



# ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2021

The figures for 2021 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

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.

The number of employees of Rompetrol Rafinare S.A. and its subsidiaries at the end of 2021 was 1,832.

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.

**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 31.12.2021, the total number of shares issued by the Issuer is 26,559,205,726, representing a total share capital of 2,655,920,572.60 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti, as an independent register, authorized by the Financial Supervisory Authority.

The activity carried out by RRC in 2021, as issuer of securities on the Romanian capital market, is presented as follows:

- in 2021, there were a total number of 1,545 transactions with RRC shares, with an average daily number of 7 transactions;
- the total adjusted volume of the RRC shares traded in 2021 was of 18,775,685 shares (approximately 43% less than in 2020, when the total volume of 33,117,257 shares was registered); The total volume of shares was adjusted by the Bucharest Stock Exchange based on the correction factor related to the reduction of the share capital (approved by the EGMS of August 6, 2021) with the Registration date of December 7, 2021;
- the total value of transactions in 2021 with RRC amounted to RON 1,496,267;
- the RRC transactions in 2021 were concluded only on the REGS market;

The market capitalization<sup>1</sup> on the last trading day in 2019, 2020 and 2021 is shown in the table below:

The Rompetrol Rafinare shares	2019	2020	2021
Number of shares	44,109,205,726	44,109,205,726	26,559,205,726 <sup>2</sup>
Stock exchange capitalization, Lei mil. <sup>3</sup>	2,205.46	1,940.81	2,177.85
Stock exchange capitalization, Euro mil. <sup>4</sup>	461.54	398.16	440.06
Price at the end of the year, lei	0.05	0.044	0.082

<sup>1</sup> Capitalization represents the total market value of the Company (number of shares \* market price of the share)

<sup>2</sup> On December 8, 2021, the Depozitarul Central București (Central Depository Bucharest) registered the reduction of the share capital from a number of 44,109,205,726 shares to 26,559,205,726 shares. We mention that the reduction of the share capital was made in the share of all shareholders registered in the Rompetrol Rafinare Register on December 7, 2021, proportionally to the shareholding of each shareholder in the share capital at that date

<sup>3</sup> Calculated based on the share price on the last trading day of the year under consideration, respectively December 30, 2021.

<sup>4</sup> Calculated at the euro exchange rate (RON 4.9490) from the last trading session of the year under consideration, respectively December 30, 2021.



