's financial statements. When the final determination of such obligations differs from the recognized provisions, difference is registered in the Company's Income statement.

Additional details on the provisions related to the environment-related obligations are set out in Note 17.

### **- Deferred tax assets**

Deferred tax assets resulting from the unused tax losses are recognized only to the extent that it is probable that taxable profit will be available, against which the losses can be utilized and for environmental provision. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

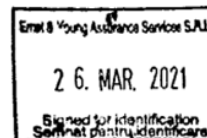
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Further details on deferred tax assets and for those losses carried forward for which deferred tax assets has and has not been recognized are provided in Note 23.

### **- Carrying value of trade and other receivables**

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company assesses the requirement for an allowance for impairment in trade and other receivables when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **- Provision for litigations**

The Company analyses its legal exposure regularly in order to determine whether provisions are required. In determining the amount of the provision, assumptions and estimates are made in relation to the probability of losing the litigation, the expected claim to be paid and the expected timing of the payments. Changes to these estimates could have a significant impact on the amount of the provision.

Further details on the provisions relating to litigations are provided in Notes 17, 21, 28.

### **- Hybrid loan interest payable**

The Company has unsecured hybrid loans subscribed by its parent company for which interest is computed based on the company's annual EBIT (operational profit) and becomes payable if the below conditions are met cumulatively:

- the company records net profit after tax in the year
- the company will be able to distribute dividends as per the Romanian law requirements

At maturity the loan can be repaid in cash or fully or partially converted into shares at the option of the issuer. The estimated future payments of interest are classified as liability, as the Company cannot avoid making these payments if conditions are met, while the remaining balance of the loan is classified in equity and not subsequently remeasured. On annual basis, a reassessment of the future estimated interest payments is performed with direct impact in the current year result. Further details on the hybrid loan interest payable are provided in Notes 11.4.

## **f) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### *a. Financial assets*

#### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

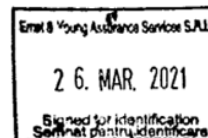
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (r) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

### **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

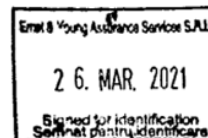
Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### **Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *b. Financial liabilities*

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

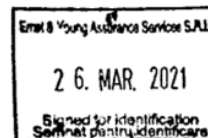
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Loans and Credits

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### *c. Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### *d. Impairment of financial assets*

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

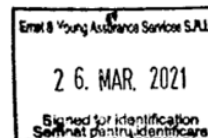
### **g) Property plant and equipment**

Property, plant and equipment of the Company are stated at cost less cumulative depreciation, except for buildings that are periodically revalued and measured at fair value.

The initial cost of property, plant and equipment comprises its purchase price, including custom duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and the condition necessary for operation. Expenses incurred after commissioning of the asset, such as repairs and maintenance costs are charged to income in the period in which the costs occurred. In situations where it can be demonstrated that expenses have increased the future economic benefits obtained from the use of intangible assets besides the standard evaluation of its performance, the expenditure is capitalized as additional costs of the tangible assets.

Buildings category are measured at fair value less accumulated depreciation and impairment losses recognized after the date of revaluation. Valuations need to be performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings, unless a transfer hasn't been already made during utilization period of the revaluated asset.

Assets in progress represent installations and buildings in construction and are presented at cost, less any impairment losses. This includes the cost of construction and other direct costs. Depreciation of these assets and the others is registered starting with the date when they are ready to be used for the activity they are intended.

Depreciation of property, plant and equipment less land and immobilization in progress is calculated using the linear method throughout their estimated lifetime:

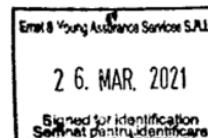
	<u>Years</u>
Buildings and other constructions	10 - 100
Tanks	20 - 30
Tools and other technological equipment	3 - 20
Vehicles	5
Furniture and office equipment	3 - 10
Computers	3

Following the change in accounting policy regarding recognition of buildings category from cost to revaluation method, also the economic remaining life utilization of the buildings were revalued at 31 December 2017. The depreciation of buildings category based on the revaluated remaining life utilization applies starting 1 January 2018. Before this date (i.e. 1 January 2018) the buildings category was stated at cost. The change from cost to revaluation provide a more transparent and up to date picture of the value of the Company's assets.

When assets are sold or derecognized, their cumulative costs and depreciation are eliminated and any income or loss resulting from their disposal is included in the income statement.

Assets purchased under finance leases are recorded in the statement of financial position and depreciated over their expected useful lives on the same basis as owned assets, or where shorter the term of the relevant lease.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **h) Intangible assets**

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits should be attributable to the asset and flow to the enterprise and if the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives:

Intangible assets consist of software and licenses and are amortized on a straight-line basis over 3 - 5 years, respectively 24 - 25 years for the licenses for transmission of technological data from the plant to the Refinery command center.

Development costs for specific projects which are reasonably anticipated to be recovered through commercial activity as well as expenditure on acquired computer software licenses are capitalized and amortized using the straight-line method over their useful lives, generally 3 years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. External and internal costs specifically associated with the maintenance of already existing computer software programs are expensed as incurred.

### **i) Investments in subsidiaries**

Financial assets represent long-term strategic investments and are stated at historical cost, less any adjustments impairment caused by a diminished value. The main indicators considered for the identification of impairment are current and anticipated results of the company in question, in the context of the industry in which it operates.

Further details on financial assets are provided in Note 7.

### **j) Impairment of non-financial assets, including investment in subsidiaries**

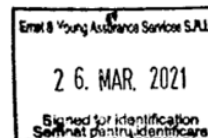
At each reporting date the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and right of use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the respective asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is stated at revalued amount in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **k) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense related to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

### **Environmental obligations**

Environmental costs relating to current or future income are recorded in the income statement or capitalized as appropriate. Costs relating to an existing condition caused by past operations and which do not contribute to current or future earnings are recorded in the income statement.

The company has an environmental policy in accordance with existing legislation and which respects any obligations resulting from environmental or operating permits. In order to ensure compliance with all the rules and provisions, the company has established a monitoring system in accordance with the requirements of the relevant authorities. In addition, investment plans are adjusted to reflect any future known environmental requirements. The above mentioned costs are estimated on the basis of relevant environmental studies.

Debts on environmental remediation costs are recognised when estimates of these debts are probable and associated costs can be reasonably estimated. In general, the chargeability of these provisions coincides with the commitment undertaken by a formal action plan, or, if it occurs earlier, with the disinvestment or closure of inactive locations.

### **l) Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

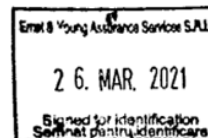
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **i. Right-of-use assets**

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.



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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section j) Impairment of non-financial assets.

### **ii. Lease liabilities**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

A lessee shall determine the lease term as a non-cancellable period of a lease, together with both:

- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option

The Company's lease liabilities are included in Lease (see Note 16).

### **iii. Short-term leases and leases of low-value assets**

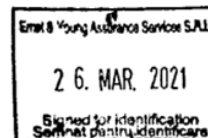
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

### **m) Inventories**

Inventories, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **n) Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

### **o) Cash and cash equivalents**

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

### **p) Revenue from contracts with customers**

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The normal credit term is 30 to 90 days upon delivery.

In recognising revenue, the Company applies the five-step model based on the requirements of IFRS 15:

- a) identifying the contract with the customer;
- b) identifying performance obligations under the contract;
- c) determining the transaction price;
- d) allocating the transaction price to performance obligations;
- e) recognising revenue at (or during) performance of obligation.

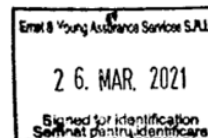
#### **(i) Variable consideration**

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of petroleum products provide customers volume rebates. The volume rebates give rise to variable consideration.

#### **(ii) Volume rebates**

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Company then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(iii) Significant financing component**

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be less than one year.

#### **Contract balances**

##### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### *Trade receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section i) Financial instruments – initial recognition and subsequent measurement and section n) Trade receivables.

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

### **q) Interest bearing loans**

All loans are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortized cost, using the effective interest method.

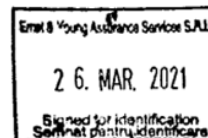
Gains and losses are recognized in the income statement when the liabilities are derecognized as well through the amortization process.

### **r) Borrowings costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All the other costs are expensed in the period they occur.

Borrowing costs consists of interest and other cost that an entity incurs in connection with the borrowing of funds.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **s) Retirement benefit costs**

Payments made to state - managed retirement plans are dealt with as defined contribution plans where the Company pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered.

Under collective labor agreements, the employees are entitled to specified retirement benefits, payable on retirement, if they are employed with the Company at the date of their retirement. These amounts are estimated as of the reporting date, based on the following information's: applicable benefits provided in the agreement; the number of employees in the Company and the actuarial estimates of the future loans. The defined benefit liability as of reporting date comprises the present value of the defined benefit obligation with the related service cost charged to the income statement. All actuarial gains and losses are fully recognised in other comprehensive income items in the period in which they occur for all defined benefit plans. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

The Company has no other liabilities with respect to future pensions, health plans and other costs for its employees.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 2.97% (2019: 4.65%) with an expected rate of long-term salary increase 2.31% (2019: 2.97%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

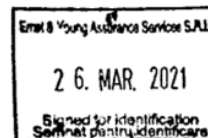
### **t) Taxes**

#### **- Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **- Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

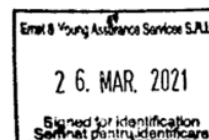
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted until the end of the reporting period.

Deferred tax relating to items recognized outside profit or loss account is recognized outside profit or loss account. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

**ROMPETROL RAFINARE S.A.**  
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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### - Sales (revenues) related tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### u) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

### v) Foreign Currency Transactions

For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON).

The exchange rates RON/USD and RON/EUR are the following:

Currency	31 December 2020	31 December 2019
RON/USD	3.9660	4.2608
RON/EUR	4.8694	4.7793

The Company translates its transactions and balances in foreign currency, in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of transaction.

Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the income statement in the period they arise.

### w) Derivative financial instruments

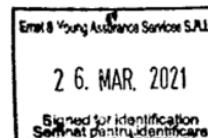
The Company enters into contracts to purchase and sell crude oil and oil products at future delivery dates. These contracts expose the Company primarily to commodity risks of changes in fair value of crude oil and related oil products. The Company also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with fair value fluctuation relating to certain firm commitments and forecasted transactions.

The use of financial derivatives is governed by the Company's policies approved by board of directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

### *Fair value hedge*

The Company buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). The company hedges priced inventories (both raw materials and finished products) above BOS (basis operating stock) using futures instruments for a period that approximately matches the operating cycle.

Hedge accounting is applied for the futures instruments. The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognised in the statement of profit or loss as Cost of Sales. If the hedged item is derecognised, the unamortized fair value is recognised immediately in profit or loss (see note 19).

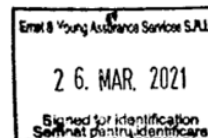
### *Cash Flow Hedge*

The Company buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). Throughout a given period, the volatility associated with the oil market, both in crudes and in finished products, is transmitted to the Company's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). To reduce this volatility, the Company hedges the margin with a swap on a hedged basket as relevant for the period.

Hedge accounting is applied for the refinery margin Swap instruments. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see Note 19).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in period profit or loss as they arise.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **x) Emission Rights**

CO2 emission rights quota are allocated to the Company's refining and petrochemicals operations. For the period 2013-2020 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. The Company accounts for the liability resulting from generating of these emissions using the net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective company. Income is recognized only when excess certificates are sold on the market.

### **y) Fair value measurement**

The Company measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

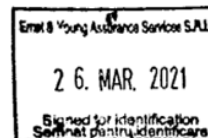
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.



**ROMPETROL RAFINARE S.A.**  
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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **z) Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

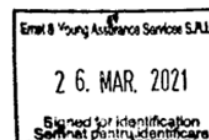
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### **aa) Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**ROMPETROL RAFINARE S.A.**  
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### 3. INTANGIBLE ASSETS

	Software / Licenses	Other	Intangibles in progress	Total
<b>Cost</b>				
<b>Opening balance as of 1 January 2019</b>	<b>49,032,640</b>	<b>150,123</b>	<b>9,641,543</b>	<b>58,824,307</b>
Additions	642,021	-	5,272,536	5,914,557
Transfers*	14,209	687,733	(7,325)	694,617
<b>Closing balance as of 31 December 2019</b>	<b>49,688,870</b>	<b>837,856</b>	<b>14,906,754</b>	<b>65,433,480</b>
Additions	1,285,736	-	7,668,687	8,954,422
Transfers, reclassifications and adjustments*	9,668,988	4,261,351	(12,914,034)	1,016,304
<b>Closing balance as of 31 December 2020</b>	<b>60,643,593</b>	<b>5,099,207</b>	<b>9,661,407</b>	<b>75,404,206</b>
<b>Accumulated amortization</b>				
<b>Opening balance as of 1 January 2019</b>	<b>(40,733,599)</b>	<b>(150,123)</b>	<b>-</b>	<b>(40,883,722)</b>
Charge for the year	(1,698,414)	(137,545)	-	(1,835,959)
<b>Closing balance as of 31 December 2019</b>	<b>(42,432,013)</b>	<b>(287,668)</b>	<b>-</b>	<b>(42,719,681)</b>
Charge for the year	(4,892,037)	(918,779)	-	(5,810,816)
<b>Closing balance as of 31 December 2020</b>	<b>(47,324,051)</b>	<b>(1,206,446)</b>	<b>-</b>	<b>(48,530,497)</b>
<b>Net book value</b>				
<b>As of 31 December 2019</b>	<b>7,256,857</b>	<b>550,188</b>	<b>14,906,754</b>	<b>22,713,799</b>
<b>As of 31 December 2020</b>	<b>13,319,543</b>	<b>3,892,760</b>	<b>9,661,407</b>	<b>26,873,710</b>

\*) Includes transfers from assets in progress, transfers in/from tangible assets, reclassifications to other categories and other adjustments.

Major part of „Other” intangible assets refer to development expenses.

### 4. GOODWILL

The goodwill amounting to RON 152,720 represents fractions of the goodwill of the companies Oilfield Exploration Business Solutions SA (former Rompetrol S.A.), Rompetrol Downstream S.R.L. and Rompetrol Well Services S.A., following purchase of shares from these companies in Rom Oil S.A.

**ROMPETROL RAFINARE S.A.**  
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**5. PROPERTY, PLANT AND EQUIPMENT**

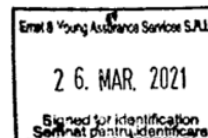
	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
<b>Cost or valuation</b>						
<b>As of January 1, 2019</b>	<b>192,480,007</b>	<b>1,705,635,515</b>	<b>3,700,494,879</b>	<b>17,028,196</b>	<b>179,369,771</b>	<b>5,795,008,368</b>
Acquisitions	-	239,542	1,901,567	18,529	252,510,559	254,670,197
Transfers from CIP	-	12,116,272	94,734,073	1,338	(107,640,866)	(789,183)
Disposals	-	-	(21,544,458)	-	-	(21,544,458)
Transfers and reclassifications*	-	44,177,962	(44,177,962)	-	-	-
<b>As of 31 December 2019</b>	<b>192,480,007</b>	<b>1,762,169,291</b>	<b>3,731,408,099</b>	<b>17,048,063</b>	<b>324,239,464</b>	<b>6,027,344,924</b>
Acquisitions	-	-	1,534,479	120,752	470,955,562	472,610,794
Transfers from CIP	-	100,231,607	355,910,326	2,185,864	(459,344,101)	(1,016,304)
Disposals	-	-	(48,927,472)	-	-	(48,927,472)
Transfers and reclassifications*	-	-	4,433	-	-	4,433
<b>As of 31 December 2020</b>	<b>192,480,007</b>	<b>1,862,400,897</b>	<b>4,039,929,864</b>	<b>19,354,680</b>	<b>335,850,926</b>	<b>6,450,016,375</b>
<b>Accumulated depreciation &amp; Impairment</b>						
<b>As of 1 January 2019</b>	<b>(27,557,579)</b>	<b>(97,548,917)</b>	<b>(2,036,268,939)</b>	<b>(7,956,079)</b>	<b>(3,171,485)</b>	<b>(2,172,502,999)</b>
Charge for the year	(1,656,751)	(112,099,288)	(244,779,991)	(998,847)	-	(359,534,877)
Accumulated depreciation of disposals	-	-	21,544,458	-	-	21,544,458
Transfers and reclassifications*	-	102,407	(102,407)	-	-	-
<b>As of 31 December 2019</b>	<b>(29,214,330)</b>	<b>(209,545,798)</b>	<b>(2,259,606,879)</b>	<b>(8,954,926)</b>	<b>(3,171,485)</b>	<b>(2,510,493,418)</b>
Charge for the year	(1,656,751)	(102,471,417)	(259,279,306)	(1,092,233)	-	(364,499,706)
Accumulated depreciation of disposals	-	-	48,927,472	-	-	48,927,472
Transfers and reclassifications*	-	-	(4,433)	-	-	(4,433)
<b>As of 31 December 2020</b>	<b>(30,871,081)</b>	<b>(312,017,215)</b>	<b>(2,469,963,145)</b>	<b>(10,047,159)</b>	<b>(3,171,485)</b>	<b>(2,826,070,085)</b>
<b>Net book value as of 31 December 2019</b>	<b>163,265,677</b>	<b>1,552,623,493</b>	<b>1,471,801,220</b>	<b>8,093,137</b>	<b>321,067,979</b>	<b>3,516,851,506</b>
<b>Net book value as of 31 December 2020</b>	<b>161,608,926</b>	<b>1,550,383,682</b>	<b>1,569,966,719</b>	<b>9,307,521</b>	<b>332,679,441</b>	<b>3,623,946,290</b>

\*) Includes transfers from tangible assets in progress, transfers in/from intangible assets, reclassifications to other categories and other adjustments.

Ernst & Young România Servicii S.R.L.  
26. MAR. 2021  
Signed for identification  
Sofia Petrușcă

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**

*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **5. PROPERTY, PLANT AND EQUIPMENT (continued)**

### **- Impairment**

No additional depreciation was recorded in 2020 and 2019. Impairment test has been performed by the Company related to the value of property, plant and equipment and right of use assets as of 31 December 2020 for cash generating units ("CGU") detailed below in the Impairment test.

### **- Construction in progress**

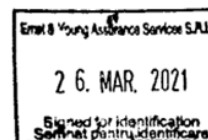
In 2020, the significant contribution to the total acquisitions for construction in progress is the ISCIR projects within the two refineries (about RON 105.3 million), Refinery and Petrochemicals General Turnaround (overhaul project in amount of approximately RON 194.3 million) the modernization projects of tanks (approximately RON 19.1 million), the projects of replacement catalysts (approximately RON 52.3 million), project Fluid Catalytic Cracking (FCC) Unit Rehabilitation (about RON 23.9 million), replace the old 6KV switches and the relays SRA2-4 project (about RON 6.9 million), 100C1 Atmospheric distillation column project (about RON 6.7 million) Replacement of reactor 130R1R2R3 project (about RON 5.6 million), improve cocker operation, modernization IPPA system and CF ramp, detailed design engineering for firefighting system and other small project totaling RON 56.7 million.

At the end of 2020, the main projects remaining in construction in progress refers to the following ISCIR projects within the two refineries (about RON 122.5 million) the modernization projects of tanks (approximately RON 20.6 million), replace the old 6KV switches and the relays SRA2-4 project (about RON 6.9 million), 100C1 Atmospheric distillation column project (about RON 13.8 million) Replacement of reactor 130R1R2R3 project (about RON 15 million), APC (i.e. Advance Process Control) in all refinery unit (amounting to RON 12.6 million), improve cocker operation, modernization IPPA system and CF ramp, detailed design engineering for firefighting system, new pipelines, maximize usage unit condensate, replacement for electrical in coke unit projects totaling RON 38.1 million, spare parts capex in amount of RON 17.8 million and other refinery ongoing project totaling RON 85.4 million.

In 2019, the significant contribution in the total acquisitions of assets in progress is represented by the following projects: the ISCIR projects within the two refineries (about RON 35 million), Refinery and Petrochemicals annual overhaul (approximately RON 19 million) the modernization projects of tanks (approximately RON 22 million), the projects of replacement catalysts (approximately RON 15 million), the modernization projects of products loading ramps (about RON 13 million), Modernization of the In Line Blending Unit and Rehabilitation and reconfiguration equipment for Line Blending System (about RON 10 million) the Vapor recovery system at the point of loading CF Vega project (about RON 9 million), LPG recovery from DCU gases (about RON 19 million), a new boiler at heating station Vega (about RON 8 million) and replacement of reactor 130R1R2R3 (about RON 8 million) and Refinery specific optimization projects in amount of RON 95 million.

At the end of 2019, the main projects remaining in construction in progress refers to the following ISCIR projects within the two refineries (about RON 59 million), Refinery and Petrochemicals annual overhaul (approximately RON 22 million) the modernization projects of tanks (approximately RON 23 million), the projects of replacement catalysts (approximately RON 10 million), the modernization projects of products loading ramps (about RON 18 million), Modernization of the In Line Blending Unit and Rehabilitation and reconfiguration equipment for Line Blending System (about RON 14 million), the Vapor recovery system at the point of loading CF Vega project (about RON 11 million), LPG recovery from DCU gases (about RON 22 million), a new boiler at heating station Vega (about RON 8 million) and replacement of reactor 130R1R2R3 (about RON 9 million) and Refinery specific optimization projects in amount of RON 128 million.

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## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

### - Disposal

In 2020, the amount of RON 48.9 million related to the disposed assets it referees to the replacement of the used catalysts in Naphta Hydrotreating, Vacuum Distillate Hydrofining, 122 DHT (Disel HydroTreater), Kerosene HydroTreater, MTBE (Methyl Tertiary Butyl Ether), New Sulphur Recovery, New Hydrogen Plant and Mild Hydrocracker units.

In 2019 the amount of RON 21.5 million related to the disposed assets it referees to the replacement of the used catalysts in 122 DHT (Disel HydroTreater), CR (Catalytic Reforming) and MTBE (Methyl Tertiary Butyl Ether) units.

### - Capitalization of borrowing costs

The Company finances its activities including through loans and the cost of debt for the acquisition of assets is capitalized in the cost of the asset, when specific loans have been obtained (investment). In 2020 and 2019 the interest was not capitalized.

### - Revaluation of buildings category

Starting 31 December 2017, the Company changed its accounting policies regarding the recognition and measurement of its non-current assets, for buildings category, from cost model to the revaluation model.

The change from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Company's assets. Fair value of the buildings category was determined using the depreciated replacement cost method. The valuations have been performed by a specialized valuer.

### Reconciliation of carrying amount

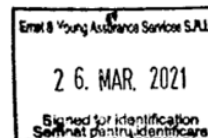
	<b>Buildings</b> <b>million RON</b>
<b>Carrying amount as at 31 December 2017</b>	<b>1,625</b>
Depreciation for the year	(97)
Additions / Disposals / Transfers and reclassifications	80
<b>Carrying amount and fair value as at 31 December 2018</b>	<b>1,608</b>
Depreciation for the year	(112)
Additions / Disposals / Transfers and reclassifications	57
<b>Carrying amount and fair value as at 31 December 2019</b>	<b>1,553</b>
Depreciation for the year	(103)
Additions / Disposals / Transfers and reclassifications	100
<b>Carrying amount and fair value as at 31 December 2020</b>	<b>1,550</b>

\*The Company changed the accounting policy with respect to the measurement of buildings category as at 31 December 2017 on a prospective basis. Therefore, the fair value of the of buildings category was not measured at 31 December 2016.

If the buildings category was measured using the cost model, the carrying amounts would be, as follows:

	<b>2020</b> <b>million RON</b>	<b>2019</b> <b>million RON</b>
Cost	2,148	2,048
Accumulated depreciation and impairment	(1,187)	(1,112)
<b>Net carrying amount</b>	<b>961</b>	<b>936</b>

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## **5. PROPERTY, PLANT AND EQUIPMENT (continued)**

### **- Fixed assets pledged**

The company pledged assets with a net carrying amount of RON 1,011,352,595 (2019: RON 1,031,368,950), as follows:

- guarantees in favor of banks: RON 806,134,270 (2019: RON 781,794,295);
- guarantees in favor of ANAF: RON 205,218,325 (2019: RON 249,574,655).

In 2010 it was established by ANAF an asset freeze on all fixed assets and investments and on the equity as well as on the shares, amounting to RON 1,595,020,055 in favor of the Romanian state (represented by ANAF). On these titles there was set up a rank 2 guarantee in favor of KMG International N.V.

On the guarantees in favor of ANAF, on 10 September 2010, ANAF has established an asset freeze on the investments held by the Company in its subsidiaries and on the movable and immovable assets of the Company, except inventories. The asset freeze is based on article 129 of the Fiscal Procedure Code and the main result is that the Company cannot sell / transfer the assets under freeze.

According with the Memorandum of Understanding signed with the Romanian State and approved by Government Decision no. 35/2014, ANAF should remove and revoke the distraint established on 10 September 2010. To date ANAF has not applied the requirements of the MoU and has not lifted the asset freeze.

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (See Note 28). Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to an asset freeze.

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

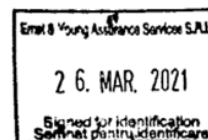
On 5 December 2019, DIICOT issued another Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period.

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 USD106m over four 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.

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

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 USD 530,000). On July 8, Bucharest Court annulled Faber's claim as unstamped.

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## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

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 16 March 2020. The next hearing was settled for 27 April 2021.

On 31 December 2020 no enforcement process has been made.

### IMPAIRMENT TEST

Impairment tests have been performed by the Company for the carrying value of property plant and equipment and right of use assets as of 31 December 2020 on the cash generating units ("CGUs") listed below. Based on the impairment tests performed, no impairment has been identified.

As of 31 December 2020 the net book value of property plant and equipment for the cash generating units is the following: Refining RON 3,224 million, Petrochemicals 85 million RON. The net book value of the right of use assets is of 58 million RON and is allocated to Refinery CGU.

#### *Refining*

Refining CGU includes the operations of Petromidia Refinery, Polypropylene Installations, Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 10.7% (2019: 9.4%) and cash flows beyond the 5-year period are extrapolated using a 2.2% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.5% (2019: 7.5%).

#### *Petrochemicals*

Petrochemicals CGU includes the petrochemical business of the group, mainly Low Density Polyethylene Unit, which is included within the Rompetrol Rafinare, legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 10.7% (2019: 9.4%) and cash flows beyond the 5-year period are extrapolated using a 2.2% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.5% (2019: 7.5%).

#### *Key assumptions used in fair value less costs to sell calculations*

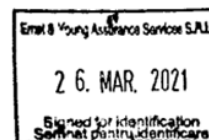
The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs are:

- Operating profit;
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period.

The following Operating profit margin on the basis of Net revenues were applied for the relevant Cash Generating Units:

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rompetrol Refinery	(0.9)	0.8	0.6	3.2	3.2
Petrochemicals	(4.0)	(3.5)	6.6	8.5	10.8

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## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

Operating profit margins are estimated based on the crack and quantity delivered of key products, gasoline and diesel. Cracks are assumed below the oil & gas market forecasts for short-medium term, 2021 – 2023. For longer term perspective, 2024 onwards, cracks are aligned to the historical multiannual average performance, which in line with the market forecasts starting 2024 onwards. On short medium term, cracks have been revised to reflect the lower, post COVID-19 crude oil prices prevailing and anticipated for 2021.

Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

Growth rate estimates - Rates are based on published industry research and are in line with the expected level of the annual inflation rate.

### Sensitivity to changes in assumptions

With regard to the assessment of the fair value less costs to sell for cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, other than as disclosed below:

#### *Rompetrol Refinery*

The break-even point for the current model is achieved under a decrease of 30.4% of Operating profit, reaching the following Operating profit margins:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	%	%	%	%	%
Operating profit margin	(0.6)	0.6	0.4	2.3	2.3

#### *Petrochemicals*

The break-even point for the current model is achieved under a decrease of 74.2% of Operating profit, reaching the following Operating profit margins:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	%	%	%	%	%
Operating profit margin	(1.0)	(0.9)	1.7	2.2	2.8

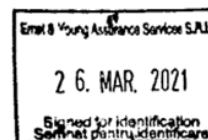
*\*Operating profit margins were computed based on net revenue.*

Perpetuity growth rate sensitivity: an increase/decrease by 1% of the sensitivity growth rate will generated the following changes within the CGU's fair value:

	<u>Refinery CGU</u>	<u>Refinery Petrochemicals CGU</u>
<b>Change in growth rate</b>		
Change in fair value change at 1% increase in perpetuity growth rate	8.2%	8.6%
Change in fair value change at 1% decrease in perpetuity growth rate	(6.5)%	(6.8)%



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## 6. RIGHTS OF USE ASSETS

	Land, building and special constructions	Plant and equipment	Vehicles and others	Total
<b>Initial cost / revalued</b>				
<b>Closing balance at 31 December 2018</b>	-	-	-	-
Change in the beginning balance in accordance with IFRS 16	6,992,941	7,526,480	298,832	14,818,253
Additions	26,666	-	-	26,666
<b>Closing balance at 31 December 2019</b>	<b>7,019,607</b>	<b>7,526,480</b>	<b>298,832</b>	<b>14,844,919</b>
Additions	3,272,548	-	1,395,558	4,668,106
Reclassifications and other transfers	497,618	(528,911)	31,293	-
Re-measurement and other adjustments	49,857,211	937,527	(33,875)	50,760,863
Disposals	(103,790)	(6,199,685)	(46,016)	(6,349,491)
<b>Closing balance at 31 December 2020</b>	<b>60,543,194</b>	<b>1,735,411</b>	<b>1,645,792</b>	<b>63,924,397</b>
<b>Accumulated depreciation &amp; Impairment</b>				
<b>Closing balance at 31 December 2018</b>	-	-	-	-
Charge for the year	(2,218,171)	(3,466,623)	(141,226)	(5,826,020)
<b>Closing balance at 31 December 2019</b>	<b>(2,218,171)</b>	<b>(3,466,623)</b>	<b>(141,226)</b>	<b>(5,826,020)</b>
Charge for the year	(2,318,164)	(609,002)	(219,673)	(3,146,839)
Reclassifications and other transfers	(186,607)	205,382	(18,776)	-
Re-measurement and other adjustments	60,647	(31)	5,575	66,190
Accumulated depreciation of ceased rights of use assets	77,805	2,861,393	46,016	2,985,214
<b>Closing balance at 31 December 2020</b>	<b>(4,584,490)</b>	<b>(1,008,881)</b>	<b>(328,084)</b>	<b>(5,921,455)</b>
<b>Net book value as of 31 December 2019</b>	<b>4,801,436</b>	<b>4,059,857</b>	<b>157,606</b>	<b>9,018,899</b>
<b>Net book value as of 31 December 2020</b>	<b>55,958,704</b>	<b>726,530</b>	<b>1,317,708</b>	<b>58,002,943</b>

During 2020, the contract for the usage of Midia Maritime Port was re-negotiated (in terms of lease period increase and reduction of lease payments) and this resulted in a re-measurement effect in amount of RON 46.5 million. The contract period was extended with 25 years.

The procedure of the National Company Administration of Maritime Ports regarding the conclusion of new contracts or extension of old ones by direct award is done by assigning a score to the future / current tenant calculated according to several criteria - economic, social, environmental and a series of situations particulars in which the future / current tenant is located; also through the negotiations, the parties can make new proposals with an impact on the score provided by the reference offer. Following these procedures followed by Rompetrol Rafinare S.A. the leased port land area was also modified; hence the knowledge by Rompetrol Rafinare S.A. of the moment of completion and entry into force of the additional documents and of their validity period could not be achieved before the establishment of all contractual elements, elements subject to negotiation by the parties.

The additions during the year represent mainly contracts concluded by the Company for car leasing.

The Company recognized right of use assets for the following main categories of operational lease.

**Land, buildings and special construction** category includes mainly:

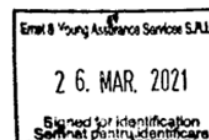
- Rent for usage of maritime port - berths of Midia Port

**Plant and equipment** category includes mainly equipment for industrial water pumping stations.

**Vehicles and other** category includes mainly the agreements in relation to the car fleet rental.

The right-of-use assets are also subject to impairment and assessed within the CGUs to which they belong. For details please refer to Note 5.

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## 7. INVESTMENT IN SUBSIDIARIES

	31 December 2020	31 December 2019
Investments in subsidiaries	1,629,020,055	1,629,020,055
<b>Total</b>	<b>1,629,020,055</b>	<b>1,629,020,055</b>

### Investments in subsidiaries

Details regarding subsidiaries at 31 December 2020 and 31 December 2019 are as follows:

	Range of activity	Ownership at 31 December 2020	Ownership at 31 December 2019	Balance as at 31 December 2020	Balance as at 31 December 2019
Rompetrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067	1,090,406,067
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100,00%	100,00%	311,698,295	311,698,295
Rom Oil S.A.	Rental services	99,99%	99,99%	191,216,660	191,216,660
Rompetrol Logistics S.R.L.	Logistics operations	66,19%	66,19%	24,349,123	24,349,123
Rompetrol Quality Control S.R.L.	Quality Control Services for oil products	70,91%	70,91%	11,349,910	11,349,910
<b>Total of equity investments</b>				<b>1,629,020,055</b>	<b>1,629,020,055</b>

*\*Note: all subsidiaries are Romanian companies*

At 31 December 2020, the Company's management conducted a review of the indicators of impairment of subsidiaries. Following this analysis, no impairment indicators were identified for any of the subsidiaries.

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil S.A.

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 10.7% (2019 9.4%) and cash flows beyond the 5-year period are extrapolated using a 2.2% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.5% (2019: 7.5%).

### Key assumptions used in fair value less costs to sell calculations

The key assumptions used in the fair value less costs to sell calculations are:

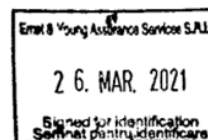
- Operating profit;
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period.

Following Operating profit margin on the basis of Net revenues was applied for Downstream CGU:

	2021	2022	2023	2024	2025
	%	%	%	%	%
Downstream Romania	1.8	1.7	1.9	2.0	2.3

Discount rates reflect the current market assessment of the risks specific to Downstream cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

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## 7. INVESTMENT IN SUBSIDIARIES (continued)

Growth rate estimates - Rates are based on published industry research and are in line with the expected level of the annual inflation rate.

### Sensitivity to changes in assumptions

With regard to the assessment of the fair value less costs to sell for cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

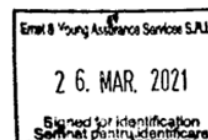
## 8. INVENTORIES, NET

	31 December 2020	31 December 2019
Crude oil and other feedstock materials	263,186,771	358,492,467
Finished products	168,531,778	304,791,844
Work in progress	76,351,113	150,739,880
Spare parts	49,793,286	51,019,925
Other consumables	24,081,215	25,383,920
Merchandises	775,593	825,185
Other inventories	3,600,839	3,590,880
Inventories write-down	(59,247,545)	(72,021,952)
<b>Total</b>	<b>527,073,050</b>	<b>822,822,149</b>

The inventories provisions mainly represent the provision for net realizable value in relation to refineries and petrochemical plant inventories such as petroleum and petrochemicals products from production and trading, crude oil and other feedstock materials (RON 20.5 million), and provision of old spare parts (RON 34.9 million).

As at 31 December 2020 the Company has under pledge inventories amounting RON 452 million, respectively RON 148 million at 31 December 2019 to secure credit bank facilities.

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## 8. INVENTORIES, NET (continued)

The movement of the provision for inventories in in 2020 and 2019 is presented below:

	31 December 2020	31 December 2019
<b>Reserve at the beginning of the year</b>	<b>(72,021,952)</b>	<b>(117,148,444)</b>
Accrued provision	(194,249,538)	(59,336,424)
Reversal provision inventories reserve	207,023,945	104,462,916
<b>Reserve at the end of the period</b>	<b>(59,247,545)</b>	<b>(72,021,952)</b>

The provisions for inventories represent provisions related to crude oil and other feedstock materials, finished products and spare parts calculated as the difference between the cost value and the net realizable value.

## 9. RECEIVABLES AND PREPAYMENTS, NET

	31 December 2020	31 December 2019
Trade receivables	843,739,582	1,654,180,637
Advances to suppliers	25,878,282	59,986,367
Sundry debtors	165,294,207	43,932,255
VAT to be recovered	1,806,438	2,885,245
Other receivables	189,366,503	78,440,655
Provision for expected credit losses related to trade receivables	(58,694,122)	(54,732,427)
<b>Total</b>	<b>1,167,390,890</b>	<b>1,784,692,732</b>

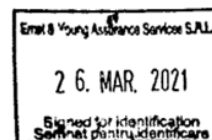
The balances with related parties are presented in Note 25. The movement of provision is presented in Note 21.

As at 31 December 2020, the sundry debtors account included the following main items: damages in amount of RON 123.8 towards Romanian State (regarding the CO2 emission allowances dispute; see note 28), RON 25.4 million for debts and related penalties paid to ANAF in reference to the fiscal inspection covering 2011 - 2015 period (see note 28); RON 13.7 million for local taxes paid to the Navodari City Hall (in respect of a dispute related to revaluation of buildings; see Note 28).

In other receivables it is included VAT receivable from members of the Fiscal Group (RON 13.8 million); receivables from the State Budget representing excise for energy products paid in advance by customers in States Budget excise revenue account (RON 89.4 million); an amount of RON 75.9 million (2019: RON 5.0 million) relates to cash pooling receivables.

The main increase in sundry debtors relates to the positive outcome on the CO2 certificates litigation that Rompetrol Rafinare won against the Romanian State, for which the company recognized a receivable towards the State in amount of RON 153.8 million (EUR 31.8 million equivalent), representing the total amount as per court decision less cash collected from the State (RON 30 million). In the same time the company has the obligation to acquire CO2 certificates for 2020 compliance and recognized an estimated respective liability based on the emissions as of 31 December 2020 of RON 133.5 million (EUR 26.7 million equivalent) (Note 21).

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**9. RECEIVABLES AND PREPAYMENTS, NET (continued)**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Sundry debtors	165,294,207	43,932,255
Other receivables	189,366,503	78,440,655
Provision for sundry debtors and other receivables	(14,874,573)	(14,874,388)

Out of the total amount of other receivables and sundry debtors of RON 354.7 million (2019: RON 122.4 million) an amount of RON 14.9 million (2019: RON 14.9 million) is provisioned.

Trade receivables totaling RON 178.6 million at 31 December 2020, respectively totaling RON 274.6 million at 31 December 2019 are pledged in order to obtain credit facilities (see Note 15).

The movement in provision for expected credit losses for trade and other receivables is as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Balance at the beginning of the year</b>	<b>(54,732,427)</b>	<b>(55,039,860)</b>
Charge for the year	(5,280,964)	(398,545)
Utilized	1,318,071	704,715
Unused amounts reversed	-	1,964
Exchange rate differences	1,198	(701)
<b>Balance at the end of the period</b>	<b>(58,694,122)</b>	<b>(54,732,427)</b>

As at 31 December 2020 and 31 December 2019, the aging analysis of trade receivables and the respective balance of expected credit loss is as follows:

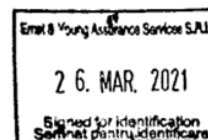
		<b>Trade receivables</b>					
		<b>Days past due</b>					
<b>31 December 2020</b>	<b>Total</b>	<b>Current</b>	<b>1 – 30 days</b>	<b>30 – 60 days</b>	<b>60 – 90 days</b>	<b>90 – 120 days</b>	<b>&gt;120 days</b>
Expected credit loss rate	<b>4.54%</b>	<b>0.00%</b>	<b>0.74%</b>	<b>0.02%</b>	<b>1.13%</b>	<b>5.28%</b>	<b>86.20%</b>
Estimated total gross carrying amount at default	<b>843,717,713</b>	746,411,840	21,482,798	28,633,147	2,161,450	897,346	44,131,132
Expected credit loss	<b>38,279,495</b>	-	159,631	6,592	24,381	47,392	38,041,499

		<b>Trade receivables</b>					
		<b>Days past due</b>					
<b>31 December 2019</b>	<b>Total</b>	<b>Current</b>	<b>1 – 30 days</b>	<b>30 – 60 days</b>	<b>60 – 90 days</b>	<b>90 – 120 days</b>	<b>&gt;120 days</b>
Expected credit loss rate	<b>2.09%</b>	<b>0.00%</b>	<b>0.13%</b>	<b>0.02%</b>	<b>9.91%</b>	<b>29.08%</b>	<b>9.62%</b>
Estimated total gross carrying amount at default	1,644,509,115	1,140,530,754	103,153,125	45,507,172	96,014	49,781	355,172,270
Expected credit loss	34,317,985	-	130,502	8,941	9,519	14,474	34,154,549

		<b>Past due but not impaired</b>					
		<b>Neither past due not impaired</b>	<b>1 – 30 days</b>	<b>30 – 60 days</b>	<b>60 – 90 days</b>	<b>90 – 120 days</b>	<b>&gt;120 days</b>
31 December 2020	<b>805,438,218</b>	746,411,840	21,323,167	28,626,555	2,137,069	849,955	6,089,633
31 December 2019	<b>1,610,191,131</b>	1,140,530,754	103,022,623	45,498,231	86,495	35,307	321,017,721

Trade receivables are not bearing interest and become mature at 30 - 90 days.

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## 9. RECEIVABLES AND PREPAYMENTS, NET (continued)

At 31 December 2020, the trade receivables at the initial value of RON 38.28 million (2019 RON 34.32 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	<b>Collectively impaired</b>
<b>At 1 January 2019</b>	<b>(34,623,679)</b>
Value adjustments for impairment of receivables	(398,320)
Reversed provisions	704,715
Exchange rate difference	(701)
<b>At 31 December 2019</b>	<b>(34,317,985)</b>
Value adjustments for impairment of receivables	(5,280,779)
Reversed provisions	1,318,071
Exchange rate difference	1,198
<b>At 31 December 2020</b>	<b>(38,279,495)</b>

## 10. CASH AND CASH EQUIVALENTS

	<b>31 December 2020</b>	<b>31 December 2019</b>
Cash at bank	365,496,314	20,750,587
Cash on hand	11,119	6,553
Other cash equivalents	88,060	1,616,388
<b>Total</b>	<b>365,595,493</b>	<b>22,373,528</b>

Other cash equivalents represent in the greatest part checks to be cashed.

## 11. EQUITY

### 11.1 SHARE CAPITAL

As at 31 December 2020 and 31 December 2019, the share capital consists in 44,109,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 per each share.

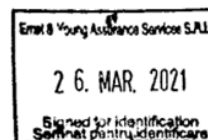
The shareholder structure at 31 December 2020 and 31 December 2019.

<b>Shareholders</b>	<b>Percent held (%)</b>	<b>Statutory amounts in [RON]</b>
KMG International N.V	48.11%	2,122,250,643
The Romanian State represented by The Ministry of Economy, Energy and Business Environment*	44.70%	1,971,500,905
Rompetrol Financial Group S.R.L.	6.47%	285,408,308
Rompetrol Well Services S.A.	0.05%	2,198,030
Rompetrol Rafinare S.A.	0.01%	613,470
Others (not State or KMG Group)	0.66%	28,949,217
<b>Total</b>	<b>100%</b>	<b>4,410,920,573</b>

\* At the date of the present financial statements, having the name of the Ministry of Energy

The total value of the Company's share capital remained unchanged in 2020 and 2019.

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## 11. EQUITY (continued)

Following the Extraordinary General Meeting of Shareholders of 30 June 2010, which approved the capital increase with up to RON 450 million, Rompetrol subscribed and paid a total of 3,294,914,165 shares (equivalent of USD 100,222,279), and minority shareholders have subscribed and paid a total number of 6,506 shares (USD 198). These shares have been registered with the Trade Register.

