



REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS OF JUNE 30, 2021

The figures 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 (“Company”) 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

Rompetrol 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 June 2021 was 1,846.

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

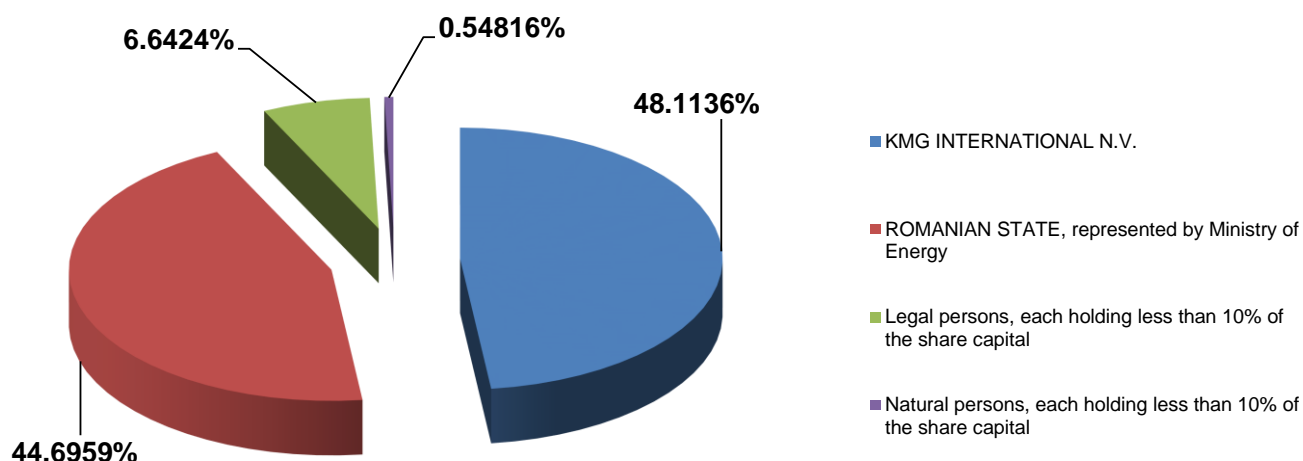
Since April 7, 2004, the Company's shares are traded on the regulated market administrated by the Bucharest Stock Exchange SA ("BVB") under the symbol "RRC" and ISIN code ROPTRMACNOR5.

The Company's shares are traded on BVB Standard category. On 30.06.2021, 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.

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 June 30, 2021, the structure of the Company's significant shareholders is presented in the following graph:

The structure consolidated by the Depozitarul Central S.A. on 30.06.2021



Note:

At 30 June 2021, the shareholders of KMG International Group own a number of 24,098,569,799 shares, representing 54.6339% of the share capital.



CORPORATE GOVERNANCE

In 2021, 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.

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 June 30, 2021, 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.

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.



FINANCIAL HIGHLIGHTS – CONSOLIDATED

	H1 2021	H1 2020	%	H1 2021	H1 2020	%
Financial	USD	USD		RON	RON	
Gross Revenues	2,285,238,133	1,525,454,497	50%	9,466,598,967	6,319,195,254	50%
Net Revenues	1,645,165,714	1,055,899,842	56%	6,815,098,970	4,374,065,095	56%
EBITDA	68,823,277	(43,678,808)	N/A	285,100,425	(180,939,462)	N/A
EBITDA margin	4.2%	-4.1%		4.2%	-4.1%	
EBIT	(1,194,254)	(100,075,872)	99%	(4,947,198)	(414,564,300)	99%
Net profit / (loss)	(22,824,507)	(126,471,111)	82%	(94,550,520)	(523,906,579)	82%
Net Profit / (loss) margin	-1.4%	-12.0%		-1.4%	-12.0%	

Rompetrol Rafinare consolidated gross revenues reached approximatively 2.3 billion in H1 2021, higher by 50% as against H1 2020 as result of increase in sales, alongside increase of international quotations for petroleum products.

The company's consolidated results have been supported by an increase in the volume of processed raw materials and of the petroleum products sold, as well as by the increase in refining margin (27.5 USD/to in H1 2021 as against 5.5 USD/to in H1 2020).