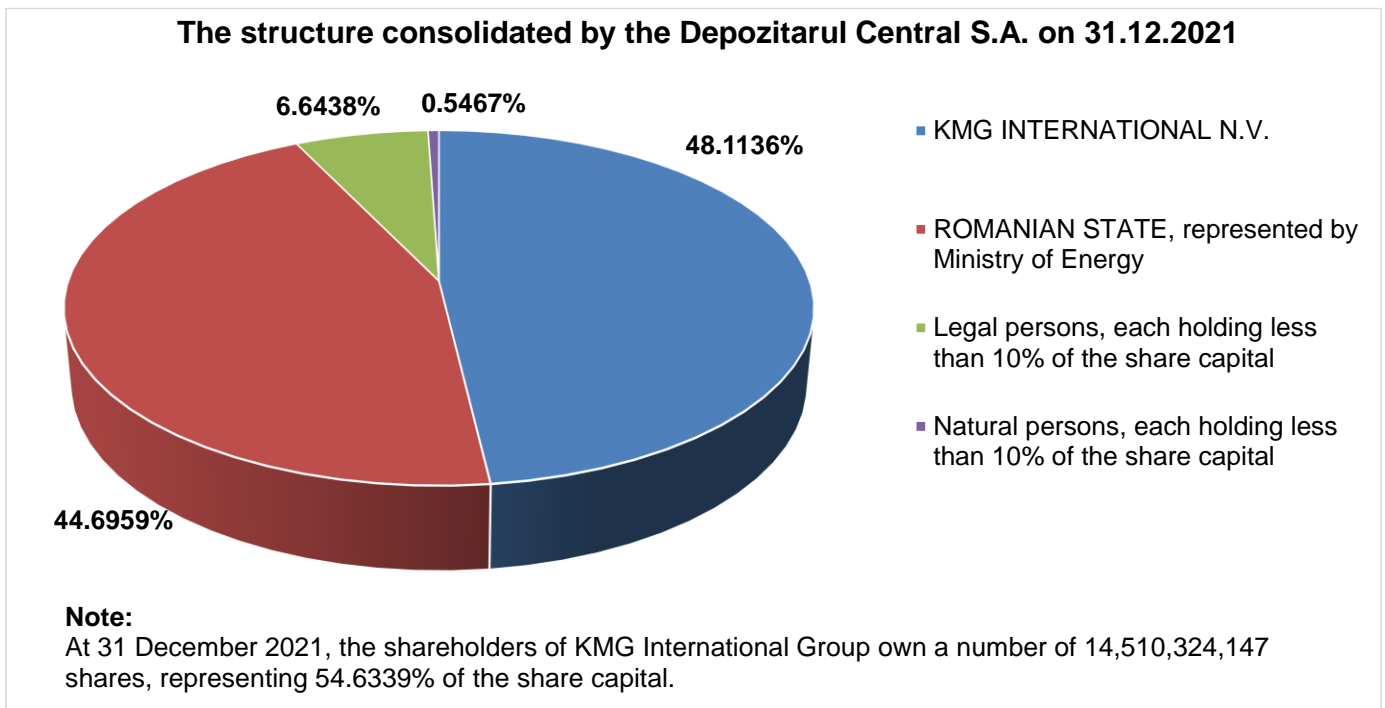
### WEIGHTED AVERAGE PRICE

The weighted average price (WAP)<sup>5</sup> of the RRC shares during 2021 = RON 0.0797 per share taking into account the transactions carried out on the Bucharest Stock Exchange on the main market of the regulated market (REGS) and adjusted following the change of the share capital (reduction of the share capital approved by the EGMS of August 6, 2021) having the registration date December 7, 2021.

### ROMPETROL RAFINARE SHAREHOLDERS STRUCTURE

On 06 August 2021, parent company’s shareholders approved the reduction of the share capital by RON 1,755,000,000 from RON 4,410,920,572.60 to RON 2,655,920,572.60 by reducing the number of shares by 17,550,000,000 shares, respectively from 44,109,205,726 shares to 26,559,205,726 shares.

The structure of the Company’s significant shareholders is presented in the following graph:



### COMPANY’S OWN SHARES

At 31.12.2021, ROMPETROL RAFINARE S.A. held a number of own shares of 3,698,582 having a nominal value of RON 0.10 per share and a total value of RON 369,858.20, which represents 0.01393% of Company’s share capital.

Out of the total of 3,698,582 shares registered in the Company’s account as at 31.12.2021, a number of 4.733 shares resulted from the registration operation of reduction of the share capital on 8 December 2021, proportionally to the

<sup>5</sup> Calculated as the ratio between Total Trading Value and Total Trading Volume. The volume was adjusted based on the correction factor related to the reduction of share capital having the Registration Date December 7, 2021



participation quota of the shareholders on the registration date 7 December 2021 and the method for rounding at the lower integer used for the aforementioned operation, approved by Resolution no. 7/2021 EGMS dated 6 August 2021. The Company did not trade (by acquiring or selling) its own shares during 2021.

In 2021, 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 2021, the subsidiaries of the company have not held shares issued by Rompetrol Rafinare.

## THE FINANCIAL CALENDAR PROPOSED FOR THE YEAR 2022

Financial Calendar	Date
Presentation of the preliminary, unaudited, individual and consolidated results of the year 2021 and fourth Quarter of 2021	Monday, February 28 <sup>th</sup> , 2022
Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2021	Thursday, April 28 <sup>th</sup> , 2022 (first meeting) Friday, April 29 <sup>th</sup> , 2022(second meeting)
Publication of the 2021 Annual Report	Friday, April 29 <sup>th</sup> , 2022
Presentation of the results recorded during the first quarter of 2022	Monday, May 16 <sup>th</sup> , 2022
Presentation of the results recorded during the first semester and second quarter of 2022	Friday, August 12 <sup>th</sup> , 2022
Presentation of the results recorded during the third quarter of 2022 and between January – September 2022	Tuesday, November 15 <sup>th</sup> , 2022
Telephone conferences and / or meetings with investors and financial analysts, as appropriate	On request

## CORPORATE GOVERNANCE

Corporate Governance Report of Rompetrol Rafinare S.A. for the year 2021 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 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.

## 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.



## 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](http://www.rompetrol-rafinare.ro), Investor Relations / Corporate Governance section, Corporate Governance Documents subsection).