The proceeds of the capital increase were used to partially redeem the bonds held by the Romanian state.

After the Extraordinary General Meeting of Shareholders on 30 September 2010, the Company converted remaining unredeemed bonds into shares in favor of the Romanian State, resulting a total of 19,715,009,053 shares amounting to RON 1,971,500,905 (USD 627,546,964).

Consequently, the Romanian state, through the Ministry of Finance owns 44.7% in the Company.

### 11.2 SHARE PREMIUM

The share premium is the result of conversion of bonds into ordinary shares on 30 September 2010, in favor of the Romanian State, represented by the Ministry of Finance, bonds which were issued based on the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

### 11.3 REVALUATION RESERVES

At 31 December 2020, the Revaluation reserves balance (presented in net of RON 510 million) is affected by the transfer to retained earnings of the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the assets included in the building category. In compliance with OMFP 2844/2016 and with the accounting policies adopted by the Company as of 31 December 2017 the revaluation surplus included in the revaluation reserves is capitalized by transferring it to retained earnings as the use of the asset or upon disposal of the asset, unless a transfer hasn't been already made during utilization period of the revaluated asset. Therefore at 31 December 2020 the revaluation surplus transferred to retained earnings is in amount of RON 108 million. Also the Company recognized a positive effect on the deferred tax asset in amount of RON 17.3 million related to the temporary differences resulting from the revaluation surplus, due to revaluation surplus transferred to retained earnings in 2018, 2019 and 2020.

### 11.4 OTHER RESERVES

#### *Hybrid Loan*

The "Other reserves" item includes the equity component of the hybrid loan as measured at its initial recognition in amount of RON 3,449 million (USD 1,022 million)

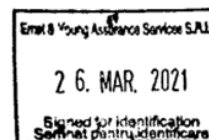
In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into an unsecured hybrid loan, repayable after 51 years. During 2013, an additional USD 150 million were converted, the hybrid loan amounting to USD 950 million. The loan is unsecured, subordinated to any present and future liability of the company. At maturity the loan can be repaid in cash or fully or partially converted into shares at the option of the issuer. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- the company records net profit after tax in the year
- the company will be able to distribute dividends as per the Romanian law requirements

The contract states that the interest rate mentioned above will be adjusted if the market conditions impose it, depending on the level of market interest existing at the time of the contract execution.

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## 11. EQUITY (continued)

In 2017, an additional USD 72.2 million were converted to hybrid loan by conversion of a debt held in front of KMG International NV. The additional loan is unsecured, repayable after 51 years and subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 2% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- the company records net profit after tax in the year
- the company will be able to distribute dividends as per the Romanian law requirements

Also, in 2017, the management carried out an assessment on the potential hybrid loan interest liability and recorded an amount of RON 57.2 million, based on the projected profitability of the business for the upcoming period. This liability was updated in 2018 to RON 69.3 million and no change in the interest assessment resulted for 2019. On annual basis, a reassessment of the future interest is performed with direct impact in the current year result.

As of 31 December 2020, management carried out an assessment on the potential hybrid loan interest liability and it resulted that no interest payable should be recorded based on the projected profitability of the business by the end of the contractual period, considering the current accumulated accounting losses. As result of the assessment performed, the potential hybrid loan interest liability was reversed through the current year result.

Company Management's is currently in discussion with the holder of the loan to amend the hybrid loan agreements with regards to the computation of interest payable. The proposed amendments are currently subject to approval.

During 2020, unrealized derivative gains and gains / losses related to retirement benefits were booked in Other Reserves as follows:

	2020	2019
Actuarial gain / (losses) related to retirement benefits	8,977,552	(16,512,245)
Gains / (losses) related to derivative financial instruments	-	(6,179,010)
<b>Total</b>	<b>8,977,552</b>	<b>(22,691,255)</b>

## 12. TRADE AND OTHER PAYABLES

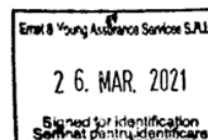
	31 December 2020	31 December 2019
Trade payables	2,475,463,085	3,515,525,900
VAT payable	737,727,968	135,000,864
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	(1,180)	(1,180)
Employees and social obligations	17,878,248	11,361,063
Other liabilities	1,516,249,146	1,011,621,469
<b>Total</b>	<b>4,774,877,899</b>	<b>4,701,068,748</b>

The Company has a cash pooling agreement in place in order to implement a cash balance optimization system, where KMG Rompetrol S.R.L. is "Coordinating Company", and the group companies are participating companies.

The cash pooling debt amounts to RON 1,511.15 million (2019: RON 996.19 million) and is recognised in "Other liabilities".



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**13. CONTRACT LIABILITIES**

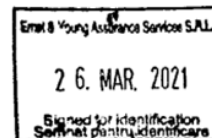
	<b>31 December 2020</b>	<b>31 December 2019</b>
Short-term advances from other customers	91,363,247	47,196,182
<b>Total short-term advances</b>	<b>91,363,247</b>	<b>47,196,182</b>

Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) the Company performs under the contract.

**14. SHORT-TERM LOANS**

**Short-term loan from related parties:**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>KMG International N.V.</b>	42,260,547	53,923,450
Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - 31 December 2020, assignment of receivables; real movable security interest over the investments in Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. The facility has been fully reimbursed in February 2021.		
<b>Midia Marine Terminal SRL</b>	-	27,211,100
Short-term facility for working capital needs in amount of RON 27.211 million, maturity date 31 December 2019. The facility has been fully used. The facility has been fully reimbursed in February 2020.		
<b>Rompetrol Financial Group SRL</b>	-	10,000,000
Short-term facility for working capital needs in amount up to USD 29.215 million, maturity date 31 December 2019. The facility has been fully used. The facility has been fully reimbursed in February 2020.		
Interest due	6,688,483	12,756,467
	<b>48,949,030</b>	<b>103,891,017</b>



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**14. SHORT-TERM LOANS (continued)**

**Short-term loan from banks**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Banca Transilvania</b>	90,353,995	39,522,931
Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 30, 2021; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.		
<b>Banca Transilvania</b>	29,147,217	185,523
Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on July 30, 2021; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS = EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.		
Interest due	416,143	169,064
	<b>119,917,355</b>	<b>39,877,518</b>
<b>Syndicated loan – through Unicredit Bank as payer agent</b>	89,986,686	-
<b>Syndicated loan – auxiliary component representing overdraft loan granted by Unicredit Bank</b>	-	8,201,375
<b>TOTAL</b>	<b>209,904,041</b>	<b>48,078,893</b>

**15. LONG-TERM LOANS**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Syndicated loan – through Unicredit Bank as payer agent</b>		
Up to USD 435 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Rompetrol Rafinare, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2021 and (III) USD 120 million uncommitted with the maturity date is April 23, 2021. The facility is secured by: inventories, receivables, gas stations, depots and current accounts.		
	<b>570,759,324</b>	<b>613,184,904</b>

The loans are secured with pledges on inventories of RON 452 million (2019: RON 148 million) and trade receivables of USD: 178.6 million (2019: RON 274.6 million).

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**15. LONG-TERM LOANS (continued)**

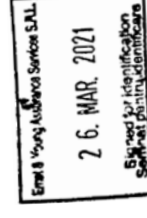
The movement of loans in 2020 is presented below:

	At 1 January 2020	Drawings	Repayments	Interest accrual	Reclass between short-term and long-term	Exchange rate impact	At 31 December 2020
Long-term borrowings from banks	613,184,904	415,700,971	(346,246,390)	-	(89,986,686)	(21,893,476)	570,759,324
Short-term borrowings from banks	47,909,829	408,166,695	(324,393,596)	-	89,986,686	(12,181,716)	209,487,898
Short-term borrowings from shareholders and related parties	91,134,550	-	(43,677,500)	-	-	(5,196,503)	42,260,547
<b>Total</b>	<b>752,229,283</b>	<b>823,867,667</b>	<b>(714,317,486)</b>		<b>-</b>	<b>(39,271,695)</b>	<b>822,507,769</b>
Interest long-term borrowings from banks	-	-	(17,689,600)	17,936,847	(247,080)	(168)	(0)
Interest short-term borrowings from banks	169,064	-	(3,076,962)	3,076,962	247,080	-	416,143
Interest short-term borrowings from shareholders and related parties	12,756,467	-	(7,351,789)	1,778,620	-	(494,814)	6,688,484
<b>Total</b>	<b>12,925,531</b>	<b>-</b>	<b>(28,118,350)</b>	<b>22,792,429</b>	<b>-</b>	<b>(494,982)</b>	<b>7,104,627</b>

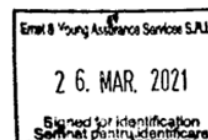
At the level of KMG International NV, loan covenants are tested for the syndicated loan every 6 months. Anticipating a potential breach of the loan covenants as of 31 December 2020, KMG International NV requested and obtained before balance sheet date a waiver from complying with the financial covenants attached to the syndicated loan. KMG International NV's manages its capital structure aiming to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings.

In these regards, KMG I obtained a waiver letter before balance sheet date covering the entire syndicated loan balance as of 31 December 2020 amounting USD 280.7 mill, out of which long term portion is of USD 240 mill.

Next covenants testing date is 30 June 2021 and based on the approved budgets and cash flows, the Management of KMG International consider that the financial covenants will be met.



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## 16. LEASE DEBTS

	2020	2019
<b>Opening balance at 1 January</b>	<b>11,820,321</b>	-
Restatement as of result of IFRS 16 adoption	-	17,956,146
Additions	920,685	26,666
Re-measurement	46,855,278	-
Payments	(4,383,624)	(7,194,511)
Interest accrued	619,635	739,302
Exchange rate impact	194,647	292,718
Other changes	3,497,345	-
<b>As at 31 December</b>	<b>59,524,287</b>	<b>11,820,321</b>
Non-current	56,981,732	5,368,671
Current	2,542,555	6,451,650

## 17. PROVISIONS

The movement of the provisions is presented below:

	As at 1 January 2020	Other comprehensive income	Arising during the year	Unwinding of discount	As at 31 December 2020
Provision for litigations	-	-	1,705,380	-	1,705,380
Retirement benefit provision	70,253,137	(8,977,551)	(5,719,771)	-	55,555,814
Environmental provision	271,807,301	-	(40,222,005)	8,188,410	239,773,706
<b>Total</b>	<b>342,060,438</b>	<b>(8,977,551)</b>	<b>(44,236,396)</b>	<b>8,188,410</b>	<b>297,034,901</b>

### Environmental provision

As of 31 December 2020, the Company recognized an environmental provision of RON 239.8 million (2019: RON 271.8 million). Total costs incurred during 2020: RON 25.8 million (2019: RON 11.9 million). At the end of 2020, a re-assessment of the site restoration provision was performed by considering the work done during the year, the updated variable indicators (e.g. exchange rate and discount rate) and the purchase prices (estimated for the full project by using the actual prices from the agreements in place for lagoons 16 and 17). The results of the reassessment lead to a reversal of provision in amount of RON 40.2 million (2019: RON 9.6 million) being mainly generated by the actual costs incurred during 2020, partially offset by the unwinding effect of RON 8.2 million (2019: RON 13.6 million).

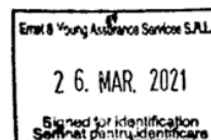
### Retirement obligations provision

Under the collective labor agreement in force, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with the entity at the date of their retirement. A corresponding provision has been recognized based on: the specific benefits provided in the agreement; the number of employees working within the entity; and actuarial assumptions regarding mortality, staff turnover etc. For the computation an actuarial valuation is involved making various assumptions that may differ from actual developments in the future. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

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**17. PROVISIONS (continued)**

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 2.97% in 2020 (2019: 4.65%), with an expected rate of long-term salary increase of 2.31% in 2020 (2.97% in 2019). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Mortality rate considered was 1.17% (2019: 1.17%). Retirement age for men 65 years old and for women 63 years old.

Amounts recognized in the income statement in respect of this obligation are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Interest on obligation	428,787	949,020
Service cost	3,106,664	2,643,563
Benefits paid	(9,255,223)	(3,905,076)
<b>Total</b>	<b>(5,719,771)</b>	<b>(312,493)</b>

Amounts recognized in the statement of financial position arising from the retirement benefit obligation are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Opening balance</b>	<b>70,253,136</b>	<b>54,053,385</b>
Interest on obligation	428,787	949,020
Service cost	3,106,664	2,643,563
Curtailment due to restructuring/retirement	(9,255,223)	(3,905,076)
Changes in assumptions (tax rate, salary increase, turnover)	(8,977,551)	16,512,245
<b>Closing balance</b>	<b>55,555,814</b>	<b>70,253,137</b>

It is estimated that there are no significant liabilities relating to the provisions that will arise in the next 12 months.

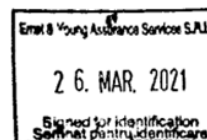
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**18. NET REVENUES FROM CONTRACT WITH CUSTOMERS**

	January - December 2020		TOTAL 2020	January - December 2019		TOTAL 2019
	Refining	Petrochemicals		Refining	Petrochemicals	
Gross revenues from the sale of finished oil products	11,505,286,145	619,415,520	12,124,701,665	18,707,762,429	731,671,385	19,439,433,814
Revenues from petrochemicals trading	-	9,199,375	9,199,375	-	2,572,908	2,572,908
Revenues from other merchandise sales	1,808,123	-	1,808,123	4,125,255	-	4,125,255
Revenues from utilities sold	8,813,904	-	8,813,904	9,255,572	-	9,255,572
Revenues from the sale other products	398,214	-	398,214	797,266	-	797,266
Revenues from other services	15,136,662	-	15,136,662	13,712,960	-	13,712,961
<b>Gross Revenues</b>	<b>11,531,443,048</b>	<b>628,614,895</b>	<b>12,160,057,943</b>	<b>18,735,653,482</b>	<b>734,244,293</b>	<b>19,469,897,775</b>
Less sales taxes	(3,884,947,426)	-	(3,884,947,426)	(4,719,538,636)	-	(4,719,538,636)
<b>Total</b>	<b>7,646,495,622</b>	<b>628,614,895</b>	<b>8,275,110,517</b>	<b>14,016,114,846</b>	<b>734,244,293</b>	<b>14,750,359,139</b>

Total Revenues decreased mainly due to the volatility of oil and gas market environment resulting in lower quotations vs previous year and lower volumes sold as result of worldwide market constraints.

Emisii Young Auditors Service S.A.  
 26. MAR. 2021  
 Signed for identification  
 Ștefan Petriș, Certificat



**ROMPETROL RAFINARE S.A.**  
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**19. COST OF SALES**

	<b>January – December 2020</b>	<b>January - December 2019</b>
Crude oil and other raw materials	7,614,092,570	13,226,728,823
Consumables and other materials	56,396,366	64,513,345
Utilities	416,956,855	489,802,104
Staff costs	106,484,645	105,059,204
Transportation	76,235	89,640
Maintenance	97,427,740	93,161,577
Insurance	6,888,573	6,563,911
Environmental expenses	14,343,056	45,128,860
Other	53,326,236	48,410,100
<b>Cash production cost</b>	<b>8,365,992,276</b>	<b>14,079,457,564</b>
Depreciation and amortization	307,260,811	324,026,338
<b>Production costs</b>	<b>8,673,253,088</b>	<b>14,403,483,902</b>
Less: Change in inventories	187,875,754	(12,734,754)
Less: Own production of property, plant & equipment	(21,118,721)	(5,233,072)
Cost of petrochemicals trading	12,578,804	2,790,760
Cost of other merchandise sales	1,772,161	2,140,417
Cost of utilities sold	8,196,992	7,513,610
Realised (gains) / losses on derivatives	(215,657,142)	13,370,350
<b>Total</b>	<b>8,646,900,936</b>	<b>14,411,331,213</b>

Total Cost of goods sold decreased mainly due to decreased quantity of crude oil processed and of petroleum products sold.

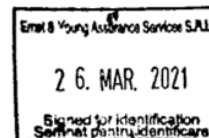
The significant income recorded during 2020 by Rompetrol Rafinare is due to hedging activities, mainly for around Base Operating Stocks (BOS), done on the ICE Exchange Market using Futures contracts to protect the stock's value against decreasing of prices, recording gains in total amount of RON 168.7 million. When prices decrease the stocks depreciate, but the hedging instruments will have positive effect, offsetting the physical loss. During 2020 most part of hedging results are coming from Q1 and Q2 2020 when the market sharply decreased because of lockdown measures. Thus, being hedged during the market decrease resulted in RON 177.6 million gains on the hedges in place.

Also, before pandemic escalation, Rompetrol Rafinare managed to hedge the Refinery Margin at levels that allowed it to gain RON 47 million. Refinery margin represents the difference between the money spent for feedstock acquisitions and money received from products sales. Refinery margin swaps instruments are used to protect the Refinery margin budget of the company against depreciation

In 2020, in other expenses are included costs for: inspections and quality control in amount of RON 22.8 million (2019: RON 22.3 million), IT and communications in amount of RON 12.4 million (2019: RON 8.7 million), local taxes in amount of RON 1.2 million (2019: RON 1.6 million), security, fire protection and other services in amount of RON 16.9 million (2019: RON 14.0 million).

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**20. SELLING, GENERAL AND ADMINISTRATIVE COSTS, INCLUDING LOGISTIC COSTS**

	January – December 2020	January - December 2019
Staff costs	45,043,845	32,462,959
Utilities	18,296,045	10,280,437
Transportation	49,505,487	50,492,105
Professional and consulting fees	51,677,425	108,664,043
Consumables	1,627,535	1,001,541
Marketing	125,862	227,710
Taxes	4,155,723	4,309,199
Communications	51,163	71,427
Insurance	2,581,377	1,785,135
IT related expenditures	6,785,306	7,486,883
Environmental expenses	28,350,471	27,950,104
Maintenance	14,872,784	11,484,952
Fees and penalties	12,339,004	20,115,584
Other expenses	41,577,761	24,927,128
<b>Costs before depreciation</b>	<b>276,989,788</b>	<b>301,259,207</b>
Depreciation and amortization	66,130,358	43,170,520
<b>Total</b>	<b>343,120,147</b>	<b>344,429,727</b>

In 2020 in Other expenses are included costs for: storage in amount of RON 13.2 million, outsourced services in amount of RON 10 million, inspections and quality control in amount of RON 2.8 million, security, fire protection, cleaning & sanitation in amount of RON 7.5 million, mandate services in amount of RON 1.2 million and other services in amount of RON 6.9 million.

The auditor's fees were recognised in "Professional and consulting fees". The auditors' fees related to the audit of the stand-alone and consolidated financial statements as of 31 December 2020 are EUR 128,013 (in 2019: EUR 142,000).

**21. OTHER OPERATING (INCOME) / EXPENSES, NET**

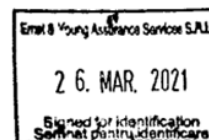
	January – December 2020	January - December 2019
Loss / (gain) from receivables (including provisions and write-off), net	3,962,893	(308,133)
Loss / (gain) from provision for inventories and write-off, net	(12,774,406)	(45,126,492)
(Gain) / Loss from other provisions	(38,516,625)	(23,254,697)
Other expenses / (income), net	(32,553,344)	(1,443,848)
<b>Total</b>	<b>(79,881,482)</b>	<b>(70,133,170)</b>

In 2020 the Company booked a positive outcome on the CO2 certificates litigation that Rompetrol Rafinare won against the Romanian State, recognized a revenue towards the State in amount of RON 153.8 million. In the same time the Company estimated the purchase of 766 thousands CO2 certificates needed for 2020 compliance in amount of RON 133.5 million based on the emissions as of 31 December 2020 out of which recognizing an estimated expense of RON 121.7 million in Other operating expenses, the difference of RON 11.8 million being considered in the cost of sales.

The net impact in Other operating (income)/expenses of RON 32.1 million is recorded under "Other expenses / (income), net" caption.



**ROMPETROL RAFINARE S.A.**  
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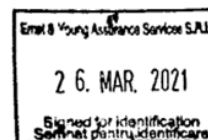
**22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE**

	<b>January – December 2020</b>	<b>January - December 2019</b>
<b>Finance cost</b>		
Interest expense	39,812,590	37,140,307
Interest expense shareholders and related parties	47,858,331	63,248,019
Other financial expense	94,794,226	135,098,281
	<b><u>182,465,147</u></b>	<b><u>235,486,607</u></b>
<b>Finance income</b>		
Interest income	(5,034,800)	(21,719,706)
Interest Income - hybrid instrument	(69,291,612)	-
Other financial income	(12,421,849)	(1,059,637)
	<b><u>(86,748,261)</u></b>	<b><u>(22,779,343)</u></b>
<b>Finance cost / (income), net</b>	<b><u>95,716,886</u></b>	<b><u>212,707,264</u></b>
Unrealized net foreign exchange losses/(gains)	(18,121,459)	(47,301,537)
Realized net foreign exchange losses/(gains)	(190,819,277)	192,771,168
<b>Foreign exchange (gain)/loss, net</b>	<b><u>(208,940,736)</u></b>	<b><u>145,469,631</u></b>
<b>Total</b>	<b><u>(113,223,850)</u></b>	<b><u>358,176,895</u></b>

In 2020 out of the total of RON 94.8 million (2019: 135.1) representing other financial expenses an amount of approximately RON 85.8 million (2019: RON 120.4 million) represents interest and other financial expenses owed to KMG Trading for financing activities.

As of 31 December 2020 management carried out an assessment on the potential hybrid loan interest liability and it resulted that no interest payable should be recorded based on the projected profitability of the business by the end of the contractual period, considering the current accumulated accounting losses. As result of the assessment performed, the potential hybrid loan interest liability was reversed through the current year result.

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## 23. INCOME TAX

The income tax rate was 16% in 2020 and 2019.

As of 31 December 2020, the Company had the following total unused fiscal losses:

Entity	Fiscal loss 2020 Million RON	Fiscal loss 2019 Million RON
<b>Rompetrol Rafinare SA</b>	<b>(1,916.0)</b>	<b>(1,755.8)</b>

A breakdown of tax losses of the Company in years is displayed below:

Entity	Fiscal loss Million	Fiscal loss Expires in
<b>Rompetrol Rafinare SA</b>		
2014	(720.75)	2021
2015	(382.97)	2022
2016	(12.20)	2023
2017	-	2024
2018	(75.03)	2025
2019	(173.20)	2026
2020	(551.82)	2027
	<b>(1,915.97)</b>	

## Reconciliation of comprehensive income with tax result

Below there is a reconciliation between the current income tax recorded in the income statement and the whole expenses with the profit tax, based on the temporary differences and non-deductible items:

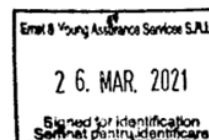
	2020	2019
<b>Accounting Net profit</b>	<b>(645,823,057)</b>	<b>(352,730,468)</b>
Addition: Non-deductible expenses	724,119,614	682,177,038
Less: Non-taxable income	(249,544,685)	(128,861,398)
Less: Non-fiscal depreciation	(375,434,174)	(366,592,478)
Other items equivalent to expense/(revenues)	(5,133,049)	(7,194,510)
<b>Fiscal (Net loss)</b>	<b>(551,815,351)</b>	<b>(173,201,816)</b>
Fiscal losses carried forward	(1,364,157,423)	(1,582,585,336)
<b>Total fiscal losses carried forwards</b>	<b>(1,915,972,774)</b>	<b>(1,755,787,152)</b>
<b>Income tax payable (16%)</b>	-	-

In 2020 the following income was considered non-taxable when calculating tax loss:

- Tax provisions (income from reversal of provisions for which no deduction was allowed) RON 248.7 million;

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**23. INCOME TAX (continued)**

The following were considered non-deductible expenses when determining tax loss:

- Expenses with accounting depreciation, amounting to RON 370.3 million;
- Expenses from deferred income tax amounting RON 124.0 million;
- Expenses with provisions amounting RON 209.6 million;
- Interests amounting RON 14.7 million;
- Depreciation/Unwinding of discount/Forex IFRS 16 amounting RON 4.0 million;
- Other non-deductible expenses amounting to RON 1.6 million.

**DEFERRED TAX**

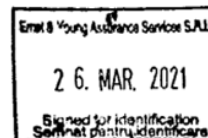
	Balance at 1 January 2020	Charged to Profit & loss	Charged to Equity	Balance at 31 December 2020
<b>Temporary differences</b>				
<b>Asset/Liability</b>				
Property, plant and equipment	1,171,545,256	5,123,652	(27,928,813)	1,148,740,095
Provisions	(271,807,301)	32,033,594	-	(239,773,708)
Fiscal loss	(1,588,060,366)	737,954,147	-	(850,106,219)
<b>Total temporary differences (Asset) / Liability</b>	<b>(688,322,411)</b>	<b>775,111,393</b>	<b>(27,928,813)</b>	<b>58,860,169</b>
Property, plant and equipment	187,447,242	819,784	(4,468,611)	183,798,415
Provisions	(43,489,168)	5,125,375	-	(38,363,793)
Fiscal loss	(254,089,659)	118,072,664	-	(136,016,995)
<b>Deferred tax (assets)/ liability recognised</b>	<b>(110,131,585)</b>	<b>124,017,823</b>	<b>(4,468,611)</b>	<b>9,417,626</b>

As of 31 December 2020 it was recognized a decrease of deferred tax asset by RON 119.5 million (an amount of RON 124 million was recognised in profit & loss account and an amount of RON 4.5 million was recognized on equity) leading the Company to a net deferred tax liability position of RON 9.4 million.

As of 31 December 2020, the Company reviewed the carrying amount of deferred tax assets and reduced it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax to be utilized. For the recoverability of deferred tax, the management considered projections which are consisted with the business plans used for Impairment test adjusted for tax purposes. Expected taxable profits used for assessing the deferred tax asset recoverability are based, amongst other factors, on future cost savings and/ or margin optimization to be derived from several investment projects that the Company has committed to and are already in different implementation phases. The benefits from these investments plans are expected to be derived before fiscal losses carried forward expire, therefore reducing the processing costs having a positive effect on the refinery margin.

The Company has RON 1,196 million (2019: RON 1,756 million) of tax losses carried forward which will expire in a period of 7 years from the year in which they arised and maybe used to offset taxable income. On this basis, the Company has determined the tax loss carried forward that can be utilized over the next 7 years, considering this assessment a sensitivity analysis of the future taxable profits.

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### **23. INCOME TAX (continued)**

For the sensitivity analysis performed, the management analyzed the history of operational and fiscal losses and identified the causes for the one-off items (both favorable and unfavorable) unlikely to recur. The Company's management considered that 2016 -2018 is a stable and more relevant period for the assessment, while 2019-2020 was considered abnormal due to several events occurred within this period that put pressure on price quotations and also the effect of the pandemic..

Based on the analysis of historical results, a normalized tax result was determined that was included in the sensitivity analysis for the period 2024-2027, while for the short term (i.e. 2021-2023) the tax result was aligned with the most recently updated and approved business plans and a more prudent approach was adopted in order to capture the anticipated effects of COVID-19 pandemic. The sensitivity analysis performed for taxable profits of each year from the balance sheet date until the expiry date of the carryforward losses sustains the recoverability of the deferred tax recognized for carried forward fiscal losses.

Deferred tax asset is also recognized for the provision related to Vega Environmental project. The remeasurement of the provision during 2020 (Note 17), lead to a decrease of RON 5.1 million in the related deferred tax asset.

As of 31 December 2020 the Company has made an assessment of unrecognized deferred tax assets and such items are related to deductible temporary differences generated by retirement benefits and inventories allowance (NRV assessment) amounting RON 11.1 mill.

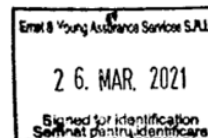
#### **Contingencies related to taxation**

The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements.

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**24. OPERATING SEGMENT INFORMATION**

**A. Operating segments**

For management purposes, the company is organized in two segments - refining and petrochemicals.

**2020 Income statement**

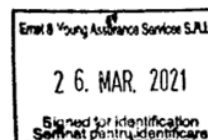
	<b>Refining</b>	<b>Petrochemicals</b>	<b>Unallocated amounts between the segments</b>	<b>Total</b>
Net turnover	7,646,495,622	628,614,895	-	<b>8,275,110,517</b>
Cost of sales	(7,966,205,011)	(680,695,925)	-	<b>(8,646,900,936)</b>
<b>Gross loss</b>	<b>(319,709,389)</b>	<b>(52,081,030)</b>	<b>-</b>	<b>(371,790,419)</b>
Selling, general and administrative expenses	(291,105,053)	(52,015,094)	-	<b>(343,120,147)</b>
Other operating revenues / expenses, net	79,881,482	-	-	<b>79,881,482</b>
<b>Operating loss</b>	<b>(530,932,960)</b>	<b>(104,096,124)</b>	<b>-</b>	<b>(635,029,084)</b>
Financial expenses	-	-	(182,465,147)	<b>(182,465,147)</b>
Financial revenues	-	-	86,748,261	<b>86,748,261</b>
Net foreign exchange gains / (losses)	-	-	208,940,736	<b>208,940,736</b>
<b>Profit / (loss) before income tax</b>	<b>(530,932,960)</b>	<b>(104,096,124)</b>	<b>113,223,850</b>	<b>(521,805,234)</b>
Deferred tax	-	-	(124,017,823)	<b>(124,017,823)</b>
<b>Net Loss</b>	<b>(530,932,960)</b>	<b>(104,096,124)</b>	<b>(10,793,973)</b>	<b>(645,823,057)</b>
<b>out of which Depreciation and amortization</b>	<b>(316,979,922)</b>	<b>(56,411,248)</b>	<b>-</b>	<b>(373,391,170)</b>

**2019 Income statement**

	<b>Refining</b>	<b>Petrochemicals</b>	<b>Unallocated amounts between the segments</b>	<b>Total</b>
Net turnover	14,016,114,846	734,244,293	-	<b>14,750,359,139</b>
Cost of sales	(13,645,211,311)	(766,119,902)	-	<b>(14,411,331,213)</b>
<b>Gross profit</b>	<b>370,903,535</b>	<b>(31,875,609)</b>	<b>-</b>	<b>339,027,926</b>
Selling, general and administrative expenses	(295,163,053)	(49,266,674)	-	<b>(344,429,727)</b>
Other operating revenues / expenses, net	70,133,170	-	-	<b>70,133,170</b>
<b>Operating profit/ (loss)</b>	<b>145,873,653</b>	<b>(81,142,284)</b>	<b>-</b>	<b>64,731,369</b>
Financial expenses	-	-	(235,486,607)	<b>(235,486,607)</b>
Financial revenues	-	-	22,779,343	<b>22,779,343</b>
Net foreign exchange gains / (losses)	-	-	(145,469,631)	<b>(145,469,631)</b>
<b>Profit/(loss) before income tax</b>	<b>145,873,652</b>	<b>(81,142,284)</b>	<b>(358,176,895)</b>	<b>(293,445,526)</b>
Deferred tax	-	-	(59,284,942)	<b>(59,284,942)</b>
<b>Net Profit / (Loss)</b>	<b>145,873,652</b>	<b>(81,142,284)</b>	<b>(417,461,837)</b>	<b>(352,730,468)</b>
<b>out of which Depreciation and amortization</b>	<b>(306,067,987)</b>	<b>(61,128,870)</b>	<b>-</b>	<b>(367,196,858)</b>

In 2020 turnover of the Company are included the clients KazMunayGas Trading AG and Rompetrol Downstream SRL, that generate more than 10% of the total sales, their value amounting to RON 5,170.5 million (2019: RON 9,541.7 million).

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## 24. OPERATING SEGMENT INFORMATION (continued)

For the income statement, management analysis are made separately for the 2 segments: Refining and Petrochemicals.

Since many of the Petromidia refinery facilities are used jointly by refining and the petrochemicals segment the balance sheet is analyzed by management at cumulated level for Refining and Petrochemicals segments. As a result, the balance sheet information for segments Refining and Petrochemicals are presented together.

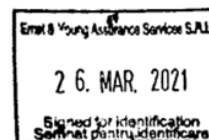
### B. Geographical segments

All the production facilities of the Company are located in Romania. The following breakdown provides an analysis of the net turnover of the Company depending on the geographical market (based on customers location):

	<b>31 December 2020</b>	<b>31 December 2019</b>
Romania	5,546,277,773	8,391,435,622
Europa	2,567,020,000	6,214,454,277
Asia	144,403,185	126,410,671
America	17,409,559	18,058,569
<b>Total</b>	<b>8,275,110,517</b>	<b>14,750,359,139</b>

**ROMPETROL RAFINARE S.A.**  
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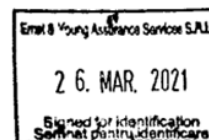
## 25. RELATED PARTIES

The ultimate parents of the Company are the company National Welfare Fund "Samruk-Kazyna" Joint Stock Company (90%) and National Bank of Republic of Kazakhstan (10%), companies with its headquarters in Kazakhstan, entirely owned by the Kazakh State. The related parties and the nature of relationship is presented below:

Name of the affiliated entity	Nature of the relation
KMG International N.V.	Majority shareholder
Oilfield Exploration Business Solutions S.A.	Company held by KMG International N.V
Rominerv S.R.L.	Company held by KMG International N.V
KazMunayGas Trading AG	Company held by KMG International N.V
Rompotrol Well Services S.A.	Company held by KMG International N.V
Palplast S.A.	Company held by KMG International N.V
Rompotrol Bulgaria JSC	Company held by KMG International N.V
Intreprinderea Mixta Rompotrol Moldova SA	Company held by KMG International N.V
Rompotrol Georgia LTD	Company held by KMG International N.V
Midia Marine Terminal S.R.L.	Company held by KMG International N.V
Rompotrol Financial Group S.R.L.	Company held by KMG International N.V
Dyneff SAS	A company of Rompotrol France group, where KMG International N.V. owns 49%
KMG Rompotrol SRL	Company held by KMG International N.V
Byron Shipping Ltd	Company held by KMG International N.V
Byron Shipping S.R.L.	Company held by KMG International N.V
Rompotrol Albania Wholesale Sh.A.	Company held by KMG International N.V (in liquidation)
Rompotrol Ukraine LTD	Company held by KMG International N.V (KMG International N.V. owns 50%)
Rominerv Valves Iaifo SRL	Company held by KMG International N.V
KAZMUNAYGAS – Engineering LLP (former Rominerv Kazakhstan LLC)	Company held by KMG International N.V
Uzina Termoelectrica Midia S.A.	Company held by KMG International N.V (KMG International group holds: 43.42%)
Global Security Sistem S.A.	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Global Security Systems Fire Services SRL	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Rompotrol Downstream S.R.L.	Company affiliated to the Company
Rompotrol Petrochemicals S.R.L.	Company affiliated to the Company
Rom Oil S.A.	Company affiliated to the Company
Rompotrol Logistics S.R.L.	Company affiliated to the Company
Rompotrol Quality Control S.R.L.	Company affiliated to the Company
Rompotrol Gas S.R.L.	Company held by KMG International N.V
Rompotrol France SAS	A company of Rompotrol France group, where KMG International N.V. owns 49%
Agat Ltd	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 50%)
Rompotrol Albania Downstream Sh.A.	Company held by KMG International N.V (in liquidation)
Rompotrol Albania Sh.A.	Company held by KMG International N.V (in liquidation)
Rompotrol Distribution Albania Sh.A	Company held by KMG International N.V (in liquidation)
TRG Petrol Ticaret AS	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Rompotrol Energy S.A	Company held by KMG International N.V (KMG International owns: 99%)
KazMunayGas Engineering B.V.	Company held by KMG International N.V
KMG Rompotrol Services Center SRL (former Rompotrol Exploration & Production SRL)	Company held by KMG International N.V
Rompotrol Drilling	Company held by KMG International N.V
Benon Rompotrol LLC	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 40%)
The Romanian State and the Romanian Authorities	Significant shareholder
Fondul de Investitii in Energie Kazah-Roman S.A.	Company held by KMG International N.V
KMG ROMPETROL DEVELOPMENT S.R.L.	Company held by KMG International N.V
Oman JV	Societate a Grupului KMG International

Note: there are also 9 branches and representatives

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**25. RELATED PARTIES (continued)**

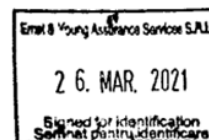
The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received.

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

	<b>Receivables and other assets</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
KazMunayGas Trading AG	123,320,649	754,334,283
Rompetrol Downstream S.R.L	509,401,057	547,599,327
Rompetrol Petrochemicals S.R.L.	481	481
KMG International N.V.	10,150,180	8,686,860
Rompetrol Gas SRL	-	42,544,087
Rompetrol Bulgaria JSC	2,110,141	16,016,832
Rominerv S.R.L.	9,474,667	14,108,866
Rompetrol Quality Control S.R.L.	145,177	146,912
Rompetrol Logistics S.R.L	3,015	3,020
Midia Marine Terminal S.R.L.	899,856	951,546
Uzina Termoelectrica Midia S.A.	8,964,455	13,051,590
KMG Rompetrol SRL	78,840,453	7,277,980
Global Security Sistem S.A.	606,223	606,694
Kazmunaygas – Engineering LLP (former Rominerv Kazakhstan(RKZ))	666,950	716,526
Palplast S.A.	2,800,002	3,499,745
Byron Shipping Ltd.	2,802	2,441
Rompetrol Ukraina	15,018	16,134
Oilfield Exploration Business Solutions S.A.	3,026,298	3,062,259
Rompetrol Financial Group SRL	10,760	10,728
KMG Rompetrol Services Center SRL	50,933	55,103
<b>Total</b>	<b>750,489,117</b>	<b>1,412,691,414</b>



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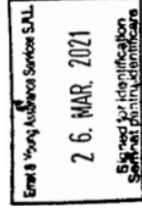


**25. RELATED PARTIES (continued)**

	<b>Payables, loans and other liabilities</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
KazMunayGas Trading AG	1,979,547,932	3,138,358,824
Rompetrol Downstream S.R.L.	66,410,166	39,446,513
Rompetrol Petrochemicals S.R.L.	1,334,066	8,440,871
KMG International N.V.- loans(note14)	42,260,547	53,923,450
KMG International N.V.-interest	6,688,483	5,670,811
KMG International N.V.-interest hybrid loan	-	69,291,612
KMG International N.V.-trade debts	20,814,163	30,838,648
Rompetrol Gas SRL	19,021,537	3,549,340
Rompetrol Moldova ICS	13,299,899	7,849,029
Rominerv S.R.L.	80,239,429	87,755,381
Rompetrol Quality Control S.R.L.	15,608,669	13,287,728
Rompetrol Logistics S.R.L.	859,818	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	33,332,021	20,388,322
Uzina Termoelectrica Midia S.A.	22,657,670	31,350,852
KMG Rompetrol SRL- debt cash pooling	1,507,235,473	992,053,807
KMG Rompetrol SRL-interest cash pooling	3,911,685	4,136,452
KMG Rompetrol SRL-trade debts	11,172,810	38,528,222
Global Security Sistem S.A.	614,628	611,947
Global Security Systems Fire Services S.R.L.	856,705	-
KMG Rompetrol Development	371,820	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	2,471,892	1,488,149
Rompetrol Bulgaria JSC	-	481,994
TRG Petrol Ticaret Anonim Sirketi	10,346	10,346
<b>Total</b>	<b>3,828,719,827</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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**25. RELATED PARTIES (continued)**

In 2020, respectively in 2019, Rompetrol Rafinare had the following transactions with the related parties:

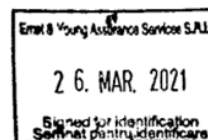
Name of related party	Nature of transaction, sales / purchases	Sales		Purchases	
		2020	2019	2020	2019
KazMunayGas Trading AG	Raw materials / Petroleum products	1,502,585,743	4,140,107,232	6,586,335,213	12,538,112,801
Rompotrol Downstream S.R.L.	Petroleum products, rent, utilities and other	3,678,457,583	5,412,821,772	2,218,053	2,188,957
Rompotrol Petrochemicals S.R.L.	Rent, utilities and other	-	11,387	-	-
KMG International N.V.	Loan interest, management services	69,291,612	-	7,938,748	18,570,003
Rompotrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	277,696,367	442,606,103	2,837,766	1,352,234
Rompotrol Moldova ICS	Sales intermediary services	457,502,457	968,514,567	-	-
Rompotrol Bulgaria JSC	Sales intermediary services	80,528,410	107,519,235	-	-
Rominerv S.R.L.	Acquisition and maintenance of fixed assets	2,657,199	2,693,541	487,787,404	320,413,003
Rompotrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	1,441,439	1,448,431	31,637,101	29,003,940
Rompotrol Logistics S.R.L.	Transport, rent/Rent, utilities	12,413	13,875	164,324	164,324
Midia Marine Terminal S.R.L.	Handling services/ Rent, utilities, re-invoicing, loan interest, others	1,209,247	2,183,747	67,398,375	66,294,803
Rompotrol Well Services S.A.	Loan interest	-	-	387	799,250
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	67,415,366	87,155,582	117,059,674	134,084,565
KMG Rompetrol S.R.L.	Loan interest, management services	4,572,017	10,694,840	92,593,881	151,909,794
Global Security Sistem S.A.	Security and protection services	1,661	1,399	8,176,964	11,798,709
Global Security Systems Fire Services S.R.L.	Protection services	-	-	6,647,660	-
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	22,822	33,360	76,401	2,440
Rompotrol Financial Group SRL	Loan interest	-	-	63,517	3,304,214
KMG Rompetrol Services Center SRL	Shared services	547,744	549,171	18,186,157	16,689,858
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	-	32,285	-	-
		<b>6,143,942,080</b>	<b>11,176,386,527</b>	<b>7,429,121,625</b>	<b>13,294,688,895</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, afterwards renamed as Ministry of Economy, Energy and Business Environment according to the OUG 68/11.06.2019. Its current name is Ministry of Energy according to the OUG 212/2020.

As a result MFPR, MECMA, ME 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 and other Romanian authorities during the time of their affiliation, other than those arising from Romanian fiscal and legislation requirements.

The salaries paid to the Company directors in 2020 were RON 1,053,850 (RON 1,246,164 in 2019). The salaries and bonuses paid to the Company management in 2020 (in average 13 persons) was RON 5,191,050 (RON 4,114,475 in 2019, in average 12 persons).

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## 26. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	January – December 2020	January – December 2019
Net profit (+), loss (-)	(645,823,057)	(352,730,468)
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (money / share)	(1.46)	(0.80)

## 27. CONTINGENT LIABILITIES

a) Related to the Company's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 11.08 million) to be paid by the Company based on an inspection carried out in 2003. A suspension of the tax audit has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.). Also, the settlement of the administrative appeal has been suspended until the final sentence regarding the related criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see first case in note 28). The management is confident that the Company is able to defend itself and the likelihood of a negative outcome is considered remote. On December 5, 2019 DIICOT issued the Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. In such situation, the reason for which the settlement of the administrative appeal has been suspended, has ceased. The appeal was resolved by Decision no. 238/29.10.2020 in favor of Rompetrol Rafinare, following which it was established that Rompetrol Rafinare S.A. does not owe any amount of money to ANAF.

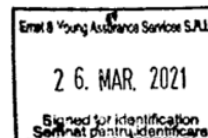
b) In 2001, the Company processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Company were challenged in front of the court by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Company cancelled such invoices. The Company is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Company liable for paying such excises; the Company appealed the tax audit, which was suspended as for the same reason described in the paragraph above. The amount noted in the minutes issued by D.G.F.P Constanta is RON 9.5 million (USD 2.3 million). The management is confident that the likelihood of reversal of the earlier court decision is very low. On December 5, 2019 DIICOT issued the Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. In such situation, the reason for which the settlement of the administrative appeal has been suspended, has ceased. The appeal was resolved by Decision no. 238/29.10.2020 in favor of Rompetrol Rafinare, following which it was established that Rompetrol Rafinare S.A. does not owe any amount of money to ANAF.