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ECONOMIC ENVIRONMENT

		H1 2021	H1 2020	%
Brent Dated	USD/bbl	65.0	40.1	62%
Ural Med	USD/bbl	63.6	39.2	62%
Brent-Ural Differential	USD/bbl	1.4	0.9	59%
Premium Unleaded 10 ppm FOB Med	USD/tonne	604	367	65%
Diesel ULSD 10 ppm FOB Med	USD/tonne	519	365	42%
RON/USD Average exchange rate		4.07	4.37	-7%
RON/USD Closing exchange rate		4.14	4.32	-4%
RON/EURO Average exchange rate		4.90	4.82	2%
RON/EURO Closing exchange rate		4.93	4.84	2%
USD/EURO Closing rate		1.19	1.12	6%
Inflation in Romania*		3.42%	1.55%	121%

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

Dated Brent increased by +24.9\$/bbl. (+62%) in H1 2021 as against H1 2020 and settled to an average of 65\$/bbl.

In Q1, the crude prices reached their highest level in 13 months on the back of raising fears of fresh Middle East tensions and after U.S. government data showed a drop of 1.1 mil barrels per day in crude output after a deep freeze disrupted production by mid of February.

At the beginning of March, OPEC+ agreed not to increase supply in April as they await a more solid recovery in demand, even if the start of the COVID vaccination program bolstered the economic outlook.

Dated Brent reached 76.44\$/bbl. at the end of Q2, the highest level since October 2018, on the back of falling US crude oil stocks, simultaneous with expectations that demand growth will outstrip supply and that OPEC+ will be cautious in returning more crude to the market from August.

According to International Energy Agency (IEA) the supply glut created by the global pandemic has cleared, even as demand suffers a blow from a resurgence of the virus in India.

OPEC+ compliance with oil production cuts in April reached 113%. At its June 1 meeting OPEC+ decided to proceed with existing plans to raise official July quotas by 440,000 b/d over June. Saudi Arabia will also bring back the remaining 400,000 b/d of its extra, unilateral 1 million b/d cut.

Since the beginning of the year the Urals-Dated Brent differential had a decreasing trend, from 0\$/bbl. to -1.5\$/bbl., as Iranian heavy crude oil exports remained at elevated levels compared to last year. Also, Urals oil exports from Russia increased during this period, keeping pressure on the differential.

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European margins decreased by -18\$/MT (-59%) in H1 2021 as against H1 2020 and settled to an average level of 12.4\$/MT.

Even if the margins were lower as against H1 2020, they had an increasing trend during H1 2021, with major positive impact coming from gasoline cracks and low Urals-Dated Brent differential.

European gasoline cracks increased, supported by growing mobility in Europe and by numerous bookings especially from US, which was hit by very cold temperatures in February, disrupting production. Gasoline cracks increased to levels last seen in October 2019. While healthy demand represents one piece of the puzzle, some higher bookings for European gasoline from abroad are probably the main reason for the current upside in cracks.

Diesel cracks experienced moderate gains during Q1, supported by an increasing export to the US. Positive developments on the demand side were almost offset by increasing supply due to switching jet yields into diesel pool. But Diesel cracks strengthened during Q2, supported by rapid demand recovery across the continent. Strengthening industrial performance and easing mobility restrictions have stimulated both road freight demand and private consumption. The Mediterranean diesel market is likely to strengthen not only because of higher demand but largely because refiners will at some point stop putting jet fuel into the diesel pool.

Jet cracks had little marginal improvement during Q1, reaching their highest level since the start of the COVID pandemic. The removal of quarantine requirements across much of the EU helped jet cracks to recover during Q2. Currently, jet yields are in recovery mode and the supply pressure to the diesel pool is easing.

In terms of exchange rates, internally, the RON/EUR exchange rate continued its upward movement, averaging in H1 2021 at 4.9007 by approximatively +2% higher as against same period last year, and reaching its maximum level, for this year, of 4.9279 on April 20, 2021.

The RON/USD exchange rate also continued its upward movement, averaging in H1 2021 at 4.0674, but still below H1 2020 levels.