As of December 31, 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](http://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.



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](mailto:Investor.Relations.RRC@rompetrol.com).





## STRATEGY

In 2021 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.

In the following period investments in current infrastructure would be focused on the retail network development in Romania and in projects aimed towards the medium to long term decarbonization strategic targets.

With a view of European green deal and global trends in sustainable development, in autumn 2021, the Group started the development of decarbonization strategy following the EU's new measurement set aiming to reach 'net zero' emissions by 2050, strategy aiming to reduce Group's emissions and associated abatement costs, and to maximize profitability either through extending life of Group's business, integrating the existing assets with the new opportunities generated by decarbonization and/or diversified businesses.

## OUTLOOK FOR 2022

Group operations: The Group will continue to further improve its operational performance and carry on the operational initiatives which were identified and put in motion since several years ago, such as: Refining planning and production optimization, energy efficiency and organizational effectiveness, Retail gas stations network development, increase of non-fuel profitability, trading profitability increase, as follows:

- Petromidia 2022 Feedstock Target performance set at 5.7 million tons (crude unit throughput 5.034 million tons meaning daily processing of 14.8 thousand tons);
- White products 2022 yield target of 85.5%, -0.59% below 2021;
- Downstream Romania sales target set at 2.44 million tons, +14% growth target versus 2021;
- Downstream Romania Non-Fuel Margin performance 2022 targeted at USD 38.6 million, +30% versus 2021.

Based on the Group's budget for 2022, 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**

	2021	2020	%	2021	2020	%
Financial	USD	USD		RON	RON	
Gross Revenues	4,619,086,978	3,465,662,381	33%	20,188,643,455	15,147,370,569	33%
Net Revenues	3,348,256,153	2,334,222,534	43%	14,634,223,169	10,202,186,429	43%
EBITDA	106,794,756	2,566,542	4061%	466,767,841	11,217,585	4061%
EBITDA margin	3.2%	0.1%		3.2%	0.1%	
EBIT	(106,533,450)	(127,951,017)	17%	(465,625,752)	(559,235,511)	17%
Net profit / (loss)	(186,783,895)	(198,587,392)	6%	(816,376,370)	(867,965,916)	6%
Net profit / (loss) margin	-5.6%	-8.5%		-5.6%	-8.5%	

Rompetrol Rafinare consolidated gross revenues reached approximatively USD 4.62 billion in 2021, higher by 33% as against full year 2020 as a result of higher market quotation vs. similar period last year alongside similar level of sales reached within 2021 as against 2020.

The company's consolidated results for the year 2021 were impacted by the technical incident that occurred on July 2<sup>nd</sup>, 2021, at the Diesel Hydrotreater Unit (in Romanian "instalatia Hidrofinare Petrol Motorina" hereinafter HPM unit), which affected both the HPM plant and the Kerosene Hydrotreater (HPR) and Catalytic Reformer (RC).

On 06 August 2021, parent company's shareholders approved the reduction of the share capital by RON 1,755,000,000 from RON 4,410,920,572.60 to RON 2,655,920,572.60 by reducing the number of shares by 17,550,000,000 shares, respectively from 44,109,205,726 shares to 26,559,205,726 shares.

Starting with the financial year ended December 31, 2021, the Company implements the voluntary modification of the accounting policy regarding the recognition of all tangible assets of the Company and investments in its subsidiaries at fair value as the new method leads to more credible and secure information ("faithful representation"), so that the end users of the financial statements will have information about the current market value of the Company's assets.



## ECONOMIC ENVIRONMENT

		2021	2020	%
Brent Dated	USD/bbl	70.9	41.8	69%
Ural Med	USD/bbl	69.2	41.6	67%
Brent-Ural Differential	USD/bbl	1.7	0.3	544%
Premium Unleaded 10 ppm FOB Med	USD/tonne	670	382	75%
Diesel ULSD 10 ppm FOB Med	USD/tonne	580	362	60%
RON/USD Average exchange rate		4.16	4.24	-2%
RON/USD Closing exchange rate		4.37	3.97	10%
RON/EURO Average exchange rate		4.92	4.84	2%
RON/EURO Closing exchange rate		4.95	4.87	2%
USD/EURO Closing rate		1.13	1.23	-8%
Inflation in Romania*		8.19%	2.06%	298%

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

Dated Brent increased by +29.1\$/bbl. (+69%) in 2021 as against 2020 and settled to an average of 70.9 \$/bbl.

