



ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2020

The figures for 2020 include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS”). Consolidated financial statements of Rompetrol Rafinare Group include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

Romp petrol Rafinare S.A., Member Company of the KMG International Group, operates Petromidia Refinery located in Navodari, Constanta County. Starting with December 1, 2007, the company also operates Vega Refinery, located in Ploiesti, Prahova County.

Starting with January 1, 2014, Rompetrol Rafinare S.A. took over the operational facilities (polymer production and utilities) of Rompetrol Petrochemicals S.R.L.

The company processes a variety of crude oils with different content of sulphur. The crude oil feeding is carried out mainly through the marine terminal built by the KMG International Group, close to Petromidia Refinery, and the rest is carried out through Oil Terminal facilities in Constanta port. The products obtained can be delivered by railway, road and by sea.

At the end of 2008 the company also finalized the operations for the 350% expansion of the transit capacity for finished products through Midia harbor, by building two new loading and offloading berths, Berth 9B and Berth 9C. In 2012 Rompetrol Rafinare SA completed the extensive process of modernization that allowed expanding refining capacity to 5 million tonnes/year and efficient production and focus on the petroleum products required by the market.

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

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

In 2020, the major Turnaround in Refinery performed during the pandemic period (starting in March and continued until the beginning of May), has been done with zero incidents showing excellent capabilities in risk prevention.

The number of employees of Rompetrol Rafinare S.A. and its subsidiaries at the end of 2020 was 1,848.

The company employs best practices for attracting, retaining and motivating its employees, who are the principal contributors to the development of the Group. The company is fully committed to its responsibilities for their development and for the communities in which it operates.

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COMPANY SHARES AND LISTING

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

The Company's shares are traded on BVB Standard category. On 31.12.2020, the total number of shares issued by the Issuer is 44,109,205,726, representing a total share capital of 4,410,920,572.6 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti.

The activity carried out by RRC in 2020, as issuer of securities on the Romanian capital market, is presented as follows:

- in 2020, there were a total number of 1,630 transactions with RRC shares, with an average daily number of 7 transactions;
- the total volume of RRC shares traded was 33,117,257 shares;
- the value of transactions in 2020 with RRC shares was 1,372,060 lei;
- the RRC transactions in 2020 were concluded only on the REGS market;
- the price of a share during the year 2020 was between a maximum value of 0.051 lei and a minimum of 0.0315 lei, decreasing from the values registered in 2019 when the maximum value was 0.0525 lei and the minimum value of was 0.0425 lei, respectively decreasing as compared to the values registered in 2018 when the maximum value was 0.06 lei and the minimum value was 0.044 lei.

The market capitalization on the last trading day of 2018, 2019 and 2020 is presented in the table below:

| The Rompetrol Rafinare shares | 2018 | 2019 | 2020 |
|---|----------------|----------------|----------------|
| Number of shares | 44,109,205,726 | 44,109,205,726 | 44,109,205,726 |
| Stock exchange capitalization, mil. lei ¹ | 2,108.42 | 2,205.46 | 1,940.81 |
| Stock exchange capitalization, mil. Euro ² | 452.07 | 461.54 | 398.16 |
| Maximum price, lei ³ | 0.06 | 0.0525 | 0.051 |
| Minimum price, lei ⁴ | 0.044 | 0.0425 | 0.0315 |
| Price at the end of the year, lei | 0.0478 | 0.05 | 0.044 |

¹ Calculated on the basis of the price of the share on the last transaction day of the year under consideration, respectively on December 30th 2020;

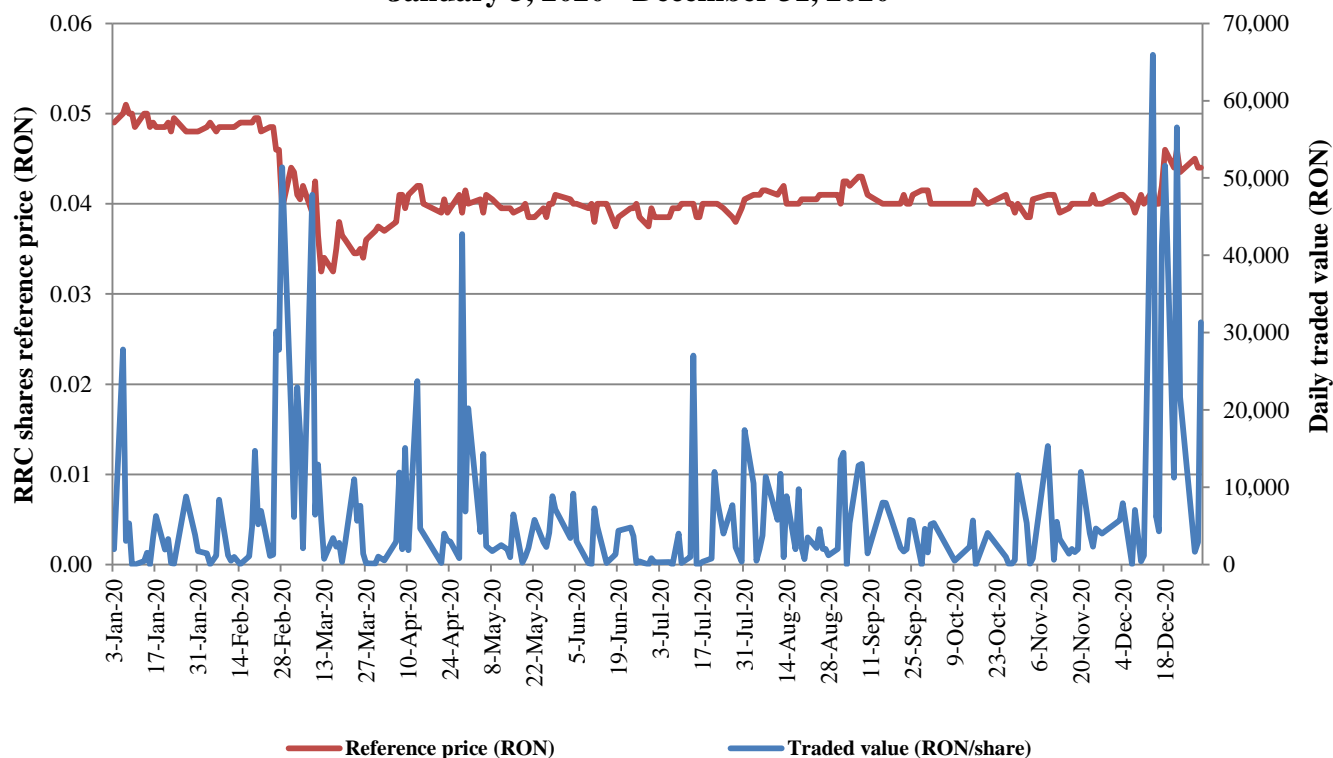
² Calculated at the euro exchange rate (4.8744) of the last trading session of the year under consideration, respectively December 30th 2020;