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

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REFINING SEGMENT

		H1 2021	H1 2020	%	H1 2021	H1 2020	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	1,888,567,388	1,202,484,821	57%	7,823,390,405	4,981,293,371	57%
Net Revenues	USD/RON	1,348,459,397	830,234,999	62%	5,585,993,052	3,439,248,483	62%
EBITDA	USD/RON	12,262,540	(50,249,588)	N/A	50,797,572	(208,158,918)	N/A
EBITDA margin	%	0.9%	-6.1%		0.9%	-6.1%	
EBIT	USD/RON	(35,261,002)	(86,890,379)	59%	(146,068,701)	(359,943,396)	59%
Net profit / (loss)	USD/RON	(42,320,106)	(110,305,138)	62%	(175,311,039)	(456,939,035)	62%
Net profit / (loss) margin	%	-3.1%	-13.3%		-3.1%	-13.3%	
Gross cash refinery margin/tonne (Petromidia)	USD/(RON)/t	27.5	5.5	404%	114.0	22.6	404%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	3.8	0.8	404%	15.7	3.1	404%
Net cash refinery margin/tonne (Petromidia)	USD/(RON)/t	(2.2)	(25.4)	91%	(9.0)	(105.3)	91%
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	(0.3)	(3.5)	91%	(1.2)	(14.5)	91%
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	2,726	2,116	29%			
Feedstock processed in Vega refinery	thousand tonnes	188	154	22%			
Gasoline produced	thousand tonnes	701	520	35%			
Diesel & jet fuel produced	thousand tonnes	1,378	1,179	17%			
Motor fuels sales - domestic	thousand tonnes	1,222	1,038	18%			
Motor fuels sales - export	thousand tonnes	742	583	27%			
Export	%	38%	36%				
Domestic	%	62%	64%				

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

Gross revenues of refining segment reached over USD 1.88 billion in H1 2020, showing a 57% increase on half year level, as against same period last year.

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In H1 2021, the total throughput for Petromidia refinery was 2.73 million tonnes, higher by 29% compared with the same period last year when the total throughput was 2.12 million tonnes in H1 2020.

In H1 2020, the refining capacity utilization in Petromidia refinery was 87.61%, higher by 26.5% compared with the same period last year.

This increase is correlated with continues operation for refinery in H1 2021 compering with planned shut-down in March - April 2020 for turnaround activity and COVID-19 pandemics measures.

Petromidia refinery managed to achieve in H1 2021 a good refining operational performance, for its main technological and operational parameters, such as:

- ✓ White finished products yield of 84.67%wt;
- ✓ Technological loss of 0.86%wt;
- ✓ Energy Intensity Index of 100.95%.

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 188,187 tonnes in H1 2021, higher by 22.1% compared with the same period last year when the total throughput was 154,122 tonnes in H1 2020.

For the first six months of 2021 the refining capacity utilization was 114.05%, higher by 20.65% compared with the same period last year.

Vega refinery also managed to achieve in the first half of 2021 good refining performance results, of which the following are emphasized:

- ✓ Technological loss of 0.63%;
- ✓ Energy consumption of 2.56 GJ/t;
- ✓ Mechanical Availability of 98.7%.

The refining segment's financial results in H1 2021, were positively affected by the increase in the volume of processed raw materials and of the petroleum products sold, as well as by the increase in gross refining margin (27.5 USD/to in H1 2021 as against 5.5 USD/to in H1 2020).

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.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 838 million in H1 2021.



PETROCHEMICALS SEGMENT

		H1 2021	H1 2020	%	H1 2021	H1 2020	%
Financial		USD	USD		RON	RON	
Revenues	USD/RON	115,092,277	62,556,178	84%	476,769,757	259,138,967	84%
EBITDA	USD/RON	14,308,490	(15,677,242)	N/A	59,272,920	(64,942,975)	N/A
EBIT	USD/RON	5,483,754	(23,185,270)	N/A	22,716,450	(96,044,981)	N/A
Net profit / (loss)	USD/RON	4,411,050	(24,186,426)	N/A	18,272,774	(100,192,270)	N/A
Operational							
Propylene processed	thousand tonnes	72	48	49%			
Ethylene processed	thousand tonnes	24	28	-13%			
Total polymers production	thousand tonnes	68	61	12%			
Sold from own production	thousand tonnes	70	71	-2%			
Sold from trading	thousand tonnes	0.5	0.0	N/A			
Total sold	thousand tonnes	71	71	-1%			
Export	%	44%	41%				
Domestic	%	56%	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 H1 2021, the total polymers production for Petrochemicals area was 68 thousand tons, higher by 12% as against H1 2020 when the total polymers production was 61 thousand tons. The increase in H1 2021 is mainly due to turnaround activities that took place in 2020.

Progressive results for the Petrochemical division, despite the stop of the LDPE plant for two and an half months, and polymers quotations very abrupt increase positively affecting the results.