Dated Brent had an upward trend during 2021, starting from a level of 50\$/bbl. and finishing the year around 80\$/bbl., reaching the highest level since October 2018.

In the first part of the year, crude price was supported by the optimism that the resumption of economic activity in the U.S. and Europe will help demand after noticeably falling newly confirmed coronavirus cases.

OPEC+ decided to gradually increase production in May (+350k bpd), June (+350k bpd) and July-December (+400k bpd each month), despite consumer calls for more oil and cheaper crude.

Another support for the crude price came after rising Middle East tensions and after U.S. inventories dropped to a two-year low because of disruption caused by Hurricane Ida.

In the first part of Q4 the crude price had the longest run since 2015, following a decision by OPEC+ to maintain its planned gradual increase of supply, despite the market facing a global energy crunch ahead of winter and the rising demand for the crude and oil products.

After that the market corrected on signs that U.S., China, and Japan are all preparing to tap national crude reserves as concerns over accelerating inflation intensify.

In December, the crude price had the biggest monthly decrease (-10%) since the early days of the coronavirus pandemic as investors weighed risks posed by the new Omicron variant, with a top drug maker saying the world may now need new vaccines.



European margins increased by +7.1\$/MT (+45%) in 2021 vs. 2020 and settled to an average level of 22.9\$/MT.

During Q1, the refinery margins increased vs. end of 2020, driven by a consistent transatlantic product pull due to freezing weather hitting the Texas region.

During Q2, before summer, the margins strengthened, as the expeditious rollout of the vaccination programs provided renewed optimism for broader economic recovery.

During Q3, the margins reached their highest levels in 2021 on the back of crude price decrease and, also supported by strong domestic transportation fuel demand and by high transatlantic exports as US refinery sector was affected by Hurricane Ida.

During Q4, the European refinery margins sharply decreased, dragged down by fears concerning the reinstatement of lockdown measures across the continent because of diffusion of a new COVID-19 variant, but in December corrected upwards as fears regarding Omicron variant didn't materialize.

The main three products (accounting for approximately 75% of the production yields) market cracks year-on-year dynamics has been the following:

- Gasoline cracks against Urals (main crude oil type) recorded an average level of 169 \$/MT in 2021 compared with 81\$/MT in 2020. European gasoline cracks increased to levels last seen in October 2019, supported by growing mobility in EU which sent the ARA (Amsterdam, Rotterdam and Antwerp) hub stocks to their lowest level since 2016 (almost 50% lower y-o-y at a total of 6.2mil bbl.) and by numerous bookings, especially from U.S., which was hit by very cold temperatures in February, and by Ida Hurricane in August, disrupting production.
- Diesel cracks settled at an average level of 79\$/MT in 2021 vs. 61\$/MT in 2020. Diesel cracks reached their highest value since April 2020 due to increasing export to the U.S. European domestic demand recovered considerably, supported by rising mobility levels and by a stronger performance of the agricultural and manufacturing sectors, which are fostering diesel consumption for goods transportation.
- Jet cracks have been 92\$/MT in 2021 compared with 40\$/MT in 2020. Jet cracks reached their highest level since the start of the COVID pandemic, helped by the removal of quarantine requirements across much of the EU countries and U.S. Also, favorable import-export dynamic helped the cracks, as flows from the Middle East and Asia to Europe dropped and departures from Europe towards the US have been trending significantly above 3-year average since early Q2.

During 2021, RON depreciated strong versus USD, by approximately 10%, breaking the psychological level of 4.4, by the end of the year. However, in terms of yearly average, USD/RON was traded lower than in 2020, 4.16 versus 4.24 in 2020.

In terms of EUR/RON, RON depreciated by approximately 2% versus EUR (4.92 in 2021 versus 4.84 in 2020).

In 2021, Standard & Poor's rating agency improved Romania's outlook from negative to stable. Romanian industrial production has been on an increasing trend and retail sales returned in positive territory.

National Bank of Romania Board decided to increase twice the monetary policy rate by 25 basis points in the end of the year.