³ Recorded on January 7th 2020, April 1st and December 16th 2019, respectively February 16th 2018;

⁴ Recorded on March 13th 2020, May 16th 2019, respectively September 3rd 2018.



Evolution of the reference price and traded value of RRC shares between January 3, 2020 - December 31, 2020



WEIGHTED AVERAGE PRICE

Weighted Average Price of RRC shares during 2020 = 0.041430355 lei/share;

The volume traded in December 2020 represents 22.35% of the entire volume traded in 2020 (total traded volume in 2020 = 33,177,257 shares).

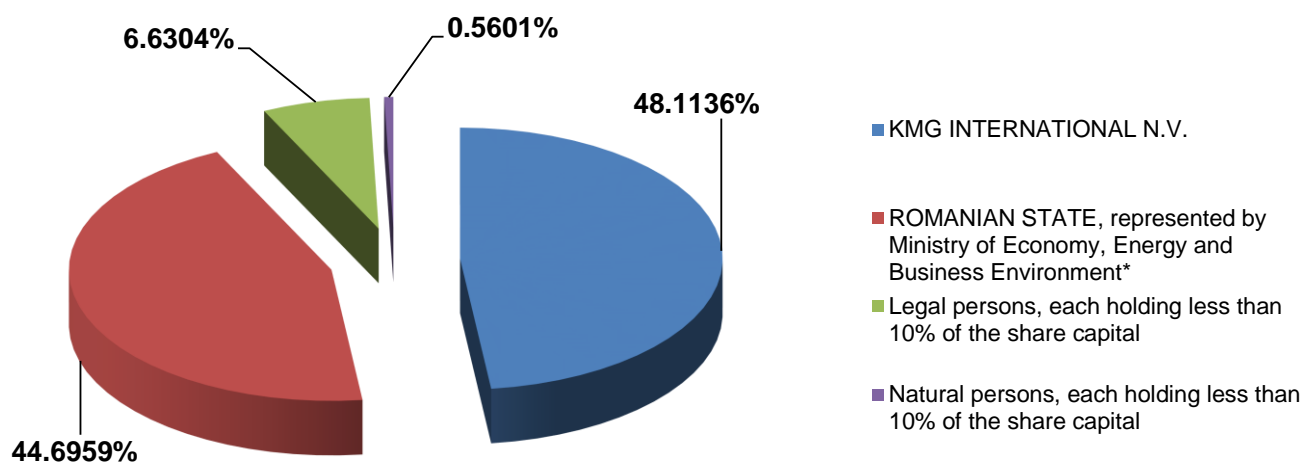
ROMPETROL RAFINARE SHAREHOLDERS STRUCTURE

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

According to the Shareholders' register consolidated on December 31, 2020, the structure of the Company's significant shareholders is presented in the following graph:



The structure consolidated by the Depozitarul Central S.A. on 31.12.2020



Note:

At 31 December 2020, the shareholders of KMG International Group own a number of 24,098,569,799 shares, representing 54.6339% of the share capital.

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

COMPANY'S OWN SHARES

At 31.12.2020, ROMPETROL RAFINARE S.A. held a number of own shares of 6,134,701 having a nominal value of RON 0.10 per share and a total value of RON 613,470.10, which represents 0.0139% of Company's share capital.

The Company did not trade (by acquiring or selling) its own shares during 2020.

In 2020, Rompetrol Rafinare did not redeem or cancel its own shares.

THE NUMBER AND NOMINAL VALUE OF THE SHARES ISSUED BY THE PARENT COMPANY, OWNED BY SUBSIDIARIES

In 2020, the subsidiaries of the company have not held shares issued by Rompetrol Rafinare.