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



MARKETING SEGMENT

		H1 2021	H1 2020	%	H1 2021	H1 2020	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	1,514,315,946	1,044,994,900	45%	6,273,053,806	4,328,891,373	45%
EBITDA	USD/RON	42,300,471	19,639,121	115%	175,229,701	81,355,059	115%
EBIT	USD/RON	28,857,269	7,491,018	285%	119,541,238	31,031,542	285%
Net profit / (loss)	USD/RON	15,360,746	5,513,548	179%	63,631,892	22,839,872	179%
Operational							
Fuels quantities sold in retail	thousand tonnes	424	347	22%			
Fuels quantities sold in wholesale	thousand tonnes	611	503	21%			
LPG quantities sold	thousand tonnes	185	144	28%			

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

In H1 2021 the marketing segment had a turnover of over USD 1.5 billion, higher by 45% as compared with same period last year; Marketing Segment result performance for H1 2021 reached a level EBITDA of USD 42.3 million (i.e. +115% or +22.7 million USD over H1 2020).

In the H1 of 2021, the average Platts quotations (FOB Med Italy) in USD (reference currency) increased by +42% for diesel and by +65% for gasoline compared with the similar period of 2020. Due to the 7% appreciation of the RON against the US dollar (H1 2021 vs. H1 2020, on average) the international diesel quotation increased in the national currency by +32%, in the same time the international gasoline quotation increased in the national currency by +53% compared to H1 2020.

Fuel sales (retail and wholesale), for the first six months of 2021 amounted to 1.035 million tonnes, +22% versus the same period last year.

Overall, sales reached 1.22 million tonnes in H1 2021, higher as against same period last year by 23%.

At the end of June 2021, the Rompetrol Downstream's distribution segment contained 1068 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

During H1 2021, Rompetrol Gas increased its retail sales volume performance by +18% compared to H1 2020, while LPG Auto, LPG domestic and Propane wholesale performance within Romania reached 87.5 ktonnes, +50% above H1 2020.

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 2021, 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 AS OF JUNE 30, 2021, UNAUDITED

	H1 2021	H1 2020	%	H1 2021	H1 2020	%
	USD	USD		RON	RON	
Gross Revenues	2,285,238,133	1,525,454,497	50%	9,466,598,967	6,319,195,254	50%
Sales taxes and discounts	(640,072,419)	(469,554,655)	36%	(2,651,499,997)	(1,945,130,159)	36%
Net revenues	1,645,165,714	1,055,899,842	56%	6,815,098,970	4,374,065,095	56%
Cost of sales	(1,532,650,870)	(1,048,962,329)	46%	(6,349,006,229)	(4,345,326,449)	46%
Gross margin	112,514,844	6,937,513	1522%	466,092,741	28,738,646	1522%
Selling, general and administration	(104,025,941)	(108,358,457)	-4%	(430,927,461)	(448,874,907)	-4%
Other operating income	5,622,342	43,910,759	-87%	23,290,552	181,900,319	-87%
Other operating expenses	(15,305,499)	(42,565,687)	-64%	(63,403,030)	(176,328,358)	-64%
EBIT	(1,194,254)	(100,075,872)	99%	(4,947,198)	(414,564,300)	99%
Finance, net	(19,461,190)	(23,376,193)	-17%	(80,617,980)	(96,835,880)	-17%
Unrealized net foreign exchange (losses)/gains	6,350,562	(3,540,707)	N/A	26,307,203	(14,667,380)	N/A
Realized net foreign exchange (losses)/gains	(5,772,866)	426,278	N/A	(23,914,096)	1,765,857	N/A
EBT	(20,077,748)	(126,566,494)	84%	(83,172,071)	(524,301,703)	84%
Income tax	(2,746,759)	95,383	N/A	(11,378,449)	395,124	N/A
Net result	(22,824,507)	(126,471,111)	82%	(94,550,520)	(523,906,579)	82%
EBITDA	68,823,277	(43,678,808)	N/A	285,100,425	(180,939,462)	N/A