In Romania the inflation in 2021 reached 8.19%, 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*



## REFINING SEGMENT

		2021	2020	%	2021	2020	%
<b>Financial</b>		<b>USD</b>	<b>USD</b>		<b>RON</b>	<b>RON</b>	
Gross Revenues	USD/RON	3,772,009,887	2,732,749,319	38%	16,486,323,612	11,944,027,449	38%
Net Revenues	USD/RON	2,725,659,137	1,811,028,865	51%	11,913,038,388	7,915,463,860	51%
EBITDA	USD/RON	31,598,260	(33,378,262)	N/A	138,106,514	(145,886,370)	N/A
EBITDA margin	%	1.2%	-1.8%		1.2%	-1.8%	
EBIT	USD/RON	(138,461,975)	(113,042,913)	-22%	(605,175,752)	(494,076,660)	-22%
Net profit / (loss)	USD/RON	(193,616,606)	(186,634,742)	-4%	(846,240,098)	(815,724,467)	-4%
Net profit / (loss) margin	%	-7.1%	-10.3%		-7.1%	-10.3%	
Gross cash refinery margin/tonne (Petromidia)	USD/(RON)/tonne	34.4	15.2	126%	150.6	66.6	126%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	4.7	2.1	126%	20.7	9.2	126%
Net cash refinery margin/tonne (Petromidia)	USD/(RON)/tonne	1.8	(11.2)	N/A	7.9	(49.1)	N/A
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	0.2	(1.5)	N/A	1.1	(6.8)	N/A
<b>Operational</b>							
Feedstock processed in Petromidia refinery	thousand tonnes	4,586	4,864	-6%			
Feedstock processed in Vega refinery	thousand tonnes	321	364	-12%			
Gasoline produced	thousand tonnes	1,135	1,159	-2%			
Diesel & jet fuel produced	thousand tonnes	2,480	2,649	-6%			
Motor fuels sales - domestic	thousand tonnes	2,333	2,380	-2%			
Motor fuels sales - export	thousand tonnes	1,167	1,248	-7%			
Export	%	33%	34%				
Domestic	%	67%	66%				

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 3.77 billion in 2021, showing a 38% increase year-on-year level.

The production activities of the Petromidia refinery restarted at the end of September 2021, after the event that occurred on July 2<sup>nd</sup>, 2021 at HPM unit (Diesel Hydrotreater Unit); the technological installations restarted in stages, after a series of works took place for the restoration of the affected units. As for the Diesel Hydrotreater Unit (HPM), it has been technologically isolated, the completion of the reconstruction and restart will take place during 2022.



Although during the period after the incident and until the restart, production activity was completely stopped, in order to ensure sales on the domestic market and in the distribution network in Rompetrol Bulgaria, Georgia and Moldova, components were imported for auto fuels and also aviation fuels for the main airports from Romania.

In 2021, the total throughput of Petromidia refinery was 4.59 million tonnes, lower by 5.7% compared to last year, when the total throughput was 4.86 million tonnes.

The results obtained for the main technological and operational parameters are the following:

- ✓ White finished products yield of 86.12%wt;
- ✓ Technological loss of 0.82%wt.

In respect of Vega refinery, the only domestic producer of bitumen and hexane, the total throughput was 321,052 tonnes in 2021, lower by 11.75% compared with last year when the total throughput was 363,803 tonnes.

In 2021 the refining capacity utilization was 97.29%, lower by 12.95% compared to last year.

Vega refinery managed to achieve in 2021 the following refining results:

- ✓ Technological loss of 0.64%;
- ✓ Energy consumption of 2.76 GJ/t;
- ✓ Mechanical Availability of 98.72%.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 1.63 billion in 2021.

**PETROCHEMICALS SEGMENT**

		2021	2020	%	2021	2020	%
<b>Financial</b>		<b>USD</b>	<b>USD</b>		<b>RON</b>	<b>RON</b>	
Revenues	USD/RON	186,396,379	149,171,871	25%	814,682,654	651,985,497	25%
EBITDA	USD/RON	1,260,196	(26,274,984)	N/A	5,507,938	(114,840,073)	N/A
EBIT	USD/RON	(17,257,882)	(42,521,116)	59%	(75,429,026)	(185,847,042)	59%
Net profit / (loss)	USD/RON	(20,295,350)	(32,758,531)	38%	(88,704,888)	(143,177,711)	38%
<b>Operational</b>							
Propylene processed	thousand tonnes	110	117	-6%			
Ethylene processed	thousand tonnes	37	66	-44%			
Total polymers production	thousand tonnes	106	143	-26%			
Sold from own production	thousand tonnes	111	160	-30%			
Sold from trading	thousand tonnes	0.5	2.5	-79%			
Total sold	thousand tonnes	112	162	-31%			
Export	%	39%	46%				
Domestic	%	61%	54%				

*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 2021 the total polymers production for Petrochemicals area was 106 thousand tonnes lower by 26% as against 2020 when the total polymers production was 143 thousand tonnes. The decrease is mainly due to polymers units non-operating in Q3 2021, correlated with the shut-down of Petromidia refinery production and also due to LDPE unit shut down during the month of October and the first half of November 2021, in order to solve the issue appeared at high pressure V106 vessel.