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THE FINANCIAL CALENDAR PROPOSED FOR THE YEAR 2021

| Financial Calendar | Date |
|--|--|
| Closed period* | January 27 th 2021 – February 25 th 2021 |
| Presentation of the preliminary, unaudited, individual and consolidated results of the year 2020 and fourth Quarter of 2020 | Friday, February 26th, 2021 |
| Closed period* | March 29 th 2021 – April 27 th 2021 |
| Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2020 | Wednesday, April 28th, 2021 (first meeting) Thursday, April 29th, 2021 (second meeting) |
| Publication of the 2020 Annual Report | Thursday, April 29th, 2021 |
| Closed period* | April 17 th 2021 – May 16 th 2021 |
| Presentation of the results recorded during the first quarter of 2021 | Monday, May 17th, 2021 |
| Closed period* | July 14 th 2021 – August 12 th 2021 |
| Presentation of the results recorded during the first semester and second quarter of 2021 | Friday, August 13th, 2021 |
| Closed period* | October 16 th 2021 – November 14 th 2021 |
| Presentation of the results recorded during the third quarter of 2021 and between January – September 2021 | Monday, November 15th, 2021 |
| Telephone conferences and / or meetings with investors and financial analysts, as appropriate | On request |

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

CORPORATE GOVERNANCE

Corporate Governance Report of Rompetrol Rafinare S.A. for the year 2020 it is drawn up on the basis of the Corporate Governance Code ("CGC" or "the Code"), of Law no. 24/2017 regarding the issuers of financial instruments and market operations, of the regulations and instructions issued by the Financial Supervisory Authority - "Autoritatea de Supraveghere Financiara ASF" and of the stock exchange regulations.

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

In 2020, Rompetrol Rafinare continued the process of implementing good corporate governance practices so that the internal practices correspond qualitatively to the new requirements in respect of companies admitted to trading at BVB.

SUSTAINABILITY REPORT

The report of the Board of Directors does not include the sustainability report, which will be submitted at a later date than the date of approval of the Financial Statements by the Board of Directors.

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PRESENTATION OF THE COMPANY'S ADMINISTRATORS

The Board of Directors is responsible for fulfilling all the measures necessary for the development of the Company's activity, as well as for supervising the activity. Its composition, organization, attributions and responsibilities are established by the Articles of Incorporation of the Company, available on our website (www.rompetrol-rafinare.ro, Investor Relations / Corporate Governance section, Corporate Governance Documents subsection).

As of December 31, 2020, the composition of the Board of Directors was as follows:

- **Yedil Utekov**, citizen of the state of Kazakhstan, Chairman of the Board of Directors;
- **Alexey Golovin**, citizen of the state of Kazakhstan, member of the Board of Directors;
- **Felix Crudu-Tesloveanu**, Romanian citizen, executive member of the Board of Directors, also exercising the position of General Manager of the Company (starting with January 1, 2020);
- **Nicolae Bogdan Codrut Stanescu**, Romanian citizen, member of the Board of Directors;
- **Bogdan-Catalin Steriopol**, Romanian citizen, member of the Board of Directors.

Advisory committees

In its activity, the Board of Directors is supported by two advisory committees, namely: the Audit Committee and the Strategy Committee, being responsible for conducting analyses and developing recommendations for the Board of Directors, in specific areas, having the obligation to submit periodically activity reports to the members of the Board of Directors.

Audit Advisory Committee

The Committee was set up on the basis of Decision no. 1 of the Board of Directors of April 13, 2018.

Strategy Advisory Committee

The Committee was set up on the basis of Decision no. 4 of the Board of Directors of April 20, 2019.

The detailed presentation of the attributions and responsibilities of the Advisory Committees can be found in the Organization and functioning Regulations approved by the Board of Directors, regulations published on the Company's website www.rompetrol-rafinare.ro, section Investor Relations - Corporate Governance - Corporate Governance Documents.

INFORMATION ON THE GENERAL MEETING OF SHAREHOLDERS AND THE SHAREHOLDERS' RIGHTS

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

The General Meeting of the Shareholders ("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.

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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 mandatory by the law, and includes the following main tasks:

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

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

The Extraordinary General Meeting has the following tasks:

- a) to change the Company's legal form;
- b) to move the headquarters of the company;
- c) to change the company's object of activity;
- d) to set up or to dissolve secondary offices: branch offices, agencies, representations or any other such units without legal personality;
- e) to extend the company duration;
- f) to increase the share capital;
- g) to reduce the share capital or to replenish it by the issue of new shares;
- h) merger with other companies or the division of the company;
- i) the company's anticipated dissolution;
- j) conversion of shares from one category to another;
- k) conversion of one category of bonds into another one or into shares;
- l) issue of bonds;
- m) any other change of the Articles of Incorporation or any other decision for which the extraordinary general meeting consent is required;

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

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

Summoning, operation, voting process as well as other provisions regarding the GMS are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A. as well as in the "Regulations on the conduct of the General Meeting and the observance of the rights of the shareholders of Rompetrol Rafinare S.A." published on the Company's website, in the section Investor Relations - Corporate Governance - Corporate Governance Documents.



SHARES AND THE SHAREHOLDERS RIGHTS

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

All holders of RRC shares are treated fairly. All issued shares confer 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 as an effect the acquisition of the status of shareholder of the company with all their rights and obligations derived therefrom, according to the law and to the Articles of Incorporation.

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

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, in relation with the percent of shares held within the Company.

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

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

The main shareholders' rights regarding GMS are:

- *The right to notice regarding a new GMS*

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



➤ *The right of access to information*

RRC publishes the documents and informative materials on its website.

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

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

➤ *The right to participate at the GMS*

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

➤ *Voting right*

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

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

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

➤ *The right to ask questions*

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

Shareholders have the right to participate effectively and vote in the GMS and to be informed of the rules, including voting procedures that govern the GMS. Each share confers a voting right, a dividend. There are no preferential shares without the right to vote or shares that confer the right to more than one vote.

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.



INVESTOR RELATIONS CONTACT

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

Investor.Relations.RRC@rompetrol.com.

STRATEGY

In 2020 the Group has updated the medium-term development Strategy. The strategy assessed development perspectives of the oil and gas industry and the current trends in the downstream sector, both in the region and internationally. It is reaffirming the confidence that the downstream business will remain highly attractive in the mid-term, especially in the CEE/Mediterranean/Black Sea areas.