### c) Rompetrol Rafinare SA - Distressed Assets - Hybrid Conversion

Emergency Ordinance ("EGO") 118/2003 approved by Law 89/2005 and the Issuing Convention of 5 December 2003 ("Issuing Convention"), regulated the conversion of RON 2,177.7 million of state budget liabilities, including penalties, into 22,812,098 EUR - denominated long-term reverse-convertible bonds with a face value EUR 25 each. (i.e. a total of EUR 570.3 million at the RON / EUR exchange rate as of 30 September 2003 or 3.8185 RON / EUR or USD 719.4 million at the same date), hereinafter referred to as "Hybrid instruments" or "Bonds". The Bonds carried interest and were redeemable on or before maturity, whereas EGO specifically provided that bonds not redeemed by 30 September 2010 should be convertible, at a fixed conversion rate, into ordinary shares of Rompetrol Rafinare S.A., at the option of the Company (KMGI).

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**27. CONTINGENT LIABILITIES (continued)**

In accordance with the requirements of EGO 118/2003 and the Issuing Convention, Rompetrol Rafinare S.A. undertook the following transactions in relations to bonds:

- a. the Extraordinary General Meeting of the Shareholders as of June 30, 2010 approved, the increase of the Company's share capital by USD 100.2 million;
- b. On August 9, 2010, Rompetrol Rafinare S.A. redeemed 2,160,000 Bonds in aggregate amount of EUR 54 million;
- c. On September 30, 2010, the Extraordinary General Meeting of the Shareholders of Rompetrol Rafinare S.A. approved conversion of the unredeemed Bonds into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian Ministry of Public Finance for the Bonds it held. The number of shares was calculated based on the conversion rate of the bonds into shares indicated by the EGO 118/2003 and the Issuing Convention.

The Ministry of Public Finance publicly took an adverse position against such course of action and challenged it in various court procedures.

On 10 September 2010, the National Agency of Fiscal Administration ("ANAF") issued a decision for establishment of a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. and its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except inventories. This measure is still in force and it is challenged by the Group. By now the seizure has not produced direct effects on the Company's recurring operations.

On 15 February 2013, the Group and the Office of the State Ownership and Privatization in Industry ("OPSPI"), representing the Romanian State, concluded a memorandum of understanding aiming at the amiable settlement of the Litigations. As a result of the Memorandum, the parties agreed the suspension of the court proceedings, in order to allow the time to implement the Memorandum, which was acknowledged by the court on 18 February 2013.

On 22 January 2014, the Memorandum of Understanding was approved by Government Decision no. 35/2014 pursuant to which the Ministry of Public Finance has been authorized and mandated to pursue all procedural actions required for the withdrawal of the claims and the termination of all Litigations, including the Main Claim, without hearing of the merits thereof. The Memorandum of Understanding includes the following aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of Rompetrol Rafinare S.A.'s share capital for a cash consideration of 200 million USD;
- The KMGI Group will invest in energy project related to its core activities an amount estimated at 1 USD billion over 7 years;
- The Ministry of Finance will renounce all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

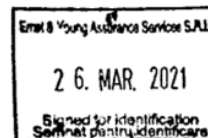
Following the hearing on 24 March 2014 it is confirmed that the court case is closed following the Ministry of Finance renouncing all the court actions that were in progress that are mentioned above.

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of Petromidia and therefore there is no amount payable by the Refinery to the state, there is no object for the seizure. The Group reverted again in February 2020 to ANAF for lifting the seizure and pointed out there is no legal rationale to be maintained. Besides all of these, the seizure is still in place.

The Shareholders agreement for the set-up the Kazakh Romanian Investment Fund ("KRF") was signed on 26 October 2018, and soon after KRF was registered as a joint stock company. All its managing bodies were organized and are functional.

Following the sign off of the association agreement for the establishment of The Kazakh - Romanian Energy Investment Fund (between KazMunayGas International (KMGI) and Societatea de Administrare a Participațiilor în Energie (SAPE)), in accordance with the provisions of the Memorandum of Understanding, in October 2018, the investment period of 7 years is established between 2019 – 2025.

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## **27. CONTINGENT LIABILITIES (continued)**

### **Contingencies – risk management and internal control**

The Company's commitment to integrity, responsibility and ethical conduct is particularly important in the area of bribery and corruption prevention and detection.

Rompotrol Rafinare is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Company adopts an approach of zero -tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates.

Whistleblowing incidents are taken very seriously by the Company and its directors. Any complaints or allegations received are investigated properly by the assigned departments. Rompotrol Rafinare has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. The internal investigations conducted during 2020 up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations.

## **28. LEGAL MATTERS**

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

Starting with 22 March 2005, a number of criminal investigations have been initiated against certain former shareholders directors, managers and external censors of Rompotrol 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 Parent;
- b) unlawful statement of excises and other debts to the state budget;
- c) incorrect keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
- d) adoption of GEO no. 118/2003.

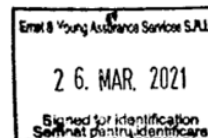
Considering the above-mentioned charges, a freezing order were issued by DIICOT and received on 9-10 May 2016 (the "Orders"), whereby it was decided to impose a distraint (freezing of the assets) on the movable and immovable assets of KMG International N.V., Rompotrol Rafinare SA and Oilfield Exploration Business Solutions SA (former Rompotrol 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 Rompotrol Rafinare and this allows to the company to continue normally the day by day operations.

Rompotrol 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.

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## **28. LEGAL MATTERS (continued)**

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 Rompetrol Rafinare S.A.' privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by Rompetrol Rafinare S.A. (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 12 April 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 Rompetrol Rafinare S.A.) 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 10 May and 28 June 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, Rompetrol Rafinare S.A. privatization and post-privatization period, privatization of Vega refinery and the issuance of bonds (OUG 118/2003), intra-companies transactions and budgetary taxes and duties.

On 17 July 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.

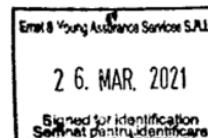
A statement of defense against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.

On 12 April, 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated 17 July 2017, 18 September 2017 and December 6, 2017 issued by the in-charge prosecutor of the file by which it was an extension of the inquiry to various individuals and/or some of the criminal offences have been approached in a worse manner for some of the defendants. Considering that those 3 ordinances cancelled have as background the April 2016 Ordinance issued by in-charge prosecutor by which the freezing orders were imposed over the assets of KMGI, the Group companies KMG International N.V., Rompetrol Rafinare S.A., 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 23 November 2018. On 4 December 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 15 March 2019. A new request for partial release of seizure was filled in on April 8, 2019.

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

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## **28. LEGAL MATTERS (continued)**

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

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

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

As of October 23, 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 Rompetrol Rafinare S.A. 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 5 December 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 USD 106 million over 4 Rompetrol Rafinare S.A.' 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.

Both Faber and AAAS and the Group challenged it. The Group challenged the Ordinance on December 27, 2019, requiring having the relevant criminal charges 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, were rejected as inadmissible.

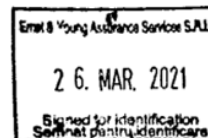
Faber submitted a civil claim to the Bucharest court against both the Group companies and defendants.

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 USD 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 Rompetrol Rafinare S.A. share capital back in 2003 - 2005. The hearing was scheduled for April 14 but the case has been suspended due to the emergency enforced since 16 March 2020. The next hearing was settled for 27 April 2021.

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## **28. LEGAL MATTERS (continued)**

Also, please note that in December 2020, Faber resumed some files out of those suspended back in 2005/2006. The hearings are scheduled during April and May 2021. Briefly, the files regard the followings:

1. Cancellation of the statutory documents issued in 2001 when the share capital was increased due to the evaluation of fixed assets. The first stage of the file was won, now Faber is asking to resume the appeal;
2. Cancellation of the statutory documents issued in 2001 regarding the change of the name of the company (Romp petrol Rafinare S.A.), additional activities and change the AoA according to the company law;
3. Cancellation of the statutory documents issued in 2003 regarding the evaluation of land and increasing the share capital by RPSA with this land;
4. Cancellation of the statutory documents issued in 2002 regarding the evaluation of assets (construction, equipment) by which RPSA contributed to Rom petrol Rafinare S.A. share capital increase
5. Cancellation of the statutory documents issued in 2003 regarding the contribution in kind made by DWS, RWS, RPSA to Rom petrol Rafinare S.A. share capital;
6. Cancellation of the statutory documents issued in 2001 regarding the share capital increase according to the privatization contract;

Plus, Faber submitted a request for the revision of a decision by which the court closed a file being out of date/obsolete (when Court asked the plaintiff to do something and it doesn't within 6 months /1 year).

### **Litigation regarding CO2 emission allowances.**

On 28 February 2011 Rom petrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rom petrol Rafinare an additional number of 2,577,938 CO2 emission certificates for the entire period 2008 - 2012 (Decision 69/CA/2011). This first decision issued by the Constanta Court of Appeal was challenged by the Ministry of Environment and The Romanian Government, but the appeals were rejected by the High Court of Cassation and Justice on 30 October 2012 and the first court decision became final.

According to the current Romanian and European legislation, the certificates obtained for 2008 – 2012 period may be owned and used also for the next period of 2013 – 2020.

Considering that the Ministry of Environment and the Romanian Government did not fulfil the Court decision according to the deadline, Rom petrol Rafinare SA started a court claim against them, having as object damages in amount of EUR 36 million. – File no. 917/36/2013\*.

The last hearing was on February 25, 2019 and a decision was released on March 19, 2019. The court admitted Rom petrol Rafinare S.A claim and found liable both the Romanian Government and Ministry of Environmental for damages in amount of EUR 31,806,598.74 in RON at the payment date for failure to observe the final Supreme Court decision issued in October 2012.

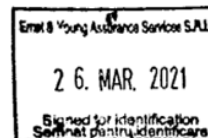
Taking in consideration that according with the decision the court awarded a lower amount than the one requested, a final appeal was formulated within the legal time limit. The defendants also submitted final appeals against the same decision of the Court of Appeal Constanta. The Supreme Court set the first hearing for November 11, 2021, but the Company submitted an application at the beginning of October to ask for an earlier hearing considering that already passed 7 years since the Supreme Court decision issued in the favor of the company. It is expected the Supreme Court decision on this topic.

On 17 June 2020, the Supreme Court issued the final decision according to which the appeals declared by Rom petrol Rafinare S.A. and the Ministry of Environment, Waters and Forests and the Government of Romania - General Secretariat of the Government against the decision issued by the Court of Appeal Constanta in 2019 were rejected. The favorable decision of the first court will be enforced for obtaining the amount granted.

On 17 December 2020 Rom petrol Rafinare received as a partial payment from the Environmental Ministry the amount of RON 30 million.



**ROMPETROL RAFINARE S.A.**  
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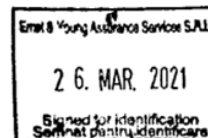
## **28. LEGAL MATTERS (continued)**

### **Litigation between Rompetrol Rafinare and Navodari City Hall**

On 19 November 2015, it was finalized the local taxes fiscal audit of the local taxes, performed by Navodari City Hall, for the period of 2012 - 2014. The only non-compliant finding refers to revaluation of buildings made by the company on 31 December 2009 and 31 December 2011, namely that not all fixed assets accounted for in the account 212 "Construction" were revalued, and therefore it was not in accordance with the accounting regulations stipulated by OMFP 3055/2009. As a result, the inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and related penalties in total amount of RON 20.4 million, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report):

- a) Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by Rompetrol Rafinare S.A. was dismissed as being lack of object, without any judgment pronounced on the merits of the case. Rompetrol Rafinare submitted in court the challenge against this decision. This judicial procedure was under court investigation proceedings with Constanta Court of Appeal who has completed judicial investigation into the case and delivered a sentence on March 16, 2017, when the challenge submitted by Rompetrol Rafinare was rejected. The solution has been appealed by Rompetrol Rafinare. The appeal is in currently pending court investigation proceedings, and the first hearing term before the High Court of Cassation and Justice is established for 30 January 2020.  
 At the request of the legal representative of Navodari City Hall, the Court set a new trial term for 7 May 2020. The next term in the case file was set for July 16, 2020, when the appeal filed by Rompetrol Rafinare was judged, the ruling being postponed until July 21, 2020. At that time, the Supreme Court admitted the appeal and completely change the solution of the first court, admitting the action filed by Rompetrol Rafinare SA. The Decision will be enforced for obtaining the amount granted. Also the Supreme Court admitted Rompetrol Rafinare S.A.'s request for clarifications and decided to complete the Decision with the clear obligation of City Hall of Navodari to pay back Rompetrol Rafinare S.A. the amounts paid by the Company.
- b) Because the decision issued by Navodari City Hall of rejection the administrative complaint as being lack of object is based on Navodari Local Council Decision no.435/21 December 2015, under which Rompetrol Rafinare has obtain the annulment of 73% of penalties, Rompetrol Rafinare submitted a second action for partial annulment of Navodari Local Council Decision no. 435/21 December 2015. This action was admitted by Constanta Tribunal. This solution has been appealed by Navodari Local Council on Constanta Court of Appeal, where the first hearing term was set on 16 January 2017, when the appeal was rejected. The solution is final.
- c) Rompetrol Rafinare also filed the request for suspension the enforceable effects of the imposing decision, pursuant to the Law 554/2004 and Government Ordinance 92/2003, file no.788/36/2015. The statement of defense was submitted by Navodari City Hall and the first hearing term was established for 22 February 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on 19 November 2015. The solution was appealed by Navodari City Hall. On November 2, 2018, the case has been suspended. On January 10, 2020, by Decision 73/2020, the High Court of Cassation and Justice found the appeal filed by the Navodari City Hall outdated. The solution is final.

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**28. LEGAL MATTERS (continued)**

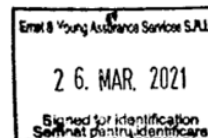
**Litigations between Rompetrol Rafinare and National Company – Constanta Maritime Port Administration S.A.**

In consideration of the violation by Compania Nationala Administratia Porturilor Maritime Constanta (*National Company of Constanta Maritime Ports Administration*) of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the assurance of safe access and operation, the company initiated several legal remedies against it, as follows:

- a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint leads to an investigation launched in April 2016 by the Competition Council. Competition Council is entitled to acknowledge the violation by Administrația Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, the obligations resting upon it as administrator of port areas and supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. By Decision 21/2018, the Competition Council rejected the complaints formulated by Rompetrol Rafinare SA and Midia Marine Terminal SRL. Both companies challenged this decision at Bucharest Court of Appeal, first term being scheduled for May 13, 2019, in order to communicate to the parties the statement of defense issued by National Company "Administratia Porturilor Maritime" SA. Next term was established October 21, 2019, when the court dismissed the complaints filed by the plaintiffs. The solution was appealed by Rompetrol Rafinare SA and the first hearing was set by the High Court on April 12, 2022.
- b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 mil USD) and for restitution of dredging expenses (USD 1.7 million). On 19 May 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff:
  - The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
  - The amount of RON 0.079 million representing legal costs.

Both parties filed for appeal against the solution pronounced by first court. On 27 December 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal. The decision has been communicated and the recourse has been filled by Rompetrol Rafinare SA on 6 August 2018. The case is in filter proceedings, and the first hearing term will be established later. During the filter proceedings, National Company "Administratia Porturilor Maritime" SA has raised the exception of inadmissibility of our recourse, motivated by the fact that, according to art. 483 paragraph 2 of the Civil Procedure Code, the decisions regarding the civil navigation and port activity processes are exempted from the right of recourse. Rompetrol Rafinare SA has raised the exception of unconstitutionality regarding the art. 483 paragraph 2 of the Civil Procedure Code. From this reason, The High Court of Cassation and Justice has suspended the procedure until the Constitutional Court solves the exception submitted by Rompetrol Rafinare.

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## 28. LEGAL MATTERS (continued)

### **Procedure in which is involved Rompetrol Rafinare SA, Rominserv SRL, and employees of the two companies, following of a technical incident occurred in Petromidia refinery on August 22, 2016**

On 22 August 2016 a technical incident occurred within the DAV plant. Following the event, two employees of a Group' subsidiary Rominserv SRL suffered burns and two employees passed away.

Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and four employees were put on trial for: the non-observance of the legal labor health and safety measures, bodily harm by negligence, manslaughter and accidental pollution. At the same time Rompetrol Rafinare S.A. and Rominserv S.R.L has quality as civilly liable party.

The criminal file was finalized by the prosecutor and sent into court twice, on which occasion the judges of the preliminary chamber decided to send back the file to the Prosecutor's Office attached to the Constanta Court of Appeal due to the fact that the prosecutor indictment contain irregularities and therefore the object and frame of the legal proceeding cannot be established, found the relative nullity of the document.

The company was summoned to the prosecutor's office on June 2, 2020 in order to be informed the quality of suspect of the company in the file.

According with prosecutor third indictment, the following offenses were retained for ROMPETROL RAFINARE, ROMINSERV, STANCIU DANIEL, MARGINEAN ION and CARAMAN VASILE:

- a. the non-observance by negligence of the legal labor health and safety measures, as per art 349 alin.2 of Criminal code;
- b. bodily harm by negligence as per art. 196 alin. 1 and 4 of Criminal code;
- c. manslaughter as per art. 192 alin. 1,2 and 3 of Criminal code;
- d. accidental pollution, as per art. 98 alin.1 lit.b of EGO no 195/2005.

On June 24, 2020 the company received the prosecutor indictment from the Constanta Court. Taking in consideration that the court has been notified with a new indictment, for the third time the preliminary chamber procedure is to be carried out. On September 17, 2020 the judge of preliminary chamber rejected as unfounded the claims and exceptions made by all defendants- i.e. RR, RIS and individuals involved- and noted the legality of court investment with the indictment no 586/P/ 2016 of the Prosecutor's office attached to the Constanta Court of Appeal, of the administration of evidences and of the performance of criminal investigation and ordered the commencing of the trial. The court decision was appealed, the appeals were rejected, and the next hearing scheduled by Constanta court (Judecatoria) is on April 19, 2021.

Relating Rompetrol Rafinare S.A. employees, Andrei Felicia and Oancea Cornel, the file has been disposed.

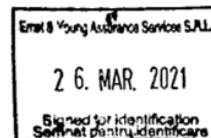
On the other hand, it was admitted the request filed by Rominserv for the plea of unconstitutionality of certain provisions to be settled further by the Constitutional Court. The respective provisions concern the possibility to rectify the document instituting court proceedings during the preliminary chamber procedure.

As at current date the maximum exposure, for each company, is in amount of USD 1.7 million (RON 7.2 million).

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of RON 1.7 million.

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## **28. LEGAL MATTERS (continued)**

### **Litigation on Tax Assessments received by Rompetrol Rafinare S.A. in 2017**

In December 2017, the National Agency for Tax Administration finalized the tax inspection in Rompetrol Rafinare (covering the period 2011 - 2015) for: VAT fiscal group (all entities from fiscal group were under fiscal control), income tax, withholding tax and excise.

Through the Assessment Decision (received in January 2018), there were imposed the following additional taxes: RON 26.1 million representing VAT (of which RON 13.1 million related to VAT of Rompetrol Rafinare SA the rest belonging to the VAT group companies), RON 6.5 million representing Rompetrol Rafinare SA withholding tax and decrease of Rafinare's fiscal loss with RON 144.4 million. The related penalties assessed are in amount of RON 16.3 million for all VAT group companies. The principal additional taxes and related penalties were partially paid and partially compensated with receivable taxes and the remaining, the difference being paid in cash.

The tax assessment on VAT group and Rompetrol Rafinare S.A. was challenged on February 26, 2018. On January 23, 2019 the fiscal authority D.G.S.C. – A.N.A.F. issued the settling decision upon Company's administrative appeal by which the fiscal authority decided the followings:

- i. out of RON 20 million representing VAT (out of which RON 12.8 million related to VAT of Rompetrol Rafinare SA) the fiscal authority rejects the appeal for the amount of RON 11.6 million (RON 11.07 million related to Rompetrol Rafinare SA) and cancels the imposing decision for the amount of RON 8.4 million (RON 1.75 million related to Rompetrol Rafinare SA);
- ii. rejects the appeal for the amount of RON 6.5 million representing Rompetrol Rafinare SA withholding tax and the related accessories in amount of 0.2 million RON;
- iii. out of RON 16.3 million representing penalties related to VAT (out of which RON 12 million related to Rompetrol Rafinare SA) the fiscal authority rejects the appeal for the amount of RON 11.05 million (RON 10.6 million related to Rompetrol Rafinare SA) and cancels the imposing decision for the amount of RON 5.3 million (RON 1.4 million related to Rompetrol Rafinare SA);
- iv. rejects the appeal against the decrease of The Company's fiscal loss with the amount of RON 140 million.

The Company submitted to Constanta Court of Appeal a claim by which it challenged the amounts rejected by ANAF - DGSC in the Decision regarding the Company's administrative appeal.

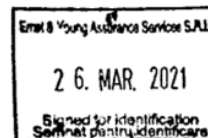
The amounts for which ANAF - DGSC annulled the Decision and ordered a re-verification are not subject of the court claim.

The claim submitted by Rompetrol Rafinare S.A. was registered on 25 July 2019 at the Constanta Court of Appeal, forming Case file no. 393/36/2019, the Court set the first hearing for November 13, 2019. On December 11, 2019 the Court approved Rompetrol Rafinare S.A.'s request to carry out a financial – accounting expertise in the Case file and set the next term for January 15, 2020 when the Court will nominate three experts to perform the expertise and will set the term for the Expertise Report to be filled. On 15 January 2020, the Court nominated the experts and set the next term for 12 February 2020 for the expertise to be initiated. The Court set the next term for March 11, 2020 for the Expertise Report to be issued.

The file was suspended, based on art. 42 point 6 of the Decree of the President of Romania no. 195 / 16.03.2020 regarding the establishment of the state of emergency on the territory of Romania and of the Decision of the Board of Management no. 4/18.03.2020 of the Court of Appeal Constanta, without performing any procedural act. Following the submission of the Expertise Report, ANAF submitted objections, Constanta Court of Appeal establishing a trial term on March 24, 2021 in order to discuss them.

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of RON 13.65 million.

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## 29. COMMITMENTS

### Environmental risks and obligation

The Company's business activities are subject to constantly changing local, national and European regulations relating to the environment and industrial activity, that entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a financial resource in order to comply with the incidental restrictive legislation and regulation relating to the Company's activities.

Although Rompetrol Rafinare has provided for known environmental obligations that are probable and reasonably estimable, it is possible that the Company will continue to incur additional liabilities. The amount of additional future costs is not fully determinable due to factors such as unknown timing and extent of the corrective actions that may be required, if the case. As a result of these risks, environmental liabilities could be substantial and incur additional costs that may impact the Company's results of operations and cash flow.

Rompetrol Rafinare's financial statements account for provisions relating to the costs of environmental obligations that can be reasonably estimated in a reliable manner.

During 2019 and 2020, the Company advanced with the greening process of Vega lagoons and some major phases have been finalized while the foreseen completion date of the project is 30 June 2022. Progress and status of the project is reported on a regular basis to the environmental competent authorities. A revised environmental agreement for the project was issued in January 2021 out of which there are no material additional obligations for the Company.

During 2020, Rompetrol Rafinare has carried out the due diligence procedures in accordance with Law 74/2019 in relation to the storage area of the biological waste resulted from IAZ no.1 ("Vadu cassettes"). The process is ongoing and performed in accordance with the requirements of the competent environmental authorities ("EPA Constanta"). During 2021, a detailed expert analysis report was provided by the Company to the environmental authorities and next steps for remedial actions, if any, are expected.

As of 31 December 2020, the Company has recognized a provision for restoration costs related to Vega Refinery, see Note 17.

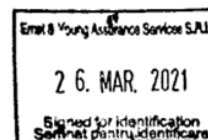
### Other commitments

As of 31 December 2020, Rompetrol Rafinare S.A. contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards at the Petromidia refinery in amount of USD 22.07 million (2019: USD 70.84 million).

### Sale and purchase commitments

As of 31 December 2020, Rompetrol Rafinare S.A. contracted purchase contracts for raw materials and utilities estimated to USD 2,349.84 million (2019: USD 1,328.72 million) and has commitments for sales of petroleum, petrochemicals products and utilities sales estimated to USD 3,750.49 million (2019: USD 4,448.12 million).

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### 30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

#### A. CAPITAL RISK

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of bank debt and shareholder loans (see Notes 14 and 15), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the "Statement of Changes in the Shareholders' Equity".

#### B. GEARING RATIO

The debt – to - equity ratio at the end of the year is as follows:

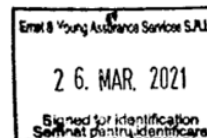
	31 December 2020	31 December 2019
Debt (excluding shareholder and related parties loans)	780,663,365	661,263,797
Cash and cash equivalents	(365,595,493)	(22,373,528)
<b>Net Borrowings</b>	<b>415,067,872</b>	<b>638,890,269</b>
Equity (including shareholder and related parties loans)	1,384,556,175	2,071,875,056
<b>Gearing ratio</b>	<b>30.0%</b>	<b>30.8%</b>

#### C. FINANCIAL INSTRUMENTS

	31 December 2020	31 December 2019
<b>Financial assets</b>		
Trade receivables and other receivables	950,339,667	1,643,380,465
Derivatives	-	2,585,313
Cash and bank accounts	365,595,493	22,373,528
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,315,935,160</b>	<b>1,668,339,306</b>

	31 December 2020	31 December 2019
<b>Financial liabilities</b>		
Short term borrowings from shareholders and related parties	48,949,030	103,891,017
Derivatives	617,651	15,786,131
Commercial liabilities and other liabilities	4,002,009,686	4,533,098,654
Short term loans	209,904,041	48,078,893
Long term borrowings from banks	570,759,324	678,275,831
Hybrid instrument - long-term portion	-	69,291,612
Lease debts	59,524,287	11,820,321
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,891,764,019</b>	<b>5,460,242,458</b>

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### 30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

Trade and other receivables are at net recoverable value and the following categories are not considered as financial assets:

- VAT to be recovered
- Profit tax to be recovered
- Other taxes to be recovered

Similarly, for trade and other payables the following are not considered as financial liabilities:

- Excises taxes
- Special fund for oil products (FSPP);
- VAT payable
- Profit tax payable
- Salary taxes payable
- Other taxes
- Deferred revenues

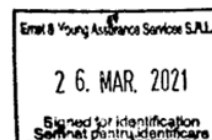
The estimated fair values of these instruments approximate their carrying amounts.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Company enters into derivative financial instruments with various counterparties. As at 31 December 2020, the marked to market value of derivative position is for financial instruments recognised at fair value.

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### 30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

#### Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

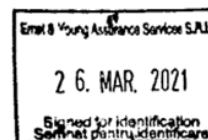
- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2020	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trade receivables and other receivables	950,339,667	-	950,339,667	-
Cash and bank accounts	365,595,493	365,595,493	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,315,935,160</b>	<b>365,595,493</b>	<b>950,339,667</b>	<b>-</b>
<b>Financial liabilities</b>				
Short term borrowings from shareholders and related parties	48,949,030	-	48,949,030	-
Derivatives	617,651	-	617,651	-
Commercial liabilities and other liabilities	4,002,009,686	-	4,002,009,686	-
Short term loans	209,904,041	-	209,904,041	-
Long term borrowings from banks	570,759,324	-	570,759,324	-
Lease debts	59,524,287	-	59,524,287	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,891,764,019</b>	<b>-</b>	<b>4,891,764,019</b>	<b>-</b>
	31 December 2019	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trade receivables and other receivables	1,643,380,465	-	1,643,380,465	-
Derivatives	2,585,313	-	2,585,313	-
Cash and bank accounts	22,373,528	22,373,528	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,668,339,306</b>	<b>22,373,528</b>	<b>1,645,965,778</b>	<b>-</b>
<b>Financial liabilities</b>				
Short term borrowings from shareholders and related parties	103,891,017	-	103,891,017	-
Derivatives	15,786,131	-	15,786,131	-
Commercial liabilities and other liabilities	4,533,098,654	-	4,533,098,654	-
Short term loans	48,078,893	-	48,078,893	-
Long term borrowings from banks	678,275,831	-	678,275,831	-
Hybrid instrument - long-term portion	69,291,612	-	69,291,612	-
Lease debts	11,820,321	-	11,820,321	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5,460,242,458</b>	<b>-</b>	<b>5,460,242,458</b>	<b>-</b>

At 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements



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**30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

**D. DERIVATIVE FINANCIAL INSTRUMENTS**

The Company uses different commodity derivatives as a part of price risk management in trading of crude oil and products. Generally the instruments are allocated to individual instruments.

It also, the Company performs hedging transactions regarding the risk of increasing USD interest rates.

**Balance Sheet**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Derivative financial assets	-	2,585,313
Derivative financial liabilities	(617,651)	(15,786,131)
<b>Net position – asset / (liability)</b>	<b>(617,651)</b>	<b>(13,200,818)</b>

**Income Statement**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Unrealized (gains)	-	-
Unrealized losses	-	-
<b>Net position - (gain) / loss - in Cost of sales</b>	-	-
Realised (Gains) / Losses – net	(215,657,142)	13,370,350
<b>Total position - (gain) / loss - in Cost of sales</b>	<b>(215,657,142)</b>	<b>13,370,350</b>

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

**E. MARKET RISK**

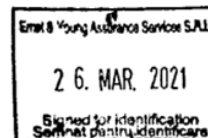
The Company's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Company's overall risk management main objective is to minimize the potential adverse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

**F. FOREIGN CURRENCY RISK MANAGEMENT**

For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON).

Crude oil imports, loans and a significant part of petroleum products are all denominated principally in US Dollars. Therefore, in respect of liabilities the Company is exposed to the risk of US dollar appreciation to the detriment of local currency, while in respect of foreign currency receivables, exposure arises in the context of depreciation of US dollar currency. Moreover, certain assets and liabilities are denominated in foreign currencies, which are retranslated 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. Company Treasury is responsible for handling the Company foreign currency transactions.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for financial year ended on 31 December 2020**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*



**30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

**G. FOREIGN CURRENCY SENSITIVITY ANALYSIS**

The Company is mainly exposed to the USD and EUR fluctuation risk.

The following table details the Company's sensitivity to a 5% increase and decrease in the RON exchange rate against the relevant foreign currencies. The sensitivity analysis includes only the foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in the exchange rates. A positive number below indicates an increase in profit and other equity here generated by a positive exchange rate RON/USD of 5% and generated by a negative exchange rate RON/EUR of 5%. For a 5% weakening of the exchange rate RON against USD and an increase of the exchange rate RON against EUR there would be a negative impact in the profit, with the same value.

	USD		EUR	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
RON				
5%	(155,214,504)	(155,128,555)	9,902,374	2,390,308
(5)%	155,214,504	155,128,555	(9,902,374)	(2,390,308)

**H. INTEREST RATE RISK MANAGEMENT**

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Company's borrowings, are provided in Note 14 and 15.

The sensitivity analyses below have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 31 December 2020 would increase / decrease by RON 21.2 million (2019: increase / decrease by RON 15.3 million).

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for financial year ended on 31 December 2020**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

**I. Liquidity risk**

The tables below summarize the maturity profile of the Company's financial liabilities at 31 December 2020 and 31 December 2019 based on contractual outdated payments, including interest payable until the end of the contracts for finance leasing and loans.

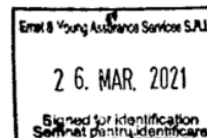
<b>Balance as at 31 December 2020</b>	<b>Less than 1 month or current</b>	<b>&lt;3 months</b>	<b>3 – 12 months</b>	<b>1 - 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Commercial liabilities and other liabilities	3,981,362,245	20,179,852	467,590	-	-	<b>4,002,009,687</b>
Derivatives	617,651	-	-	-	-	<b>617,651</b>
Short term borrowings from related parties	48,949,030	-	-	-	-	<b>48,949,030</b>
Short term borrowings from banks	416,138	1,386,286	210,740,798	-	-	<b>212,543,222</b>
Long term borrowings from banks	-	4,133,724	12,401,173	592,805,854	-	<b>609,340,751</b>
Lease debits	368,167	736,333	3,313,500	14,920,921	65,945,522	<b>85,284,443</b>
	<b>4,031,713,231</b>	<b>26,436,195</b>	<b>226,923,061</b>	<b>607,726,775</b>	<b>65,945,522</b>	<b>4,958,744,784</b>

<b>Balance as at 31 December 2019</b>	<b>Less than 1 month or current</b>	<b>&lt;3 months</b>	<b>3 – 12 months</b>	<b>1 - 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Commercial liabilities and other liabilities	4,055,345,538	303,936,617	173,816,500	-	-	<b>4,533,098,654</b>
Derivatives	15,786,131	-	-	-	-	<b>15,786,131</b>
Short term borrowings from related parties	-	579,594	105,629,798	-	-	<b>106,209,392</b>
Short term borrowings from banks	169,063	670,310	48,764,047	-	-	<b>49,603,420</b>
Long term borrowings from banks	-	6,974,028	20,922,084	650,379,719	-	<b>678,275,831</b>
Hybrid instrument - long-term portion	-	-	-	-	69,291,612	<b>69,291,612</b>
Lease debits	597,144	1,198,549	5,078,182	5,091,804	1,126,555	<b>13,092,234</b>
	<b>4,071,897,876</b>	<b>313,359,097</b>	<b>354,210,610</b>	<b>655,471,523</b>	<b>70,418,167</b>	<b>5,465,357,274</b>

Emil 8 Young Auditor Service S.A.L.  
26. MAR. 2021  
Signed for Identification  
Scrieati pentru identificare

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for financial year ended on 31 December 2020**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*



### **30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

#### **J. OIL PRODUCTS and RAW MATERIAL PRICE RISK**

The Company is affected by the volatility of crude oil, oil product and refinery margin prices.

The operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as for the supply of petroleum products to its customers. Due to significantly increased volatility of crude oil prices, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Company started on January 2011 to hedge commodities held by Rompetrol Rafinare.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock) is hedged using future contracts traded on ICE Exchange and some OTC instruments for the secondary risks. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Company, hence price fluctuations will not affect the cash-flow. In 2012, the Company started a few transactions of refinery margin hedge.

Risk management activities are separated into physical transactions (purchase of raw materials and sales to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Company sells or buys the equivalent number of future contracts. This financial trade is done only to hedge the risk of the price risk and not to gain from the trading of these instruments.

#### **K. CREDIT RISK**

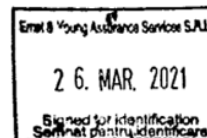
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or purchase contracts, which leads to a financial loss. The Company is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including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

##### **Trade receivables**

Outstanding 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 aging.

##### **Financial instruments and bank deposits**

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



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**31. SUBSEQUENT EVENTS**


Facility granted to Rompetrol Rafinare S.A. by KMG International N.V. in amount of up to USD 250 million has been fully repaid on 18 February 2021. The facility has not been extended.

The standalone financial statements have been endorsed by the Company's Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of shareholders on 28 April 2021 by:

**YEDIL UTEKOV**  
Chairman of the Board of Directors

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**FELIX CRUDU-TESLOVEANU**  
General Manager

DocuSigned by:  
  
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**RAMONA GEORGIANA GALATEANU**  
Financial Manager

DocuSigned by:  
  
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**Prepared by, Alexandru Cornel Anton**  
Chief Accountant

DocuSigned by:  
  
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**ROMPETROL RAFINARE S.A.  
INDIVIDUAL ANNUAL REPORT OF THE BOARD OF DIRECTORS  
for the financial year 2020**

**ROMPETROL RAFINARE S.A.  
COMPANY MANAGED IN A ONE – TIER MANAGEMENT SYSTEM**

**INDIVIDUAL ANNUAL REPORT  
OF THE BOARD OF DIRECTORS**

**2020**



**ROMPETROL RAFINARE S.A.**  
**INDIVIDUAL ANNUAL REPORT OF THE BOARD OF DIRECTORS**  
**for the financial year 2020**

**ANNUAL REPORT**  
**ROMPETROL RAFINARE S.A.**

**on the individual financial statements of the Company drafted according to the Order no. 2844/2016 of the Ministry of Public Finance as subsequently amended and supplemented, and according to Law no. 24/2017 on the issuers of finance instruments and market operations and to Annex 15 of Regulation 5/2018 issued by Financial Services Authority (FSA) for the financial year concluded on December 31<sup>st</sup>, 2020**

**Report date:** March 24, 2021  
**Registered office:** 215 Navodari Blvd.,  
 Administrative Pavilion,  
 Navodari, Constanta county

**Nr. Telephone/Facsimile No.:** +(40) 241 506100  
 +(40) 241 506930

**Tax Identification Number at the Trade**

**Register Office by the Law Court of Constanța:** 1860712

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

**The shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the BUCHAREST STOCK EXCHANGE<sup>1</sup>**

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

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

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

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



**ROMPETROL RAFINARE S.A.**  
**INDIVIDUAL ANNUAL REPORT OF THE BOARD OF DIRECTORS**  
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**ROMPETROL RAFINARE S.A.**  
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***ROMPETROL RAFINARE'S RESULTS IN 2020, IN THE PANDEMIC CONTEXT AND UNPRECEDENTED VOLATILITY OF THE OIL MARKET***

**2020 FOR THE OIL & GAS INDUSTRY**

The year 2020 was a difficult year for the entire oil & gas industry, in each area of activity - from oil extraction to the distribution of oil products.

The effects and influences determined by COVID19 were also reflected in the sharp decrease in demand for petroleum products, a high volatility of international quotations for fuels and the negative refining margins.

The impact of these factors at European level has led to the accumulation of high stocks of finished products, forcing companies to quickly adjust their activities and adapt to new conditions.

Thus, these ones have rethought their business models and medium-term strategies, being forced to adopt other measures necessary to protect the main activities (e.g. staff reductions, outsourcing, closure or sale of assets, suspension and prioritization of investment projects).

The measures were reflected in the evolution of the European refining capacity in 2020 - a decrease of approximately 50 million oil/ year (closed units, preserved or converted) compared to 2019. At this level, another 100 million affected tons are temporarily affected due to the pandemic (technical revisions, processing depth reductions - from an average of 80-85% in 2019 to about 70% in 2020).

In 2020, the gross refining margin - a key indicator for the refining sector, for the first time recorded a negative level for more than four months in a row. Between May and August, the refining margin was negative, about -14 USD /ton.

The negative refining margin could be explained by the fact that the value of a ton of oil product is lower than the value of the raw materials necessary to obtain it, to which the processing costs are added.

**2020 FOR ROMPETROL RAFINARE S.A.**

These evolutions were also reflected in Rompetrol Rafinare's activity, 2020 being one of the most difficult years in its history. We have never faced negative refining margins for so many consecutive months.



**ROMPETROL RAFINARE S.A.**  
**INDIVIDUAL ANNUAL REPORT OF THE BOARD OF DIRECTORS**  
**for the financial year 2020**

The sudden decrease in fuel sales due to the restrictions imposed by the pandemic, the lack of fuel deliveries for aviation, the obligation to make environmental investments and to comply with the general revisions of production units, all these put pressure throughout both Rompetrol Rafinare S.A. as well as the KMG International Group to maintain a financial balance.

With considerable efforts, we have managed to protect and maintain our profile activities, **but also to continue to be a pillar of stability for employees, customers, business partners, local and central authorities.**

The employees have been at the heart of the strategy of Rompetrol Rafinare S.A. in 2020, both protecting them and minimizing the risk of infection with the new virus and keeping jobs.

Thus, in order to support our colleagues, digitalization projects for the support functions were implemented, flexible work or work from home programs were developed, as well as other measures for providing IT equipment and solutions.

To these we added the efforts to maintain jobs, in the context that this period was characterized at national level by decisions of technical unemployment, reduced work schedule, collective dismissals, closures or suspension of activities directly affected.

In the current context, all these efforts were reflected in the negative results recorded in 2020. For example, the Operating Result indicator recorded a loss of approximately 635 million Lei in 2020 compared to a profit of approximately 65 million Lei in 2019, according to the audited data.

The role and impact of Rompetrol Rafinare S.A. on the national economy was a major one in 2020, both by maintaining our refineries and Group's gas stations in operations, continuing the modernization and development projects (revisions), but also by the level of contributions to local and central budgets (about Lei 4.85 billion - the equivalent of USD 1.15 billion).

As the only domestic polymer manufacturer, Rompetrol Rafinare S.A. managed to develop a new range, vital in the production of medical protective equipment. It is used for the middle layer of the masks, the most important layer for filtration and protection against.

Currently, Rompetrol Rafinare S.A. is the only manufacturer in the region that can provide the raw materials needed to make medical equipment (masks, caps, coveralls), necessary to reduce the spread of the Covid-19 virus.



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**for the financial year 2020**

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

- ✓ White finished products yield of 85.93%wt;
- ✓ Technological loss of 0.89%wt;
- ✓ Energy Intensity Index of 99.17%.

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 363,803 tonnes in 2020, lower by 16.56% for 2020 full year if compared with full year 2019 when the total throughput was 436,018 tonnes.

**Vega refinery** also managed to achieve good refining performance results in 2020:

- ✓ Technological loss of 0.75%;
- ✓ Energy consumption of 2.57GJ/t;
- ✓ Mechanical Availability of 98.7%.

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

The refining segment's financial results in 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 2020, 15.2 USD/to as against 39.5 USD/to in 2019.

***The gross turnover of the refining segment reached 11.5 billion lei (equivalent to 2.73 billion dollars) in 2020, recording a value 38% lower compared to the previous year.***

The oil crisis in 2020 had a significant impact on Rompetrol Refinery's business and results. The refinery's market margin (component of the gross margin in the profit and loss account as the difference between weighted market quotations on the raw materials consumed and market quotations on volumes sold) was negative at -13 USD/t compared to last year, when this indicator reached USD 25.4/t. The main discrepancy comes from Jet A1 with a negative difference in the market margin of -



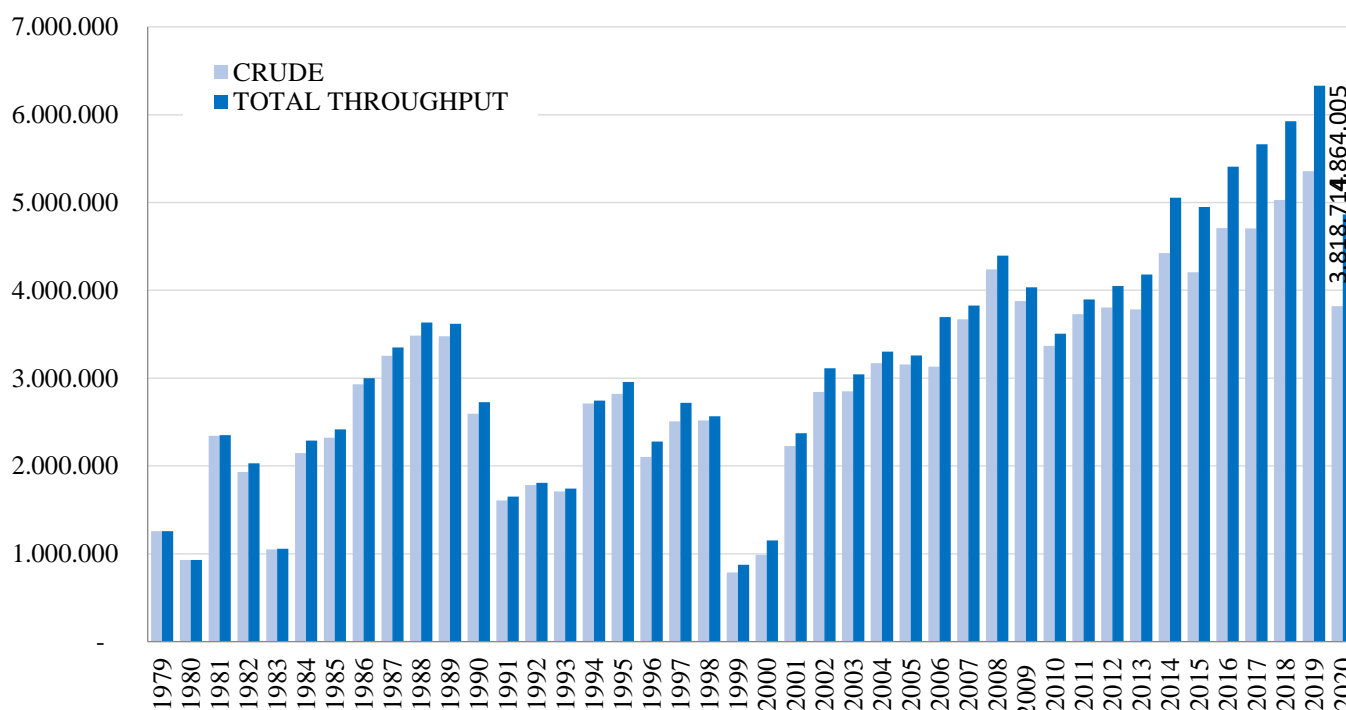
**ROMPETROL RAFINARE S.A.**  
**INDIVIDUAL ANNUAL REPORT OF THE BOARD OF DIRECTORS**  
**for the financial year 2020**

83.3 USD/t, also the diesel margin decreased by 57 USD/t and the petrol margin decreased by 28.2 USD/t. These differences in market margin generated a significant negative effect on refinery results of approximately -143.3 million USD in 2020 compared to last year.