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APPENDIX 2 – CONSOLIDATED BALANCE SHEET JUNE 30, 2021, UNAUDITED

	June 30, 2021	December 31, 2020	%	June 30, 2021	December 31, 2020	%
	USD	USD		RON	RON	
Assets						
Non-current assets						
Intangible assets	10,753,854	10,970,907	-2%	44,547,840	45,446,982	-2%
Goodwill	82,871,706	82,871,706	0%	343,296,042	343,296,042	0%
Property, plant and equipment	1,114,363,286	1,168,350,972	-5%	4,616,249,901	4,839,893,893	-5%
Right of use assets	79,181,128	76,543,589	3%	328,007,823	317,081,820	3%
Financial assets and other	3,734,366	4,161,618	-10%	15,469,611	17,239,502	-10%
Total Non Current Assets	1,290,904,340	1,342,898,792	-4%	5,347,571,217	5,562,958,239	-4%
Current assets						
Inventories	323,480,911	202,167,399	60%	1,340,019,673	837,478,453	60%
Trade and other receivables	596,069,800	553,537,032	8%	2,469,219,147	2,293,027,156	8%
Derivative financial Instruments	1,028,190	209,030	392%	4,259,277	865,907	392%
Cash and cash equivalents	77,674,063	100,655,956	-23%	321,764,806	416,967,298	-23%
Total current assets	998,252,964	856,569,417	17%	4,135,262,903	3,548,338,814	17%
Total assets	2,289,157,304	2,199,468,209	4%	9,482,834,120	9,111,297,053	4%
Equity and liabilities						
Total Equity	397,710,072	421,297,060	-6%	1,647,513,966	1,745,223,067	-6%
Non-current liabilities						
Long-term debt	240,000,000	240,000,000	0%	994,200,000	994,200,000	0%
Provisions	79,332,744	79,332,744	0%	328,635,892	328,635,892	0%
Net obligations under lease agreements	82,829,888	81,816,635	1%	343,122,811	338,925,410	1%
Other	3,910,823	4,695,869	-17%	16,200,584	19,452,638	-17%
Total non-current liabilities	406,073,455	405,845,248	0%	1,682,159,287	1,681,213,940	0%
Current Liabilities						
Trade and other payables	1,362,920,021	1,267,733,760	8%	5,645,896,183	5,251,587,103	8%
Contract liabilities	36,299,218	30,912,849	17%	150,369,510	128,056,477	17%
Derivative financial instruments	2,752,364	375,916	632%	11,401,668	1,557,232	632%
Net obligations under lease agreements	4,439,977	4,003,884	11%	18,392,605	16,586,089	11%
Short-term debt	73,496,047	65,291,249	13%	304,457,375	270,468,998	13%
Profit tax payable	5,466,150	4,008,243	36%	22,643,526	16,604,147	36%
Total current liabilities	1,485,373,777	1,372,325,901	8%	6,153,160,867	5,684,860,046	8%
Total equity and liabilities	2,289,157,304	2,199,468,209	4%	9,482,834,120	9,111,297,053	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 2021, 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 I 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 and 2021 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 2021 did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations.



SUBSEQUENT EVENTS

On July 2, 2021 there was an explosion followed by a fire at the Petromidia refinery Diesel Hydrotreatment Unit (in Romanian "instalatie Hidrofinare Petrol Motorina" hereinafter HPM unit), which affected both HPM unit and Kerosene Hydrotreater ("HPR") and Catalytic Reformer ("RC") units. Pipes belonging to the Naphta Hydrotreater and Saturated Gases ("FG") units were also affected, whose route was in the vicinity of the areas affected by the fire. As a result of the incident, 1 employee of the company died and 4 employees were hospitalized in Constanta. Out of four, two employees were transferred at an Emergency Clinical Hospital in Bucharest and then were transferred for medical treatment to a specialized clinic abroad. Despite all efforts of the medical staff, the two colleagues who were transferred to a specialized medical unit abroad died.

The competent authorities were informed regarding the accident, the consequences and the situation of the employees involved, injured and dead.

The criminal investigations are carried out by the Prosecutor's Office attached to the Constanta Tribunal.

A technical expertise is being carried out by INCD INSEMEX Petrosani, at the request of the criminal investigation bodies; in the criminal case the company has the quality of a civilly responsible party; hearings of the employees involved in the event are held.

At the same time, the collective work accident is being investigated by the Territorial Labor Inspectorate according to the incident legislation.

As a consequence of this event, starting 02 July the entire Petromidia Refinery production has been temporarily stopped, until the facilities damaged by this incident will be in function again. The company is currently making its own assessments in order to estimate the level of the caused damages by the accident, depending on which it will be estimate the necessary period to carry out the necessary repairs and verifications, in order to put the installations back into operation safely and to adequately reflect the financial impact as soon as it is known.

The net book value as at June 30, 2021 of the affected units by the incident, of the Parent Company, Rompetrol Rafinare S.A., are: HPM (RON 28.5 million); HPR (RON 27.5 million); RC (RON 63.5 million); HB (RON 43.1 million); FG (RON 12.7 million).

Facilities granted to Rompetrol Rafinare S.A. by Banca Transilvania in amount of EUR 30 million and EUR 27.96 million have been extended until January 31, 2022.


Note:

The Board of Directors Report was prepared based on the unaudited consolidated financial statements. The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.1425 as of 30 June 2021.

Chairman of the Board of Directors Yedil Utekov

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General Manager Felix Crudu-Tesloveanu

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Finance Manager Ramona-Georgiana Galateanu

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