The Group has a strong position and assets in CEE and is optimally positioned to capture the positive market trends in the mid-term. As a result of modernization and major historical investments, Petromidia refinery stands in the top-quartile state and performance of versus its direct competitors. Thus, in the following period the main investment focus would be on the retail network development in Romania, in projects aimed for energy efficiency and sustainable development.

The Group's commitment to the chosen direction of growth, by maximizing the economic value through access to end consumers of products manufactured by the Group. KMG International relies on four synergic pillars:

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

OUTLOOK FOR 2021

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

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

From the production perspective, in 2021, the Group has the following expectations:

- ✓ Total feedstock planned to be processed by Petromidia refinery in 2021 is 6.36 million tonnes (or 17.9 ktonnes/day);
- ✓ White products yield of 87%, higher by 1.07% versus 2020.
- ✓ Downstream Romania Non-Fuel Margin performance 2021 targeted at USD 29.9 million, +10% versus 2020 and +USD 5 million or 20% above 2019 actual performance.

Based on the Group's budget for 2021, it's Medium-Term Development Strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.



FINANCIAL HIGHLIGHTS – CONSOLIDATED

| | 2020 | 2019 | % | 2020 | 2019 | % |
|----------------------------|---------------|---------------|------|----------------|----------------|------|
| Financial | USD | USD | | RON | RON | |
| Gross Revenues | 3,465,662,381 | 5,186,124,223 | -33% | 13,744,817,002 | 20,568,168,669 | -33% |
| Net Revenues | 2,334,222,534 | 3,844,114,179 | -39% | 9,257,526,570 | 15,245,756,834 | -39% |
| EBITDA | 2,566,542 | 131,130,649 | -98% | 10,178,906 | 520,064,154 | -98% |
| EBITDA margin | 0.1% | 3.4% | | 0.1% | 3.4% | |
| EBIT | (127,951,017) | 24,234,045 | N/A | (507,453,733) | 96,112,220 | N/A |
| Net profit / (loss) | (198,587,392) | (48,977,553) | 305% | (787,597,599) | (194,244,978) | 305% |
| Net Profit / (loss) margin | -8.5% | -1.3% | | -8.5% | -1.3% | |

Rompetrol Rafinare consolidated gross revenues reached over 3.46 billion in 2020, lower by 33% as against full year 2019 as result of lower market quotation vs. similar period last year alongside by lower level sales reached within 2020, with several events to count as factors – cyclical 4 years turnaround activities starting in March and continued in April until the beginning of May, oil & gas market unprecedented volatility and significant market demand drop caused by pandemic control measures.

The company's consolidated results in terms of EBITDA and Net result were affected by the high volatility of oil and gas market environment in the period, mainly triggering significant pressure in the gross refinery margins in 2020, decreasing substantially from the comparison benchmark of 2019 similar period and being affected by the global pandemic context (i.e. 15.2 \$/t vs 39.5 \$/t for full year 2019).



ECONOMIC ENVIRONMENT

| | | 2020 | 2019 | % |
|---------------------------------|-----------|-------|-------|-------|
| Brent Dated | USD/bbl | 41.84 | 64.21 | -35% |
| Ural Med | USD/bbl | 41.58 | 64.19 | -35% |
| Brent-Ural Differential | USD/bbl | 0.26 | 0.02 | 1124% |
| Premium Unleaded 10 ppm FOB Med | USD/tonne | 382 | 595 | -36% |
| Diesel ULSD 10 ppm FOB Med | USD/tonne | 362 | 586 | -38% |
| RON/USD Average exchange rate | | 4.24 | 4.24 | 0% |
| RON/USD Closing exchange rate | | 3.97 | 4.26 | -7% |
| RON/EURO Average exchange rate | | 4.84 | 4.75 | 2% |
| RON/EURO Closing exchange rate | | 4.87 | 4.78 | 2% |
| USD/EURO Closing rate | | 1.23 | 1.12 | 9% |
| Inflation in Romania* | | 2.06% | 4.04% | -49% |

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

Dated Brent decreased by -22.4\$/bbl. (-34.8%) in 2020 as against 2019 and settled to an average of 41.84\$/bbl.

For crude market, the year started with a significant increase in crude oil price due to U.S. and Iran conflict. The price decline intensified by Saudi Arabia price war against Russia, oversupplied markets and unprecedented oil demand shock caused by the COVID-19 pandemic. Dated Brent reached 17.7\$/bbl. on March 31st 2020 - the lowest level in Q1 2020 since 2003, as OPEC's proposal to reduce production was declined by Russia.

Crude oil spot prices continued the movement with a sharp monthly drop in April (-44%) on a continuing growing oil surplus in the spot market. After that, in the 2nd part of Q2, the crude price shifted to an upward trend and finished Q2 at the level of 42\$/bbl. as the OPEC+ approved a 10 mil b/d cut starting with May.

After Q2 recovery, Dated Brent was quite stable during Q3 with some gains as the market was getting closer to the balance with demand gradually rising and helped by hopes for a stimulus deal to shore up the U.S. economic recovery. Meanwhile, in July, OPEC and Russia agreed to ease record oil supply cuts starting August as the global economy slowly recovers from the Coronavirus pandemic but in September the concerns about the market switching to oversupply started to raise.

During Q4, Dated Brent had an upward trend and succeed to surge above 50 \$/bbl. for the first time since early March, fueled by hopes of a faster demand recovery as countries start to roll out COVID-19 vaccines.

In December, OPEC+ members reached a deal to raise production, with a first scheduled increase of 0.5 mb/d in January followed by monthly meetings to decide on the pace of future hikes. This is a slower ramp-up than the previously planned 1.9 mb/d January increase.