In addition to the above, due to this crisis, Rompetrol Refining sales in 2020 decreased by 1.35 million tonnes compared to last year (i.e. up to 4.6 million tonnes) and this has generated a negative effect in the refinery results of approximately -\$63.1 million.

The evolution of the processed feedstock starting from 1979 (the year of starting up the first installation within the Petromidia Refinery - Atmospheric and Vacuum Refinement) up to 2020 is rendered by the graphic below:

**1979 - 2020, Refinery Processing, tons**



**IMPORTANT PROJECTS INITIATED BY THE COMPANY – DELFIN PROJECT**





**ROMPETROL RAFINARE S.A.**  
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**for the financial year 2020**

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

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

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

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

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

In 2020, the implementation of both the initiatives developed in the previous stage and of the new initiatives, continued, under the name of "Delfin 4". The teams were reorganized into 6 working teams: Energy, Continuous Improvement, Maintenance, Organizational Efficiency, Smart Refinery and Loss.

All the streams have a common scope:

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

**Scope of Work 2020 was defined in 2019 with the main area to be improved:** increase refinery capacity utilization, improve blending, improve refinery yields, reduce utilities consumptions and reduce technological losses with an estimated total benefits of **7.4 mil\$**





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Starting with May 2020, considering the new environment market conditions affected by coronavirus, scope of work of Delfin 4 was reviewed and quickly adapt the operation in order to sustain the performance of the refinery.

The total benefits of **12.10 mil \$** achieved during **2020** from the initiatives implemented in all workstreams exceeded with 4.7 mil.\$ the 7.4 mil.\$ benefit target planned for 2020.



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

### 1.1. OVERVIEW OF THE COMPANY

#### a) *Main activity of ROMPETROL RAFINARE*

Rompetrol Rafinare S.A. (hereinafter referred to as „RRC” or the „Company”), a company member of KMG International Group, is a joint stock company, managed in a one-tier management system, with registered office in Năvodari, bulevardul Năvodari, nr. 215, Pavilion Administrativ, județul Constanța operating Petromidia refineries, situated in Năvodari, Constanța county, and Vega in Ploiești, Prahova county. The company is registered with the Trade Registry under the number J13/534/1991 and Tax Identification Number 1860712.

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

In accordance with the provisions of the Articles of Incorporation of the Company Rompetrol Rafinare S.A. the main field of activity is „manufacturing of the products obtained from the processing of crude oil” (NACE code 192), and the main object of activity is represented by the “manufacturing of the products obtained from the processing of crude oil” (NACE code 1920). Other secondary objects of activity are detailed in the Articles of Incorporation of the Company. The company develops its activity either directly or by means of related entities of Romania, Switzerland, Netherlands, Bulgaria, Serbia, Republic of Moldova, Turkey, etc.

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

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

The shares of Rompetrol Rafinare are traded freely within the Standard category of the Bucharest Stock Exchange, under market symbol RRC. The stock market capitalization as at 31 December 2020 amounted to RON 1,940.81 millions.



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Rompetrol Rafinare is the parent company for the subsidiaries Rompetrol Quality Control S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Logistics S.R.L., Rompetrol Gas S.R.L and Rompetrol Petrochemicals S.R.L. within KMG International Group.

The stand-alone financial statements of the Company for the year ended as at 31 December 2020 are prepared according to the International Financial Reporting Standards adopted by the European Union (EU IFRS) according to the Order of Public Finance (OMF) no. 2844/2016 disposing that the listed Romanian companies must issue stand-alone financial statements according to IFRS adopted by the European Union (EU).

The annual consolidated financial statements of Rompetrol Rafinare S.A. and those of Rompetrol Quality Control S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Logistics S.R.L., Rompetrol Gas S.R.L and Rompetrol Petrochemicals S.R.L. branch offices are also prepared by the Company according to IFRS adopted by EU. On its turn, the parent company Rompetrol Rafinare is part of KMG International Group that issues the consolidated financial statements at the level of KMG International N.V., with registered office in Netherlands.

The stand-alone and consolidated financial statements of Rompetrol Rafinare are public and can be obtained from the Company's website [www.rompetrol-rafinare.ro](http://www.rompetrol-rafinare.ro).

## ***I) The production activity during year 2020***

Rompetrol Rafinare is the owner of three production capacities: Petromidia (located in Navodari) and Vega (located in Ploiesti) refineries and Petrochemical plant (located in Navodari).

### ***Rompetrol Rafinare – Work point (Petromidia Refinery)***

The production plan of ROMPETROL RAFINARE S.A. for year 2020 was designed with a total processing of 5,494,102 tons, out of which 4,849,465 tons crude oil and 644,637 tons other raw matters.

This program formed the basis for the preparation of the 2020 income and expense budget. Total feedstock processed in 2020 was 4,864,005 tons, out of which 3,818,714 tons crude oil and 1,045,291 tons other raw materials, this one being influenced by the general overhaul in March – April 2020 and the pandemics of the new Coronavirus- Covid19.

This processing represents 88.53 % as compared to the schedule set up for the 2020 budget.



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	<i>Tons</i>	
2020	Budget	Achieved
<b>Total throughput</b>	<b>5,494,102</b>	<b>4,864,005</b>
<b>Processed crude oil</b>	<b>4,849,465</b>	<b>3,818,714</b>
<b>Other raw matters</b>	<b>644,637</b>	<b>1,045,291</b>

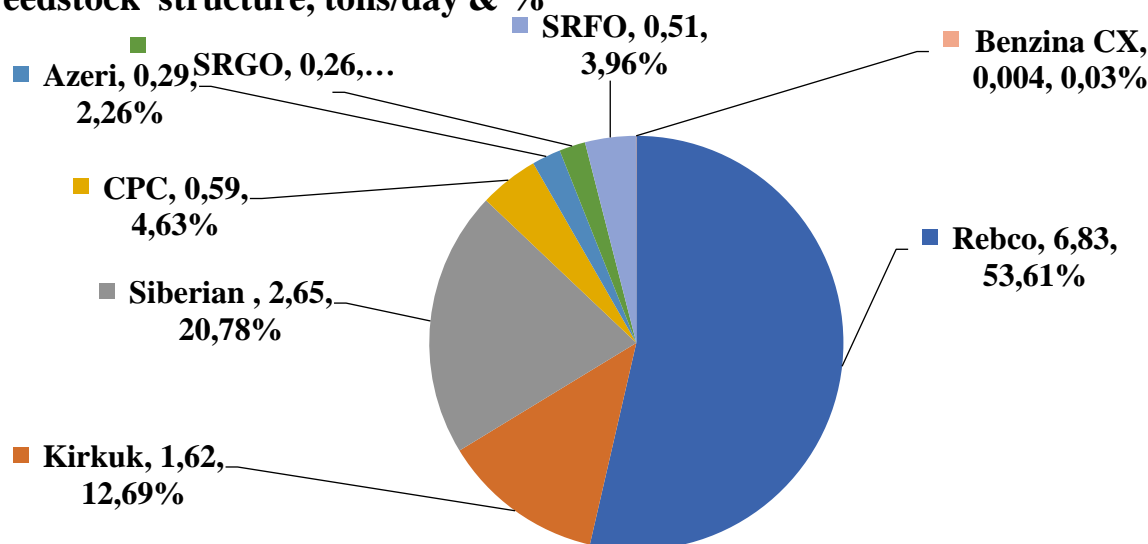
The situation of processing, per quarters, is presented in the table herein below:

Processing	Q I	Q II	Q III	Q IV	Total 2020
Budget (tons)	1,204,795	1,023,339	1,664,004	1,601,964	5,494,102
Achieved (tons)	1,239,996	875,842	1,388,504	1,359,663	4,864,005
Achieved/Budget (%)	102.92	85.59	83.44	84.87	88.53

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

Petromidia Refinery succeeded to adjust the crude runrate and recipe based on the current market conditions replacing expensive crudes with cheaper grades like Kirkuk and SRFO with positive impact on gross refinery margin, taking into account the technological and operational flexibility of the refinery.

**Feedstock structure, tons/day & %**





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The Diesel yield reached at the level of 51.77% in 2020 being a new record in the history of Petromidia as a result of optimizing refinery units and also using the Jet component as a Diesel component according to market demand. The yields for fuels (gas, Diesel, Jet, automotive LPG fuel) reached the level of 74.79% in 2020.

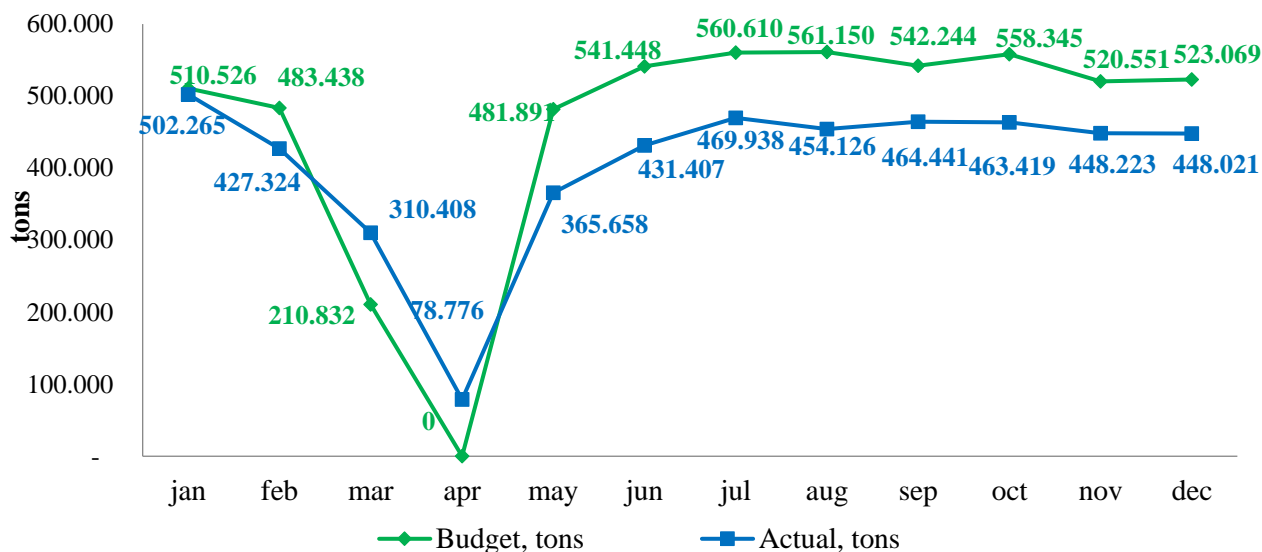
Petromidia Refinery produced 2.52 million tons of Diesel in 2020, 51.77%, the highest yield it has ever reached since its commissioning in 1979.

Energy Intensity Index achieved in 2020 was 99.17 points

Following the general Turnaround performed in 2020 (March-April 2020) the equipment functioned in 2020 at a high level of safety, featuring a mechanical availability of 96.93%.

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

**2020 Monthly processing evolution versus Budget**



The structure of the physical production as compared to the Budget, in 2020, is as follows:



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YEAR 2020	Budget		Achieved	
	tons	%	tons	%
<b>Finished Products</b>	<b>5,378,233</b>	97.89	<b>4,748,894</b>	97.63
Gasoline	1,373,840	25.01	1,128,351	23.20
Diesel Fuel	2,612,967	47.56	2,518,297	51.77
Jet	341,209	6.21	138,646	2.85
Fuel Oil	179,645	3.27	165,644	3.41
Propylene	127,298	2.32	117,477	2.42
Liquefied Petroleum Gas (LPG)	237,405	4.32	222,578	4.58
Coke	223,013	4.06	203,018	4.17
Sulphur	47,126	0.86	46,235	0.95
Other Products	235,731	4.29	208,648	4.29
<b>Total Consumption:</b>	<b>125,267</b>	<b>2.28</b>	<b>127,807</b>	<b>2.63</b>
<b>White products obtained</b>		<b>86.49</b>		<b>85.93</b>

In 2020, crude oil purchase price of USD 440.95 /ton was budgeted, with an average final price of USD 341.64 /ton.

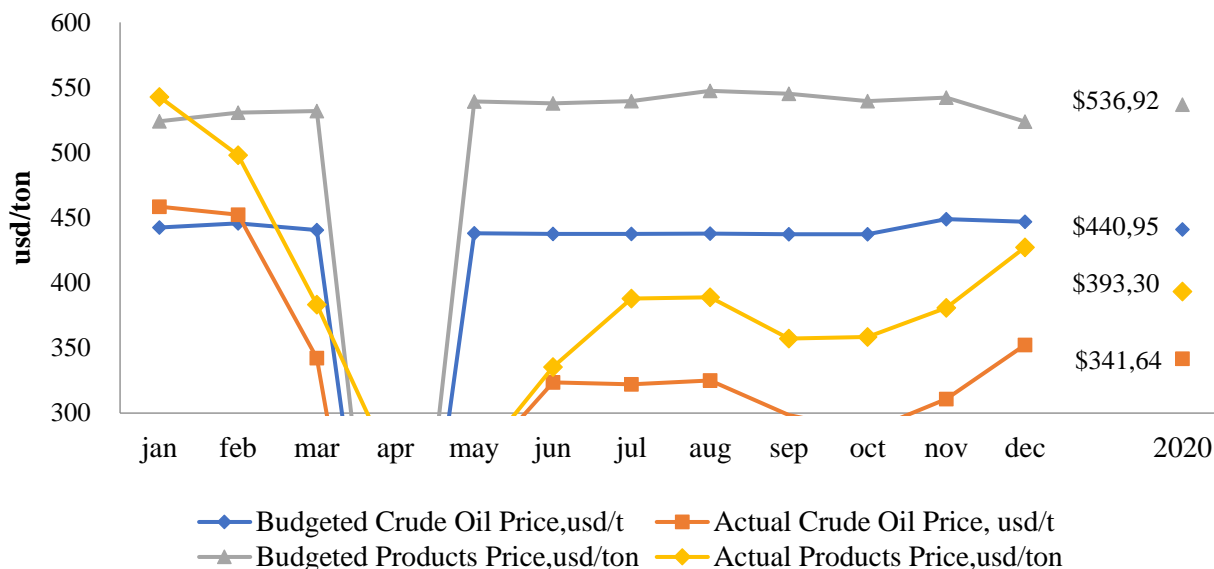
The average value of the finished products was budgeted for 2020 at USD 536.92 /ton and an average price of USD 393.30 /ton.

As one can notice, the evolution of the crude oil market as compared to the budget forecast registered an annual decrease of 22.52%, and the price of oil products followed the same decreasing trend as compared to the budget, the decrease being of 26.75%.



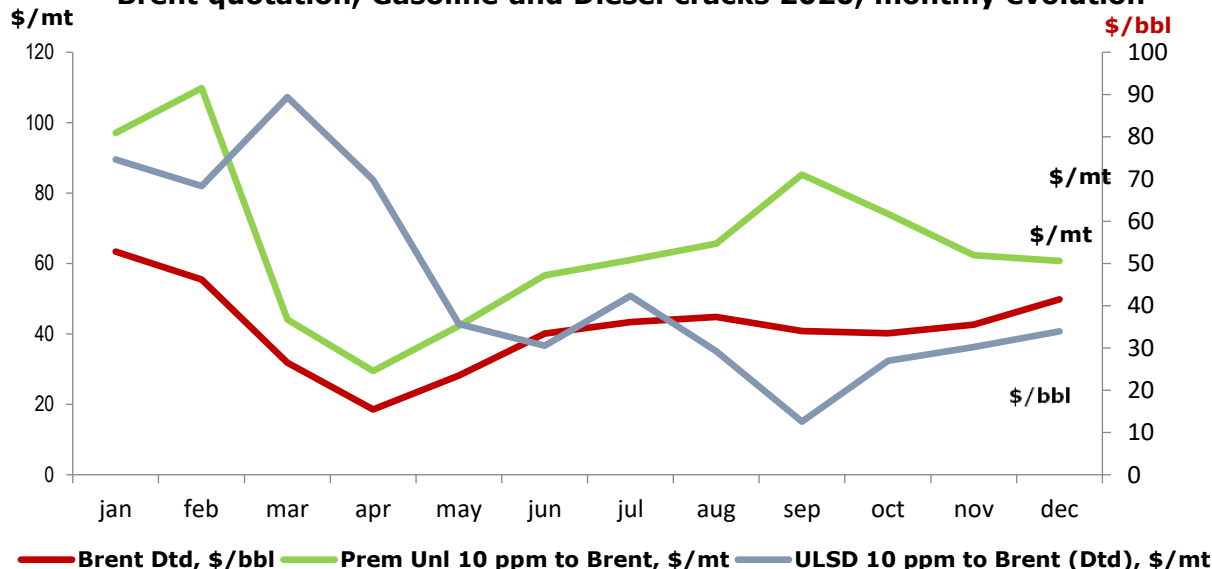
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**Crude Oil and Products Price, 2020 monthly evolution**



During 2020, the crack of gasoline exceeded that of Diesel by an average of approx. 20.39 USD / to, the trend remaining slightly decreasing during March-April 2020, increasing for the rest of the year.

**Brent quotation, Gasoline and Diesel cracks 2020, monthly evolution**



Sursa: Platt's





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In 2020, a consumption of energy of 3.06 GJ/t related to the ton of throughput was recorded, higher than the consumption of energy recorded in year 2019 with ~ 2.25 % correlated to the lower refinery throughput.

In 2020, the cost of utilities amounted to \$10.7/mt being higher than 12% (~\$1,14/mt) compared to the previous year, correlated to the smaller refinery throughput.

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

OIL PRODUCTS	TOTAL DELIVERIES	DELIVERIES					
		DOMESTIC *		EXPORT		TRANSFER	
		[tons]	[%]	[tons]	[%]	[tons]	[%]
Gasoline	977,517	325,597	33.31	651,920	66.69	0	0.00
Gasoline for chemical use	151,875	0	0.00	3,755	2.47	148,121	97.53
Petroleum	142,117	111,279	78.30	18,471	13.00	12,367	8.70
Auto diesel fuel	2,517,386	1,949,877	77.46	567,509	22.54	0	0.00
Fuel oil	172,163	4,995	2.90	16,462	9.56	150,706	87.54
Propylene Propane	117,477	0	0.00	0	0.00	117,477	100.00
Liquefied Petroleum Gas LPG	223,323	223,323	100.00	0	0.00	0	0.00
Petroleum Coke	198,942	161,190	81.02	37,752	18.98	0	0.00
Petroleum Sulphur	49,835	63	0.13	49,771	99.87	0	0.00
Other Products	95,971	43,208	45.02	0	0.00	52,764	54.98
<b>TOTAL</b>	<b>4,646,607</b>	<b>2,819,533</b>	<b>60.68</b>	<b>1,345,641</b>	<b>28.96</b>	<b>481,434</b>	<b>10.36</b>

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





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***Rompetrol Rafinare – work point Vega Refinery***

The 2020 production schedule of ROMPETROL RAFINARE S.A., work point Vega Refinery was designed for a total processing output of 400,013 tons, out of which 399,944 tons raw materials within the Group and 69 tons raw materials acquired outside the Group.

This schedule formed the basis for the preparation of the 2020 income and expense budget.

The processing carried out in 2020 amounts to 363,803 tons, out of which 363,791 tons from the Group and 12 tons non-Group.

The processing represents 90,95 % as compared to the schedule established for the 2020 budget, according to the available raw materials from Petromidia Refinery and correlated to the market demand.

<i>tons</i>		
2020	Budget	Achieved
<b>TOTAL THROUGHPUT</b>	<b>400,013</b>	<b>363,803</b>
<b>Group</b>	<b>399,944</b>	<b>363,791</b>
<b>Non group</b>	<b>69</b>	<b>12</b>

**The situation of processing, per quarters, is presented in the table herein below:**

THROUGHPUT	Q I	Q II	Q III	Q IV	TOTAL
Achieved, tons	72,130	81,991	110,431	99,250	363,803
Budget, tons	61,640	91,388	121,818	125,168	400,013
Achieved/Budget (%)	117.0%	89.7%	90.7%	79.3%	90.95%

In 2020, the processed quantity was by 9.05% higher than budgeted quantity, the monthly average being 30,317 tons as compared to 33,334 tons according to the budget.



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**Structure of Physical Production as Compared to the Budget, in 2020, is the following:**

<b>YEAR 2020</b>	<b>Budget [tons]</b>	<b>Achieved [tons]</b>
<b>Finished products</b>	<b>396,411</b>	<b>361,107</b>
Gasoline + Solvents	163,861	128,129
n-Hexane	78,282	68,636
White spirit and Comb P	4,655	6,531
Calor Extra I	3,245	4,258
Light oil fuel type III	5,125	9,624
Heavy fuel oil	24,305	21,300
Bitumen	116,938	122,629
Other products	-	-

<b>White products obtained %</b>	<b>BUDGET</b>	<b>ACTUAL</b>
Related to total throughput	61.7	55.9
Related to commercial products	62.3	56.3

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

In 2020, the energy consumption reported to throughput ton registered an increased with approximately 7% compared to year 2019, the influence comes from the decrease of the processed quantity, due to the lack of available raw materials.



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

Group of products	TOTAL DELIVERIES 2020		DOMESTIC		EXPORT	
	[tons]	% of total sales	[tons]	%	[tons]	%
Naphtha gasoline	94,209	25.64	19,160	20.34	75,049	79.66
Bitumen	122,666	33.38	122,420	99.80	246	0.20
Heating fuels	14,025	3.82	14,025	100.00	0	0
Hexane	72,305	19.68	3,744	5.18	68,561	94.82
Heavy fuel oil	21,175	5.76	21,175	100.00	0	0
Petroleum and White spirit	6,787	1.85	3,358	49.48	3,429	50.52
Ecologic solvents	36,323	9.88	635	1.75	35,688	98.25
<b>Total</b>	<b>367,490</b>	<b>100.00</b>	<b>184,517</b>	<b>50.21</b>	<b>182,973</b>	<b>49.79</b>

***Rompetrol Rafinare – work point Năvodari (the Petrochemical complex)***

The production plan of ROMPETROL RAFINARE S.A. – Petrochemical complex for year 2020 was prepared for the functioning of the PP and LDPE polymer plants with the obtaining of a production of 151,113 tons of polymers: PP – 82,283 tons and LDPE – 68,850 tons.

This schedule formed the basis for the preparation of the 2020 income and expenses budget.

The polymer production realized in 2020 amounted to 143,327 tons, out of which PP – 78,758 tons and LDPE – 64,569 tons.

The structure of processed raw materials as compared to the 2020 Budget is as follows:

YEAR 2020	Budget tons	Achieved tons
<b>Raw materials</b>	197,731	183,498
Propane propylene mixture	127,298	117,172
Ethylene	70,434	66,326



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The structure of the physical production as compared to the 2020 Budget is as follows:

YEAR 2020	Budget tons	Achieved tons
<b>Finished products</b>	<b>168,330</b>	<b>154,796</b>
Polymer production	151,113	143,327
PP	82,283	78,758
LDPE	68,850	64,569
Production of polymerizable propylene	17,197	11,469

The comparison budget-achieved shows that the PP production reached 96% as compared to the budget and the LDPE production reached 94% as compared to the budget.

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

		Q I	Q II	Q III	Q IV	2020
PP	Budget (tons)	18,815	15,503	23,983	23,983	82,283
	Achieved (tons)	19,218	14,584	21,040	23,917	78,758
	Achieved/Budget (%)	102%	94%	88%	100%	96%
LDPE	Budget (tons)	15,750	13,050	20,025	20,025	68,850
	Achieved (tons)	13,474	13,571	20,472	17,052	64,569
	Achieved/Budget (%)	86%	104%	102%	85%	94%

The average value of the cost for processed raw materials, in 2020, was for:

- Propane-propylene mixture – budgeted at USD 676 /t and USD 588/t was achieved;
- Ethylene – budgeted at USD 731/t and \$ 765 /t was achieved.

The average sale price for finished products, in 2020, was for:

- PP budgeted at USD 1.090 /ton and USD 941 /ton was achieved
- LDPE budgeted at USD970 /ton and USD 942 /ton was achieved



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

PRODUCTS	TOTAL DELIVERIES	DELIVERIES			
		DOMESTIC		EXPORT	
	[tons]	[tons]	[%]	[tons]	[%]
PP	79,071	38,555	49%	40,517	51%
LDPE	68,705	34,601	50%	34,104	50%

## II) Investment activity

The investment activity in the year 2020 was focused, in accordance with the program, on the following:

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

The investments performed in 2020 added up to **110.944.885 USD**.

The main projects **completed in the year 2020** in Rompetrol Refinery:

- **Petromidia Refinery, Petrochemicals and Vega Refinery 2020 General Turnaround**

For Petromidia and Vega refineries, general turnaround means a scheduled large-scale maintenance activity wherein the entire process unit is taken off stream for an extended period for comprehensive revamp and renewal. This operation involves many preparations and requires many precautions,



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especially at during startup.

Rompetrol Rafinare 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.

To reach refinery goal by having a high mechanical availability, refinery must have high reliability at low cost. This can be assured only by having periodically refinery turn around.

The main works packages consist of:

- Catalyst Replacement / Regeneration and Catalyst Services - all work related to the replacement of end-of-life catalysts with new or regenerated catalysts - to maintain a high gasoline / diesel production efficiency, and to obtain products with high economic value.
- Operational works - The other activities, which do not refer to maintenance repairs or modernization, but which are required in order to achieve good efficiency in the refinery, mandatory activities in order to prevent possible damage or defects of equipment due to corrosion, erosion, deposits in the 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.
- Unexpected/found works – works that appear after the equipment opening.

Within this project, the benefits are as follows:

- 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.
- Keep a high percentage of mechanical availability.
- Increase reliability / availability of equipment during operation.
- Safety—zero incidents (human accidents or damage to equipment).

➤ **Rehabilitation of C100 tank and connection to delivery paths**

The benefits obtained by project implementation are:

- Ensuring the needed facilities for safe operation of the C100 tank from technological and safety point-of-view



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- Running with Diesel In Line Blending Unit through automation and use in a proper operational way diesel component from HPM, HPR, HDV and MHC units
- Increase storage capacity for diesel component and finished product in order to ensure operational and logistic flexibility and to operate the refinery at a processing capacity of 5 mil tons / year.

➤ **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 was 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. Project benefits resulting from project implementation are in the monitoring stage.

➤ **Improve 180C2 Coker fractionator operation by installing Light Coker GasOil pumparound**

The estimated benefits from project implementation consist in recovery of LCGO at the same quality by reducing the HCGO and reduces coke drum pressure by 0.1 bar, reducing coke production.

The project scope consists in reduce the thermal and hydraulic tower overhead restriction it is necessary to install a Light Coker Gas Oil (LCGO) pumparound. The new pumparound will draw with LCGO from the same tray (number 14) and will return 3 trays above. The duty of LCGO is 3.5Gcal/h. Also, to have a good LCGO recovery without affect his quality respective the final boiling point, it is necessary to install a new LCGO internal reflux which means to return some LCGO immediately under LCGO draw tray.

➤ **Replacement of reactor 130 R1, R2, R3**

The scope of the project was to manufacture and installation of a new reactor on the 130 R1, R2, R3 position of the Catalytic Reformer Unit, having the same constructive shape with the existing one.

The main benefits of implementing of project are:

- Possibility of obtaining the license of the reactor according to PT ISCIR C4/2010;
- Increasing levels of safety and security of personnel.
- Increasing levels of prevention and intervention in case of fire or emergency situations;





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- Reducing the risk of accidental shutdown of the Catalytic Reformer Unit;

➤ **Fluid Catalytic Cracking (FCC) Unit Rehabilitation**

During 2020 Refinery General Turnaround (TAR), a comprehensive modernization project (Revamp) which consist in replacing some of FCC Unit critical equipment was implemented.

Regarding benefits of the project implementation, we can mention:

- Decrease FCC Unit shut-down risk due to mechanical problems.
- Increase FCC Unit Mechanical Availability

➤ **Expire authorization ISCIR (State Inspection for Control of Boilers, Pressure Vessels and Lifting Installations) for static equipment Refinery Platform (ISCIR PEM 2019-2020)**

The project scope 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.

By project implementation, the following benefits were achieved:

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

➤ **Fire-fighting Water Main Replacement Package 2020 sections T009, T010, T013, T049, T050, T051**

For 2020, the rehabilitation program continued with 1,490 m with the replacement of six sections: T009 (375 ml), T010 (260 ml), T013 (305 ml) in Petrochemical Area and sections T049 (110 ml), T050 (230 ml), T051 (210 ml) in Nitrogen-Oxygen Area. The project scope was to perform replacement and rehabilitation of the firefighting civil and mechanical infrastructure, according to the established priorities for 2020, based on the project design.

Benefits of implementing this project:

- Increase the safety level for personnel and assets.





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

➤ **New High Pressure pipelines (36 barg ) between Refinery (UTM limit-node A ) and Petrochemicals (node H)**

The scope of the project was 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. Project benefits resulting from project implementation are in the monitoring stage.

➤ **Maximize usage of 185 unit (Amine and Sulphur Recovery Unit) condensate thermal potential**

The project objective was 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 a Simulation Report was performed, to find out all the constraints of system configuration and to verify the initial assumptions and benefits as well. Project benefits resulting from project implementation are in the monitoring stage.



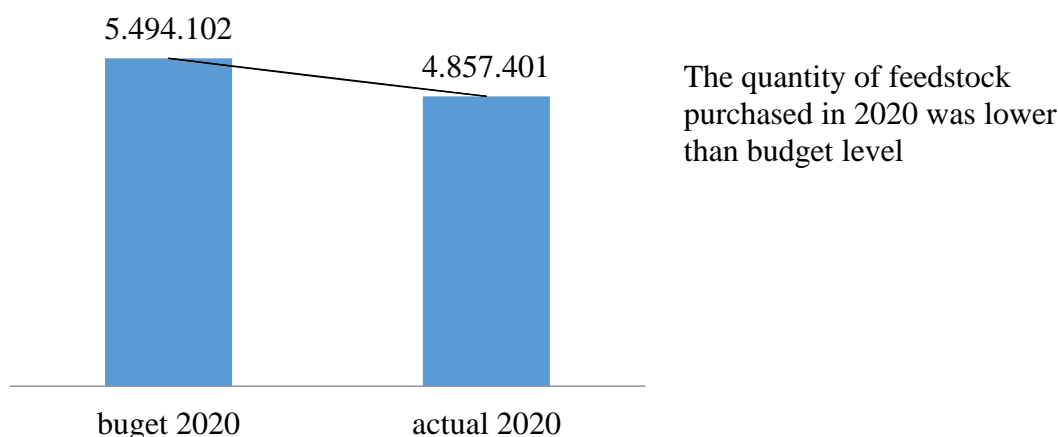
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**III) Commercial activity**

***Rompetrol Rafinare – work point Năvodari (Petromidia Refinery)***

**1. Supply of Raw Materials**

**Feedstock acquisitions (tons)**



In year 2020, crude oil acquisitions were lower (3,825,505) than 2019 (5,324,175 tons) following the general overhaul carried out in 2020 developed during March – beginning May and due to the unforeseen pandemics crisis, that affected the oil industry worldwide. The crude oil imports developed exclusively through the trading company of the group, Kazmunaygas Trading AG.

All feedstock volumes purchased in 2020 from external sources (4,730,249 tons) were lower than that of previous year 2019 (6,074,447 tons).

Average price of crude oil acquired in 2020 was lower (USD335 /ton) to that of 2019 (USD 474 /ton) due to the significant decrease of international quotations following the pandemics crisis that affected extremely serious the oil market (in 2020 the average quotation for the crude oil Brent amounted to USD42 //bbl (USD315 /mt) compared to USD 64 /bbl (USD 484 /ton) in 2019.



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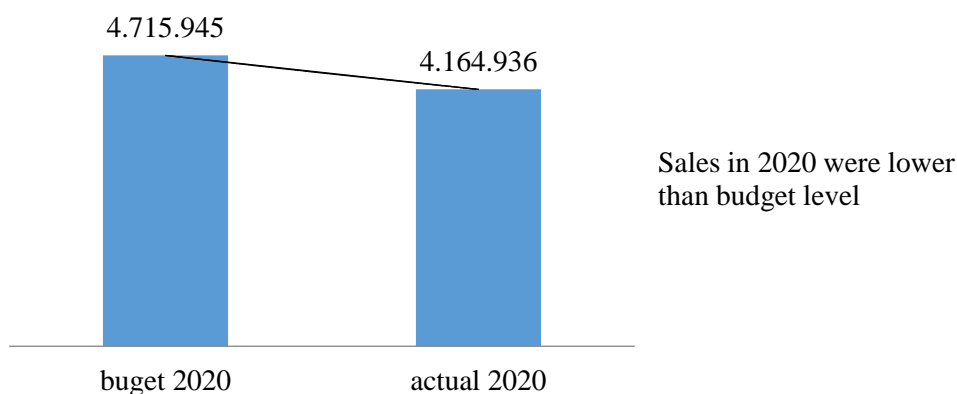
Domestic acquisitions in 2020 amounted to 99,828 tons compared to 107,661 tons in the previous year. Added to these, there were also volumes transferred from Vega refinery in amount of approximately 27,324 tons (66,904 tons in 2019).

Domestic suppliers have been:

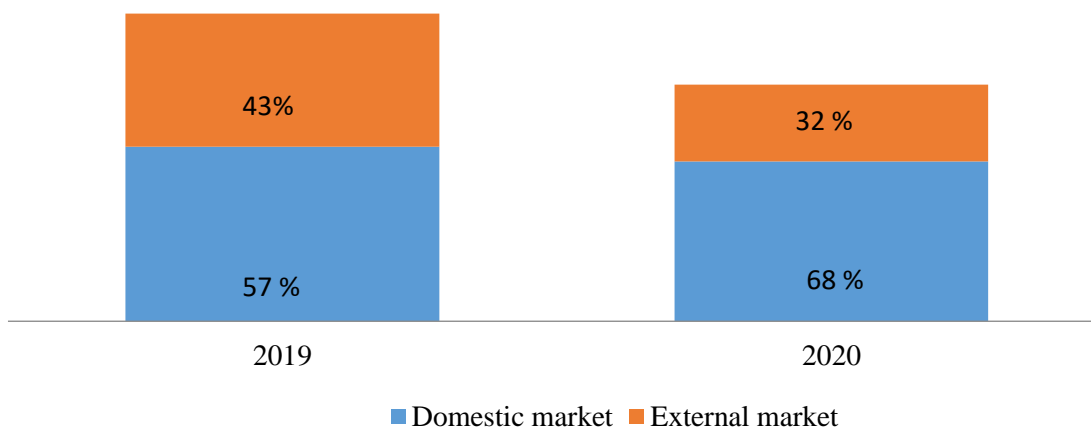
- Socar Petroleum – methanol
- Prio Biocombustibil; Expur - biodiesel

## 2. Sales activity

**Sales of finished products vs budget (tons)**



**Structure of total sales**



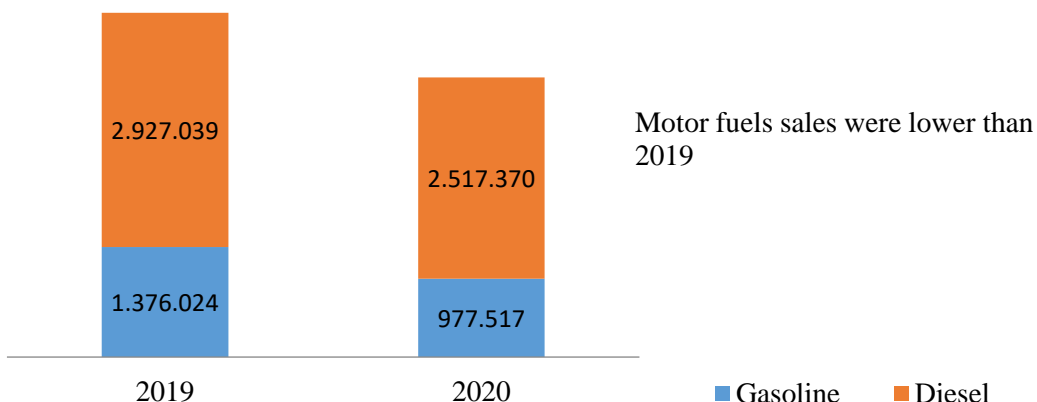


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**Gasoline + Diesel sales (tons)**

Total 4,303,063 tons

Total 3,494,887



***Rompetrol Rafinare – work point Vega Refinery***

The quantitative structure of the deliveries of oil products in 2020 is synthetized as follows:

Product Group	Total deliveries 2020		Domestic		External	
	[tons]	% of total sales	[tons]	% of total sales	[tons]	% of total sales
Other gasolines	94,209	25.64	19,160	10.38	75,049	41.02
Bitumen	122,666	33.38	122,420	66.35	246	0.13
Heating oils	14,025	3.82	14,025	7.60	-	0.00
Hexane	72,305	19.68	3,744	2.03	68,561	37.47
Fuel Oil	21,175	5.76	21,175	11.48	-	0.00
Petroleum and White spirit	6,786	1.85	3,358	1.82	3,429	1.87
Ecological solvents	36,323	9.88	635	0.34	35,688	19.50
<b>Total</b>	<b>367,490</b>	<b>100.00</b>	<b>184,517</b>	<b>100.00</b>	<b>182,972</b>	<b>100.00</b>



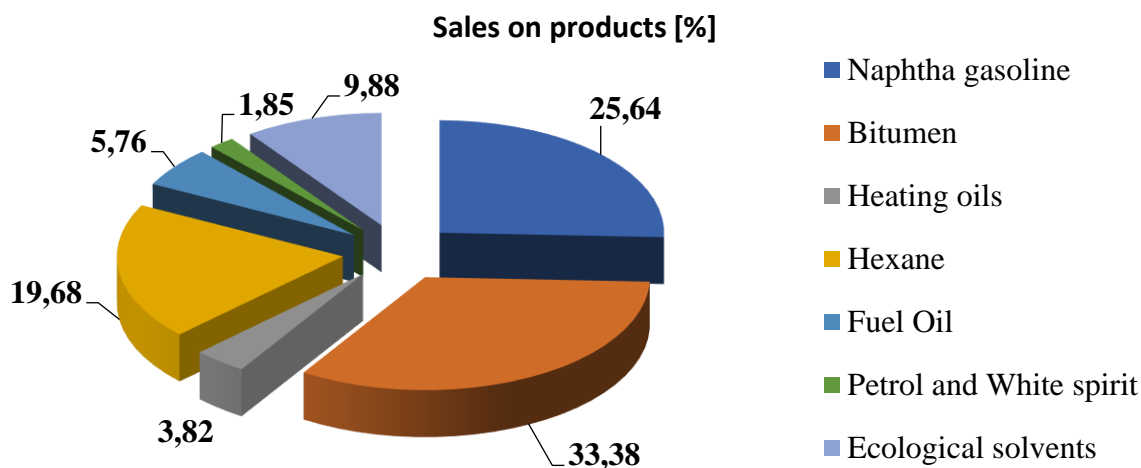
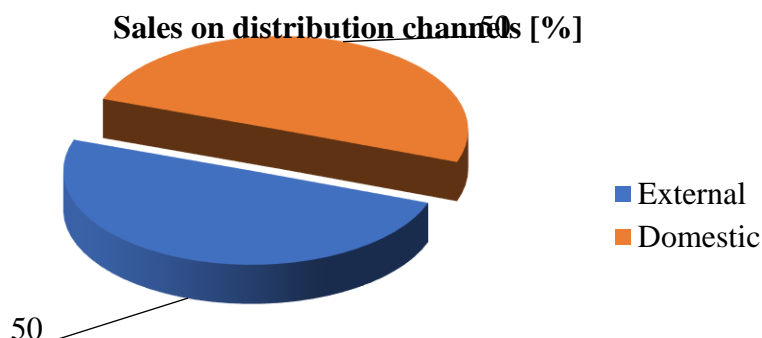
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The main markets for external channel were:

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

**Sales market**

In 2020, sales amounted to 367,490 tons. 184,517 tons were sold on domestic market, and 182,972 tons were sold on external markets. Share on sales of finished products on sales market was relatively equal for the two distribution channels.



White products sales (naphtha, ecological solvents, hexane and white spirit) represented about 57% of total sales in 2020.



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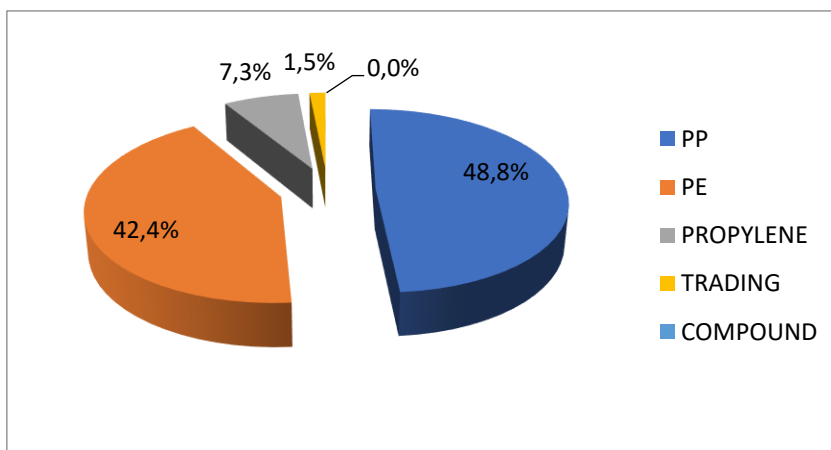
***Rompetrol Rafinare – Work point Năvodari, the Petrochemical complex***

Rompetrol Rafinare – the Petrochemical complex, is the sole polypropylene (PP) and polyethylene (LDPE, HDPE) producer of Romania.

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

The sales of Rompetrol Rafinare – Petrochemical complex amounted in 2020 to a quantity of 162,192 tons.