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**

		2021	2020	%	2021	2020	%
		USD	USD		RON	RON	
<b>Financial</b>							
Gross Revenues	USD/RON	3,256,820,738	2,455,679,338	33%	14,234,586,401	10,733,037,683	33%
EBITDA	USD/RON	70,792,122	60,565,576	17%	309,411,128	264,713,963	17%
EBIT	USD/RON	46,658,284	26,129,576	79%	203,929,361	114,204,538	79%
Net profit / (loss)	USD/RON	24,604,050	19,592,252	26%	107,536,920	85,631,855	26%
<b>Operational</b>							
Fuels quantities sold in retail	thousand tonnes	935	799	17%			
Fuels quantities sold in wholesale	thousand tonnes	1,181	1,190	-1%			
LPG quantities sold	thousand tonnes	319	351	-9%			

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

In 2021 the marketing segment had a turnover of over USD 3.25 billion, higher by 33% as compared with last year; Marketing Segment result performance for 2021 reached a level EBITDA of USD 70.8 million (i.e. +17% as against last year).

In 2021, the average Platts quotations (FOB Med Italy) in USD (reference currency) increased by +60% for diesel and by +75% for gasoline compared with 2020. The international diesel quotation increased in the national currency by +57%, in the same time the international gasoline quotation increased in the national currency by +72% compared to 2020.

Fuel sales (retail and wholesale), for 2021 amounted to 2.116 million tonnes, +6% compared to last year, of which, the quantities sold in retail had an increase of 17%.

Overall, total sales (including LPG) reached 2.435 million tonnes in 2021, higher as against last year by 4%.

At the end of December 2021, the Rompetrol Downstream's distribution segment contained 1207 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

During 2021, Rompetrol Gas increased its retail sales volume performance by +11% compared to 2020, while LPG Auto, LPG domestic and Propane wholesale performance within Romania reached 149.8 ktons, by approximatively 6% above 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 FULL YEAR 2021

	2021	2020	%	2021	2020	%
	USD	USD		RON	RON	
Gross Revenues	4,619,086,978	3,465,662,381	33%	20,188,643,455	15,147,370,569	33%
Sales taxes and discounts	(1,270,830,825)	(1,131,439,847)	12%	(5,554,420,286)	(4,945,184,139)	12%
<b>Net revenues</b>	<b>3,348,256,153</b>	<b>2,334,222,534</b>	<b>43%</b>	<b>14,634,223,169</b>	<b>10,202,186,429</b>	<b>43%</b>
Cost of sales	(3,141,182,174)	(2,243,249,528)	40%	(13,729,164,926)	(9,804,570,713)	40%
<b>Gross margin</b>	<b>207,073,980</b>	<b>90,973,006</b>	<b>128%</b>	<b>905,058,243</b>	<b>397,615,716</b>	<b>128%</b>
Selling, general and administration	(233,309,032)	(216,271,006)	8%	(1,019,723,787)	(945,255,686)	8%
Other operating income	23,918,589	107,398,286	-78%	104,540,975	469,405,689	-78%
Other operating expenses	(104,216,987)	(110,051,303)	-5%	(455,501,183)	(481,001,230)	-5%
<b>EBIT</b>	<b>(106,533,450)</b>	<b>(127,951,017)</b>	<b>17%</b>	<b>(465,625,752)</b>	<b>(559,235,511)</b>	<b>17%</b>
Finance, net	(52,052,049)	(26,661,947)	95%	(227,503,892)	(116,531,372)	95%
Unrealized net foreign exchange (losses)/gains	7,836,973	(3,827,296)	N/A	34,253,057	(16,727,964)	N/A
Realized net foreign exchange (losses)/gains	(1,754,279)	(6,039,717)	-71%	(7,667,427)	(26,397,791)	-71%
<b>EBT</b>	<b>(152,502,806)</b>	<b>(164,479,977)</b>	<b>7%</b>	<b>(666,544,014)</b>	<b>(718,892,637)</b>	<b>7%</b>
Income tax	(34,281,089)	(34,107,415)	1%	(149,832,356)	(149,073,279)	1%
<b>Net result</b>	<b>(186,783,895)</b>	<b>(198,587,392)</b>	<b>6%</b>	<b>(816,376,370)</b>	<b>(867,965,916)</b>	<b>6%</b>
<b>EBITDA</b>	<b>106,794,756</b>	<b>2,566,542</b>	<b>4061%</b>	<b>466,767,841</b>	<b>11,217,585</b>	<b>4061%</b>



## APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2021

	31 December 2021	31 December 2020	%	31 December 2021	31 December 2020	%
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible assets	9,469,707	10,970,907	-14%	41,389,248	47,950,543	-14%
Goodwill	82,871,706	82,871,706	0%	362,207,365	362,207,365	0%
Property, plant and equipment	1,261,644,352	1,168,350,972	8%	5,514,268,958	5,106,511,584	8%
Right of use assets	109,604,968	76,543,589	43%	479,050,434	334,549,067	43%
Financial assets and other	3,139,455	4,143,035	-24%	13,721,616	18,107,963	-24%
<b>Total Non Current Assets</b>	<b>1,466,730,188</b>	<b>1,342,880,209</b>	<b>9%</b>	<b>6,410,637,622</b>	<b>5,869,326,523</b>	<b>9%</b>
<b>Current assets</b>						
Inventories	329,204,005	202,167,399	63%	1,438,851,943	883,613,051	63%
Trade and other receivables	690,550,529	553,555,615	25%	3,018,189,197	2,419,425,526	25%
Derivative financial Instruments	23,958,794	209,030	11362%	104,716,702	913,607	11362%
Cash and cash equivalents	50,091,261	100,655,956	-50%	218,933,873	439,936,987	-50%
<b>Total current assets</b>	<b>1,093,804,589</b>	<b>856,588,000</b>	<b>28%</b>	<b>4,780,691,714</b>	<b>3,743,889,172</b>	<b>28%</b>
<b>Total assets</b>	<b>2,560,534,777</b>	<b>2,199,468,209</b>	<b>16%</b>	<b>11,191,329,336</b>	<b>9,613,215,695</b>	<b>16%</b>
<b>Equity and liabilities</b>						
<b>Total Equity</b>	<b>462,580,486</b>	<b>421,297,060</b>	<b>10%</b>	<b>2,021,800,525</b>	<b>1,841,363,055</b>	<b>10%</b>
<b>Non-current liabilities</b>						
Long-term debt	191,729,052	240,000,000	-20%	837,990,167	1,048,968,000	-20%
Provisions	84,606,213	79,332,744	7%	369,788,374	346,739,624	7%
Obligations under lease agreements	108,237,081	81,816,635	32%	473,071,809	357,595,967	32%
Other	72,832,895	4,695,869	1451%	318,330,735	20,524,235	1451%
<b>Total non-current liabilities</b>	<b>457,405,240</b>	<b>405,845,248</b>	<b>13%</b>	<b>1,999,181,085</b>	<b>1,773,827,825</b>	<b>13%</b>
<b>Current Liabilities</b>						
Trade and other payables	1,543,053,293	1,267,733,760	22%	6,744,223,017	5,540,883,945	22%
Contract liabilities	44,880,252	30,912,849	45%	196,158,115	135,110,789	45%
Derivative financial instruments	3,478,830	375,916	825%	15,204,923	1,643,016	825%
Obligations under lease agreements	3,679,908	4,003,884	-8%	16,083,774	17,499,776	-8%
Short-term debt	42,421,794	65,291,249	-35%	185,412,936	285,368,461	-35%
Profit tax payable	3,034,974	4,008,243	-24%	13,264,959	17,518,828	-24%
<b>Total current liabilities</b>	<b>1,640,549,051</b>	<b>1,372,325,901</b>	<b>20%</b>	<b>7,170,347,726</b>	<b>5,998,024,814</b>	<b>20%</b>
<b>Total equity and liabilities</b>	<b>2,560,534,777</b>	<b>2,199,468,209</b>	<b>16%</b>	<b>11,191,329,336</b>	<b>9,613,215,695</b>	<b>16%</b>



## **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.

Crisis Scenarios have been developed and implemented at all levels and close monitoring of the situations 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.