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Urals-Dated differential ended Q2 at the level of +2.5\$/bbl. from -5.4\$/bbl. on April, 1st as Russia's oil export remained low at -20%. After that, until end of Q3 it decreased to +0.26\$/bbl. due to decreased heavy oil demand in Asia and rise flow to Europe.

During Q4, the Urals-Dated Brent differential decreased to negative levels of -1\$/bbl. because Libya began exporting heavy oil at the end of September for the first time since January 2020 and based on expectations that OPEC+ will boost the heavy crude production in January 2021.

European margins decreased by -18.6\$/MT (-56%) in 2020 as against 2019 and settled to an average level of 14.85\$/MT.

Refinery margins started 2020 under pressure due to weak diesel and jet cracks. Diesel crack was influenced by mild weather and higher Russian ULSD exports. In the 2nd part of Q1 margins increased on the back of crude price collapse and Urals-Dated Brent differential decrease. Diesel cracks recovered and performed strongly in March with reduced runs on the back of spring maintenance. At the same time, gasoline cracks weakened in Europe to lows last seen in 2008, as global stocks continued to build while jet demand strongly decreased across the aviation sector as borders lockdowns and travel bans was put in place across the world.

Refinery margins decreased during Q2 due to high stocks of products, and an increase in crude oil price based on OPEC production cuts. Diesel cracks collapsed during Q2 as storage was reportedly nearly 100% due to yield switching towards diesel and records exports from Russia and Asia. Gasoline cracks were low as global stocks increased amid a lack of demand and summer driving season did not help due to coronavirus restrictions. Jet cracks went negative in Q2 pressured by strong demand contraction due to the impact of COVID-19 on air travel. About 70% of Jet volume's yields has been shifted to diesel and 30% to gasoline in the refining process.

Refinery margins slightly recovered in Q3 vs Q2 on the back of increasing end-user demand for road fuels and after autumn maintenance season started, however still not at the levels from the beginning of the year. Gasoline cracks increased during Q3 to their highest level since early March (109\$/MT) as gasoline exports to West Africa picked up and regional demand recovered. Meanwhile diesel cracks reached their lowest level since June 1999 (18\$/MT) due to oversupply as exports from Middle East to Europe increased simultaneous with very weak regional demand. Jet fuel consumption remains the hardest hit section of the global oil market as passengers continued to avoid air travel.

During Q4, European refinery utilization rates reduced to 68% (-12.5% year-on-year) have temporarily lifted margins from their summer lows, but the drop in products demand, on the back of further movement restrictions introduced by European governments, has quickly capped those gains. However, in December the cracks increased as mobility indicators showed signs of a fast recovery as most countries eased restrictions for the Christmas holidays and COVID-19 vaccine started to be delivered.

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

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

In Q3 2020 the RON/EUR exchange rate remained quasi-stable in the first two months, facing in September two episodes of more accentuated growth, averaging at 4.8446, and reaching its maximum level of 4.8750 on 25th of September 2020 for full year 2020.



Looking at the average annual exchange rate dynamics in Q4, the national currency (i.e. RON) saw its nominal depreciation increase versus the EURO, but diminish against the US dollar. In Q4 2020 the RON/EUR exchange rate averaged at 4.8714 - the highest average level in the last 5 years.

The National Bank of Romania cut interest rates from 2.50% to 2% in March 2020 in line with other Central Banks to combat pandemic crisis, and a final interest adjustment, was made in August 2020 to 1.5%.

In Romania the inflation remained during 2020 at a level of 2.06%, calculated based on CPI - i.e. Consumer Price Index.

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

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ROMPETROL RAFINARE SA

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REFINING SEGMENT

| | | 2020 | 2019 | % | 2020 | 2019 | % |
|---|-----------------|---------------|---------------|-------|----------------|----------------|-------|
| Financial | | USD | USD | | RON | RON | |
| Gross Revenues | USD/RON | 2,732,749,319 | 4,417,308,906 | -38% | 10,838,083,799 | 17,519,047,121 | -38% |
| Net Revenues | USD/RON | 1,811,028,865 | 3,304,612,063 | -45% | 7,182,540,479 | 13,106,091,442 | -45% |
| EBITDA | USD/RON | (33,378,262) | 108,211,674 | N/A | (132,378,187) | 429,167,499 | N/A |
| EBITDA margin | % | -1.8% | 3.3% | | -1.8% | 3.3% | |
| EBIT | USD/RON | (113,042,913) | 42,799,069 | N/A | (448,328,191) | 169,741,108 | N/A |
| Net profit / (loss) | USD/RON | (186,634,742) | (16,882,860) | 1005% | (740,193,387) | (66,957,423) | 1005% |
| Net profit / (loss) margin | % | -10.31% | -0.51% | | -10.31% | -0.51% | |
| Gross cash refinery margin/tonne (Petromidia) | USD/(RON)/t | 15.2 | 39.5 | -61% | 60.5 | 156.6 | -61% |
| Gross cash refinery margin/bbl (Petromidia) | USD/(RON)/bbl | 2.1 | 5.4 | -61% | 8.3 | 21.6 | -61% |
| Net cash refinery margin/tonne (Petromidia) | USD/(RON)/t | (11.2) | 13.7 | N/A | (44.5) | 54.4 | N/A |
| Net cash refinery margin/bbl (Petromidia) | USD/(RON)/bbl | (1.5) | 1.9 | N/A | (6.1) | 7.5 | N/A |
| Operational | | | | | | | |
| Feedstock processed in Petromidia refinery | thousand tonnes | 4,864 | 6,331 | -23% | | | |
| Feedstock processed in Vega refinery | thousand tonnes | 364 | 436 | -17% | | | |
| Gasoline produced | thousand tonnes | 1,159 | 1,628 | -29% | | | |
| Diesel & jet fuel produced | thousand tonnes | 2,649 | 3,323 | -20% | | | |
| Motor fuels sales - domestic | thousand tonnes | 2,380 | 2,557 | -7% | | | |
| Motor fuels sales - export | thousand tonnes | 1,248 | 2,169 | -42% | | | |
| Export | % | 34% | 46% | | | | |
| Domestic | % | 66% | 54% | | | | |

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

Gross revenues of refining segment reached over USD 2.73 billion in 2020 showing a 38% decrease as against 2019, mainly influenced by the decrease of international oil & gas market quotation evolution of petroleum products, alongside decrease in the volume of products sold, in the context of COVID-19 pandemic.