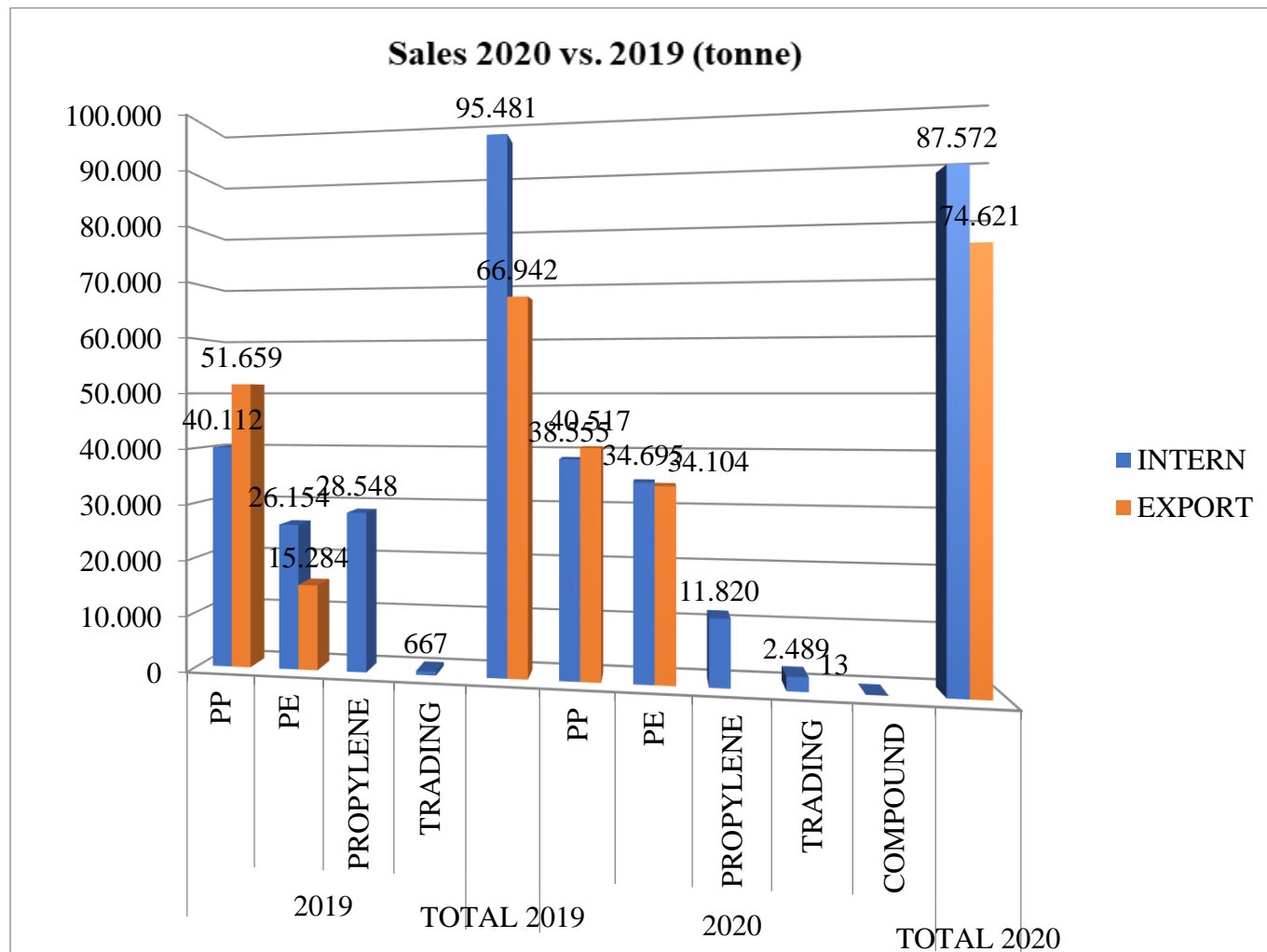
In 2020, 48.8% of total sales stand for polypropylene (PP), 42.4% stand for polyethylene and the remaining of 8.8% represents sales of propylene and trading activity.





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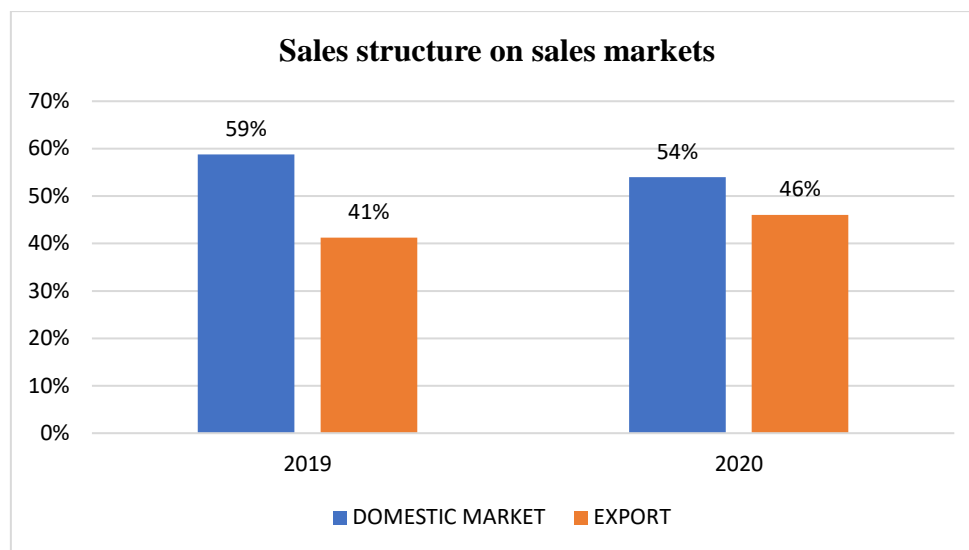
The polyethylene (PE) (+66%) and the trading activity (+ 273%) registered significant increases of sales compared to year 2019.



Out of total sales, 54% is the domestic market and the rest of 46% represents exports.



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

Year 2020 marks a new historical record as regards the sales of polymers on the domestic market: 75,751.75 TO

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 79% of the total export sales of finished goods, the difference representing the export sales on the non-EU markets.

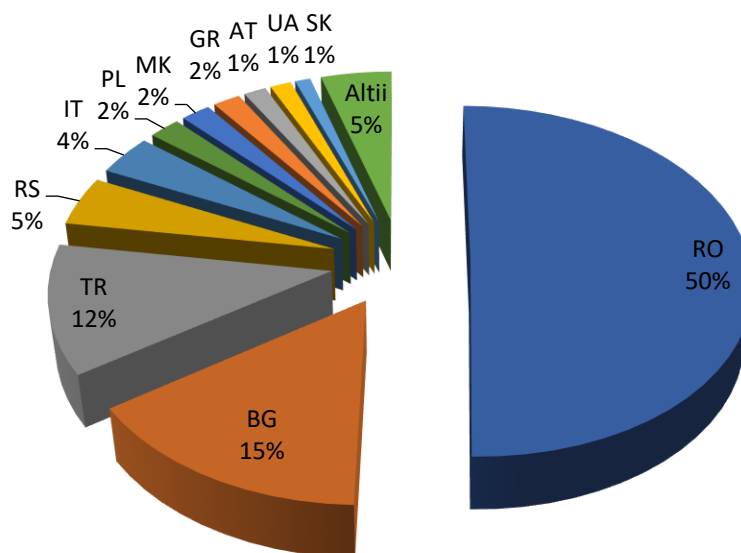
The distribution of petrochemical products sold by Rompetrol Rafinare was carried out by road and railway means in the case of sales on the domestic market and, in the case of sales on the foreign market, the distribution of these products was carried out both by road and maritime transport means through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





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**Polymer Sales by Destination 2020**



**IV) Activity regarding Quality, Occupational Health and Safety and Environmental Protection (QHSE)**

The QHSE specific activities were meant to achieve the goals set for the year 2020. All these have materialized by **maintaining** the integrated quality-environment- occupational health and safety management system, as confirmed by **the supervisory audit**, carried out by DNV-GL representatives (April 2019).

Major activities carried out in 2020 in order to achieve the QHSE objectives (detailing of the environmental and safety activities is to be found in the relevant chapters of this report):

- Certifications for Rompetrol Rafinare have been maintained, for:
  - Auto fuels and bitumen, according to the legal and statutory requirements
  - Integrated Management System – Environment – Occupational Health and Safety (QHSE) according to ISO 9001, 14001 & ISO 45001 standards



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- ISCC Management System (International Sustainability & Carbon Certification), from the point of view of the sustainability requirements disposed in Directive 2009/28/EC (RED)
- Active involvement in maintaining the certification of Energy Management System as well as preparation of its transition according to the new version of ISO 50001 standard;
- Integrated Management System documents have been maintained /developed /revised /reviewed (policies/objectives/plans/programs/procedures/work instructions/regulations, etc.)
- The Risk Register for Rompetrol Rafinare was maintained and updated quarterly;
- Considering the coronavirus pandemics, the necessary prevention measures have been identified and implemented related to the organization to prevention and documentation purpose (Contingency Plan, Continuity Plan, Crisis Management Procedure), constant communication of internal relevant information (Internal orders, recommendations) and external (from official sources) as well as the follow-up by inspections of the compliance with all the prevention rules established.
- During the development of the 2020 overhaul within the pandemic context, specific activities have been developed so that to ensure both the fluidization of the activities and the occupational health and safety. Thus, the overhaul completed with **0 incidents and 0 cases of infection** with SARS-COV 2 virus.
- There were performed internal audits, safety audits, inspections in accordance with the planning or unforeseen, in order to identify both weak points and improvement opportunities;
- There have been drawn up specific statistics and reports, with various frequencies (weekly/monthly/quarterly/half-yearly/annual/upon request), in order to meet as well internal requirements as also compliance obligations and the requirements of relevant interested parties;
- The Water Management Permit (Petromidia) was revised; for the other Permits, all the formalities necessary to carry out the overhaul have been fulfilled – documentations issued and submitted before the Environmental Authorities, the authorization procedure being in course of development.
- The activity at the two work points - Petromidia refinery, with two plants (Refinery and Petrochemistry), and Vega refinery have been monitored for purposes of environment protection, pursuant to the Integrated Environment and Water Management Permits, as well as in what regards the compliance requirements under the Greenhouse Gas Authorization;
- The efficacy of the safety project “1.Life/1.Viata” has been maintained, by the establishment of a Process Safety Management sub-committee and by more than 2000 safety audits.
- The following actions have been taken:
  - Actions for personnel recognition and motivation,
    - ✓ International Occupational Health and Safety Day



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- ✓ Campaign for supplying some protection masks
- ✓ Christmas Campaign Small rewards on site – Christmas campaign
- Actions for promoting the company image, through the participation and support of presentations:
  - ✓ Forum 2020 – Occupational Health and Safety Management, more than 300 participants – presentation “Revision Journal”
  - ✓ Occupational mental health –A”BIS” presentation - Awareness & Adaptability
  - ✓ Interview published in HSE Guidelines – Romania 2020



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**STATEMENT**  
**OF THE MAIN ECONOMIC-FINANCIAL INDICATORS**  
**AND OTHER INFORMATIVE DATA, AS AT 31.12.2020, AS COMPARED TO**  
**THE INCOME AND EXPENDITURE BUDGET APPROVED IN THE**  
**GENERAL MEETING OF THE SHAREHOLDERS OF THE COMPANY 2020**

Ref. no.	INDICATOR'S NAME	RON	
		OMFP no. 2844/2016	
		Achieved 2020	IEB 2020
1	Crude oil processed and other raw materials (tons)	4,864,005	5,494,102
2	Net turnover	8,275,110,517	12,283,641,497
3	Cost of sold production	(8,646,900,936)	(11,825,780,398)
4	<b>Gross profit/ (Loss)</b>	<b>(371,790,419)</b>	<b>457,861,099</b>
5	Distribution and general administrative expenses	(343,120,147)	(228,732,820)
6	Other operating income/(expenses)	79,881,482	(5,473,200)
7	<b>Operating Profit / (Loss)</b>	<b>(635,029,084)</b>	<b>223,655,079</b>
8	Financial expenses	(182,465,147)	(202,535,931)
9	Financial income	86,748,261	287,735
10	(Losses)/ Gains on exchange rate variations, net.	208,940,736	-
11	<b>Gross profit/ (Loss)</b>	<b>(521,805,234)</b>	<b>21,406,882</b>
12	Income / (Expense) on deferred corporate income tax /Minority interests	(124,017,823)	(40,945,985)
13	<b>Profit/(Loss) of the year</b>	<b>(645,823,057)</b>	<b>(19,539,102)</b>
14	Fixed assets	5,337,995,718	-
15	Inventories	527,073,050	-
16	Receivables	1,167,390,890	-
17	Cash	365,595,493	-
18	Total debts (including provisions)	6,062,448,007	-
19	Equities	1,335,607,145	-
20	<b>Average number of employees</b>	<b>1,138</b>	<b>1,151</b>



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From the data presented in the above table, comparing the results recorded at 31.12.2020 with those approved in the Income and Expense Budget (IEB), the following results:

1. In 2020, Rompetrol Rafinare processed a quantity of crude oil and other raw materials of 4,864,005 tonnes, down with 11% from that provided in the Income and Expenditure Budget, i.e. 630,097 tonnes less than budgeted, on the background of reduced market demand for petroleum products as a result of the Covid-19 pandemic compared to 2019.
2. Turnover achieved in 2020 was at a level of 33% lower compared to the budgeted value, the negative variation being mainly due to the reduction in production and quantities of petroleum products sold on the background of reduced market demand, as well as the significant reduction in quotations of petroleum products on the international market in the context of the Covid-19 pandemic.
3. The cost of the sold production recorded in 2020 was 27% below the budgeted level, the change being mainly due to the reduction in production and quantities of petroleum products sold on the background of lower market demand, as well as the reduction in quotations for crude oil and other raw materials on the international market in the context of the Covid-19 pandemic.
4. The operating income result is negative (loss) in the amount of Lei (635,029,084); Financial expenditure is less than budgeted by 10% on the basis of low production and less financing for the amount of crude oil purchased and processed than the budgeted level.
5. Net exchange rate differences recorded during 2020 are favourable, their value reaching 208,940,736 lei, in the light of the continuous appreciation of the national currency against USD starting from May 2020 until the end of 2020.
6. **At the end of 2020, Rompetrol Refining recorded a negative net result (loss) of (645,823,057) lei.**

The total amount paid during 2020 to the state and local budgets was 4,852,598,157 lei (equivalent to about 1.15 billion USD) consisting mainly of excise duties, VAT, taxes and payroll taxes, local taxes and others. From the taxes paid by the Company to the state budget, large amounts, quotas established by the legislation governing local budgets, are directed to the local authorities within the range of which the company operates.





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***b) Date of establishment***

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



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

<b>1975 - 1977</b>	<ul style="list-style-type: none"> <li>• <b>Midia Navodari Petrochemical Plant</b> (the first name of Rompetrol Rafinare S.A.) was designed on the basis of Romanian refining technologies and of certain foreign licenses.</li> </ul>
<b>1979</b>	<ul style="list-style-type: none"> <li>• The first unit - the Atmospheric Distillation Unit - is commissioned</li> </ul>
<b>1991</b>	<ul style="list-style-type: none"> <li>• Midia Petrochemical Plant turns into a joint stock company, the assets of the former unit being entirely taken over. The newly-formed company, under the name of <b>PETROMIDIA S.A.</b>, was established under Government Decision No. 1176/1990, issued under Law No. 15/1990 on the reorganization of State</li> </ul>



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	<p>economic operators as <i>regies autonomes</i> and business companies. Annex No. 1 to the regulatory act mentions the headquarters of the joint stock company, as being located in Constanta, Str. DN 228 km 23, Constanta County.</p> <ul style="list-style-type: none"> <li>The Company is registered with the Constanta Trade Registry under No. J13/534/1991 and has sole registration code 1860712.</li> </ul>
<b>2000</b>	<ul style="list-style-type: none"> <li>Government Decision No. 540/2000 on the approval of the classification into functional categories of public roads and private utility roads open to public traffic, road DN 228 was re-categorized as a county road under the name of County Road 226. The regulatory act resulted in the amendment of the Company's Articles of Incorporation and Registration Certificate.</li> </ul>
<b>2001</b>	<ul style="list-style-type: none"> <li>Change of the Company's name from "PETROMIDIA S.A." into "<b>ROMPETROL RAFINARE-COMPLEXUL PETROMIDIA S.A.</b>"</li> </ul>
<b>2003</b>	<ul style="list-style-type: none"> <li>The Company changes its name into "<b>ROMPETROL RAFINARE S.A.</b>"</li> </ul>
<b>2004</b>	<ul style="list-style-type: none"> <li>Shares listing at the Bucharest Stock Exchange, under the "RRC" symbol"</li> </ul>
<b>2007</b>	<ul style="list-style-type: none"> <li>The Extraordinary General Meeting of the Shareholders of September 17, 2007 decided to acquire the full ownership over the machinery and equipment within the Vega Refinery, located in Ploiești, str. Văleni nr. 146, județul Prahova.</li> <li>Acquiring the ownership over and resuming the possession of the plot of land and all the assets from the premises of the Vega Refinery, the Company established its own Work Point at Ploiesti and obtained effective December 1, 2007, the capacity of Warehouse keeper authorized for the production of energy products also in relation to the Vega Refinery from Ploiesti.</li> </ul>
<b>2010</b>	<ul style="list-style-type: none"> <li>Decision No. 2 of the Board of Directors dated October 19, 2010 approved the change of the address of the registered headquarters from Navodari, County Road 226, km 23, Constanta county into <b>Năvodari, bulevardul Năvodari, nr. 215, Pavilion Administrativ, județul Constanța</b> further to Decision No. 187/24.07.2009 issued by the Navodari Local Council on the granting of names to streets and alleys which are not included in the list of street names, and to the addresses communicated by the City Hall of Navodari City in relation to the assignment of street numbers to the Company's property located in Navodari.</li> </ul>
<b>2013</b>	<ul style="list-style-type: none"> <li>Decision No. 6/2013 issued by the Extraordinary General Meeting of the Shareholders approved the obtainment, by means of purchasing, of the ownership right over the assets consisting in intangible assets, tangible assets, fixed assets (buildings and constructions, technological equipment, measurement machinery and plants, office equipment, IT equipment, transportation means, other tangible</li> </ul>



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	assets), investments in progress and stocks, assigned or related to the main activity of petrochemistry, found in the property of Rompetrol Petrochemicals SRL
<b>2019</b>	<ul style="list-style-type: none"> <li>• <b>Celebrating of four decades of performance and professionalism</b>  In 2019, Petromidia Refinery from Navodari celebrated 40 years of activity, time frame when from one idea it reached to be the largest such unit in Romania and one of the most modern in the Black Sea region.</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>• <b>Vega Ploiești, 115 years of performance in the refining industry</b>  In 2020, Vega Ploiești Refinery, operated by Rompetrol Rafinare, celebrated 115 years of activity in the oil product processing industry. Having a rich history full of events that marked its development, the unit of Ploiești represents an important reference in the Romanian energy field.  At present, the refinery does not process crude oil anymore, but only medium distilled products, resulted from Petromidia Refinery of Năvodari. Thus, even if it is the smallest unit in this field in the country, having an annual production output of approximately 400,000 tons, Vega Ploiești develops exclusively high value-added products.</li> </ul>

**c) Significant mergers or reorganizations**

During the financial year 2020, there were no significant mergers or reorganizations within RRC or in its controlled companies. The company makes part of KMG International Group. RRC controls directly branch offices of Rompetrol Downstream S.R.L. (in a percentage of 99.994688898%), Rompetrol Quality Control S.R.L. (in a percentage of 70.91%), Rom Oil S.R.L. (in a percentage of 99.9998505%), Rompetrol Logistics S.R.L. (in a percentage of 66.1911%), Rompetrol Petrochemicals S.R.L. (in a percentage of 100%) and indirectly Rompetrol Gaz S.R.L and Global Security Sistem S.A. through Rompetrol Logistics S.R.L.

**d) Assets acquisitions and sales**

Throughout 2020, the Company did not register participations in other companies, purchased assets such as fixed assets and did not sell assets. During the analyzed financial year, there were no asset purchases, except for those that were necessary for the operation and development of the activity,





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reflected in the investment plan and in the budgets approved for this purpose. The total expenses for investments during 2020 amounted to approximately RON 482 million.

Assets alienations did not take place, except for the obsolete ones according to the law.

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

Rompetrol Rafinare S.A. recorded a net turnover of **8,275,110,517 lei** in 2020, this being strongly impacted by a cumulation of factors represented by the planned shutdown of refineries operated by the Company for the conduct of the general turnaround carried out in March-May 2020, the reduction of production and quantities of petroleum products sold on the background of reduced market demand, as well as the significant reduction of quotations of petroleum products on the international market in the context of the Covid-19 pandemic. In the 2020 financial year the company recorded a net loss of **(645,823,057) lei**, 2020 being a difficult year for the entire oil and gas industry, throughout its chain of activities – from crude oil extraction to distribution of petroleum products. The effects and influences caused by COVID19 were also reflected in the steep drop in demand for petroleum products, a high volatility in international fuel quotations, and also in negative refining margins.

**1.1.1. ELEMENTS OF GENERAL ASSESSMENT**

The income of the company originates mainly from the production and delivery of petroleum products obtained from the processing of crude oil and other raw materials: Lei 8,275,110,517.

Indicators (LEI)	2020
<b>Loss</b>	(645,823,057)
Operating result - profit	(635,029,084)
Net turnover, of which:	8,275,110,517
Export	2,728,832,744
Cost of sold production	(8,646,900,936)
Market share (%) <sup>2</sup>	31%
Liquidity (effective amounts in accounts and cash equivalents)	365,595,493

<sup>2</sup>Fuels sales (gasoline and diesel) on the domestic market segment are exclusively delivered by the Group authorized trader – ROMPETROL DOWNSTREAM SRL Bucharest which owns a 31% market share of Romanian fuel distribution.



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***a) Loss***

At the end of 2020, Rompetrol Rafinare registered a negativ result (loss) of **Lei (645,823,057)**.

***a) Turnover***

In 2020, the company's net turnover was **8,275,110,517** lei. Turnover in 2020 was strongly impacted by a number of factors represented by the planned shutdown of refineries operated by the Company for the conduct of the general turnaround carried out in March-May 2020, the reduction of production and quantities of petroleum products sold on the background of reduced market demand, as well as the significant reduction of oil prices on the international market in the context of the Covid-19 pandemic. Results in 2020 were 44% lower than in 2019.

***b) Export***

In 2020, the share of international sales in total sales represented approximately 33%, the Company focusing more on maximizing sales on the domestic market, which generates profit margins higher than those obtained from export sales, in the context of lower quotations on international markets of reference.

The total amount achieved in 2020 from export sales of finished goods was of Lei 2,728,832,744 (related to the two refineries Petromidia and Vega and the Petrochemistry Plant).

***c) Cost of sold production***

The cost of production registered a drop by about 40% compared to 2019.

***d) Market share owned***

From the data which we hold, the market share we estimated in the year 2020 reached about 31% (through distribution to retail), increasing compared to the market share held last year.

***e) Liquidity***

The company has made sustained efforts to maintain the capacity to hedge current liabilities from current assets, with the current liquidity indicator falling from 0.56 in 2019 to 0.40 in 2020.

2020 was a difficult year for the entire petrol and gas industry, across its chain of activities – from crude oil extraction to distribution of petroleum products. The effects and influences caused by



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COVID19 were also reflected in the steep drop in demand for petroleum products, a high volatility in international fuel quotations, and also in negative refining margins.

### ***1.1.2. THE ASSESSMENT OF THE TECHNICAL LEVEL OF THE COMPANY***

#### ***The main products produced by Rompetrol Rafinare S.A. in the year 2019:***

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

#### **1. Liquid fuels**

##### **a) Gasoline**

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

##### **b) Diesel fuels**

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



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- Euro 5 Diesel (Euro 5 Super Diesel) with biodiesel
- Slurry

**c) Petroleum**

- Aviation turbine fuel jet A1

**d) Fuel oil**

**2. Gaseous fuels**

**a) Liquefied Petroleum Gas**

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

**b) Gases**

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

**3. Solid fuels**

- Petroleum coke
- Petroleum Sulphur

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

**1. Liquid fuels**

**a) Solvents**

- Ecological solvents
- Normal hexane
- Naphtha Gasoline



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- Light naphtha type II
- Light naphtha type A
  
- b) White spirit and petroleum**
  - White Spirit
  - Non-industrial fuel type P
  
- c) Diesel fuels**
  - Calor Extra I
  
- d) Fuels**
  - Light oil fuel type III
  - Calor Economic 3
  
- e) Fuel oil**
  
- f) Bitumen**
  - Roads Bitumen
  - Special Bitumen
  - Polymer-modified Bitumen
  
- g) Additives**

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

**1. Polypropylene (PP)**

- a)** Injection sorts – J500, J600, J700, J800, J900, J1000, J1100, J1200, J1300, J1400, J1450, RHC40, J1500 new
- b)** Sorts of Raffia – F301, F401, F501
- c)** Sort thermos-forming – RTF-3
- d)** Sorts of film – F500, F600, RCF9 , F400BO
- e)** Sorts of fibers – S711, S1001, RSB25



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## 2. Polyethylene of low density (LDPE)

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

### *The Main Services of Rompetrol Rafinare:*

During 2020, the company provided the following services:

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

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

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

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

- electric energy – electric energy distribution tariffs on the two voltage levels of low voltage and high voltage are regulated by the National Energy Regulatory Agency;
- drinkable water – the tariff for the distribution of drinkable water is regulated by the National Regulatory Authority for Community Services of Public Utilities;
- wastewater treatment service, for wastewater whose characteristics fall within the limits imposed by the contract - tariff regulated by ANRSC (National Regulatory Agency for Community Services of Public Utilities)



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

**1.1.2.1. The main distribution markets for each product and methods of distribution**

During 2020, sales on domestic market accounted 68% of total sales, the share being slightly higher than that of the year 2019. Share of motor fuels (gasoline and diesel) reached 84% of total finished products sales. Domestic market absorbed about 65% of total quantity of auto gasoline and diesels marketed in 2020. Sales of gasoline and diesel for domestic market intended for national consumption through the gas stations network covered all Romanian areas. The highest share (approximately 86%) of total motor fuels sold nationwide was represented by diesel sales.

The external sales had as final destination both European Community area and Non-European Community areas. Intra-Community deliveries accounted for about 29% of the total finished products sold on the external market, slightly higher than in 2019 (33%).

On countries, sales had the following main destinations:

Gasoline	- Greece, Georgia, Albania, Bulgaria, Moldova, Turkey
Diesel fuels	- Georgia, Greece, Bulgaria, Moldova, Turkey, Serbia
Petroleum	- Moldova, Bulgaria
Coke	- Moldova, Ukraine, Serbia
Sulphur	- Egypt

**The distribution of oil products** sold on the domestic market took place mostly by vehicle means and railway means, but also by barges. On external channel, most of the sales were largely dispatched by the sea via the Midia and Constanta ports, but also by road and rail transportation means.

The polymers sales on the international market had as destinations both the European Community area, as well as the non-European community area. The deliveries within the community represented approximately 79% of the total finished goods sold on the international market, the difference representing the sales on the non-EU markets.





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The most important sale markets for polymers (PP, LDPE, HDPE, PET and PVC) are represented by: Romania, Bulgaria, Republic of Serbia and Italy.

**The distribution of the petrochemical products** sold by Rompetrol Rafinare was performed by road and railway in the case of the sales on the domestic market, and for the external markets, the distribution of these products was performed both by road as well as by sea, via Agigea and Constanta ports.

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

Indicators	Value-million RON			% in turnover		
	2018	2019	2020	2018	2019	2020
<b>Net turnover, of which:</b>	<b>14,100</b>	<b>14,750</b>	<b>8,275</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Gasoline and diesel fuels	10,880	11,382	6,360	77.2%	77.2%	76.9%
Other petroleum products	2,401	2,606	1,260	17.0%	17.7%	15.2%
Petrochemical products	779	732	619	5.5%	5.0%	7.5%
Goods	19	7	11	0.1%	0.0%	0.1%
Utilities	8	9	9	0.1%	0.1%	0.1%
Services	13	15	15	0.1%	0.1%	0.2%

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

**1.1.2.3. The new products taken into account in the future financial year as well as the development stage of these products**

During year 2020, Rompetrol Rafinare continued the production of the fuel production “Diesel 55” and “Efix S Diesel 55 having improved winter properties. The product is marketed in the fuel stations as “Xtreme Winter Efix S”, its property being resistant to temperatures up to -35 C degrees.





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In 2021, Rompetrol Rafinare shall continue to deliver on the domestic market only Euro 5 fuels (max Sulphur content 10 mg/kg) and a content of biofuel of minimum 8 % in volume for gasoline and minimum 6,5% in volume for Diesel fuel (in compliance with Law No. 311/2018).

The Euro 5 fuels are:

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

For year 2021, Rompetrol Rafinare does not consider the increase of the vehicle fuels portfolio.

Year 2020 was a major challenge for the Petrochemical division, due mainly to the situation generated by SARS-Cov2 pandemics.

Even since 2018, the PP installation had in its portfolio a sort for the spunbond type application, RSB25, usable in the medical field for the manufacture of protection suits as well as for the exterior layers of the protection masks.

In the midst of the crisis of protection equipment, the Petrochemistry industry focused on the development of a new sort of polypropylene, used as a filtering layer of the protection masks. The new sort, RMB30H produces a meltblown material with excellent filtering and organoleptic properties, Rompetrol Rafinare being today one of the few manufacturers of Europe of a sort for this application. In parallel, the spunbond sort was improved and the sorts RSB35H and RSB40H were introduced in the manufacturing, for the manufacturing of the interior layer of masks, that ones that comes in contact with the skin and that has a higher fineness.

The assortment range meant to medical and hygiene fields was differentiated from the rest of the products by adding the H suffix to the name of the respective assortments.

At present, Rompetrol Rafinare has the capacity to produce assortments in order to cover integrally the domestic consumption for the manufacture of masks and protection suits.



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In year 2020, Vega Refinery continued to focus on the solvents production (SE 30/60, n-Hexane, White spirit), naphtha gas, liquid and heavy fuels, for heating, normal road bitumen and modified with polymers.

Following the very low request on the market and the high costs corresponding to Reach records, in 2020 they waived of the manufacturing of the product “Non-industrial fuel type P”.

The introduction into manufacturing of some new products was not disposed for year 2021.

### ***1.1.3. THE TECHNICAL AND MATERIAL SUPPLY ACTIVITY***

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

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

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

KazMunayGaz Trading A.G. company, the trader of the KMG International Group, was the one that contracted the amount of crude oil required for the year 2020. KazMunayGaz Trading A.G. is located in Switzerland and is a specialized company in commercial operations with crude oil and petroleum products. The role is well defined: it ensures imports of crude oil and other raw materials, and on the downstream side, it takes over oil products for sale on foreign markets.

The production process of Petromidia refinery relies on raw materials purchased under important contracts concluded, both on import and on the domestic market. The main raw material of Rompetrol Rafinare, crude oil, comes exclusively from import, based on firm contracts signed annually. This ensures the stability and safety that the refinery needs to operate at maximum. The volumes of crude oil acquired takes place by Midia Marine Terminal S.R.L. company of KMG International Group, being unloaded in the maritime terminal situated in the immediate vicinity of Petromidia Refinery. The other raw matters come both from external sources and domestic sources.



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When it comes to the purchase of raw materials, the Group follows the tendency of quotations on international markets, and as a rule, the reference quote calculation (Brent, Ural) is used. Yearly, the level is determined by fluctuations on the market, by the international context influenced by geopolitical or economic factors. All factors are ultimately reflected in the level of purchase prices of raw materials.

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

For loading and unloading of raw materials and petroleum products in the ports of Constanta and Midia, contracts were signed with service providers such as Conpet S.A., Oil Terminal S.A. and Midia Marina Terminal S.R.L., respectively Decirom S.A. (for solid products).

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

The chemicals purchased by Rompetrol Rafinare S.A. (for the two refineries) during 2020 can be grouped into:

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

#### **1.1.4. SALES ACTIVITY**

##### ***a) The trend of sales on the domestic and/or external market and their estimate on medium and long term***

Total sales in 2020 decreased compared to year 2019 due to the technical overhaul carried out during March – May and considering the pandemic crisis that affected the oil industry worldwide. On the external market, the volumes traded were lower than those of 2019 at all groups of products. The greatest part of the volumes was sold on the regional markets. For year 2021, it is aimed to strengthen the current markets and to penetrate other markets. For the domestic market, the marketing strategies



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continue to aim the increase of the market share through an extended network of gas stations at the national level.

***b) Competition situation, market share of the company products and the main competitors***

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

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

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

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

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

***c) Significant dependency of the company towards a single customer or group of customers, the loss of which would have a negative impact on the income of the company***

From the point of view of the significant dependence towards a single customer or group of customers:

- ✓ KazMunayGaz Trading A.G., related entity of Rompetrol Rafinare S.A.- holds more than 10% of the company's external sales.
- ✓ Customers with more than 10% of the company's sales on the internal market: Rompetrol Downstream S.R.L. (subsidiary of Rompetrol Rafinare S.A.)



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Rompetrol Rafinare, as member of KMG International Group, increased its customer base with part of the related entities within KMG International Group. The transactions with these companies are made based on the market value principle and are submitted in the stand-alone financial statements of Rompetrol Refinery and reported to the Bucharest Stock Exchange and the Financial Supervisory Authority (FSA) according to the requirements and regulations of FSA.

### ***1.1.5. HUMAN RESOURCES ACTIVITY***

The activity developed by RRC during year 2020, in the human resources field had as main goals:

- To maintain the stability of the personnel and increase of its involvement degree by using some financial and non-financial instruments;
- To maintain an open dialogue between the administration and the social dialogue partners – Trade unions activating within the Company.

#### ***a) Number, level of training of the company employees and the degree of unionising the employees***

As at 31.12.2020, Rompetrol Rafinare, Navodari Work Point (Petromidia Refinery) had a number of 936 employees, out of which: 240 - higher education staff.

As at 31.12.2020, in the Vega Refinery Work Point, Ploiesti, the company had a number of 186 employees, out of which: 35 - higher education staff.

**TOTAL:** As at 31.12.2020, Rompetrol Rafinare S.A. had a total of 1,122 employees, out of which: 275 - higher education staff.

The trade union membership rate was 78.34 % (901 employees are Trade Union members).

The following trade unions activate within the company: Petrochimistul Free Trade Union (599 members), Vega Free Trade Union (45 members), Midia Navodari Industrial Platform Workers Trade Union (235 members).

Breakdown of employees on age groups:



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**- Rompetrol Rafinare Petromidia work point**

Age Range	Number of employees	Percent of the total number of employees
<30	130	14%
30 – 39	158	17%
40 – 49	135	14%
50 – 59	474	51%
>60	39	4%

**- Rompetrol Rafinare Vega work point**

Age Range	Number of employees	Percent of the total number of employees
<30	18	10%
30 – 39	14	8%
40 – 49	40	22%
50 – 59	110	59%
>60	4	2%

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

A total number of 328 (non-unique) employees attended the trainings, which totalled 4,044 hours, meaning an approximate average of 12.5 hours of training/employee.

The total cost of training for 2020 was USD 39,573.

During 2020, the employees also had the possibility to register on an online platform with 100 courses for the development of soft skills (for eg. management skills, skill to settle the problems, written and spoken communication skills, etc.).



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***b) Relations between management and employees as well as any conflicting elements which characterize these relations***

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

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

The relationships between the company management and employees are normal, having no negative impact on the economic performances of the company. There is a regular dialogue between the company management and the employees’ unions, and the measures that the employer took for the prevention and control measures of the infections with coronavirus SARS-CoV-2, were discusses and agreed including with the employees’ representatives.

The legal act that governs the labor relations within Rompetrol Rafinare is the Labor Code – Law No. 53/2003, as further amended and supplemented, according to which, in 2020, a protocol was signed to extend the CCM between Rompetrol Rafinare company and „Petrochimistul” Free Union („SLP”) – a representative union at unit level, with legal-personality, according to the legislation in force during the state of alert.

***1.1.6. ACTIVITY RELATED TO ENVIRONMENTAL PROTECTION***

The Company owns and operates the Petromidia Refinery, located in Năvodari, Constanța County and the Vega Refinery located in Ploiești, Prahova County.

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

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

- Compliance with legislation and other applicable requirements, the permanent monitoring of the degree of legal compliance;





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

### **Integrated Environmental Permit**

Throughout 2020 Rompetrol Rafinare SA – Năvodari Unit operated based on the Integrated Environmental Permit no 1 / 10.05.2013 updated on 18.02.2019. The Integrated Environmental Authorization is in the revision procedure in order to integrate the completed / implemented projects in the period 2019-2020.

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

### **Environmental Agreement**

During 2020 all investment projects were completed within the assessment procedure of impact on the environment together with the receipt of the regulation documents (Decisions/environmental agreements) on the project category level) from the competent authority on environmental protection.

For the project “Rehabilitation and layout of the field area on the premises of ROMPETROL RAFINARE S.A. - Rafinăria Vega Ploiești on which we have located acid tars and oil residues” having the Environment Agreement no 1/18.02.2015, in 2020, Rompetrol Rafinare resubmitted the documentation for the revision of the environmental agreement and, in January 2021, the new revised Environmental Agreement has been obtained.

Also, works on Lagoon 18 have been completed and start works on treating waste for Lagoons 16&17, works which are ongoing today.





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**The Water Permit**

In 2020 Rompetrol Rafinare SA - Petromidia Refinery operated based on Water Management License no.222 / 05.09.2018, issued by ANAR (valid until 30.09.2020); this was renewed by ANAR, through issuing the Water Management Authorization no. 135 / 19.10.2020, valid for 3 years. This Permit is in the review procedure.

**The Greenhouse Gas (CO<sub>2</sub>) Permit**

In 2020, Rompetrol Rafinare SA –workpoint Petromidia operated based on Greenhouse Gas (CO<sub>2</sub>) Permit nr.135 / rev. 05.06.2019, for 2013-2020 period.

Rompetrol Rafinare SA - workpoint Vega operated based on Greenhouse Gas (CO<sub>2</sub>) Permit no. 196/30.07.2013 revised on 20.12.2018.

During 2020, Rompetrol Rafinare prepared and submitted to the National Agency for Environmental Protection the supporting documents for the issuance of the Greenhouse Gas Authorization for the period 2021-2030 (phase IV) and the Plan for monitoring and reporting CO<sub>2</sub> emissions for 2021, the procedure being in progress.

Following the approval of accessing the reserve for new entrants for the period nov. 2018-2020 (increase of processing capacity) during 2020 Rompetrol Rafinare - working point Petromidia obtained an additional 188090 CO<sub>2</sub> certificates.

In April 2020, the compliance procedure was completed by returning to the European Register of Greenhouse Gas Emissions (EUTL), the CO<sub>2</sub> emissions certificates of 2020.

**Compliance with the REACH Regulation** – as required by the European Chemicals Agency (ECHA) regarding registration of produced / imported substances as well as of the information communicated through the safety data sheets.

In 2020, at Rompetrol Rafinare - Work Point Petromidia continued the emptying of lagoon no.1.

Regarding the portion of land contaminated with oil product located in Vadu (Boxes 1 and 2, designed according to the project data for the storage of dredged biological sludge from Pond 1), during 2019 Environment Protection Authority (EPA) Constanța was designated as a regulatory authority for the procedure for decontamination, for the two boxes, the applicable procedure being the one regulated by Law 74/2019 on the management of potentially contaminated and contaminated sites. According



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to the regulatory requirements, respectively of Law 74/2019, the “Preliminary Investigation Report” and the “Detailed Investigation Report & Risk Assessment” were elaborated and submitted to EPA. Following the publication, in September 2020, of the methodology for investigating contaminated sites, EPA requested additional information & review of the detailed investigation report.

In order to identify fugitive emissions / losses associated with equipment - which can be reduced by maintenance activity (LDAR-Leak Detection and Repair project), during the scheduled overhaul carried out in 2020, more than 80% of the fugitive emission sources identified in technological installations on the Petromidia platform were repaired. During 2020, the decision was made to continue this project through its own resources and the procedure for acquiring an IR detection camera was initiated.

### ***1.1.7. RESEARCH AND DEVELOPMENT ACTIVITY***

***The expenses during the financial year 2020 as well as those anticipated for the next financial year for the research and development activity***

**Expenditure carried out in the year 2020**

Expenditure for studies and technical assistance USD 519,191

**Expenditure planned for the year 2021**

Expenditure for studies and technical assistance USD 1.069.300

**The main studies performed in 2020 are:**

- *Fractioning Sections Assessment Study, Gas Concentration, MEROX LPG and MEROX Gasoline within the Catalytic Cracking Complex*
- *Study for the reclassification of capacity values for the processing of Refinery installations*
- *Member of CONCAWE Association (European Petroleum Refiners Association)*
- *Issue of the energetic audit report necessary to maintain the agreement for the exception from payment of green certificates according to the provisions of the Government Decision HG 495/2014*
- *Specialty consultancy in the anticorrosive protection field of water coolers corresponding to G1 tower by the implementation of cathode protections with sacrificial anodes*



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From the studies list proposed by Rompetrol Rafinare to be carried out in 2021 we can mention:

- *Benchmark Study 2020 Solomon*
- *Basic Design and Detail Design for the conversion of PP installation (Low pressure polyethylene) to PP (PoliPropylene) – continuation from 2020*
- *Member of CONCAWE Association (European Petroleum Refiners Association)*
- *Issue of the energy audit report necessary to maintain the agreement for the exception from the payment of green certificates according to the provisions of the Government Decision 495/2014.*

### ***1.1.8. RISK MANAGEMENT ACTIVITY***

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

The company is exposed to the risk induced by the high volatility of the prices of crude oil and petroleum products, with a direct impact on the gross margin on sales. For this reason the management developed a hedge policy, which was implemented within Rompetrol Rafinare S.A. starting with January 2011. According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Rafinare) is hedged using future contracts traded on ICE Exchange and some OTC instruments.

From the point of view of liquidity, on the background of a volatile market of petroleum and refined products, the company has made efforts to maintain the coverage of current debts from current assets, the current liquidity indicator being in 2020 at a value of 0.40

#### ***Policies and objectives of the company regarding the risk management***

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



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### **Interest rate risk**

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk. During 2020, the Company covered its interest rate risk through Interest Rate Swap instruments.

### **Foreign exchange risk**

The Company's reporting currency is Romanian LEU (RON). The fact that most of the acquisitions represented by crude oil imports and other feedstock, also a significant part of petroleum products sold are all denominated principally in US Dollars, but over 60% of the Company's sales are made in national currency (RON), generates a significant foreign currency exposure risk. The Company's management is working on identification of certain methods of reduction of foreign currency risk with impact in the individual financial statements in RON, which will be brought to the knowledge of the Board of Directors of Rompetrol Rafinare SA. Certain assets and liabilities are denominated in foreign currencies, which are translated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Treasury department is responsible for handling the Company's foreign currency transactions.

### **Liquidity and cash flow risks**

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

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. The provision of continuous and planned financing resources and the elimination of situations of temporary lack of financial flows and assurance of the firm's liquidity was made possible in 2020 as a result of taking the following measures: 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. Rompetrol Rafinare is part of the cash pooling facility of the KMG I Group and therefore can cover unexpected cash outflows by drawing from the facility.

### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Company is exposed to credit risk from its operating



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activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

- *Trade receivables*

The company is exposed to credit risk, which is why it applies a credit control and collection policy aimed for reducing credit risks and increasing the level of debt collection. Thus the Company analyzes the financial creditworthiness of customers in order to grant credit limits for the sales made to them and determines the need to secure credit limits with different guarantee instruments. It also applies a process of collection of debts in stages, depending on the value, maturity and guarantees provided for securing them. 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 aging.

- *Financial instruments and bank deposits*

Credit risk from balances with banks and financial institutions is managed by the treasury department in accordance with existing policies.

### **Commodity price risk**

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

According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Company, hence price fluctuations will not affect the cash-flow. Based on the expectations of crude oil price increase, the hedge strategy for 2020 was based on futures while a certain quantity above base operating stock left unhedged.