In 2020, the total throughput for Petromidia refinery was 4.864 million tonnes, lower by 23% year-on-year level if compared with 2019 when the total throughput was 6.331 million tonnes.



In 2020, the refining capacity utilization in Petromidia refinery was 71.8%, lower by 25.7% as compared with previous year.

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

Petromidia refinery managed to achieve 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% as against 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%.

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.

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

Oil Crisis 2020 impacted significantly Rompetrol Rafinare activity and results. Refinery market margin (component of the Profit & Loss gross margin as difference between market quotations weighted at the raw materials consumed and market quotations at sold volumes) was negative at the level of -13 \$/t compared with last year when this indicator reached 25.4 \$/t. Main discrepancy come from Jet A1 with a negative difference in market cracks of -83.3\$/t, also diesel lower cracks by 57 \$/t, gasoline lower by 28.2 \$/t. This differences in market margin generated a significant negative effect in Rafinare results of around USD -143.3 million in 2020 compared with last year.

In addition to above, due to this crisis, Rompetrol Rafinare sales in 2020 decreased by 1.35 million tonnes compared with last year (i.e. up to 4.6 million tonnes), and this generated a negative effect in Rafinare results of around USD -63.1 million.

In these critical market conditions, Rompetrol Rafinare decreased as much possible market effects by insuring deliveries of fuel products to the most valuable distribution channels, mainly Romania market being in the same range as in 2019, and export of fuel oil was reduced. Also, Rompetrol Rafinare adapted the operation of the refinery to optimal valuable products structure, considering refining flexibility to react to the market changes; the main example is decreasing production of Jet A1, with the biggest dropdown in market cracks, and transferred into diesel yields.



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International
Group Member

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 1.14 billion in 2020.

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PETROCHEMICALS SEGMENT

| | | 2020 | 2019 | % | 2020 | 2019 | % |
|---------------------------|-----------------|--------------|--------------|------|---------------|---------------|------|
| Financial | | USD | USD | | RON | RON | |
| Revenues | USD/RON | 149,171,871 | 173,446,415 | -14% | 591,615,640 | 687,888,482 | -14% |
| EBITDA | USD/RON | (26,274,984) | (29,149,694) | -10% | (104,206,587) | (115,607,686) | -10% |
| EBIT | USD/RON | (42,521,116) | (45,222,718) | -6% | (168,638,747) | (179,353,300) | -6% |
| Net profit / (loss) | USD/RON | (32,758,531) | (48,355,331) | -32% | (129,920,335) | (191,777,243) | -32% |
| Operational | | | | | | | |
| Propylene processed | thousand tonnes | 117 | 153 | -23% | | | |
| Ethylene processed | thousand tonnes | 66 | 38 | 73% | | | |
| Total polymers production | thousand tonnes | 143 | 127 | 13% | | | |
| Sold from own production | thousand tonnes | 160 | 162 | -1% | | | |
| Sold from trading | thousand tonnes | 3 | 1 | 275% | | | |
| Total sold | thousand tonnes | 162 | 162 | 0% | | | |
| Export | % | 46% | 41% | | | | |
| Domestic | % | 54% | 59% | | | | |

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

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

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

In 2020, the total polymers production for Petrochemicals area was 143 thousand tons, higher by 13% as against full year 2019 when the total polymers production was 127 thousand tons. The increase in 2020 as against last year is mainly due to operation schedule of LDPE unit in 2020.

The petrochemicals division has successfully developed a new product (RMB30H), a special type of polypropylene dedicated to protective medical masks. It's meant for the middle layer of the mask, the most important layer for filtering and protecting against pathogens.

RMB30H it is mainly used for obtaining filter material, for other applications in the area of medical products (protective masks, disposable equipment) or for industrial areas (professional filters with high absorption rate).

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



MARKETING SEGMENT

| | | 2020 | 2019 | % | 2020 | 2019 | % |
|------------------------------------|-----------------|---------------|---------------|------|---------------|----------------|------|
| Financial | | USD | USD | | RON | RON | |
| Gross Revenues | USD/RON | 2,455,679,338 | 3,078,017,249 | -20% | 9,739,224,255 | 12,207,416,410 | -20% |
| EBITDA | USD/RON | 60,565,576 | 51,571,501 | 17% | 240,203,074 | 204,532,573 | 17% |
| EBIT | USD/RON | 26,129,576 | 28,688,248 | -9% | 103,629,899 | 113,777,592 | -9% |
| Net profit / (loss) | USD/RON | 19,592,252 | 18,662,421 | 5% | 77,702,872 | 74,015,162 | 5% |
| Operational | | | | | | | |
| Fuels quantities sold in retail | thousand tonnes | 799 | 789 | 1% | | | |
| Fuels quantities sold in wholesale | thousand tonnes | 1,190 | 1,296 | -8% | | | |
| LPG quantities sold | thousand tonnes | 351 | 417 | -16% | | | |

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

In 2020 the marketing segment had a turnover of over USD 2.45 billion, lower by 20% compared with 2019; Marketing Segment result performance for full year 2020 reached a level EBITDA of 60.5 million USD (i.e. +17%, or 9 million USD above full year 2019).

In 2020 compared to 2019, the Platt's quotations (FOB Med Italy-mean), expressed in the currency of reference (i.e. USD) were on average by ~ 38% lower for diesel and by ~ 36% lower for gasoline. Due to RON exchange rate against the USD in 2020 being at the same level as 2019 (year on year average), the decrease of the international quotation of diesel and gasoline in the national currency RON was equivalent to the same decrease as in USD.

Overall, fuel sales (retail and wholesale), for full year 2020 amounted to 1.99 million tons, -5% versus full year 2019, as a direct result of two opposite trends – higher sales vs last year in January and February followed by sharp decreases as the two months of lockdown were enforced. Also, the month of June signaled a strong recovery with retail channels over performing as against last year and in Q3 and Q4 2020 total fuel sales being slightly higher as against same periods in 2019.

New stations were open during in 2020, leading to retail improvement, also as a result of extensive development.

As of December 2020, the Rompetrol Downstream's distribution segment contained 1061 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

During 2020, Rompetrol Gas decreased its retail sales volume performance by -14% compared to 2019, while LPG Auto, LPG domestic and Propane wholesale performance within Romania reached 141.5 ktonnes, +26% above 2019.

Rompetrol Quality Control is an independent and competitive company on the laboratory analysis market, which grants its results as reliable proof for third parties and Group companies. In 2020, Rompetrol Quality Control (RQC) continued the good results from last year in order to consolidate its overall market share and to increase the turnover and profitability from third-party customers.



APPENDIX 1 – CONSOLIDATED INCOME STATEMENT FULL YEAR 2020

| | 2020 | 2019 | % | 2020 | 2019 | % |
|--|----------------------|----------------------|-------------|----------------------|-----------------------|-------------|
| | USD | USD | | RON | RON | |
| Gross Revenues | 3,465,662,381 | 5,186,124,223 | -33% | 13,744,817,002 | 20,568,168,669 | -33% |
| Sales taxes and discounts | (1,131,439,847) | (1,342,010,044) | -16% | (4,487,290,432) | (5,322,411,835) | -16% |
| Net revenues | 2,334,222,534 | 3,844,114,179 | -39% | 9,257,526,570 | 15,245,756,834 | -39% |
| Cost of sales | (2,243,249,528) | (3,624,595,337) | -38% | (8,896,727,628) | (14,375,145,108) | -38% |
| Gross margin | 90,973,006 | 219,518,842 | -59% | 360,798,942 | 870,611,726 | -59% |
| Selling, general and administration | (216,271,006) | (210,561,860) | 3% | (857,730,810) | (835,088,338) | 3% |
| Other operating income | 107,398,286 | 66,706,333 | 61% | 425,941,602 | 264,557,316 | 61% |
| Other operating expenses | (110,051,303) | (51,429,270) | 114% | (436,463,467) | (203,968,484) | 114% |
| EBIT | (127,951,017) | 24,234,045 | N/A | (507,453,733) | 96,112,220 | N/A |
| Finance, net | (26,661,947) | (55,570,767) | -52% | (105,741,283) | (220,393,662) | -52% |
| Unrealized net foreign exchange (losses)/gains | (3,827,296) | (236,872) | 1516% | (15,179,056) | (939,434) | 1516% |
| Realized net foreign exchange (losses)/gains | (6,039,717) | (1,101,834) | 448% | (23,953,519) | (4,369,874) | 448% |
| EBT | (164,479,977) | (32,675,428) | 403% | (652,327,591) | (129,590,750) | 403% |
| Income tax | (34,107,415) | (16,302,125) | 109% | (135,270,008) | (64,654,228) | 109% |
| Net result | (198,587,392) | (48,977,553) | 305% | (787,597,599) | (194,244,978) | 305% |
| EBITDA | 2,566,542 | 131,130,649 | -98% | 10,178,906 | 520,064,154 | -98% |

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APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2020