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





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### Operational risk

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

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

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

1. Implementation of the risk policy and methodology developed by KMGI, aligned with the best practices and professional standards from a global perspective;
2. Implementation of the annual identification and evaluation process by:
  - Timely identification of all risk factors / risks that could affect the objectives established using the Unified Risks Classification, by maintaining the Risk Register containing detailed information and analyzing all the risks of the company, as well as a description of those factors whose change could influence or cause the emergence of risks;
  - Evaluation of the impact of the identified risk factors, using the detailed methods in the methodology;
  - Mitigation measures and information on the realization of risks;
3. Implement the quarterly monitoring and reassessment of the risks already identified through:
  - Updating the data and the level of risk in order to determine their impact on the achievement of the set objectives;
  - Administration and implementation of the measures established for the control of the risks related to the implementation of the processes through the quarterly evaluation of the progress made;
  - Monitoring the quarterly evolution of risk factors;
  - Analysis and closure of risk events, if applicable;
  - Maintaining the database with the risks materialized quarterly;



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- Ensuring the provision of complete and timely information on the status of risks and the performance of the control measures implemented through the Risk Reporting Package sent quarterly to Rompetrol Rafinare management for approval and to the Enterprise Risk Management department of KMGi;

4. Ensuring that there are management mechanisms for specific risks, appropriate control procedures for processes (standards, regulations, corporate policies for managing certain types of risks) and aimed at reducing the level of risk.

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

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

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

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

In 2020, the company still continued to identify and assess the major dangers generated by normal operation as well as accidental circumstances, as well as to assess their probability and severity, to this purpose performing HAZOP type risk analysis, for technological plant HB, HPM, HPR and for operation the tanks from DH-DV plant.

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

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

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



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are also involved the subcontractors. Also, during 2020, practical exercises have been carried out with the staff, having as a subject “the use of extinguishers of all types”.

In order to identify, assess and minimize the risks to our communities, employees, contractors, the environment and our business, Rompetrol Rafinare is an active part in strengthening the culture of risk awareness by approaching preventive risk management in a disciplined, iterative, accessible and consistently manner, by going through the following steps:

1. Implementation of the risk policy and methodology developed by KMGI, aligned with the best practices and professional standards from a global perspective;
2. Implementation of the annual identification and evaluation process by:
  - Timely identification of all risk factors / risks that could affect the objectives established using the Unified Risks Classification, by maintaining the Risk Register containing detailed information and analyzing all the risks of the company, as well as a description of those factors whose change could influence or cause the emergence of risks;–
  - Evaluation of the impact of the identified risk factors, using the detailed methods in the methodology;
  - Mitigation measures and information on the realization of risks–
3. Implement the quarterly monitoring and reassessment of the risks already identified through:
  - Updating the data and the level of risk in order to determine their impact on the achievement of the set objectives;
  - Area Administration and implementation of the measures established for the control of the risks related to the implementation of the processes through the quarterly evaluation of the progress made;
  - Monitoring the quarterly evolution of risk factors;
  - Analysis and closure of risk events, if applicable;
  - Maintaining the database with the risks materialized quarterly;
  - Ensuring the provision of complete and timely information on the status of risks and the performance of the control measures implemented through the Risk Reporting Package sent quarterly to Rompetrol Rafinare management for approval and to the Enterprise Risk Management department of KMGI;–
4. Ensuring that there are management mechanisms for specific risks, appropriate control procedures for processes (standards, regulations, corporate policies for managing certain types of risks) and aimed at reducing the level of risk.

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

The safety awareness program 1.LIFE for Petromidia and Vega employees was continued in order to consolidate employees safety culture and also to pursuing the development and implementation of





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

Thus, during 2020, in addition to current activities, a new subcommittee was set up, namely the Process Safety Management Committee (PSM); the objectives of the PSM were established and pilot tests were developed and applied for two elements of the PSM, namely: "Layers of Protection Analysis (LOPA), on one RCA (Roor Cause Analisis) for a technological unit), respectively " Pre-Start-up Safety Review - Checklist start / restart installation / equipment", applied at the start of two technological units.

The LOTO project (Lock Out -Tag Out), an element of PSM, is implemented, functional, monitored through internal inspections.

The organization continued in 2020 the identification and assessment of major hazards resulting from normal operation and accidental situations, as well as the assessment of their probability and severity, in this sense performing risk analyzes type HAZOP, for MTBE unit Petromidia, respectively for the Rectification Unit Vega.

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

BBS safety audits (BBS - Behavior Based Survey) were continued, which focus on behavioral auditing, both at work and in driving cars for Rompetrol Rafinare employees.

According to the legal requirements and those of ISO 45001 standard, emphasis was placed on the participation and consultation of workers and their representatives in: evaluating aspects and decisions related to health and safety at work through CSSM (Health and Safety at Work Comittee) meetings, assessing the risks of accidents and occupational diseases, accident research , reviewing OSH-ES procedures and plans, etc

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

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



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are also involved the subcontractors or neighborhood operators. In this respect, besides the alarming exercises performed according to the exercise schedule, 4 unplanned exercises were performed (use of extinguishers in installations, for internship participants and for two contractors on their site organizations) and an alarming exercise, initiated by RRC and joint with UT Midia company, for the application of External Emergency Plan ((planned through the QHSE management program).

***1.1.9. ELEMENTS OF PERSPECTIVE REGARDING THE ACTIVITY OF ROMPETROL RAFINARE S.A.***

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

2020 has been a difficult year for the entire oil & gas industry, across its chain of activities - from crude oil extraction to distribution of petroleum products. The effects and influences caused by COVID19 were also reflected in the steep drop in demand for petroleum products, a high volatility in international fuel quotations, and also in negative refining margins.

The company has made sustained efforts to maintain the capacity to hedge current liabilities from current assets, with the current liquidity indicator falling from 0.56 in 2019 to 0.40 in 2020.

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

Knowing the effects of these liquidity risks constitutes one of the concerns of the management of the company Rompetrol Rafinare S.A. in conducting the economic-financial activity in a smooth way.

Ensuring continuous funding sources also to the planned levels has been made possible by an appropriate credit-granting policy related to identifying the current needs and the needs for investments.

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



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

The Company is affected by the volatility of crude oil, oil product and refinery margin prices.

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

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

The investment activity in the year 2020 has focused, in accordance with the program, on the following:

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

The main projects completed in the year 2020, in the Petromidia Refinery:

- **Modernization of VRU system at IPPA and CF Ramp**

The scope of the project is represented by aligning to BAT – BREF legislative requirements in accordance with Law 278/2013 regarding emission limits for Volatile Organic Compounds and Benzene on exit from Vapor Recovery units.

The project was implemented during Refinery 2020 Genera Turnaround.

- **Mount floating membrane on tanks A53, A12, A118, A92, A95 – Vega Platform**



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The projects benefits consist in decrease the emissions of volatile organic compounds into the atmosphere, as per the requirements of EU Decision 9/10/2014 BAT by decreasing with 70% the evaporation losses following the installation of internal floating roofs. Also, by mounting internal floating roof will avoid the risk of air pollution by emissions of VOCs (volatile organic compounds) and reduce the risk of receiving penalties from the competent institutions in environmental protection. Reduced risk of fines from the ISU Seveso Directive (Inspectorate for Emergency Situations) due to hydrocarbon emissions in the atmosphere that can lead to explosive mixture, or even fire in the tank farm.

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

Turnover recorded in 2020 in the amount of Lei 8,275,110,517, was strongly impacted by a cumulation of factors represented by the planned shutdown of refineries operated by the Company for the conduct of the general turnaround carried out in March-May 2020, the reduction of production and quantities of petroleum products sold on the background of reduced market demand, as well as the significant reduction of quotations of petroleum products on the international market in the context of the Covid-19 pandemic, thus achieving only 67% of the budgeted amount and recording a decrease of 44% compared to the turnover achieved in 2019. This is mainly due to the steep drop in demand for petroleum products, the high volatility of international fuel quotations, but also the negative refining margins compared to the budget provisions.

**d) *Others***

On August 22, 2016, a technical incident occurred at the Atmospheric and Vacuum Distillation Unit ("ADV") followed by a fire that was extinguished by refinery staff, private and public fire services. Following the event, two employees of Rominserv S.R.L., a member company of the KMG International Group, suffered burns and two people died. The competent authorities initiated investigations in order to establish the circumstances and causes that generated the technical incident, the injury and the death of Rominserv SRL employees. Regarding the work accident, the Prosecutor's Office by the Constanta Court of Appeal notified itself ex officio, opening file no. 586/P/2016, during which employees of the two companies were interviewed and a technical expertise was performed. Following the completion of the criminal investigation, Rompetrol Rafinare S.A., Rominserv SRL and 3 employees of the 2 companies were sent to court for: failure to take measures for ensuring occupational safety and health, culpable bodily harm, culpable homicide, accidental pollution. At the same time, Rompetrol Rafinare S.A. also has the status of a civilly responsible party in the case. At



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the same time, the Territorial Labor Inspectorate communicated the Investigation Minutes to the Company on March 10, 2017. Based on this act the Company was sanctioned with a fine in the amount of 18,000 lei, sanction that was contested in court. At the date of issuing the present report the dispute was suspended until the final settlement of the criminal case.



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## **2. TANGIBLE ASSETS OF ROMPETROL RAFINARE**

### ***2.1. LOCATION AND CHARACTERISTICS OF THE MAIN PRODUCTION CAPACITIES***

The company ROMPETROL RAFINARE S.A. is located about 20 km north of the Constanta County, between the Black Sea and the lake Navodari (Tasaul), on a plot of land partly recovered from the sea and from the lake, near the Midia port and the Poarta Alba – Midia channel.

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

- Strategic placement in the Black Sea area, near the Constanta port – one of the biggest in the region;
  - Direct access to the Danube – Black Sea Channel;
  - Direct access to the Midia Port;
  - Near the network of crude oil pipes;
  - Own railway infrastructure system;
  - Logistical facilities (Midia Marine Terminal S.R.L.) which allow for reception and delivery of the liquid products by ships, barges, rail tankers and tank wagons.
- Nominal project capacity from 1975: **3.5 million tons raw material**
- Utilized capacity: **4,864 million tons raw materials in 2020** (pursuant to the refining capacity expansion project)
- Future capacity starting from the year **2021: 6,001 million tons raw material/year**
- Infrastructure:





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The Petromidia platform has a surface of 480 hectares where more than 20 companies (also including sub-contractors from outside the Group) operate in various business areas.

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



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

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

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

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



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

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

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

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

## **2.2. THE DEPRECIATION DEGREE OF THE ASSETS**

At the end of 2020, the accumulated depreciation of the fixed assets, tangible assets (expressed in RON) is as follows:

<b>Depreciation of tangible assets</b>	<b>Balance on 01.01.2020</b>	<b>Balance on 31.12.2021</b>
Lands-(developments)	29,214,330	30,871,081
Constructions	209,504,136	311,975,552
Technical equipment and machinery	2,259,602,810	2,469,959,076
Other facilities, equipment and furniture	8,954,926	10,047,159
<b>Total</b>	<b>2,507,276,201</b>	<b>2,822,852,869</b>





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By Decision no. 3 of the Board of Directors dated May 15, 2018, it was approved the proposal of the Executive Management and for the period 2018 - 2026, a new schedule of General Turnarounds and Planned Shutdowns was approved, in the sense of reducing the cycle of 5 years between two General Turnarounds to the cycle of 4 years and for establishing a Planned Shutdown every 2 year, between General Turnarounds.

***2.3. POTENTIAL ISSUES RELATED TO THE OWNERSHIP RIGHT REGARDING THE TANGIBLE ASSETS OF ROMPETROL RAFINARE S.A.***

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

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

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

2. On May 6<sup>th</sup>, 2016, the Public Prosecutor's Office attached to the High Court of Cassation and Justice – the Directorate for Investigating Organized Crime and Terrorism issued the Order of distraint on all the share packages held by Rompetrol Rafinare in its affiliated companies, as well as on the movable and immovable assets of Rompetrol Rafinare, except for the stocks, bank accounts and receivables. In April 2019, the Public Prosecutor's Office attached to the High Court of Cassation and Justice – the Directorate for Investigating Organized Crime and Terrorism issued an Order to release from seizure all immovable assets of Rompetrol Rafinare S.A. except those of Petromidia Refinery. On 5<sup>th</sup> of December, 2019, the Public Prosecutor's Office attached to the High Court of Cassation and Justice – the Directorate for Investigating Organized Crime and Terrorism, by the Ordinance issued for this purpose, released from seizure all immovable assets, but in order to protect the civil parties, the seizure of 4 units of Rompetrol Rafinare S.A., valued at up to USD 106 million, is temporarily maintained. If the said civil parties will not file civil claims against the companies of the KMG International Group, the temporary seizure will also be revoked. If they will take such actions, it is up



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to the civil courts to determine whether there are grounds for keeping seizure in place until the civil actions are resolved.

On 10 July 2020, the Supreme Court issued a final decision according to which all complaints against the rejection of complaints against the Ordinance of 5 December 2019, issued in criminal case 225/D/P/2006 by Public Prosecutor's Office attached to the High Court of Cassation and Justice – the Directorate for Investigating Organized Crime and Terrorism, were rejected as inadmissible.

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

- An action for the delimitation of property pending on the dockets of the Constanta Court, regarding setting the delimitation between the secondary headquarters of Rompetrol Rafinare SA from Navodari and the building belonging to the plaintiff, having a surface of 51,873 sqm, identified with land book No. 103053, and for compelling Rompetrol Rafinare to leave in the quiet enjoyment and peaceful possession over the plot of land resulting from measurements as belonging to Novifert. The action is pending for settlement on the date when these specifications are made. The next hearing is scheduled to be held on March 25, 2021.
- An application for arbitration on the dockets of the International Commercial Arbitration Court within the Chamber of Commerce and Industry of Romania, requesting that Rompetrol Rafinare SA should be compelled to restore and repair the pipe system that is the property of Novifert, and which was decommissioned by Rompetrol. In addition, they requested that Rompetrol Rafinare should be compelled to execute all the construction, repair and maintenance works undertaken by the Parties' Covenant authenticated under No. 1548/11.06.2001. Under the same action at law, they requested that Rompetrol Rafinare SA should be compelled to return to Novifert SRL the immovable assets that formed the object of the 2001 Commodatum Agreement. On the preparation date of this report, the application for arbitration filed by plaintiff Novifert SRL was admitted in part, Rompetrol Rafinare SA being compelled to return the assets that formed the object of the Commodatum Agreement and the assets which were the plaintiff's property, and which existed on the plot of land related to the secondary headquarters of the defendant. However, at the same time, the claims of plaintiff Novifert SRL to compel Rompetrol Rafinare SA to repair the pipes which were the property of Novifert SRL were rejected. Also, the counterclaim filed by Rompetrol Rafinare SA was admitted in part, being ascertained the cessation of the easement right of Novifert SRL over the land of Rompetrol Rafinare SA. The ruling made by the arbitration court was challenged by an action for annulment filed by Novifert SRL, which action was rejected.
- In 2018, Novifert SRL filed with the Constanta Tribunal, against Rompetrol Rafinare SA, a new action at law, having, however, the same object as that specified by the plaintiff in its application



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for arbitration, solved by the International Arbitration Court within Chamber of Commerce, Industry, Navigation and Agriculture of Romania. The Constanta Tribunal re-sent the case for competent ruling, to the Court of International Commercial Arbitration within the Chamber of Commerce and Industry of Romania. On November 6, 2020, the Court of International Commercial Arbitration rejected as unfounded the action filed against Rompetrol Rafinare S.A. This decision was also challenged by an action for annulment by Novifert SRL, the case being pending.

4. Also, in 2020, Novifert SRL filed a lawsuit in Constanta Court to establish a right of easement for car and pedestrian crossing over a plot with an area of 8,844 sqm, having CF number 101506, in Navodari, so that the applicant company to have access from its property to the public road. The action is pending.

5. The plot of land related to the Fuel Supply Station located in Constanta, Primaverii street corner of Soveja street, is in the State's private property and Rompetrol Rafinare has a right to use it under a joint venture agreement concluded by, on the one hand, the Constanta Local Administrative Unit, through the mayor, and by Rompetrol Rafinare SA, then named Petromidia SA. During November 2018, the Company was informed about the existence of a court decision which received a final resolution, ascertaining that the Constanta City Hall concluded, *inter alia*, the joint venture agreement with Rompetrol Rafinare SA, in breach of the provisions of Law 215/2001. Discussions were held with the Constanta City Hall to remedy any legal deficiencies. No agreement was reached in this respect, given that the court decision is not relied on as against us, the Company was not a party in the dispute and was unable to express its point of view on the joint venture that took place in 2000. The situation has not changed either in 2019 or in 2020.



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### **3. SECURITIES ISSUED BY THE COMPANY**

#### ***3.1. THE ROMANIAN MARKETS AND THE MARKETS OF OTHER COUNTRIES WHERE THE SECURITIES ISSUED BY THE COMPANY ARE TRADED***

Starting with April 7, 2004, the Company's shares are traded on a regulated market operated by the Bucharest Stock Exchange (Bursa de Valori Bucuresti SA – “BVB”) under the “RRC” symbol and ISIN code ROPTRMACNOR5. The shares of Rompetrol Rafinare are traded at the Standard category of the Bucharest Stock Exchange.

On 31.12.2020, the total number of shares issued by Rompetrol Rafinare is 44,109,205,726, representing a total value of the share capital of RON 4,410,920,572.6.

The Company's shares are common, nominative, issued in dematerialized form, whose records are held by DEPOZITARUL CENTRAL SA Bucharest as independent registry company, authorized by the Authority for Financial Supervisory.

##### ***3.1.1. RRC ACTIVITY ON BVB***

The activity carried out by RRC in 2020, as issuer of transferable securities on the capital market in Romania, is presented as follows:

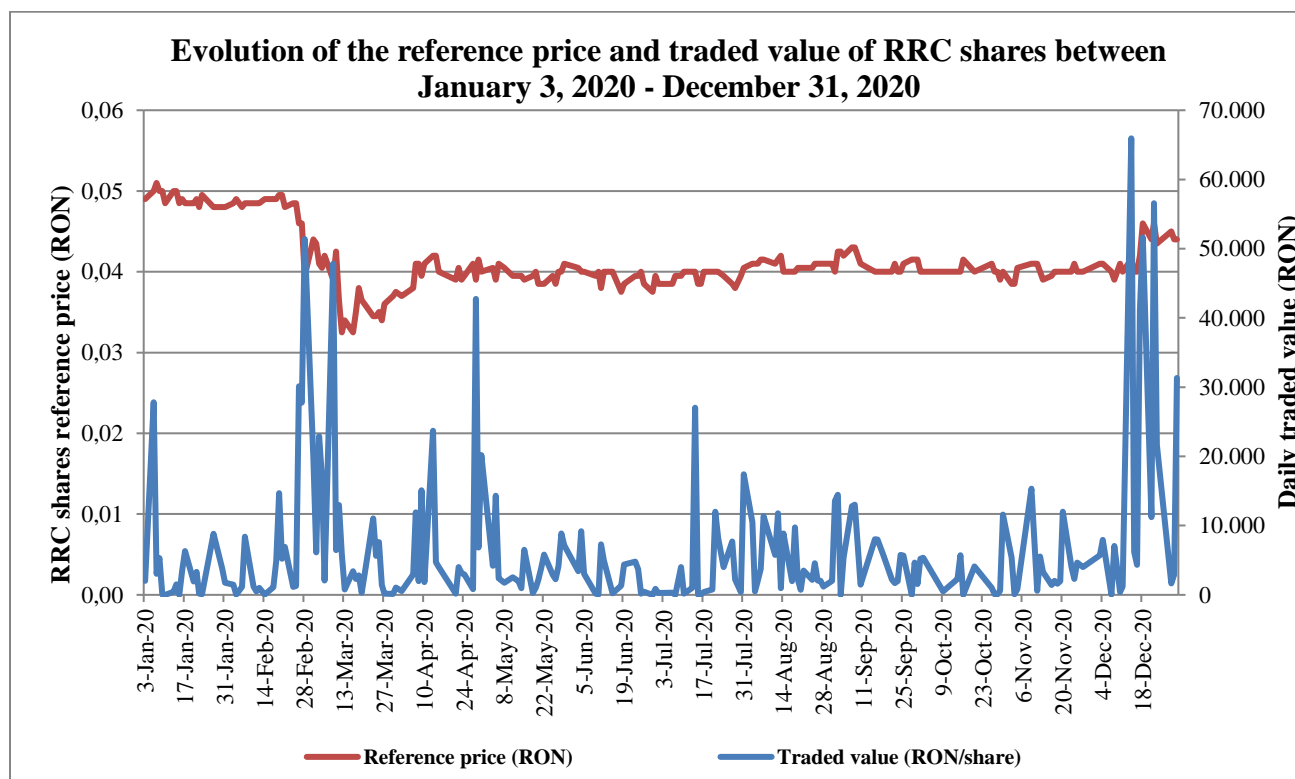
- ❖ In 2020, a total number of 1,630 transactions with RRC shares were made, with an average number of approx. 7 transactions per day;
- ❖ The total volume of the RRC shares traded was of 33,117,257 shares (approximately 68% more than in 2019, when the total volume of 19,717,579 shares was registered);
- ❖ The total value of transactions in 2020 with RRC amounted to RON 1,372,060;
- ❖ RRC transactions in 2020 were concluded only on the REGS market;
- ❖ The price of a share during 2020 was between a maximum value of RON 0.051 and a minimum of RON 0.0315, decreasing compared to the values recorded in 2019 when the maximum value was RON 0.0525 and the minimum value was RON 0.0425, respectively also decreasing compared to the values registered in 2018 when the maximum value was RON 0.06 and the minimum value was RON 0.044;



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- ❖ Stock market capitalization<sup>3</sup> on the last trading day in 2018, 2019 and 2020 is shown in the table below.

Shares of Rompetrol Rafinare	2018	2019	2020
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, Lei mil. <sup>4</sup>	2,108.42	2,205.46	1,940.81
Stock exchange capitalization, Euro mil. <sup>5</sup>	452.07	461.54	398.16
Maximum price, Lei <sup>6</sup>	0.06	0.0525	0.051
Minimum price, Lei <sup>7</sup>	0.044	0.0425	0.0315
Price at yearend, Lei	0.0478	0.05	0.044



<sup>3</sup> Capitalization represents the total market value of the Company (number of shares \* market price of the share)

<sup>4</sup> Calculated based on the share price on the last trading day of the year under consideration, respectively December 30, 2020.

<sup>5</sup> Calculated at the euro exchange rate (RON 4.8744) from the last trading session of the year under consideration, respectively December 30, 2020.

<sup>6</sup> Registered on January 7, 2020, April 1 and December 16, 2019, respectively February 16, 2018.

<sup>7</sup> Registered on March 13, 2020, May 16, 2019, respectively September 3, 2018.



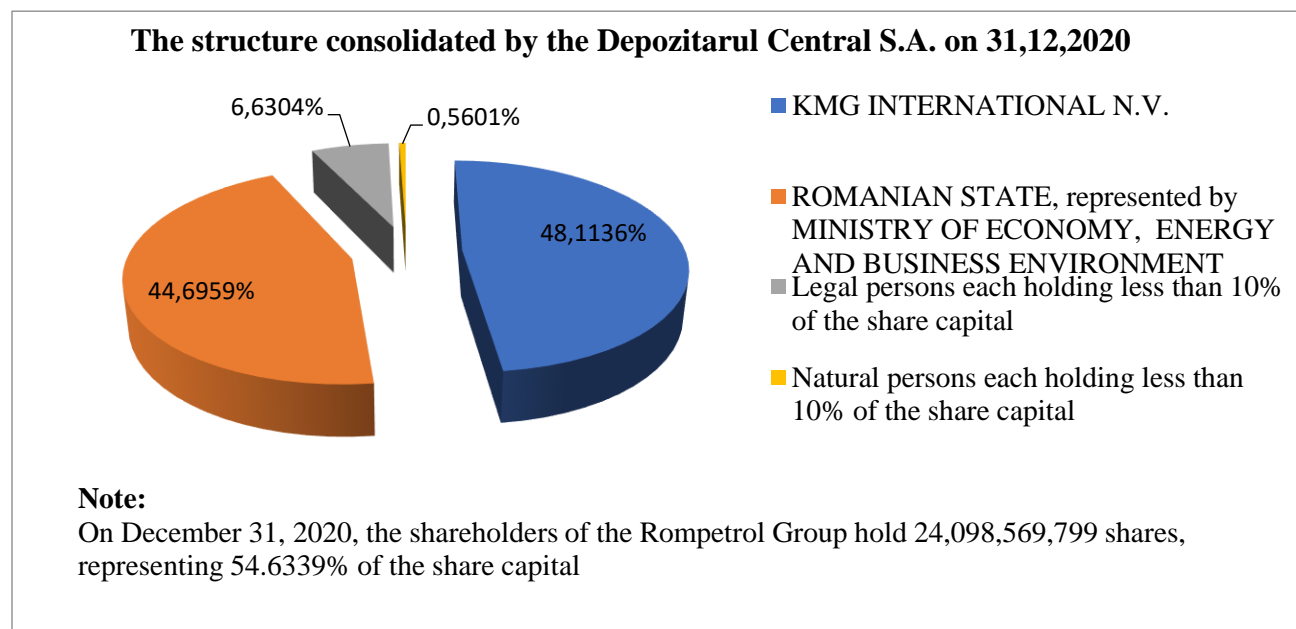
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The weighted average price (WAP) of the RRC shares during 2020 = RON 0.041430355 per share. The volume traded in December 2020 represents approximately 22.35% of the total volume traded in 2020 (total volume traded in 2020 = 33,117,257 shares).

## ***SHAREHOLDERS OF ROMPETROL RAFINARE***

During the analyzed period, there were no changes that could affect the value of the Company's share capital.

According to the Register of Shareholders with the consolidation date on December 31, 2020, made available by Depozitarul Central, the structure of the Company's significant shareholders is presented in the chart below:



Source: Depozitarul Central, Rompetrol Rafinare S.A.





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### **3.1.2. COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS**

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

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

The actions related to the communication with the shareholders and investors were materialized in 2020 as follows:

- ❖ Submitting as a matter of priority the information requested by the shareholders/possible investors;
- ❖ Organizing the General Meetings of the Shareholders and of all other actions on guaranteeing the rights of shareholders; Considering the recommendations of the Romanian public authorities in terms of the prevention/limitation of the spread of COVID-19 during 2020, Rompetrol Rafinare recommended to its shareholders to the extent possible: (a) To access the informative materials for the General Meetings organized in 2020, in electronic format, available on the website of the Company, rather than in physical format at the Registry; (b) To vote by mail, using the mail Ballot Forms; (c) to use, as a means of communication, the e-mail with an extended electronic signature incorporated, rather than mail or courier to the Registry when submitting: (i) proposals for the addition of new items to the OGMS agenda, (ii) nominations of candidates for membership of the Board of Directors, (iii) draft decisions, (iv) written questions before the GMS, (v) powers-of-attorney for representation in the GMS, or (vi) mail Ballots;
- ❖ Collecting the information, preparing the current reports, sending them to the competent authorities (BVB and FSA) and publishing them on the Company's website in full compliance with the deadlines imposed by the legislation in force;
- ❖ Updating the RRC website to improve the access to relevant information of the shareholders and investors.



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### **3.2. DIVIDENDS**

As of December 31, 2018, ROMPETROL RAFINARE recorded a net loss of RON (230,205,630).

As of December 31, 2019, ROMPETROL RAFINARE recorded a net loss of RON (352,730,468).

As of December 31, 2020, ROMPETROL RAFINARE recorded a net loss of RON (645,823,057).

**Given the above, the Company was unable to grant dividends to its shareholders for any of the following financial years: 2018, 2019 and 2020.**

In the event that Rompetrol Rafinare S.A. will register profit in the following financial years, the Company may register and pay dividends distributed from the net profit, only after the approval of the annual financial statements by the General Meeting of Shareholders and the proposal for the distribution of profits.

Information on dividends and annual dividend distribution (if applicable) or other benefits for shareholders will be proposed by the Executive Management of the Company (General Manager and Economic Director) and approved by the Board of Directors.

The profit distribution proposal (if applicable) will be submitted for approval to the Annual Ordinary General Meeting of Shareholders. The Company will publish the principles of the annual net profit distribution policy (when the Company registers this indicator) on the RRC website, in the Investor Relations section (subsection "Information on shares"/"Dividends").

Information on the payment of dividends, how the payment will be made, as well as the dates on which dividends will be paid (if applicable) will be published on the RRC website in the abovementioned section (in case it will be possible to calculate and grant them after the approval of the annual financial statements and the proposal for the distribution of net profit).

### **3.3. OWN SHARES**

At the end of 2020 ROMPETROL RAFINARE S.A. held a total number of 6,134,701 own shares with a nominal value of RON 0.10 each, for a total of RON 613,470.10, representing 0.0139% of the registered capital of the Company.





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

In 2020, Rompetrol Rafinare did not repurchase or cancel its own shares.

***3.4. THE NUMBER AND NOMINAL VALUE OF THE SHARES ISSUED BY THE PARENT COMPANY, OWNED BY SUBSIDIARIES***

In 2020, the Company's subsidiaries did not hold any shares issued by Rompetrol Rafinare.



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## **4. THE MANAGEMENT OF THE COMPANY**

### **4.1. PRESENTATION OF THE BOARD OF DIRECTORS**

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

During 2020, the following changes were made at the level of the Board of Directors:

- *4 June 2020*: according to Decision no. 1 dated 4 June 2020, the Board of Directors took note of the waiver of Mr. Mihai-Liviu Mihalache of the mandate of member of the Board of Director starting with 4 June 2020 and ascertained the vacancy of a position of director;
- *4 June 2020*: according to Decision no. 1 dated 4 June 2020, the Board of Directors appointed Mr. Bogdan-Cătălin Steriopol as provisional director, starting with 4 June 2020, until the next meeting of the Ordinary General Meeting of Shareholders;
- *18 September 2020*: according to the Decision no. 6/2020 adopted by the Ordinary General Meeting of Shareholders, the election of Mr. Bogdan-Cătălin Steriopol was approved, in his condition of permanent director of the Company instead of Mr. Mihai-Liviu Mihalache following his revocation from the position of director, starting with 4 June 2020. The mandate of Mr. Bogdan-Cătălin Steriopol was established starting with the date of this general meeting until 30.04.2022 (expiration date of the mandate of the other active directors on the election date). The candidature proposal of Mr. Bogdan-Cătălin Steriopol was formulated by the significant shareholder, the Romanian State, represented by the Ministry of Economy, Energy and Business Environment. During 4 June 2020 – 17 September 2020, Bogdan-Cătălin Steriopol held the position of provisional director.



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- *18 September 2020:* pursuant to the Decision no. 6/2020 adopted by the Ordinary General Meeting of Shareholders, the election of Mr. Felix Crudu-Tesloveanu was approved, in his condition of director of the Company instead of Mr. Saduokhas Meraliyev, following his waiver of the mandate, starting with 1 October 2020. The mandate of Mr. Felix Crudu-Tesloveanu was established starting with 1 October 2020 until 30.04.2022 (expiration date of the mandate of the other active directors on the election date) and the candidature proposal was filed by the majority shareholder KMG International N.V.
- *1 October 2020:* according to Decision no. 1, the Board of Directors elected Mr. Yedil Utekov in the position of Chairman starting with 1 October 2020 (appointment date by the OGMS dated 18 September 2020 of a director instead of Mr. Saduokhas Meraliyev who waived both of the position of Chairman of the Board of Directors and of the position of director), until 30 April 2022 (expiration date of the mandates of all the 5 members of the Board of Directors).

The Board of Directors gives thanks to Mr. Mihai-Liviu Mihalache for the services and expertise during the approximately 5-year mandate during which he held the position of director.

At the same time, the Board of Directors gives thanks to Mr. Saduokhas Meraliyev for the passion, abnegation, personal contribution had in the results obtained until present both within the Company and within the Production blocks & Industrial Services, Marketing & Retail as well as Trading & Supply Chain at the level of KMG International Group, for the experience, commitment and for his entire dedication during more than 12 years of activity within KMG International N.V. Group.

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

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

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

The members of the Board of Directors have the obligation to exercise their mandate in a professional manner, in good-faith, honestly, with the prudence and diligence of a good director, in the best interest of the Company and they are not allowed to disclose confidential information and business secrets of the Company.



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As at 31 December 2020, the membership of the Board of Directors was as follows:

- **Yedil Utekov**, a citizen of Kazakhstan, Chairman of the Board of Directors;
- **Alexey Golovin**, a citizen of Kazakhstan, member of the Board of Directors;
- **Felix Crudu-Tesloveanu**, a citizen of Romania, executive member of the Board of Directors, also holding the position of General Manager of the Company (starting with 1 January 2020);
- **Nicolae Bogdan Codruț Stănescu**, a citizen of Romania, member of the Board of Directors;
- **Bogdan-Cătălin Steriopol**, a citizen of Romania, member of the Board of Directors.

Please find herein below the most relevant items related to the expertise and professional background of the Company's directors in office on 31.12.2020.

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

Name and first name	Age (years)	Position held in the Board of Directors and length of service; Mandate	Other information (qualifications, professional experience)	Date of mandate expiration
<b>Yedil Utekov</b>	43 years old	<p><b>- Chairman in the Board of Directors starting with 1 October 2020</b></p> <p>Member of the Board of Directors starting with 04.03.2015 – until 30 September 2020.</p> <p>- Interim member of the Board of Directors during 01.10.2014 – 03.03.2015.</p>	<p>Graduate of the Faculty of Resources and Hydrocarbons Chemical Technology within the Astrakhan State Technical University in Russia.</p> <p>With a professional background of more than 10 years in the oil and gas industry, he joined the KMG International Group in January 2010, as a Deputy General Manager of Rompetrol Petrochemicals S.R.L.</p> <p>He was elected as the General Manager of Rompetrol Rafinare starting with 12 June 2014 until 31 December 2019, and he previously held the position of Deputy General Manager of the Company, from January 2013.</p> <p>He started his career in the oil and gas industry back in 2001, as a</p>	<b>30.04.2022</b>



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Name and first name	Age (years)	Position held in the Board of Directors and length of service; Mandate	Other information (qualifications, professional experience)	Date of mandate expiration
			<p>process operator with Akasaraisky Gas Processing Plant in Russia. Between September 2001 and June 2002, he worked as an operator for ZAO Intergaz Central Asia, Kazakhstan.</p> <p>Starting from June 2002, he gradually advanced from the position of engineer with the Atyrau Refinery, to that of Ecology, Technology, Health and Safety Manager.</p> <p>Between April 2005 and April 2010, he worked for Agip KCO, in Atyrau, Kazakhstan. The last position held in this company was Group Coordinator for Technical Control and Inspection between August 2008 and April 2010.</p> <p><i>Responsibilities:</i> within the KMG International Group, he is also the Sole Director of Rompetrol Petrochemicals S.R.L.</p> <p><b>- starting with 1 October 2020, he was elected the Chairman of the Strategy Committee</b> instead of Mr. Saduokhas Meraliyev, for a mandate until 30 April 2022.</p>	
<b>Alexey Golovin</b>	42 years old	<p><b>- Member of the Board of Directors from 13.04.2017 – present date.</b></p> <p>- Interim member of the Board of Directors during the period comprised between 10.02.2017 – 12.04.2017.</p>	<p>Alexey Golovin is a graduate of the "Adilet" Law School, a Pre-Master's Degree Program of the Oxford University, UK and holds a Master of Arts degree in Business Management within the Essec &amp; Mannheim EMBA program.</p>	<b>30.04.2022</b>



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Name and first name	Age (years)	Position held in the Board of Directors and length of service; Mandate	Other information (qualifications, professional experience)	Date of mandate expiration
			<p>He joined the KMG International Group in November 2009 as the Group's Corporate Governance Director. In 2011, he was appointed as the Group's Marketing and Communication Corporate Officer, being in charge with the coordination of the Marketing, Brand Management, Public Relations and Internal Communications functions, while between 2013 and 2014 he was the Corporate Development and Communication General Manager, being in charge with the development of the company's long-term strategy. Between January 2015 and December 2016, he coordinated the strategy and activity of the national company KazMunayGas in the processing field, outside Kazakhstan.</p> <p>Starting from December 2016, Alexey Golovin was the Vice-President for Strategic and Corporate Development of the KMG International Group. In this capacity, he coordinated the strategic development, the merger and acquisition projects, the public relations, and the relations with the government agencies and with the sole shareholder.</p> <p>Since March 2019, he has been the Chief Legal and Corporate Affairs Officer within KMG International Group.</p> <p><i>Responsibilities:</i></p> <p><b>- starting 13 April 2018, he was elected non-executive member of</b></p>	



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Name and first name	Age (years)	Position held in the Board of Directors and length of service; Mandate	Other information (qualifications, professional experience)	Date of mandate expiration
			<p><b>the Audit Committee</b> established under Decision No. 1 of the Board of Directors dated April 13, 2018, and reconfirmed under BD Decision No. 3 dated May 3, 2018, for a term of office until April 30, 2022.</p> <p>- starting 1<sup>st</sup> of April 2019, he was elected non-executive member of the <b>Strategy Committee</b> established by the Decision no. 4 of the Board of Directors dated March 20, 2019, for a mandate until 30 April 2022.</p>	
<b>Felix Crudu-Tesloveanu</b>	50 years old	<p><b>- Executive member in the Board of Directors since 1 October 2020.</b></p> <p>- He was elected as member of the Board of Directors according to Decision no. 6/2020 adopted by the Ordinary General Meeting of Shareholders dated 18 September 2020</p>	<p>Mr. Felix Crudu-Tesloveanu started his career in 1988 in the operational segment, where he activated during 10 years at Petromidia refinery. Then, he occupied, by turn, the positions of Station Manager in Constanța, Area Coordinator, Sales Regional Coordinator, Sales Regional Manager, Sales Manager, Operations Manager and General Manager of Rompetrol Downstream –retail division of the Group in Romania. In 2016, he took over the management of the Group subsidiary of Republic of Moldova, then he was appointed the General Manager of Rominserv Valves IAIFO.</p> <p>Mr. Felix Crudu Tesloveanu graduated the Faculty of Commercial Management within „Dimitrie Cantemir” University of Constanța.</p>	<b>30.04.2022</b>





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Name and first name	Age (years)	Position held in the Board of Directors and length of service; Mandate	Other information (qualifications, professional experience)	Date of mandate expiration
			<i>Responsibilities:</i> he holds the position of General Manager of Rompetrol Rafinare	
<b>Nicolae Bogdan Codruț Stănescu</b>	46 years old	<p><b>Independent non-executive member within the Board of Directors starting with 27.04.2018</b></p> <p>He was elected as a member of the Board of Directors by Decision No. 3/2018 adopted by the Ordinary General Meeting of the Shareholders dated 27 April 2018.</p> <p>He was one of the Company's directors also between 12.06.2015 – 27.04.2016</p>	<p>He is the representative of the Ministry of Energy within the Board of Directors of Rompetrol Rafinare.</p> <p>Since 2016 and until the present date, he has been a Strategy Consultant within the Chancellery of the National Bank of Romania.</p> <p>Holder of a Ph. Degree in Law, a Bachelor of Arts degree in Legal Studies in 1996, and also a graduate of the Oil and Gas University, in 1999. He completed Master of Arts programs for "Mediation of Law Conflicts" (Titu Maiorescu University), "National Security and Defense" (National Defense University Carol I), "European Public Space" (National School of Political Science and Public Administration), "Public International Law" (Alexandru Ioan Cuza Police Academy, Bucharest). He is also specialized in the banking field, holding two certificates issued by the Romania Banking Institute– Banking European Certificate and Banking Mediation diploma.</p> <p>Starting from 1998, he was a legal expert jurist within the State Ownership Fund, a director with APAPS Bucharest, a Director of the</p>	<b>30.04.2022</b>





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Name and first name	Age (years)	Position held in the Board of Directors and length of service; Mandate	Other information (qualifications, professional experience)	Date of mandate expiration
			<p>Directorate for Privatization Disputes within the Authority for State Assets Recovery, and the General Director of the Legal General Directorate within the same institution (2007 – 2010). Between 2013 and 2014, he was an expert with the Procurement Division of the Nuclearelectrica National Company.</p> <p>Starting with 2010, he was the advisor of the Vice-governor of the National Bank of Romania, and between 2013 and January 2014 he was the personal advisor of the Minister of Economy on legal matters.</p> <p>From January 2015 to August 2016, he was the General Director of the General Directorate for Privatization and Management of State Ownership (DGPAPSE) within the Ministry of Energy.</p> <p>Starting with August 2019 until the current date, he is the Chairman of the Management team within “Societatea de Administrare a Participațiilor în Energie S.A.” (S.A.P.E.).</p> <p><i>Responsibilities:</i></p> <ul style="list-style-type: none"> <li>- starting May 1, 2018, he was elected as an independent non-executive member of the Audit Committee, for a term of office until April 30, 2022.</li> <li>- Starting April 1, 2019, he was elected independent non-executive member of the Strategy</li> </ul>	



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Name and first name	Age (years)	Position held in the Board of Directors and length of service; Mandate	Other information (qualifications, professional experience)	Date of mandate expiration
			<b>Committee</b> , for a mandate until April 30, 2022.	
<b>Bogdan-Cătălin Steriopol</b>	35 years old	<p><b>Independent non-executive member within the Board of Directors starting with 4 June 2020.</b></p> <p>During 4 June 2020 – 17 September 2020, he was provisional director</p> <p>He was elected as a member of the Board of Directors by Decision No. 6/2020 adopted by the Ordinary General Meeting of the Shareholders dated 17 September 2020</p>	<p>He is the representative of the Ministry of Energy, in the Board of Directors of Rompetrol Rafinare, starting with 4 June 2020.</p> <p>In 2008, Mr. Bogdan Cătălin Steriopol graduated the Faculty of Marketing, within „Artifex” University, Bucharest, obtaining the bachelor’s degree and the qualification of Economist. Mr. Bogdan Cătălin Steriopol is also master student of the Information Academy „Mihai Viteazu” Bucharest, having a professional experience of more than 10 years in media and communication field.</p> <p>During 2017 - 2019, Mr. Steriopol held the position of Specialty Reviewer within Transelectrica SA company. Then, he held the position of Expert in the follow-up Department of Intra-community Development Association Termoeenergetica Bucharest-Ilfov.</p> <p>In November 2019, he was appointed Counsellor within the Ministry of Education and Research.</p>	<b>30.04.2022</b>



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

According to the Registry of the Company's shareholders, consolidated on 31.12.2020 and made available by Depozitarul Central SA, directors of Rompetrol Rafinare do not hold any shares issued by the Company.

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

## ***4.2. MEMBERS OF THE COMPANY'S EXECUTIVE MANAGEMENT***

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

### **Felix Crudu-Tesloveanu – General Manager**

By the Decision dated December 18, 2019, the Board of Directors appointed Mr. Felix Crudu-Teslovenu as the General Manager of the Company and assigned him the management of the company and Company representation duties, for a term of office starting with 1<sup>st</sup> of January 2020, expiring on April 30, 2022.

### **Mircea-Ştefan Stănescu –Economic Manager**

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



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By Decision no. 1 dated 16 December 2020, the Board of Directors appointed Mrs. Ramona-Georgiana Gălățeanu in the position of Economic Manager of the Company, starting with 1 January 2021, until 30 April 2022, and delegated the Company management and representation tasks of the Company.

By Decision no. 3 dated 24 December 2019, the Board of Directors approved the new chart flow of the Company starting with 1 January 2020 on the first 4 hierarchy levels, and the position of Deputy General Manager and Operations Manager is occupied by Mr. Kuanysh Dosmuratov, citizen of Kazakhstan.

On 31.12.2020, the two directors who were delegated the management, as mentioned above, were:

Name and First Name	Office
Felix Crudu-Tesloveanu	General Manager
Mircea-Ștefan Stănescu	Economic Manager

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

**Ramona-Georgiana Gălățeanu** - Economic Manager of the Company, on the issue date of this Report

According to Decision no. 1 dated 16 December 2020, the Board of Directors appointed Mrs. Ramona-Georgiana Gălățeanu as Economic Manager of the Company and delegated the executive management of the Company and representation duties, for a term of office starting with 1 January 2021 that shall expire on 30 April 2022.

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

Neither one of the two Managers presented in the Table under Item 4.2. holds shares in the Company.

#### ***4.3. LITIGATIONS IN WHICH THE DIRECTORS OR MEMBERS OF THE EXECUTIVE MANAGEMENT HAVE BEEN INVOLVED, DURING THE LAST 5 YEARS***

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



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

The said charges have been disjoined by the prosecutors' office from the initial case file in 2004 (that was sent to trial following such disjoining and which is definitively closed) and are subject to a separate file which concerns the followings: a) failure to fulfil the investment commitments undertaken under the privatization contract concerning the Parent Company; b) unlawful declaration of excises and other debts to the state budget; c) incorrect keeping of accounting registries regarding the transactions undertaken at the oil terminal owned by Oil Terminal. These charges concern events occurred during April 2001 – October 2002. d) status of adoption of the Government Emergency Ordinance 118/2003. On 5<sup>th</sup> of December 2019, the charges mentioned above have been entirely closed by an ordinance issued by DIICOT. All complaints against this Ordinance were rejected by the High Court of Cassation and Justice on July 10, 2020.

#### ***4.4. CHANGE OF THE ARTICLES OF INCORPORATION***

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



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## 5. INDIVIDUAL FINANCIAL STATEMENT AS AT 31.12.2020

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

### a) *THE INDIVIDUAL FINANCIAL POSITION STATEMENT*

#### *THE SITUATION OF THE MAIN INDICATORS DURING THE PERIOD 31.12.2018 to 31.12.2020*

	2020		2019		2018	
	Lei	%	Lei	%	Lei	%
Intangible assets	26,873,710	0%	22,713,799	0%	17,940,585	0%
Goodwill	152,720	0%	152,720	0%	152,720	0%
Tangible assets	3,623,946,290	49%	3,516,851,506	45%	3,622,505,369	45%
Rights of use assets	58,002,943	1%	9,018,898	0%	-	0%
Financial assets	1,629,020,055	22%	1,629,020,055	21%	1,629,020,055	20%
Deferred tax assets	0	0%	110,131,585	2%	163,026,035	2%
<b>Total non-current assets</b>	<b>5,337,995,718</b>	<b>72%</b>	<b>5,287,888,563</b>	<b>68%</b>	<b>5,432,644,764</b>	<b>68%</b>
Inventories, net	527,073,050	7%	822,822,149	10%	816,566,125	13%
Debts and expenses	1,167,390,890	16%	1,784,692,732	23%	1,530,215,763	19%
Derivatives	0	0%	2,585,313	0%	6,197,265	0%
Cash at bank and in hand	365,595,493	5%	22,373,528	0%	19,450,444	0%
<b>Total current assets</b>	<b>2,060,059,433</b>	<b>28%</b>	<b>2,632,473,722</b>	<b>32%</b>	<b>2,372,429,597</b>	<b>32%</b>
<b>TOTAL ASSETS</b>	<b>7,398,055,151</b>	<b>100%</b>	<b>7,920,362,285</b>	<b>100%</b>	<b>7,805,074,361</b>	<b>100%</b>



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	2020		2019		2018	
	Lei	%	Lei	%	Lei	%
Subscribed Share Capital	4,410,920,573	60%	4,410,920,573	56%	4,410,920,573	54%
Premium related to capital	232,637,107	3%	232,637,107	3%	232,637,107	3%
Revaluation reserve, net of deferred tax impact	509,938,277	7%	533,398,479	7%	566,948,566	7%
Other reserves	3,395,246,289	46%	3,386,268,737	43%	3,408,959,991	42%
Reported loss	(6,567,312,044)	-89%	(6,242,510,389)	-79%	(6,049,107,446)	-80%
Result of the current financial year	(645,823,057)	-9%	(352,730,468)	-5%	(230,205,630)	5%
<b>Total Equity</b>	<b>1,335,607,145</b>	<b>18%</b>	<b>1,967,984,039</b>	<b>25%</b>	<b>2,340,153,161</b>	<b>32%</b>
Hybrid loan – long term portion	-	0%	69,291,612	1%	69,291,612	1%
Long-term loans from banks	570,759,324	8%	613,184,904	8%	489,405,927	0%
Provisions	297,034,901	4%	342,060,438	4%	335,464,381	4%
Long-term lease debts	56,981,732	1%	5,368,671	0%	-	0%
Deferred tax liability	9,417,626	0%	-	0%	-	0%
<b>Total non-current liabilities</b>	<b>934,193,583</b>	<b>13%</b>	<b>1,029,905,625</b>	<b>13%</b>	<b>894,161,920</b>	<b>5%</b>
Commercial debts & Other debts	4,774,877,899	65%	4,701,068,748	59%	3,936,412,324	48%
Contract liabilities	91,363,247	1%	47,196,182	1%	89,334,760	1%
Short-term lease debts	2,542,555	0%	6,451,650	0%	-	0%
Derivatives	617,651	0%	15,786,131	0%	-	0%
Short term loans from subsidiary companies	48,949,030	1%	103,891,017	1%	438,118,914	8%
Short term bank loans	209,904,041	3%	48,078,893	1%	106,893,282	6%
<b>Total current liabilities</b>	<b>5,128,254,423</b>	<b>69%</b>	<b>4,922,472,621</b>	<b>62%</b>	<b>4,570,759,280</b>	<b>63%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,398,055,151</b>	<b>100%</b>	<b>7,920,362,285</b>	<b>100%</b>	<b>7,805,074,361</b>	<b>100%</b>

- i) Within the assets, an important share (49%) it represents the **tangible assets** – lands, buildings, technical equipment, construction in progress. At the end of 2020, these reached the value of Lei 3,623,946,290, higher by 3% than that recorded in 2019, respectively approximately equal to that recorded in 2018 especially influenced by the following factors:

- continuation of the new investments;
- amortisation (depreciation of fixed asset).





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- ii) Within the **financial assets** (22%), the entire value (Lei 1,629,020,055) is represented by shares and shares held in the affiliated entities. Their value remained at the same level recorded at the end of 2019 and 2018.
- iii) **Receivables and prepayments** (16%) are lower than those booked at 31.12.2019 by 35%.
- iv) **Share capital** (60%) has a value similar to that at the end of 2019 and 2018, respectively Lei 4,410,920,573;
- v) **Equity** registered the value of Lei 1,335,607,145, reaching a level with 32% lower than its value at 31.12.2019 and 43% lower than the value of equity at the end of 2018. The reduction in equity is mainly due to the result of the negative current financial year.

At 31 December 2020 the Company's net assets are lower than half of the value of the subscribed share capital similar to the end of 2019, compared with the end of 2018 when net assets were higher than half of the value of the subscribed share capital in compliance with Law no. 31/1990 regarding the trade companies, as amended.

- vi) **Trade and other payables** at the end of 2020 are a slight increase from their value at 31.12.2019 and an increase of 21% compared to the end of 2018
- vii) With regard to **short-term loans (from affiliates and banks)** their level reached a total value of Lei 258,853,071 at the end of 2020, increasing with 70% compared to the end of 2019. Compared to the end of 2018 they have fallen by 52%. The increase in 2020 compared to 2019 was generated largely due to the use of short-term revolving facilities granted by Banca Transilvania and the use of a new short-term credit facility (Facility C) granted under the Syndicated Credit agreement. At the same time, the loans granted by the affiliated entities Midia Marine Terminal and Rompetrol Financial Group were fully repaid.

**b) THE PROFIT AND LOSS ACCOUNT**

Continuous activities	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Turnover	8,275,110,517	14,750,359,139	14,115,915,691





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Gross incomes from the sales of petroleum finished goods	12,124,701,665	19,439,433,814	18,265,248,407
Income from sales of goods	11,007,498	6,698,163	18,191,556
Income from sales of utilities	8,813,904	9,255,572	8,313,460
Income from sales of other products	398,214	797,266	746,271
Income from rents and other services	15,136,662	13,712,961	12,958,673
Gross turnover	12,160,057,943	19,469,897,775	18,305,458,367
Minus sales associated taxes	(3,884,947,426)	(4,719,538,636)	(4,189,542,676)
<b>Total</b>	<b>8,275,110,517</b>	<b>14,750,359,139</b>	<b>14,115,915,691</b>
Cost of sold production	(8,646,900,936)	(14,411,331,213)	(13,609,234,205)
of which:			
Crude oil and other raw materials	7,614,092,570	13,226,728,823	12,638,548,476
Utilities	416,956,855	489,802,104	397,646,059
<b>Gross Profit/ (Loss)</b>	<b>(371,790,419)</b>	<b>339,027,926</b>	<b>506,681,486</b>
Distribution and general administrative expenses	(343,120,147)	(344,429,727)	(326,753,920)
Other operational incomes/(expenses)	79,881,482	70,133,170	(68,837,668)
<b>Operational Profit / (Loss)</b>	<b>(635,029,084)</b>	<b>64,731,369</b>	<b>111,089,898</b>
Financial expenses	(182,465,147)	(235,486,607)	(173,755,558)
Financial income	86,748,261	22,779,343	14,718,404
Net (Losses)/ gains on exchange rate difference	208,940,736	(145,469,631)	(181,901,099)
<b>Gross Loss</b>	<b>(521,805,234)</b>	<b>(293,445,526)</b>	<b>(229,848,355)</b>
Deferred income tax Revenue	(124,017,823)	(59,284,942)	(357,275)
<b>Exercise Loss</b>	<b>(645,823,057)</b>	<b>(352,730,468)</b>	<b>(230,205,630)</b>

- i. **The net turnover** registered in 2020 was lower both in 2019 and in 2018. Turnover in 2020 was strongly impacted by a number of factors represented by the planned shutdown of refineries



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operated by the Company for the conduct of the general turnaround carried out in March-May 2020, the reduction of production and quantities of petroleum products sold on the background of reduced market demand, as well as the significant reduction of oil prices on the international market in the context of the Covid-19 pandemic. Results in 2020 were 44% lower than in 2019 and 41% lower than in 2018.

- ii. In respect of the **cost of production sold**, it decreased by 40% compared to 2019 and by 36% compared to 2018.
- iii. At 31.12.2020, Rompetrol Rafinare S.A. recorded an **operational loss of Lei 635,029,084**, compared to the positive results recorded in 2019 in the amount of Lei 64,731,369 and in 2018 in the amount of 111,089,898 lei. The negative operational result in 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-May 2020 and by the subsequent reduction of production and sales activities compared to the period prior to the period of emergency and alert decreed on Romanian territory in the context of the Covid-19 pandemic. These aspects, together with the negative refining margins recorded during 2020 compared to the same period last year, led to the negative operational result recorded by Rompetrol Rafinare S.A. in 2020.
- iv. **Financial expenditures** recorded a decrease of 23% in 2020 compared to 2019 and an increase of 5% from the level recorded in 2018. It should be noted that at the end of 2020 the company recorded a net exchange rate gain of Lei 208,940,736, compared to losses recorded in 2019 (Lei 145,469,631) and 2018 (Lei 181,901,099). The favourable exchange rate differences at the end of 2020 are due to the continued appreciation of the national currency against the USD starting from May 2020 until the end of 2020. Thus, if at the end of 2019 1 USD = 4.2608 lei, at 31.12.2020, 1 USD was equal to 3.9660 lei.  
 In respect of the **final result of the financial exercise concluded on 31.12.2020, the Company recorded a net loss in amount of Lei (645,823,057).**



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**c) CASH FLOW STATEMENT**

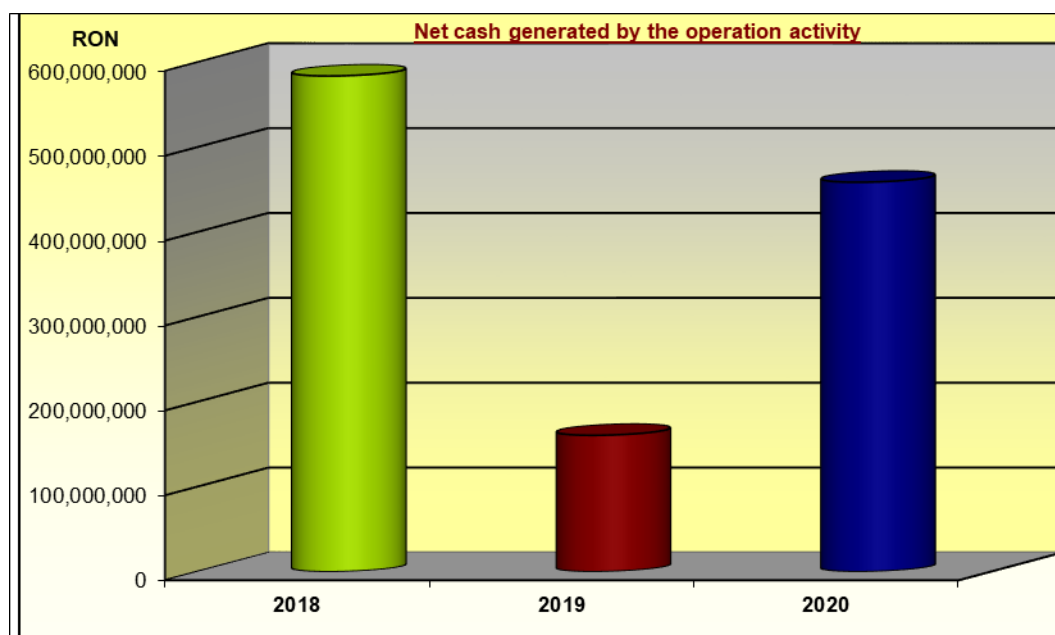
Cash flows from operating activity during 2020 were significantly influenced by reduced production and sales activities along with negative refining margins recorded in 2020 compared to 2019, as well as the variation in commercial and other debt balances, while reducing the balances of trade receivables and the value of stocks.

The oil crisis in 2020 had a significant impact on Rompetrol Rafinare activities and results. The market margin of the refinery (component of the gross margin in the profit and loss account as the difference between the weighted market quotations of the raw materials consumed and the market quotations at the volumes sold) was negative at the level of -13 USD/t compared to last year, having a negative effect in the cash used in the operating activity.

In addition to the above, due to this crisis, Rompetrol Rafinare's sales in 2020 decreased by 1.35 million tonnes compared to last year (i.e. to 4.6 million tonnes).

The average price of crude oil purchased in 2020 was lower (\$335/tonne) than in 2019 (\$474/tonne) on the background of a significant drop in international quotations due to the pandemic crisis that has seriously affected oil market (in 2020 the average price for Brent crude oil was 42 USD/bbl (315 USD/mt) compared to 64 USD/bbl (484 USD/tonne) in 2019).

The net positive cash generated from the operating activity is due to variations in working capital.

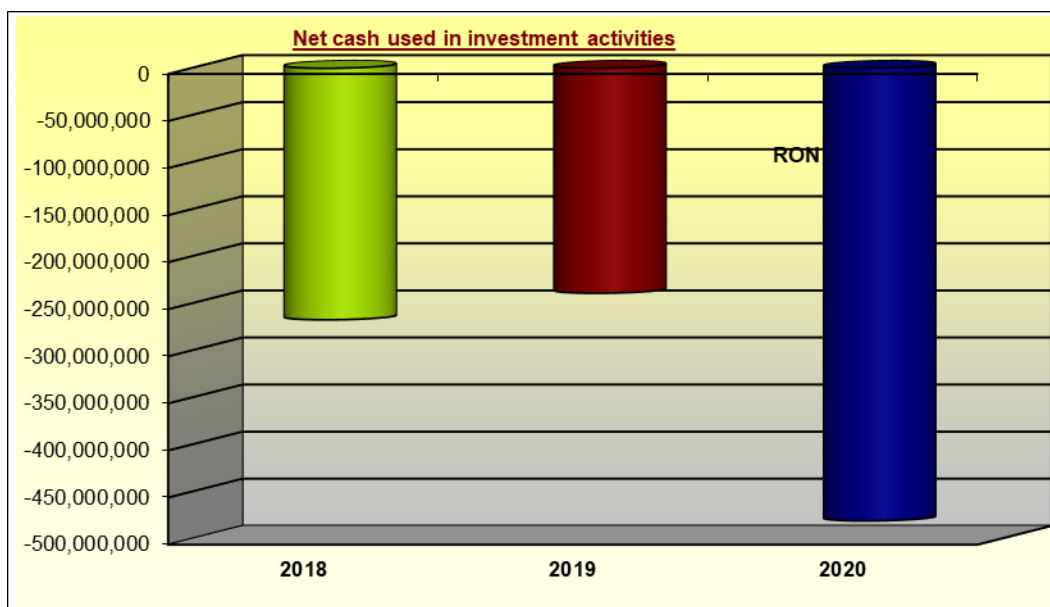




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In 2020 Rompetrol Rafinare continued implementing new technologies allowing processing of various types of crude and obtaining new products at the quality imposed by the European standards, as well as the increase yield in white products. A permanent concern was the aligning with the requirements of the European Union and compliance with the requirements of the EU Directives regarding the promotion and use of bio-fuels and of the environment regulations in force, especially aiming to reeduce the emissions of nitric oxides, volatile organic compounds and carbon dioxide and of depositing dangerous waste.

Major investment projects from 2020 concerned the General Turnaround of Petromidia and Vega refineries and of the 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 of tanks and Fluid Catalytic Cracking (FCC) Unit Rehabilitation project, the modernization of loading ramps products and specific projects for optimization of the refinery.



Cash flow from financing activities during 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.

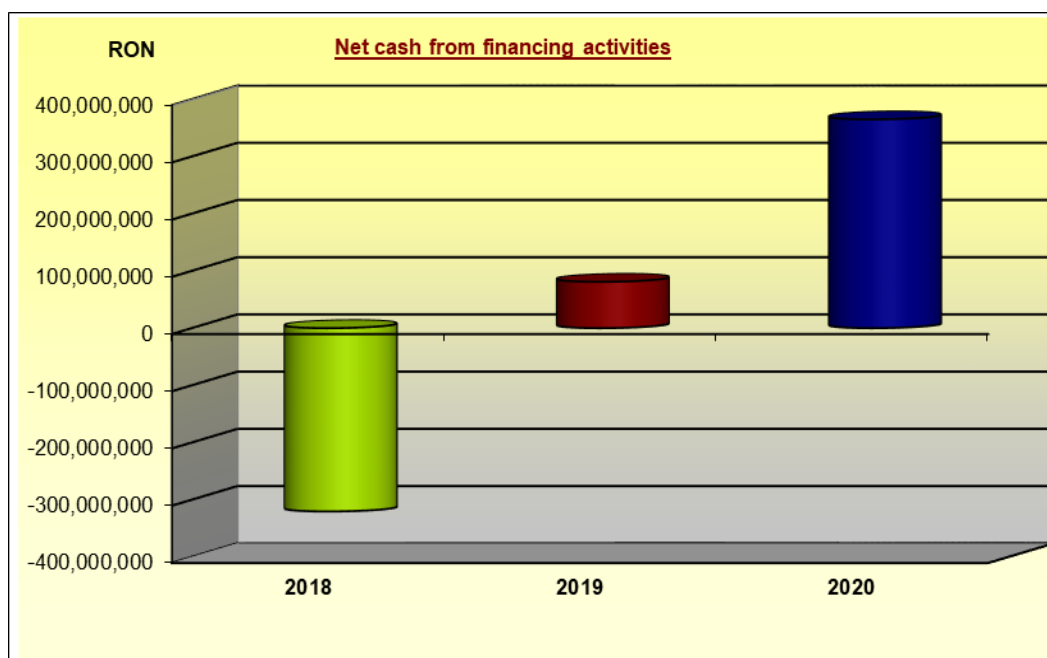
Other factors that influenced cash in the financing activity were also a significant reduction in the Company's exposure to loans contracted from affiliated companies and at the same time additional uses of short-term credit facilities from banks. The company continued the repayments of the short-



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term loan received from the affiliated company KMG International N.V. and fully repaid the short-term loans received from Rompetrol Financial Group SRL and Midia Marine Terminal SRL.

The planned capital maintenance works during the Period of the General Turnaround of Petromidia and Vega refineries and the Petrochemical unit operated by the Company were captured in an unfavorable market context with negative refining margins in 2020 compared to the same period of 2019 amid reduced market demand for petroleum products caused by the Covid-19 pandemic. The need to finance major investments during this period together with the need to establish financial safety resources to ensure the continuation of the Company's operations in case of risk generated by the Covid-19 pandemic put pressure on the operating cash generated by the Company, which had to resort to a number of measures to overcome these needs. 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, as well as additional uses from bank credit facilities and cash pooling system.





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## **6. CORPORATE GOVERNANCE DECLARATION**

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

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

The Corporate Governance report of Rompetrol Rafinare S.A. for the year 2020 is drafted according to the Corporate Governance Code ("CGC" or the "Code"), to Law no. 24/2017 on the issuers of financial instruments and market operations, to the regulations and instructions issued by the Financial Supervisory Authority – "FSA" and to the stock exchange regulations.

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

### **6.1. THE BVB STANDARDS REGARDING THE CORPORATE GOVERNANCE**

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

During 2020, Rompetrol Rafinare continued to implement the good practices for a corporate governance so that the internal practices correspond qualitatively to the new requirements for a company admitted to be traded on the BVB.

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





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

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

## **6.2. INFORMATION ON THE GENERAL MEETING OF SHAREHOLDERS AND THE SHAREHOLDERS' RIGHTS**

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

### *The General Meeting of the Shareholders ("GMS")*

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

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

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

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

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



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

The Extraordinary General Meeting has the following tasks:

- a) to change the Company's legal form;
- b) to move the headquarters of the company;
- c) to change the company's object of activity;
- d) to set up or to dissolve secondary offices: branch offices, agencies, representations or any other such units without legal personality;
- e) to extend the company duration;
- f) to increase the share capital;
- g) to reduce the share capital or to replenish it by the issue of new shares;
- h) merger with other companies or the division of the company;
- i) the company's anticipated dissolution;
- j) conversion of shares from one category to another;
- k) conversion of one category of bonds into another one or into shares;
- l) issue of bonds;
- m) any other change of the Articles of Incorporation or any other decision for which the extraordinary general meeting consent is required.

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

The Extraordinary General Meeting delegates the Board of Directors to increase the share capital, pursuant to the provisions of art. 85 of Law no. 24/2017 on the issuers of financial instruments and market operations.

At the same time, pursuant to the provisions of art. 92<sup>1</sup> of Law no. 24/2017, the Company must refer to the approval of the shareholders the remuneration policy of the Company managers within the ordinary general meeting of shareholders.

Summoning, operation, the voting process as well as other provisions related to the GMS are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A., as well as in the "*Regulation on the organization and conduct of the General Meeting in full observance of the rights of Rompetrol Rafinare S.A. shareholders*" published on the website of the Company, within section "*Relation with investors – Corporate Governance – Corporate Governance Documents*".

***Summoning the General Meeting of the Shareholders***

The General Meeting is summoned by the Board of Directors any time required, in compliance with legal provisions. The summoning reports, and, subsequently, the Decisions of the GMS are submitted to the Stock Exchange Bucharest and the Financial Supervisory Authority, in compliance with the





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regulations of the capital market and disclosed to public on the website of the Company as well, in the section *“Relation with the Investors – General Meeting of the Shareholders”*.

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

GMS can be summoned under the following situations;

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

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

- ❖ Name of the issuer;
- ❖ Date, starting time and place chosen to hold the General Meeting of the Shareholders for the first and second summoning;
- ❖ The agenda proposed;
- ❖ Clear and exact description of the procedures to be complied with by the shareholders to be able to take part and vote within the General Meeting, respectively information related to:
  - The right of one or several shareholders, representing jointly or severally at least 5% of the Company’s capital, to add issues on the agenda (provided that it is accompanied by a proof) and to submit the projects of the decision for the items included or proposed to be included in the order of the day of the General Meeting, within no less than 15 days following the date when the summoning report was published. The agenda filled in with the issues proposed by the shareholders, after summoning, shall be published according to all the requirements disposed by the law and /or the Articles of Incorporation for summoning the general meeting, at least 10 days before the date of the General Meeting of the Shareholders, at the date mentioned in the initial summoning report.
  - Specifying expressly that the voting right can be exercised directly, by proxy or by correspondence, as well as the conditions to exercise such rights. When exercising the vote by



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proxy (representation), it shall be taken into account by for such type of vote, the proxy forms (special and general) shall be used.

- How the special/general proxy forms can be obtained for the representation within the General Meeting of the Shareholders, the deadline and the place where the proxy can be submitted to/received, as well as the means by which the Company can accept the notification regarding the proxy appointed by electronic means.
- The procedures that allow voting by correspondence.

❖ The reference date, as well as the mentions related to the fact that only the persons that are shareholders at that date have the right to take part and vote within the General Meeting of the Shareholders; the reference date must fulfil the following criteria: (i) be subsequent the publication of the summoning and before the GMS, (ii) be prior to the deadline until when the Company can submit /dispatch the powers, (iii) cannot be prior with more than 30 days before the date of the general meeting to which it applies, (iv) between the publication date of the summoning by the Company and the reference date, a term of at least 8 days should exist. When calculating this term, these two dates are not included. (v) between the deadline admitted for the second or next summoning of the general meeting and the reference date a term of at least 6 days should exist. When this term is calculated, the two dates must not be included;

❖ The deadline to receive the proposals related to the candidates for the office of directors, in case that the agenda of the meeting also includes electing the directors. The deadline is established so that the period during which proposal can be made on the candidates for the positions of directors should be of minimum 3 working days after the publication of the summoning/supplement to the summoning, including the election of director in the agenda. In the summoning report, it will be mentioned that the list including the information related to the name, domicile and professional training of the persons proposed as members of the Board of Directors is made available for the shareholders, as it can be read and completed by the shareholders;

❖ The place where the integral text of the documents and resolution drafts can be obtained, as well as other information related to the issues included on the agenda of the General Meeting of the Shareholders, the date when they become available, as well as the procedure to be followed in this regard; the Company ensures the availability of the documents corresponding to the general meeting of shareholders at the office and on the website of the Company [www.rompetrol-rafinare.ro](http://www.rompetrol-rafinare.ro), at least 30 days before the date of the general meeting until the meeting date;

❖ If the agenda includes proposals for amending the Articles of Incorporation, the summoning report shall include the entire text of the proposals;

❖ The Company's website;

❖ The proposal regarding the registration date, regarding the ex-date and if applicable, the proposal related to the date of payment;

❖ The express specification of the fact that the voting right can be exercised directly, by proxy, by correspondence and the conditions to exercise such rights;



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

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

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

**Quorum requirements**

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

**The Ordinary General Meeting of Shareholders (OGMS)**

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

**The Extraordinary General Meeting of Shareholders (EGMS)**

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



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at least 1/5 of the total number of voting rights are present or represented, adopting decisions with the majority of votes held by the shareholders present or represented.

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

***THE GENERAL MEETING OF THE SHAREHOLDERS OF ROMPETROL RAFINARE S.A.,  
 ACCORDING TO ITS UPDATED ARTICLES OF INCORPORATION***

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

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

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

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

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

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



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the matters of the agenda of the first meeting, regardless of the gathered quorum for OGMS, respectively with the presence of the shareholders holding at least 1/5 of all the voting rights for EGMS, passing resolutions with the majority of the expressed votes (for OGMS)/ votes held by the attending or represented shareholders (for EGMS).

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

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

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

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

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





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***RESOLUTIONS ADOPTED BY THE GENERAL MEETINGS OF SHAREHOLDERS DURING 2020***

***The Ordinary General Meeting of Rompetrol Rafinare's Shareholders of 29 April 2020*** decided as follows:

- the approval of the individual annual financial statements prepared according to the International Financial Reporting Standards ("IFRS") adopted by the European Union (EU IFRS), as provided in Order No. 2844/2016 issued by the Ministry of Public Finance, as subsequently amended, and the consolidated statements (prepared according to IFRS), audited, related to financial year 2019, based on the Reports of the Board of Directors and on the Reports of the Financial Auditor;
- the discharge from management of all the Company's directors for the activity carried out during the financial year 2019, based on the Reports submitted;
- the approval of the income and expense budget and of the Company's activity plan for 2020, including the investment plan for 2020;
- the establishment for the current year of: (i) a remuneration of the members of the Company's Board of Directors, *i.e.* maintaining the same net monthly quantum of the directors' remuneration valid for 2019, *i.e.* a net monthly quantum of RON 9,000 for each director, corresponding to a gross monthly remuneration of RON 15,385, the tax and national insurance contributions related to this remuneration, due by the Members of the Board of Directors, being withheld and paid to the state budget according to tax legislation provisions; (ii) a gross monthly remuneration of RON 5,128 Lei corresponding to a net monthly remuneration of RON 3,000 for each member of the Audit Committee; and (iii) of a gross monthly remuneration of RON 5,128 corresponding to a net monthly remuneration of RON 3,000 for each member of the Strategy Committee.
- the appointment of company ERNST & YOUNG ASSURANCE SERVICES SRL, having as permanent representative ION BOGDAN, as a financial auditor of the Company, for financial year 2020, the term of the audit contract being one year;
- the approval of the date of 19 May 2020, as a registration date for the identification of those shareholders affected by the effects of Decisions No. 1/2020, no. 2/2020 and no. 3/2020 adopted within the OGMS of 29 April 2020 and of the date of 18 May 2020 as *ex date*;



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- the authorization of Mr. Saduokhas Meraliyev, Chairman of the Company's Board of Directors, to conclude and/or sign on behalf of the Company and/or of the Company's shareholders Decision No. 1/2020, no. 2/2020 and no. 3/2020 adopted by this OGMS and Mr. Felix Crudu-Tesloveanu, General Manager of the Company, to carry out all the legal formalities for the registration, publicity, enforceability, enforcement and publication these decisions, both of them having the possibility to sub-delegate third parties.

***The Extraordinary General Meeting of Rompetrol Rafinare's Shareholders dated 29 April 2020 decided as follows:***

- To approve the modification and amendment of the Articles of Incorporation of the Company, according to the note submitted to the shareholders for this item on the order of the day (paragraph 1) namely, they take note of the transfer carried-out by Depozitarul Central Bucharest of the shares held by the Romanian State issued by Rompetrol Rafinare, from the account of the Romanian State through the Ministry of Energy to the account of the Romanian State by the Ministry of Economy, Energy and Business Environment following the putting into application of the provisions of the Government Emergency Ordinance no. 68/2019 and the approval of the articles corresponding to the Articles of Incorporation of the Company, amending sub-paragraph 2) of article 1 named "Shareholders", paragraph 1.1., letter A. "Significant shareholders" of the Articles of Incorporation 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, integrally paid-up, amounting to RON 1,971,500,905.3, representing 44.6959% of the share capital;"*
- The approval of the closing by Rompetrol Rafinare S.A. of the work point named "Constanța work point", situated in the site organization building TMUC, Office no. 1, situated within Oil Terminal, South Platform Section, Constanța, premises having a surface of 15 sqm according to Contract no. 183/02.05.2019, according to the note submitted to the shareholders for this point on the order of the day (item 2), in the sense that the extension of the commercialization activity of the oil products did not take place besides the fiscal warehouse of Năvodari;
- Confirmation of the continuation of the Company activity, considering that according to the standalone audited financial statements of year 2019, approved by the Ordinary General Meeting of Shareholders dated 29 April 2020, at 11:00 am, the net assets of the Company was reduced to less than half of the value of the subscribed share capital;
- Approval of the date 19 May 2020, as registration date to identify the shareholders affected by the effects of the Decisions no. 4/2020 and no. 5/2020 adopted in the EGMS dated 29 April 2020 and the date 18 May 2020 as *ex date*;



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- Power of attorney granted to Mr. Saduokhas Meraliyev, chairman of the Board of Directors, in order to celebrate and /or sign on behalf of the Company and / or the shareholders of the Company the Decisions no. 4/2020 and no. 5/2020 adopted by this EGMS, including the signature of the updated Company's Articles of Incorporation and of Mr. Felix Crudu-Tesloveanu, General Manager of the Company, to carry-out all the legal formalities for registration, publicity, opposability, execution and publication of these resolutions adopted, both of them having the possibility to sub-delegate third parties.

***The Ordinary General Meeting of Rompetrol Rafinare's Shareholders dated 18 September 2020*** decided as follows:

- To approve the revocation of Mr. Mihai-Liviu MIHALACHE from the position of member of the Board of Directors of the Company, following its waiver to the mandate, starting with 4 June 2020.
- To approve the termination of the mandate of member of the Board of directors of the Company of Mr. Saduokhas Meraliyev following his request to waive of this position starting with 1 October 2020.
- To approve the election of 2 (two) new members of the Board of Directors of the Company, as follows:
  - Mr. Bogdan-Cătălin STERIOPOL, as new permanent member of the Board of Directors for a mandate that will start with the date of the Ordinary General Meeting of Shareholders dated 18 September 2020 and shall expire on 30 April 2022 (expiration date of the mandate of the actual members of the Board of Directors);
  - Mr. Felix CRUDU-TESLOVEANU, as new member of the Board of Directors for a mandate that will start with 1 October 2020 and will expire on 30 April 2022 (expiration date of the mandate of the actual members of the Board of Directors).
- To approve the date 6 October 2020, as registration date to identify the shareholders affected by the effects of the Decision no. 6/2020 adopted in the OGMS dated 18 September 2020 and the date 5 October 2020 as *ex date*;
- To grant power of attorney to Mr. Yedil Utekov, Member of the Board of Directors, to celebrate and /or sign on behalf of the Company and / or the shareholders of the Company the Decision no. 6/2020 adopted by this OGMS and Mr. Felix Crudu-Tesloveanu, General Manager of the Company, in order to carry-out all the legal formalities for registration, publicity, opposability, execution and publication of this decision adopted, both of them having the possibility to sub-delegate third parties.





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### **6.3. INFORMATION ON THE BOARD OF DIRECTORS**

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

The Company activity is managed by a Board of Directors composed of 5 members, appointed by the Ordinary General Meeting of Shareholders, who can also be shareholders of the company, natural or legal entities, having Romanian or foreign citizenship respectively nationality. During 2020, out of the 5 members of the Board of Directors, 3 are representatives of the main shareholder - KMG International N.V. (out of whom one is executive starting with 1 October 2020, one became executive) and 2 representatives of the significant shareholder of the Romanian State by the Ministry of Economy, Energy and Business Environment <sup>8</sup> (out of whom one is non-executive and independent until 4 June 2020, and starting with this date, both directors are non-executive and independent). **The mandate of the actual directors will end on 30 April 2022.**

The directors may be replaced under the following situations:

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

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

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

- a) establishes the main activity and development directions of the company;
- b) establishes the accounting and financial control system and approves the financial planning;
- c) appoints, recalls, concludes and terminates the agreements of the Company managers;
- d) supervises the managers' activity;
- e) prepares the annual report, organizes the general meeting and implements its decisions;
- f) introduces the request for opening the company insolvency procedure, according to Law no. 85/2014 on the insolvency procedure;

<sup>8</sup> On the issuing date of this Report, under the name Ministry of Energy



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g) except for the legal documents for whose adoption / conclusion the approval of the General Meeting of Shareholders is necessary, according to the imperative provisions of the law, approves the adoption / conclusion on behalf of the company of the legal documents whose object exceeds the value of:

ii) USD **50,000,000** as regards the legal documents having as object the supply of crude oil, respectively the distribution of refined products;

iii) USD **20,000,000** as regards the legal documents having another object than the supply of crude oil, respectively the distribution of refined products, the approval of the participation in the establishment of some trading companies with a contribution exceeding this value, other documents with patrimony content exceeding this value limit;

h) approves the Company organizational structure.

These tasks may not be delegated to the company managers.

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

a) decides regarding the relocation of the company headquarters;

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

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

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

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

During 2020, the structure of the Board of Directors was changed as follows:

*During the period 1 January 2020 until 4 June 2020, the members of the Board of Directors were the following:*

Meraliyev Saduokhas – *non-executive director and Chairman of the Board of Directors;*

- Alexey Golovin - *non-executive director;*
- Yedil Utekov - *non-executive director*<sup>9</sup>;

<sup>9</sup> Until 2020 he has held the position of executive director, as he had delegated the position of General Manager according to art. 143 of Law no. 31/1990



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- Mihai-Liviu Mihalache - *non-executive director*;
- Nicolae Bogdan Codruț Stănescu - *independent non-executive director*

*During 4 June 2020 – 18 September 2020, the members of the Board of Directors were as follows:*

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

*During 18 September 2020 – 1 October 2020, the members of the Board of Directors were as follows:*

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

*During 1 October 2020 – present, the members of the Board of Directors were as follows:*

- Yedil Utekov - *non-executive director and Chairman of the Board of Directors*;
- Alexey Golovin - *non-executive director*;
- Felix Crudu-Tesloveanu- *executive director*;
- Nicolae Bogdan Codruț Stănescu - *independent non-executive director*
- Bogdan-Cătălin Steriopol - *independent non-executive director*;

### ***Remuneration of the Members of the Board of Directors***

Rompetrol Rafinare has not established a remuneration policy for year 2020 as regards the Company Management.

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

According to Decision no. 2/2020 adopted by OGMS dated 29 April 2020, for year 2020 they approved:

- A gross monthly remuneration amounting to RON 15,385 corresponding to a net monthly remuneration of RON 9,000 for each member of the Board of Directors;
- A gross monthly remuneration amounting to RON 5,128 corresponding to a net monthly remuneration of RON 3.000 for each member of the Audit Committee;



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- A gross monthly remuneration amounting to RON 5.128 corresponding to a net monthly remuneration of RON 3.000 each member of the Strategy Committee.

The remuneration of the members of the Board of Directors and of managers (executive and non-executive) is presented in Explanatory note no. 25 corresponding to the annual stand-alone financial statements as at 31.12.2020.

The allowances paid to the Company's directors in 2020 were RON 1,053,850 (RON 1,246,164 in 2019). The salaries and bonuses paid to the Company's management in 2020 (in average 13 people) amounted to RON 5,191,050 (RON 4,114,475 in 2019, in average 12 people).

Pursuant to the provisions of art. II par. (2) of Law no. 24/2020 the issuers have a term of 12 months as of the coming into force of Law no. 158/2020 to comply with the obligations established at art. 92<sup>1</sup> of Law no. 24/2017 referring, among others, to the fact that the issues refer to the approval of the shareholders the remuneration policy of the managers within the annual ordinary general meeting of shareholders disposed at art. 111 of Law no. 31/1990. Under these conditions, within the annual ordinary general meeting of shareholders corresponding to year 2021 (scheduled for 28/29 April 2021), Rompetrol Rafinare shall issue and refer to the approval of shareholders the remuneration policy of the Company managers.

Pursuant to art. 92<sup>2</sup> of Law no. 24/2017, Rompetrol Rafinare shall issue a remuneration report, supplying a wide overview of the remunerations, including of all benefits, regardless of the form, granted or owed during the financial exercise 2021, to the managers individually, including to the newly recruited ones and to the ex-managers according to the remuneration policy disposed at art. 92<sup>1</sup>.

### ***Non-executive Directors and the independence of the Directors***

According to the criteria for evaluating the independence of the non-executive members of the Board of Directors, two members – Mr. Nicolae Bogdan Codruț Stănescu<sup>10</sup> and Bogdan-Cătălin Steriopol<sup>11</sup> - in office on 31.12.2020, met the independence criteria provided by the principles and recommendations of the Code.

### ***Evaluation of the Board of Directors***

During 2020, the Board of Directors did not initiate any program for evaluating its activity.

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

<sup>11</sup> Elected as provisional director starting with 4 June 2020 and permanent director starting with 18 September 2020 according to the Decision no. 6/2020 OGMS dated 18 September 2020



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#### **6.4. INFORMATION ABOUT THE MEMBERS OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE AS AT 31.12.2020**

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

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

**Yedil Utekov**

Born in 1976, citizen of Kazakhstan

The term of office of director: from 01.10.2014 to 30.04.2018, being re-elected for a new four-year term, *i.e.* until 30.04.2022<sup>12</sup>.

Non-executive member of the Board of Directors

Starting with 01.10.2020, he was re-elected the Chairman of the Board of Directors instead of Mr. Meraliyev Saduokhas who submitted the request to waive of the mandate, and he shall exercise this position until 30 April 2022. At the same date, 1 October 2020, he was elected member of the Strategy Committee, holding the position of Chairman within this Consultative Committee

*Responsibilities:* he is also the General Manager of Rompetrol Rafinare SA<sup>13</sup> and the General Manager and Sole Director of Rompetrol Petrochemicals S.R.L. Starting with December 18, 2019 he took over the position of Production and Industrial Services Manager of the KMG International Group, under the direct subordination of Saduokhas Meraliyev, Chief Officer Operations.

*Expertise and professional experience:* a graduate of the Faculty of Resources and Hydrocarbons Chemical Technology within the Astrakhan State Technical University in Russia. He started his career in the oil and gas industry in 2001, as a process operator with Akasarskiy Gas Processing Plant in Russia; between September 2001 and June 2002, he worked as an operator for ZAO Intergaz Central Asia, Kazakhstan. Then, starting from June 2002, he gradually advanced from the position of engineer with the Atyrau Refinery, to that of Ecology, Technology, Health and Safety Manager. Between April 2005 and April 2010, he worked for Agip KCO, in Atyrau, Kazakhstan. The last position held in this

<sup>12</sup> During 01.10.2014 – 03.03.2015 he held the interim Director position. He has been permanently elected by resolution no. 1/2015 adopted by the Ordinary General Meeting of Shareholders of 04.03.2015.

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





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company was Group Coordinator for Technical Control and Inspection between August 2008 and April 2010. With a professional background of more than 10 years in the oil and gas industry, Mr. Yedil Utekov joined the KMG International Group (formerly known as Rompetrol Group) in January 2010, as a Deputy General Manager of Rompetrol Petrochemicals SRL. He was elected as the Company's General Manager on June 12, 2014, holding this position until 31 December 2019.

**Alexey Golovin**

Born in 1978, citizen of Kazakhstan

The term of office of director: from 10.02.2017 to 30.04.2018, being re-elected for a new four-year term of office, *i.e.* until 30.04.2022<sup>14</sup>.

Non-executive member of the Board of Directors

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

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

**Felix Crudu-Tesloveanu**

Born in 1970, Romanian citizen.

The term of office of director: from 01.10.2020 to 30.04.2022

Executive member of the Board of Directors

*Responsibilities:* he holds the position of General Manager<sup>15</sup> within Rompetrol Rafinare S.A., previously he held the position of Head of COO Office of KMG International Group. Mr. Felix Crudu-Tesloveanu started his career in 1988, in the operational segment, where he activated during 10 years within Petromidia Refinery. Then he held, in turn, the positions of Station Manager in Constanța, Area Coordinator, Regional Sales Coordinator, Regional Sales Manager, Sales Manager, Operations Manager and General Manager of Rompetrol Downstream –retail division of the Group in Romania

<sup>14</sup> During 10.02.2017 – 12.04.2017 he held the position of provisional director. He was elected permanent director by Decision no. 1/2017 adopted by the Ordinary General Meeting of Shareholders dated 13.04.2017.

<sup>15</sup> Starting with 1 January 2020, the General Manager of Rompetrol Rafinare is Mr. Felix Crudu-Tesloveanu.



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and subsidiary of Rompetrol Rafinare S.A. In 2016, he took over the management of the Group branch office of the Republic of Moldova, then he was elected General Manager of Rominserv Valves IAIFO.