| | December 31, 2020 | December 31, 2019 | % | December 31, 2020 | December 31, 2019 | % |
|---------------------------------------|----------------------|----------------------|-------------|----------------------|----------------------|-------------|
| | USD | USD | | RON | RON | |
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Intangible assets | 10,970,907 | 8,524,600 | 29% | 43,510,617 | 33,808,564 | 29% |
| Goodwill | 82,871,706 | 82,871,706 | 0% | 328,669,186 | 328,669,186 | 0% |
| Property, plant and equipment | 1,168,350,972 | 1,179,954,903 | -1% | 4,633,679,951 | 4,679,701,144 | -1% |
| Right of use assets | 76,543,589 | 62,843,821 | 22% | 303,571,875 | 249,238,595 | 22% |
| Financial assets and other | 4,161,618 | 26,613,222 | -84% | 16,504,977 | 105,548,039 | -84% |
| Total Non Current Assets | 1,342,898,792 | 1,360,808,252 | -1% | 5,325,936,606 | 5,396,965,528 | -1% |
| Current assets | | | | | | |
| Inventories | 202,167,399 | 261,673,893 | -23% | 801,795,903 | 1,037,798,659 | -23% |
| Trade and other receivables | 553,537,032 | 478,076,540 | 16% | 2,195,327,869 | 1,896,051,558 | 16% |
| Derivative financial Instruments | 209,030 | 1,171,629 | -82% | 829,013 | 4,646,681 | -82% |
| Cash and cash equivalents | 100,655,956 | 13,196,424 | 663% | 399,201,521 | 52,337,018 | 663% |
| Total current assets | 856,569,417 | 754,118,486 | 14% | 3,397,154,306 | 2,990,833,916 | 14% |
| Total assets | 2,199,468,209 | 2,114,926,738 | 4% | 8,723,090,912 | 8,387,799,444 | 4% |
| Equity and liabilities | | | | | | |
| Total Equity | 421,297,060 | 619,526,864 | -32% | 1,670,864,135 | 2,457,043,540 | -32% |
| Non-current liabilities | | | | | | |
| Long-term debt | 240,000,000 | 240,000,000 | 0% | 951,840,000 | 951,840,000 | 0% |
| Hybrid instrument - long-term portion | - | 17,009,920 | -100% | - | 67,461,343 | 100% |
| Provisions | 79,332,744 | 80,361,840 | -1% | 314,633,663 | 318,715,057 | -1% |
| Obligations under lease agreements | 81,816,635 | 62,098,347 | 32% | 324,484,774 | 246,282,044 | 32% |
| Other | 4,695,869 | 4,198,444 | 12% | 18,623,817 | 16,651,029 | 12% |
| Total non-current liabilities | 405,845,248 | 403,668,551 | 1% | 1,609,582,254 | 1,600,949,473 | 1% |
| Current Liabilities | | | | | | |
| Trade and other payables | 1,267,733,760 | 1,021,572,681 | 24% | 5,027,832,091 | 4,051,557,258 | 24% |
| Contract liabilities | 30,912,849 | 26,280,234 | 18% | 122,600,359 | 104,227,408 | 18% |
| Derivative financial instruments | 375,916 | 3,704,969 | -90% | 1,490,883 | 14,693,907 | -90% |
| Obligations under lease agreements | 4,003,884 | 3,977,909 | 1% | 15,879,404 | 15,776,387 | 1% |
| Short-term debt | 65,291,249 | 35,690,810 | 83% | 258,945,094 | 141,549,751 | 83% |
| Profit tax payable | 4,008,243 | 504,720 | 694% | 15,896,692 | 2,001,720 | 694% |
| Total current liabilities | 1,372,325,901 | 1,091,731,323 | 26% | 5,442,644,523 | 4,329,806,431 | 26% |
| Total equity and liabilities | 2,199,468,209 | 2,114,926,738 | 4% | 8,723,090,912 | 8,387,799,444 | 4% |

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RISK MANAGEMENT

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies and to develop a culture of risk awareness where all stakeholders proactively contribute to protect Group's financial results from market volatility, to minimize future losses and optimize returns to maximize shareholder value.

In 2020, due to global pandemic crisis, the focus of risk management was to perform a comprehensive assessment and understanding of all potential impacts that current crisis might have on our business and develop immediate mitigation in order to reduce the potential effects of Covid- 19 outbreak.

Crisis Scenarios have been developed and implemented at all levels and close monitoring of the situation have been performed. The primary focus was to ensure health and safety of all our employees, but also multiple measures were taken in order to ensure business continuity: cost optimization, adapting the production and sales to the new environment, proper cash management and balance of receivables and payables to ensure proper liquidity and business functioning.

INTEREST RATE RISK

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

FOREIGN EXCHANGE RISK

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

LIQUIDITY AND CASH FLOW RISKS

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

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

The risk is managed through financial processes, cash-flow projections and stress tests, maintaining a sufficient cash buffer, regular reviews of market conditions and our planning and investment processes. Liquidity was put on the pressure this year due to adverse macroeconomic conditions, but proper cash management measures were implemented both in operational and financial areas. Existing favourable legislation related to Covid -19 in Romania that allowed some taxes to be postponed, very close monitoring of collection in order to avoid deterioration commercial negotiations and increase of some facilities allowed the company to mitigate this risk in order to avoid any material liquidity incidents.

**CREDIT RISK**

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

- *Trade receivables*

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

- *Financial instruments and bank deposits*

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

COMMODITY PRICE RISK

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

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

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

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

OPERATIONAL RISK

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



The management system establishes clear rules and principles which govern key risk management activities such as inspections, maintenance, testing and trainings, business continuity and crisis response planning. Security risks affecting our people and operations are kept as well under close monitoring by specialized departments. This risk, perceived usually as being high due to the nature of our activity and treated as a high priority by our group, has increased during 2020 when, alongside normal business challenges, additional risks were brought by Covid-19 pandemic. All measures have been taken to protect the health and safety of our employees. Throughout all available communication channels, Rompetrol Rafinare S.A is continuously distributing to all its employee's relevant information concerning appropriate infection prevention and control practices, particularly in how to react/ behave in case symptoms of infection are observed.

Preventing measures have been implemented (limited or forbidden business travel, local or international, flexible working schedule, work-from-home, online meetings, corporate events cancelled, body temperature monitoring, specific disinfectant solutions provided, rules & protocols in line with local applicable regulations). Testing program, both RT-PCR and antigen, continues in all entities. Rapid tests were distributed to key operations in order to frequently check condition of key personnel (refineries, depots and gas stations). Business lines/ units are continuously following and updating contingency plans. Workplaces sanitation with biocides is regularly performed.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Group 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 Group and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Group 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.

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.

**Note:**

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

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 3.9660 as of 31 December 2020.

Chairman of the Board of Directors
Yedil Utekov

DocuSigned by:

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Member of the Board of Directors
Alexey Golovin

DocuSigned by:

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Member of the Board of Directors
Bogdan-Catalin Steriopol

DocuSigned by:

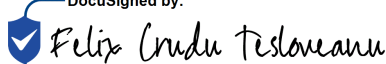
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Member of the Board of Directors
Nicolae Bogdan Codrut Stanescu

DocuSigned by:

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Member and General Manager
Felix Crudu-Tesloveanu

DocuSigned by:

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Finance Manager
Ramona-Georgiana Galateanu

DocuSigned by:

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