*Expertise and professional experience:* graduate of the Faculty of Commercial Management within the University „Dimitrie Cantemir” of Constanța.

**The two new director offices** established under Decision No. 7/2011 adopted by the Extraordinary General Meeting of Shareholders of November 29, 2011, for approving the increase in the number of the members of the Board of Directors from 3 to 5, **on 31.12.2020 are held by Nicolae Bogdan Codruț Stănescu and Bogdan-Cătălin Steriopol**. Both of them were elected to hold these offices upon the proposal made by the Romanian State, represented by the Ministry of Energy<sup>16</sup>. Nicolae Bogdan Codruț Stănescu was elected as a member of the Board of Directors by Decision No. 3/2018 adopted by the OGMS of 27 April 2018, and Bogdan-Cătălin Steriopol by Decision No. 6/2020 of OGMS dated 18 September 2020.

**Nicolae Bogdan Codruț Stănescu<sup>17</sup>**

Born in 1974, citizen of Romania

The term of office of director: from 01.05.2018 to 31.04.2022

Independent and non-executive Member of the Board of Directors

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

*Career Benchmarks:*

- Strategy Consultant within the Chancellery of the National Bank of Romania (2016 – current date)

<sup>16</sup> During year 2020 with the name Ministry of Economy, energy and Business Environment

<sup>17</sup> Proposed within the Company's Board of Directors by Letter No. 101409/AA/12.04.2018 filed by the significant shareholder Ministry of Energy – Minister's Cabinet.



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

**Bogdan-Cătălin Steriopol<sup>18</sup>**

Born in 1986, citizen of Romania

The term of office of director: from 04.06.2020 to 31.04.2022<sup>19</sup>

Independent and non-executive Member of the Board of Directors

*Expertise and professional experience:* graduate of the Faculty of Marketing, within „Artifex” University of Bucharest, obtaining the bachelor’s degree and the qualification of Economist and master student of the Information Academy „Mihai Viteazu” Bucharest, having a professional experience of more than 10 years on media and communication field.

*Career Benchmarks:*

During 2017 - 2019, Mr. Steriopol held the position of Specialty Reviewer within Transelectrica SA company. Then, he held the position of Expert in the follow-up Department of Intra-community Development Association Termoenergetica Bucharest-Ilfov. In November 2019, he was appointed Counsellor within the Ministry of Education and Research.

<sup>18</sup> Proposed within the Company’s Board of Directors by Letter No. 8266/VDP/19.08.2020 filed by the significant shareholder Ministry of Economy, Energy and Business Environment – Minister’s Cabinet.

<sup>19</sup> During 04.06.2020– 17.08.2020 he held the position of provisional director. He was elected permanent director by Decision no. 6/2020 adopted by the Ordinary General Meeting of Shareholders dated 18.09.2020





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

<i>Name</i>	<i>Company</i>	<i>Position held</i>	<i>Period</i>
Yedil Utekov	Rompetrol Petrochemicals S.R.L.*	General Manager	13.11.2013 – current date
		Sole Director	01.03.2014 – current date
	Rompetrol Well Services S.A.*	Chairman of the Board of Directors	01.10.2020 – 29.04.2022
		Member of the Audit Committee	01.10.2020 – 29.04.2022
	ROMINSERV S.R.L.*	Member of the Board of Directors	15.09.2020 – 14.09.2024
	PALPLAST S.A.*	Chairman of the Board of Directors	19.10.2020 - 31.03.2021
	Rompetrol Energy S.A.*	Chairman of the Board of Directors	01.10.2020 – 31.01.2022
Alexey Golovin	The Kazakh-Romanian Energy Investment Fund *	Member of the Board of Directors	07.11.2018 – 06.11.2024
	Rompetrol Energy S.A.*	Member of the Board of Directors	01.10.2018 – 31.01.2022
	Uzina Termoelectrică Midia S.A.*	Member of the Board of Directors	08.11.2018– 08.11.2022
	TRG PETROL TICARET ANONIM ŞIRKETİ*	Vice-president of the Board of Directors	31.03.2017 – current date
	Rompetrol France SAS*	Member of the Board of Directors	13.06.2017 – 13.06.2021



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	<i>KMG ROMPETROL SERVICES CENTER SRL</i> <sup>*20</sup>	<i>Member of the Board of Directors</i>	<i>11.09.2020 – 10.09.2024</i>
	<i>KMG International NV</i>	<i>Member of the Strategy and Investment Committee</i>	<i>07.12.2016 – current date</i>
Nicolae Bogdan Codruț Stănescu	<i>Oltchim SA, Rm. Vâlcea</i>	<i>Special Director</i>	<i>27.03.2013 - until the finalization of the insolvency procedure</i>
	<i>SNGN Romgaz SA – FIGN DEPOGAZ Ploiești</i>	<i>Chairman of the Board of Directors</i>	<i>04.2018 – current date</i>
	<i>Societatea de Administrare a Participațiilor în Energie S.A.</i>	<i>Chairman of the Steering Committee</i>	<i>01.08.2019 – 01.08.2023</i>
Bogdan-Cătălin Steriopol	<i>Ministry of Education</i>	<i>Minister counselor</i>	<i>November 20219 - current date</i>
	<i>INCERTRANS S.A.</i>	<i>Member of the Board of Directors</i>	<i>17.12.2020 – current date</i>

*\* A company member of KMG International Group*

## **6.5. ATTENDANCE OF DIRECTORS AT THE MEETINGS OF THE BOARD OF DIRECTORS**

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

During 2020, the Board of Directors met in 17 meetings.

Considering the recommendations of the Romanian public authorities related to the prevention / limiting the spread of COVID-19 during year 2020, most of the meetings of the Board of Directors were held by means of electronic communications (by email – by electronic vote). A number of 2

<sup>20</sup> With the old name Rompetrol Exploration & Production S.R.L.



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(two) meetings took place in the physical presence of the directors, 1 (one) meeting was organized as a Microsoft Teams meeting, the other 14 meeting being organized by means of electronic communication (by email – by electronic vote). The agenda of the meetings of the Board of Directors included matters that regarded the current activity developed by the Company, for example: in order to approve the Annual Report (stand-alone and consolidated) and to organize the ordinary general meeting for approving the annual financial results, including the documents and informative materials to be referred to the approval of the GMS; in order to approve the documents and the informative materials to be referred to the Extraordinary GMS dated 29 April 2020 on the proposal of the update of the Articles of Incorporation of the Company, the closing of the work point of Constanța situated within Oil Terminal, as well as to confirm the continuation of the activity of Rompetrol Rafinare, considering that according to the stand-alone financial statements of year 2019, approved by the Ordinary General Meeting of Shareholders dated 29 April 2020, at 11:00, the net assets of the Company reduced to less than half of the value of the paid-in share capital; in order to fulfil the agenda of the Ordinary General Meeting of Shareholders dated 29 April 2020 with the inclusion in the agenda of the subject related to the election of the Company financial Auditor of the Company to audit the financial statements corresponding to year 2020; in order to approve the Report of the Board of Directors related to the patrimony standing of Rompetrol Rafinare SA as at 31 December 2019 in order to be made available to the shareholders of the Company according to the legal provisions and referred to the debate within the EGMS summoned as at 29/30 April 2020 at paragraph 3 on the agenda of this meeting in order to adopt a decision to confirm the continuation of the Company activity; in order to approve the reports and the corresponding materials corresponding to the half-yearly and quarterly financial results for 2020; the approval of the celebration of some significant legal documents to supply with raw materials, electricity, purchase of maintenance services for year 2020, etc and the sale of oil products; in order to appoint Mr. Bogdan-Cătălin Steriopol as interim member of the Board of Directors following the resignation of Mr. Mihai-Liviu Mihalache from the position of director; for convening and organizing the GMS dated 18 September 2020 in order to elect two new directors of the Company following the resignation of Mr. Mihai-Liviu Mihalache and Mr. Saduokhas Meraliyev; in order to update the Regulations of the Audit Committee; the approval of election of Mr. Yedil Utekov in the position of Chairman of the Board of Directors and member of the Strategy Committee following the request of Mr. Saduokhas Meraliyev to wave of these positions; to elect Mrs. Ramona-Georgiana Gălățeanu in the position of Chief Financial Officer, following the resignation of Mr. Mircea-Ștefan Stănescu, for a mandate starting with 1 January 2021 to 30 April 2022; etc.

Other approvals were also on the agenda of the meetings of the Board of Directors for the development under good conditions both of the Company activity and of its subsidiaries, etc., as well as information by the Executive Management regarding the situation of Net Assets registered by Rompetrol Refining on June 30, 2020, respectively September 30, 2020 and the main options for its recovery.

During year 2020, the membership of the Board of Directors had two updates namely: (i) following the Decision no. 1 adopted by the Board of Directors on 4 June 2020, the resignation of Mr. Mihai-Liviu Mihalache from the position of director was registered and Mr. Bogdan-Cătălin Steriopol was



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appointed the provisional director and (ii) according to Decision no. 6/2020 adopted by the Ordinary General Meeting of Shareholders dated 18 September 2020 according to which Mr. Bogdan-Cătălin Steriopol was elected permanent director of the Company, for a mandate starting with the date of this meeting until 30 April 2022 and Mr. Felix Crudu-Tesloveanu was elected instead of Mr. Saduokhas Meraliyev starting with 1 October 2020. At the same time, according to Decision no. 1 dated 1 October 2020, the Board of Directors had another update as regards the appointment of Mr. Yedil Utekov as chairman of the Board of Directors.

Rompetrol Rafinare, in its condition of company holding securities listed on the capital market, issued and transmitted to FSA and BVB the current reports on the privileged information related to the changes suffered in the structure of the Board of Directors.

All the meetings of the Board of Directors were held with the attendance of the 5 directors according to the provisions of the Articles of Incorporation and Regulation of the Board of Directors, by direct attendance.

The decisions of the Board of Directors in 2020 were adopted with the unanimity or majority of the votes of the attending members (in some cases, abstention votes were formulated but no vote against was registered). Most of the abstention votes were formulated because account was taken of the fact that the items subject to approval referred to the designation of the director to various offices and, for this reason, he refrained from voting. There was also a refraining of a director from the conflict of interests point of view, the subject referred to approval on the conclusion of an agreement between Rompetrol Rafinare and a related entity, in both companies part of the agreement, the respective director holding the position of member of the Board of Directors. This reason determined the respective director to refrain from vote.



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The table below emphasizes the attendance in the meetings of the Board of Directors of the directors in office, for the year ended on 31 December 2020:

Name	Attendance
Saduokhas Meraliyev <sup>21</sup>	12/12/17
Alexey Golovin	17/17/17
Yedil Utekov	17/17/17
Mihai-Liviu Mihalache <sup>22</sup>	6/6/17
Nicolae Bogdan Codruț Stănescu	17/17/17
Bogdan-Cătălin Steriopol <sup>23</sup>	11/11 <sup>24</sup> /17
Felix Crudu-Tesloveanu <sup>25</sup>	5/5/17

*The first number indicates the number of sessions attended by the individual in its capacity of director, the second number represents the number of sessions held during the term of office in 2020, and the third number represents the total number of sessions held in 2020.*

## 6.6. CONSULTATIVE COMMITTEES

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

### *The Audit Advisory Committee*

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

### *The Strategy Advisory Committee*

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

<sup>21</sup> Director until 30 September 2020;

<sup>22</sup> Director until 4 June 2020;

<sup>23</sup> Interim member and Chairman of the Board of Directors until 4 June 2020 until 17 September 2020, being elected permanent director of the Board of Directors as of 18 September 2020 until 30 April 2022

<sup>24</sup> For 6 meetings, he has been acting as interim director

<sup>25</sup> Director since 1 October 2020



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

Each Consultative Committee has a secretary and a chairman.

### ***The Audit Advisory Committee***

The Audit Committee fulfils its legal duties provided under Art. 65 of Law No. 162/2017<sup>26</sup> consisting mainly in monitoring the financial reporting process, the internal audit process, the risk management process within the Company and compliance assurance, as well as in supervising the activity of statutory audit of the annual financial statements and in the management of the relationship with the external auditor.

As at 31 December 2020, the structure of the Audit Committee was as follows:

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

### ***Information about the meetings of the Audit Committee during 2020***

During 2020 a number of 6 meetings of the Audit Committee was held with the actual meeting (1 meeting), or by electronic means of communication (5 meetings, of which 2 by meeting organized by Microsoft teams and 3 by electronic vote) of the Committee members.

Additionally, in order to fulfill its legal responsibilities, in 2020 the Audit Committee had working meetings with the internal departments of the Company, namely with the Risk and Internal Audit Departments, as well as meetings with the external auditor of the Company

<sup>26</sup> Law No. 162 of July 15, 2017 regarding the statutory audit of the annual financial statements and of the consolidated financial statements and for amending certain regulatory acts





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Name and surname	Actual Attendance/electronic means of communication
Dan Alexandru Iancu	6 <sup>27</sup> /4
Alexey Golovin	5 <sup>28</sup> /4
Nicolae Bogdan Codruț Stănescu	6 <sup>29</sup> /5.

During 2020, the Audit Committee formulated recommendations to the Board of Directors of RRC related to subjects that incur under its scope of tasks, as follows:

- Report on the activity of internal audit for year 2019;
- Annual Stand-alone and Consolidated Financial Statements at the end of year 2019, issued according to the International Financial Reporting Standards (IFRS – EU), based on the reports of the independent auditor and of the annual report of directors for year 2019;
- The report on the half-yearly administration activity, issued according to the legal provisions

As regards the management of the conflicts of interests, each member of the Board of Directors ensures to avoid a direct or indirect conflict of interests with the Company, and if such a conflict occurs, he/she refrains from the debates and the vote on the respective matters, according to the legal provisions in force.

In order to ensure the accuracy, transactions with parties concerned, the members of the Board of Directors recur to the following criteria, without limited to it:

- To maintain the competence of the Board of Directors or GMS, as the case may be, to approve the most important transactions (according to the competence limits comprised in the Articles of Incorporation of the Company);
- To ask a prior opinion on the most important transactions from the internal control structures

The transactions concluded in 2020 with related entities and related to the authorities of the capital market of Romania and RRC shareholders, pursuant to the provisions of art. 82 of Law no. 24/2017 and art. 92<sup>3</sup> of Law no. 24/2017, did not raise any potential conflicts of interest with RRC directors.

The planning of the internal audit activities is realized following a risk assessment process.

### *The Advisory Strategy Committee*

<sup>27</sup> He physically participated in 2 meetings of the Audit Committee

<sup>28</sup> During two meetings of the Audit Committee, he granted a mandate of representation to another member of the Committee

<sup>29</sup> In two meetings, he attended by meeting organized in Microsoft teams format



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

During 2020, the structure of the Strategy Committee suffered one modification in the sense of electing, starting with 1 October 2020, Mr. Yedil Utekov as member of the Strategy Committee following the request of Mr. Saduokhas Meraliyev to waive of the position of director and Chairman of the Board of Directors of the Strategy Committee.

Therefore, during year 2020, the structure of the Strategy Committee suffered the following modifications:

*For the period 1 January 2020 - 30 September 2020*, the members of the Strategy Committee were as follows:

- Saduokhas Meraliyev – Chairman (non-executive director)
- Alexey Golovin - member (non-executive director)
- Nicolae Bogdan Codruț Stănescu – member (independent non-executive director)

*For the period 1 October 2020 - 31 December 2020*, the members of the Strategy Committee were as follows:

- Yedil Utekov– Chairman (non-executive director)
- Alexey Golovin - member (non-executive director)
- Nicolae Bogdan Codruț Stănescu– member (independent non-executive director)

According to its own regulations, the Strategy Committee develops the analysis and issued the recommendations for the Board of Directors of RRC related to: the drafting/ updating and the monitoring process of the Company's Development Strategies; periodically analyses of the stage of implementation of these development strategies and the measures required to achieve the objectives proposed; monitoring of the company's activity diversification projects by implementing investment goals.

During 2020, the activity of the Advisory Strategy Committee aimed mainly, the filing of some recommendation to the Board of Directors of RRC related to the proposal of the Income and Expenses Budget for year 2020.





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## **6.7. EXECUTIVE MANAGEMENT OF ROMPETROL RAFINARE**

Pursuant to Article 16.1 of the latest Articles of Incorporation of the company - updated on 30 April 2020, the company's executive management which was delegated powers of management by the Board of Directors pursuant to the provisions of Article 143 of Law No 31/1991 on trading companies, has been provided by the General Manager and the Chief Financial Officer.

As at 31 December 2020, executive managers of the company are:

Mr. Felix Crudu-Tesloveanu - General Manager and member of the Board of Directors  
 Mr. Mircea-Ștefan Stănescu<sup>30</sup> - Chief Financial Officer

## **6.8. SHARES AND RIGHTS OF THE SHAREHOLDERS**

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

All holders of RRC shares are treated equitably. All the shares issued grant equal rights to the holders.

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

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

<sup>30</sup> As at 1 January 2021, the chief Financial Officer of the Company is Mrs. Ramona-Georgiana Gălățeanu



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

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

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

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

The main shareholders' rights regarding GMS are:

➤ *The right to notice regarding a new GMS*

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

➤ *The right of access to information*

The documents and informative materials are published on the website.



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

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

➤ *The right to attend the GMS*

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

➤ *Voting right*

Each share registered on the shareholder's name on the reference date confers a voting right in GMS. The shareholders of Rompetrol Rafinare can exercise their vote right as follows:

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

➤ *The right to ask questions*

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

The shareholders have the right to participate effectively and to vote within the GMS and to be informed related to the rules, including the voting procedures, governing the GMS. Each share gives the right to one voting right, one dividend. There is no preferential shares without the right of vote or shares that confer the right to more than one vote.



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***Shareholders' right to dividends***

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

**6.9. OTHER ELEMENTS REGARDING THE CORPORATE GOVERNANCE**

**6.9.1. TRANSPARENCY, COMMUNICATION AND REGULAR AND CONTINUED REPORTING**

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

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

Rompetrol Rafinare grants special importance to the communication and information of shareholders and investors. During year 2020, reports, presentations and press releases related to the financial results, the summoning of the General Meeting of Shareholders and the resolutions adopted by General Meeting of Shareholders, periodical reports (quarterly, semester, annual), significant transactions, etc. were issued. The information included in the current and periodic reports was communicated to the market operator, the Bucharest Stock Exchange, the Financial Supervisory Authority and was made available by posting on the Company's website, [www.rompetrol-rafinare.ro](http://www.rompetrol-rafinare.ro) at the Investor Relations section. The information is disseminated in both Romanian and English.

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

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



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

## **6.9.2. CORPORATE SOCIAL RESPONSIBILITY (CSR) 2020 AND NON-FINANCIAL STATEMENT**

### **Sustainability**

Rompetrol Rafinare S.A, a company member of KMG International Group, is mainly focused to conducting operations in a safe, ethical and aware manner, in terms of social matters, reducing the impact on the environment as much as possible. These issues are integrated in our strategy and are included in our operational processes, from planning to taking decisions and implementation. The initiatives to encourage the innovation and continual progress emphasize these aspects even more, bringing efficiency and sustainability for the whole company at all times. Our social responsibility and sustainability are our core principles guiding us in the development of our business strategy and operations administration.

Being part of KMG International Group, Rompetrol Rafinare adhered to the Group's Sustainability Strategy.

### **Non-financial statement**

According to the legal regulations related to the non-financial information, Rompetrol Rafinare publishes a distinct Sustainability Report, including the information requested by the non-financial statement.

The Sustainability Reports published by Rompetrol Rafinare, are issued by KMG International Group and comprise the detailed information both on the member companies and related to Rompetrol Rafinare describing the intentions of KMG International Group on sustainability. The Sustainability Report of KMG International Group for year 2020 will be published until 30 June 2021 both on the website of the parent company <https://kmginternational.com>, and on its own website [www.rompetrol-rafinare.ro](http://www.rompetrol-rafinare.ro), at a distinct section dedicated to Sustainability Reports, found at section "Relation with Investors", sub-section "Financial results and Reports / Sustainability Reports".



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**Social impact of Rompetrol Rafinare in 2020**

**Approach**

2020 was an extremely challenging year. The COVID-19 pandemic surprised the entire world and entire communities were caught in a battle with an invisible, but deadly enemy. This was a real turning point in the mankind history and a milestone for the long-lasting development and the future of our communities.

The crisis situations are a solidarity and social responsibility test, both for the civil society and for the companies, and this pandemic is a major crisis that changed our lifestyle, the way we work, the way we are. Despite of the extended social distancing, this was a year in which we got closed faster and stronger than never.

This pandemic changed the plans from the beginning of the year, part of the funds being directed to the actual and urgent needs of the health system and of the medical staff. However, we adapted quickly and we continued or adjusted most of the long-term projects to match the actual reality.

Together with the volatile market context, the COVID-19 Pandemic triggered a significant pressure on the activity of Rompetrol Rafinare. However, the company member of KMG International Group, found the resources to support the efforts for fighting against the SARS-CoV-2 virus, by donations, special projects and by social and educational involvement.

Firstly, the fuel produced in Petromidia refinery was used to support the activity of the health system and also the activity of the authorities, as follows:

- 37,000 litres of fuel reached the County Ambulance Service of Constanța, to support the daily activity, that registered a significant increase because of the apparition of the virus;
- 6,500 litres of fuel were delivered to the public administrations of Chisinau and other localities directly in charge with the disinfection of public places, delivery and provision of medical products and equipment and with the transfer of the medical staff to hospitals and their homes;
- 10,000 litres of fuel were used to help local authorities and professionals in the health field in their fight against the spread of the new coronavirus;
- 60,000 litres of fuel were donated to the Coordination Centre of the Emergency Situations of Georgia to limit the COVID-19 pandemic.

Then, Rompetrol Rafinare, by its petrochemical division within Petromidia refinery, succeeded in developing successfully a new sort of polypropylene dedicated to protection medical masks. This one ensures the middle layer of the mask, the most important for filtering and protecting against pathogen agents.





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Among the benefits provided by RMB30H, we can mention a high capacity of filtering of more than 98%, a flow rate for melting of the finished product up to 1,500 grams/10 minutes depending on the processing temperature, a diameter ranging between 1 – 5 microns for the resulted fibres, and inodorous /odourless – a very important property for the protection masks or filtering systems.

RMB30H is meant particularly to obtain filtering material, and for other applications in the medical products area (protection masks, disposable equipment - sheets, hoods, wipes, etc.) or the industrial area (high absorption rate professional filters).

Through the efforts of Rompetrol Rafinare, Romania became an important source in the region for the supply of raw materials necessary in the production of medical materials.

As regards education, the 2020 internship program was also developed in the companies member of KMG International, particularly in Petromidia and Vega refineries. Despite of the difficult context, that limited the physical presence of the 55 young men on the industrial platforms, the program was continued successfully, by implementing the online working modality. After the two months of internship, young people were integrated in Petromidia and Vega refineries, following the success of the training program they attended.

The story of our Internship program is not just about the professional development of the future professionals, but also about their personal development. The energy, curiosity and enthusiasm are paramount features defining a young man at the beginning of his career. Thus, during two months, the future specialists had the opportunity to strengthen their technical knowledge, and by numerous online interactive workshops, they could develop some specific skills such as communication, empathy, adaptability and active listening, so necessary in a constantly changing environment.

From the practical point of view, the trainees had the opportunity to take the pulse of the refinery under a dynamic and complex manner, participating in various actions on Vega and Petromidia platforms together with their mentors, validating the knowledge acquired within the online sessions.

As regards arts and culture, an exhibition was organized in 2020 about the history of Vega Refinery. This way, in the spring of year 2020, an exhibition took place to present the evolution of Vega refinery, integral part of the history of Ploiești as the city of "black gold", within the County Museum of Natural Sciences of Prahova, the only Romanian institution of culture dedicated to oil.

Based on the information submitted, by means of the documents and three-dimensional objects within din museum patrimony as well as by objects belonging to Vega refinery, the exhibition presented important moments of the historic evolution of one of the oldest Romanian refinery.



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### ***6.9.3. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCEDURES***

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

The Company's commitment to integrity, responsibility and ethical conduct is particularly important in the area of bribery and corruption prevention and detection.

Rompetrol Rafinare is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Company adopts an approach of zero - tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates.

Whistleblowing incidents are taken very seriously by the Company and its directors. Any complaints or allegations received are investigated properly by the assigned departments. Rompetrol Rafinare has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. The internal investigations conducted during 2020 up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations.

### ***6.10. REPORTED LEGAL DOCUMENTS***

Rompetrol Rafinare reported the legal documents concluded during 2020 by the Company pursuant to art. 82 of Law 24/2017 and to art. 92<sup>3</sup> of Law no. 24/2017, by the current Reports registered with the Company under no. 4244/25 June 2020, no. 4722/17 July 2020 and no. 5028/29 July 2020. The





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Company also reported the transactions with related parties pursuant to art. 92<sup>3</sup> of Law no. 24/2017 having a value higher than 5% of the net assets of the Company according to Reports no. 223/12 January 2021 and no. 569/28 January 2021. The reports were submitted to the market operator (respectively to the Bucharest Stock Exchange), published on the website of FSA ([www.asfromania.ro](http://www.asfromania.ro)) under section: supervision/Capital market/Electronic reporting as well as on the site [www.rompetrol-rafinare.ro](http://www.rompetrol-rafinare.ro) under section Investor Relations /Financial Reports, subsection Current Reports.

## **6.11. EVENTS SUBSEQUENT TO THE BALANCE SHEET**

### ***Changes in the Management of the Company***

By the Decision adopted on 16 December 2020, the Board of Directors of RRC approved the appointment of the Chief Financial Officer of the Company, Mrs. Ramona-Georgiana Gălățeanu, starting with 1 January 2021, for a mandate that will expire on 30 April 2022.

### ***Changing the name of a significant shareholder***

Based on Government Emergency Ordinance No 212/2020, the Ministry of Energy was established by taking over the activities, related staff and corresponding energy assets from the Ministry of economy, Energy and the Business Environment, among which the field of oil and natural gas and derivatives processing.

Subsequently, under this governmental emergency ordinance, in the Romanian Official Gazette no. 268/17.03.2021, the Government Resolution no. 316/2021, concerning the organization and functioning of the Ministry of Energy, appeared. Annex 2 of this decision lists the units under the authority of the Ministry of Energy. Among these companies is also Rompetrol Rafinare SA.

This restructuring at the level of the central administrative apparatus of the State, by setting up the Ministry of Energy, determine, as provided for in the abovementioned normative document, the necessity to update the RRC Articles of Incorporation in order to replace the term “Ministry of economy, Energy and Business Environment” by the “Ministry of Energy”, to comply with the new legal provisions.

Whereas the amendment of the Articles of Incorporation of RRC is an attribution of the Extraordinary General Meeting of Shareholders, Rompetrol Rafinare will convene the Extraordinary General Meeting of Shareholders for amending and updating the Articles of Incorporation with amendment and updating of identifying significant shareholder Romanian State represented by the Ministry of Energy.



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### *Other information*

Facility granted to Rompetrol Rafinare S.A. by KMG International N.V. in amount of up to USD 250 million has been fully repaid on 18 February 2021. The facility has not been extended.

The Company's net assets (amounting to RON 1,336 million as at 31 December 2020) have decreased to less than a half of the value of share capital (amounting to RON 4,410 as at 31 December 2020) and the Company's executive management and Board of Directors intend to resolve this situation of the relation between Company's net assets and its share capital, within the timeframe stipulated by the law, based on the stipulations of art.153.24 of company Law no.31/1990, as subsequently amended and in accordance with the statutory decisions adopted.

### *Description of the policies and goals of the company regarding the risk management*

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

### *Financial Agenda proposed for year 2021*

Financial agenda	Date
Period closed *	27 January 2021 - 25 February 2021
<b>Presentation of preliminary, individual and consolidated results for the year 2020 and QIV 2020</b>	<b>26 February 2021</b> <i>Friday</i>
Period closed *	29 March 2021 - 27 April 2021
<b>Ordinary General Meeting of Shareholders for approving financial results for the year 2020</b>	<b>28 April 2021 (first convocation)/</b> <b>29 April 2021 (second convocation)</b> <i>Wednesday / Thursday</i>
<b>Release of the 2020 Annual Report</b>	<b>29 April 2021</b> <i>Thursday</i>
Period closed *	17 April 2021 - 16 May 2021
<b>Presentation of the results recorded during the First Quarter of 2021</b>	<b>17 May 2021</b> <i>Monday</i>
Period closed *	14 July 2021 - 12 August 2021



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<b>Presentation of the results recorded during the First Semester and Second Quarter of 2021</b>	<b>13 August 2021</b> <i>Friday</i>
Period closed *	16 October 2021 - 14 November 2021
<b>Presentation of the results recorded during the Third Quarter and January – September 2021</b>	<b>15 November 2021</b> <i>Monday</i>
<b>Phone conferences and / or meetings with investors and financial analytics, as the case may be</b>	<b>Upon request</b>

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

**Contact for the relationship with investors**

The annual, half-yearly and quarterly Reports shall be made available to the shareholders, upon their request. Requests may also be carried out in electronic format, by e-mail sent to the address:

[Investor.Relations.RRC@rompetrol.com](mailto:Investor.Relations.RRC@rompetrol.com).



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## 7. STATEMENTS AND SIGNATURES

*Based on the best information available, we hereby confirm that the Individual Financial Statements prepared according to the Order of the Minister of Public Finance no. 2844/2016 for approving the accounting regulations conform to the International Financial Reporting Standards, not audited and the Consolidated Financial Statements prepared in accordance with the applicable accounting standards (International Financial Reporting Standards ("IFRS") approved by the European Union), provide a true correct image regarding the Financial Position of the Company and its subsidiaries respectively included in the process of consolidating the financial statements ("RRC Group"), the Financial Performance and Cash Flows for the financial year 2020. This Report, prepared in accordance with the provisions of Article 63 of Law no. 24/2017 regarding the issuers of financial instruments and market operations and Annex no. 15 of Regulation no. 5/2018 issued by the Financial Supervisory Authority, for the financial year ended as at 31 December 2020, contains accurate and factual information regarding the development and performance of the Company and the RRC Group, as well as a description of the main risks and uncertainties specific to the activity carried out.*

### BOARD OF DIRECTORS:

**Chairman**  
**Yedil Utekov**

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**Member**  
**Alexey Golovin**

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**Member**  
**Nicolae Bogdan Codrut Stănescu**

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**Member and General Manager**  
**Felix Crudu-Tesloveanu**

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 Felix Crudu-Tesloveanu  
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**Member**  
**Bogdan-Cătălin Steriopol**

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 Bogdan-Cătălin Steriopol  
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**Financial Manager**  
**Ramona-Georgiana Gălățeanu**

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 Ramona Gălățeanu  
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## 8. ANNEXES

### ***ANNEX 1 – Amendments to the Articles of Incorporation of the Company***

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

During 2020, one amendment and update of the Articles of Incorporation of the Company occurred.

According to Decision no. 4/2020 adopted by the Extraordinary General Meeting of Shareholders dated 29 April 2020, the amendment of the Articles of Incorporation of RRC was approved.

Thus, sub-paragraph 2 of article 1 named “Shareholders”, paragraph 1.1., letter A. “Significant shareholders” of the Articles of Incorporation of the Company is amended, in the sense they recorded the transfer carried out by Depozitarul Central Bucharest of the shares held by the Romanian State issued by Rompetrol Rafinare, from the account of the Romanian State by the Ministry of Energy to the account of the Romanian State by the Ministry of Economy, Energy and Business Environment following the putting into application of the provisions of the Government Emergency Ordinance no. 68/2019.

The amended form of sub-paragraph 2 article 1, paragraph 1.1. of the Articles of Incorporation is the following:

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

The Articles of Incorporation valid on the issue date of this report was updated on 30 April 2020 and can be consulted on the Company website at section Relation with Investors sub-section Corporate Governance.



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

During the reported year, the following resignation acts occurred among the members of the Board of Directors: Mr. Mihai-Liviu Mihalache resigned from the position of member of the Board of Directors starting with 4 June 2020 and Mr. Saduokhas Meraliyev requested to waive of the position of chairman of the Board of Directors and director of the Company starting with 1 October 2020.

During the year subject to analysis, the request of Mr. Mircea-Ștefan Stănescu to waive of the position of Chief Financial Officer of the Company, starting with 1 January 2021.

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



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***ANNEX 3 - List of work points of Rompetrol Rafinare***

At the end of the year 2020, the company holds two work points, namely:

- i) Work point located in Năvodari, Bulevardul Năvodari, nr. 1 - 283, județul Constanța;
- and
- ii) Work point located in Ploiești, str. Văleni nr. 146, județul Prahova, which carries out its activities in the space which is owned by the Company, called "Rompetrol Rafinare - Work Point Vega Refinery".





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***Annex 4 – List of ROMPETROL RAFINARE subsidiaries***

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

- **Rompetrol Logistics S.R.L.** (with registered office in Ploiești, str. Basarabilor, nr. 7, județul Prahova, registered with the Trade Register under number J29/2556/16.09.2008, having Tax Identification Number RO 14156698).

The main business object of Rompetrol Logistics S.R.L. is *Freight rail transport* - NACE code 4920.

- **Rompetrol Petrochemicals S.R.L.** (with registered office in Năvodari, Bulevardul Năvodari, nr. 215, Pavilion Administrativ, cam. 21, registered with the Trade Register under number J13/2681/09.12.2002, having Tax Identification Number RO15077797).

The main business object of Rompetrol Petrochemicals S.R.L. is *Manufacture of plastics in primary forms* - NACE code 2016.

- **ROM OIL S.A.** (with registered office in Zărnești, Str. Mare, nr. 1, Parter, județul Brașov, registered with the Trade Register under number J8/549/13.05.1998, having Tax Identification Number RO 10600770).

Starting with 2017, the main business object of ROM OIL S.A. is *Renting and operating of own or leased real estate* - NACE code 6820.

- **Rompetrol Quality Control S.R.L.** (with registered office in Navodari, Bulevardul Navodari nr. 215-Pavilion Administrativ, etaj 2 camera 220, judetul Constanta, registered with the Trade Register under number J13/6775/22.06.2004, having Tax Identification Number RO16542407).

The main business object of Rompetrol Quality Control S.R.L. is *Technical testing and analysis* - NACE code 7120.



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- **Rompetrol Downstream S.R.L.** (with registered office in București, City Gate Northern Tower, Piața Presei Libere nr. 3-5, etaj 2, sector 1, registered with the Trade Register under number J40/1716/24.02.2000, having Tax Identification Number RO12751583).

The main business activity of Rompetrol Downstream S.R.L. is *Retail sale of automotive fuel in specialized stores* - NACE code 4730.

indirectly:

- **Global Security Sistem S.A.** (with registered office in București, strada Constantin Căpitanu, sector 1, registered with the Trade Register under number J40/10517/25.11.1999, having Tax Identification Number RO12452549).

The main business activity of Global Security Sistem S.A. is *Private security activities* - NACE code 8010.

- **Rompetrol Gas S.R.L.** (with registered office in București, strada Piața Presei Libere, City gate Northern Tower, etaj 5, camerele 4 - 5, sector 1, registered with the Trade Register under number J40/11389/12.07.2006, having Tax Identification Number RO18846690).

The main business activity of Rompetrol Gas S.R.L. is *Wholesale of solid, liquid and gaseous fuels and related products* - NACE code 4671.



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***ANNEX 5 – List of Company related parties<sup>31</sup>***

Rompetrol Rafinare S.A. makes part of the KMG International Group <sup>32</sup>.

The parent companies of Rompetrol Rafinare S.A. are the national company Welfare Fund “Samruk-Kazyna” (90%) and the National Bank of Republic of Kazakhstan (10%), companies with registered office in Kazakhstan, entirely owned by the Kazakh State.

The related parties are presented below:

**1. Companies with registered office in Romania**

- Oilfield Exploration Business Solutions S.A.
- Rompetrol Downstream S.R.L.
- Rompetrol Well Services S.A.
- Palplast S.A.
- Rompetrol Logistics S.R.L.
- Rominserv S.R.L.
- Rom Oil S.A.
- Global Security Sistem S.A.
- Uzina Termoelectrică Midia S.A.
- Rompetrol Petrochemicals S.R.L.
- Rompetrol Quality Control S.R.L.
- Rompetrol Financial Group S.R.L.
- Rompetrol Gas S.R.L.
- Midia Marine Terminal S.R.L.
- KMG Rompetrol S.R.L.
- Byron Shipping S.R.L.
- Rominserv Valves Iaifo S.R.L.
- Rompetrol Energy S.A.
- KMG ROMPETROL DEVELOPMENT S.R.L.
- Fondul de Investitii in Energie Kazah-Roman S.A.
- KMG Rompetrol Services Center SRL<sup>33</sup>

<sup>31</sup> At this point there have been listed all of the companies in the KMG International Group

<sup>32</sup> As Rompetrol Group until March 2014

<sup>33</sup> With the old designation of ROMPETROL EXPLORATION & PRODUCTION SRL



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- Rompetrol Drilling S.R.L.<sup>34</sup> – suspended activity

**2. Companies with registered office abroad**

- KMG International N.V.<sup>35</sup>
- Byron Shipping LTD
- Intreprinderea Mixtă “Rompetrol Moldova” S.A.
- Rompetrol Georgia LTD
- Rompetrol France SAS
- Dyneff SAS
- Rompetrol Ukraine LLC - in liquidation
- AGAT LTD. - in liquidation
- KazMunayGas-Engineering LLP<sup>36</sup>
- TRG PETROL TICARET ANONIM ŞİRKETİ
- Rompetrol Bulgaria JSC
- KazMunayGaz Trading A.G.
- Rompetrol Albania Downstream Sh.A - in liquidation
- Rompetrol Albania Wholesale Sh.A - in liquidation
- Rompetrol Albania ShA - in liquidation
- Rompetrol Distribution Albania Sh.A. - in liquidation
- KazMunayGas Engineering B.V.

Note: there are also 11 branch offices and representations of KMG International Group

<sup>34</sup> With the activity suspended between 24.08.2018 – 24.08.2021

<sup>35</sup> Until March 2014, with the name The Rompetrol Group N.V

<sup>36</sup> With the old designation of Rominserv Kazakhstan LLC

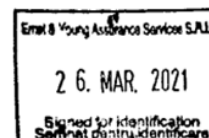


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***ANNEX 6 - Stage of implementation of the Corporate Governance Code of the Bucharest Stock Exchange as at 31 December 2020<sup>37</sup>***

Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
<b>A.1.</b> All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES		
<b>A.2.</b> Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		

<sup>37</sup> The statement makes a summary of the main provisions of the Code. For the full text of the Code, please visit the website of the Bucharest Stock Exchange [www.bvb.ro](http://www.bvb.ro)

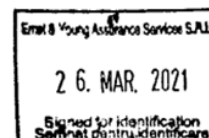



**rompetrol**

 KazMunayGas  
International  
Group Member

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<b>Provisions of the Corporate Governance Code</b>	<b>Compliance</b>	<b>Not compliant or partial compliant</b>	<b>Reason for the non-compliance</b>
<b>A.3.</b> The Board of Directors or the Supervisory Board should have at least five members.	YES		
<b>A.4.</b> The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a statement that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice.	YES		
<b>A.5.</b> A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		
<b>A.6.</b> Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly,	YES		

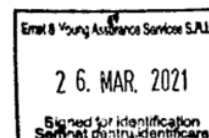



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shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.			
<b>A.7.</b> The company should appoint a Board Secretary responsible for supporting the work of the Board.	YES		
<b>A.8.</b> The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the Chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		NO	The company will develop a policy/guidance concerning the Board's evaluation, including the purpose, criteria and frequency of the evaluation process.
<b>A.9.</b> The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		
<b>A.10.</b> The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES		
<b>A.11.</b> The Board of Premium Tier companies should set up a nomination committee formed of nonexecutives, which will lead the		N/A	The company is included in the Standard category.



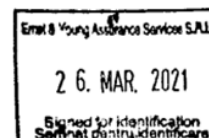



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process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.			
<b>B.1.</b> The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the Chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
<b>B.2.</b> The audit committee should be chaired by an independent nonexecutive member.	YES		
<b>B.3.</b> Among its responsibilities, the audit committee should undertake an annual assessment of the internal control system.	YES		
<b>B.4.</b> The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal	YES		

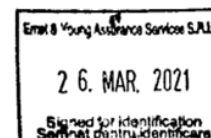



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control failings or weaknesses and their submission of relevant reports to the Board.			
<b>B.5.</b> The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		Partial compliance	The requirement will be implemented in 2021
<b>B.6.</b> The audit committee should evaluate the efficiency of the internal control system and risk management system.	YES		
<b>B.7.</b> The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
<b>B.8.</b> Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
<b>B.9.</b> No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
<b>B.10.</b> The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit		NO	To be implemented in 2021

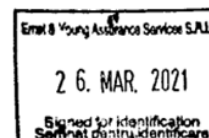



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committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.			
<b>B.11.</b> The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
<b>B.12.</b> To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		
<b>C.1.</b> The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.			The Company established the remuneration Policy according to art. 92 <sup>1</sup> of Law no. 24/2017. During the OGMS scheduled for 28/29 April 2021, the Company shall refer to approval the remuneration Policy of the directors.
<b>D.1.</b> The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the	YES		





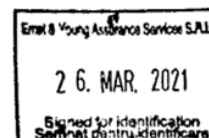
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general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:			
<ul style="list-style-type: none"> <li>• <b>D.1.1.</b> Main corporate regulations: the articles of association, general shareholders' meeting procedures;</li> </ul>	YES		
<ul style="list-style-type: none"> <li>• <b>D.1.2.</b> Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and nonexecutive Board positions in companies and non-for-profit institutions;</li> </ul>	YES	Partially compliant	The recommendation is not implemented as concerns other professional commitments of the Board's members, including executive and non-executive positions in boards of directors of other companies or non-profit institutions. It will be implemented.
<ul style="list-style-type: none"> <li>• <b>D.1.3.</b> . Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;</li> </ul>	YES		
<ul style="list-style-type: none"> <li>• <b>D.1.4.</b> Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their</li> </ul>	YES		



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professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;			
<ul style="list-style-type: none"> <li><b>D.1.5.</b> Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;</li> </ul>	YES		
<ul style="list-style-type: none"> <li><b>D.1.6.</b> The name and contact data of a person who should be able to provide knowledgeable information on request;</li> </ul>	YES		
<ul style="list-style-type: none"> <li><b>D.1.7.</b> Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports.</li> </ul>	YES		
<b>D.2.</b> The Company shall have an annual dividend distribution policy or related to other benefits to the shareholders, proposed by the CEO or the Management Board and adopted by the Board, as a set of guidelines the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders should be published on the corporate website.	YES		
<b>D.3.</b> The company will adopt a policy with respect to forecasts, whether they are distributed or not. Forecasts refer to the quantified conclusions of studies aimed at determining the total impact of a list of		NO	The requirement will be implemented.

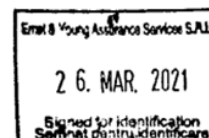



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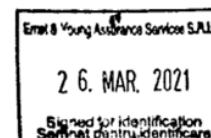
Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.			
<b>D.4.</b> The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
<b>D.5.</b> The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		The external auditors are invited to GMS when their reports are submitted within these meetings.
<b>D.6.</b> The Board will present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		





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<b>D.7.</b> Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES		
<b>D.8.</b> The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		
<b>D.9.</b> A company will organize at least two meetings /conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		Partially compliant	The regular reporting of the company disclosing financial information is considered complete, highly transparent and relevant in terms of the information needed for investment decision-making. The organization of such events will be established as requested by investors.






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<b>D.10.</b> If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	YES		

Legend:

GMS = General Meeting of Shareholders

BoD = Board of Directors

CV = Curriculum Vitae

**Chairman of the Board of Directors**  
**Yedil Utekov**

DocuSigned by:  
 Yedil Utekov  
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