Additional risks were brought by Covid-19 pandemic. 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.

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 2021 when, alongside normal business challenges, a critical incident, whose causes are still under investigation by experts, took place on the production platform which resulted in explosion, fire, assets damage and fatalities. Existence of proper crises management procedures allowed that necessary measures to be implemented immediately in order to limit at maximum the losses. The company took significant measures to strengthen existing security and safety controls on all layers.

Environmental risks are strictly monitored, and a special emphasis is given to environment protection activities. The Group is committed to comply with all environmental laws and regulations. Ensuring compliance with environmental obligations put a lot of pressure under the Group's risk profile. In order to mitigate this risk, the group made a series of investments to ensure integrity of our technical equipment and compliance with environmental limits and put in place complex projects.

## **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. The Group has internal standards and guidelines on due diligence with third parties, conflicts of interest, gifts and hospitality, which focus on mitigating potential corruption risks.

Rompetrol's Code of Ethics and Conduct is approved by the Board of Directors and applies to all directors, executives and employees, whatever the nature of their contractual relationship with the Group. The Code creates a frame of reference for understanding and putting into practice the Group's expectations as to each person's behaviour, in light of the Group's principles of action. Rompetrol's employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct.

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. In line with Irregularity Reporting Policy, the internal investigations conducted during 2021 and 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. The results of all internal investigations were discussed with the Company's statutory bodies, which concluded that the warnings were not confirmed.





## **CYBER RISK**

The progress made toward digitalization certainly brings great benefits, however as the use of new technologies and their capabilities increases, so do the risks derived from their exposure in cyberspace, the reliance on the systems deployed and the information generated by the Group. The risks are not only technical but also business related and may lead to operational disruptions, fraud or theft of sensitive information.

The Group is heavily dependent on the information technology systems, including the network infrastructure for the safe and effective operation of the business. The Group rely on such systems to process, transmit and store electronic information, including financial records and personally identifiable information and to manage or support a variety of business processes, including the supply chain, pipeline operations, gathering and processing operations, retail sales, financial transactions, banking and numerous other processes and transactions. Any interruption or failure of any information technology system, including an interruption or failure due to a cybersecurity breach, could have an adverse effect on the business, financial condition, results of operations and cash flows.

The systems and infrastructure are subject to potential damage or interruption from a number of potential sources including, power failures and cyberattacks and other events and our cybersecurity protections, infrastructure protection technologies, disaster recovery plans and employee training may not be sufficient to defend us against all unauthorized attempts to access our information.

In subsequent period, the Group was subject to an attempt to gain unauthorized access to the computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect, however this kind of events may occur in the future.

The Group continuously improves cyber security capabilities and supervise the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Group continuously educates their employees and partners about cyber security risks and support them to act in a responsible way.

## **SUBSEQUENT EVENTS**

Facilities granted to Rompetrol Rafinare SA by Banca Transilvania in amount of EUR 30 million and EUR 27.96 million have been extended until July 30, 2022.

A loan agreement was signed with the Fondul de Investitii in Energie Kazah-Roman S.A. in the amount of 16,540,000 USD in order to finance the project for the conversion of the HDPE installation into PP. The loan will be used during 2022-2023 and the repayment period is 13 years from the date of execution of the contract.

## **Impact of sanction risks and conflict in Ukraine**

In the context of the military conflict between Russia and Ukraine, started on February 24, 2022, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

The war in the Ukraine is creating increasing geopolitical risks and further challenges for global supply chains are to be expected which will impact the global economy. We anticipate that the global challenging conditions will persist for the following months.





At present, we are monitoring very closely the current situation and developments of sanctions applied to Russia and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region, which also enables us to identify any impact on our business and supply chains at an early stage and act accordingly.

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Group's sources for crude oil are not from Russia and the Group does not have operations in Russia or Ukraine.

The effects of Russia-Ukraine conflict represent a non-adjusting event after the reporting period and therefore has no impact on the recognition and measurement assets and liabilities at balance sheet date. There is currently a high degree of uncertainty surrounding the military conflict and what the economics repercussions will be. Overall, the impact of the conflict and any further escalation of business performance in 2022 cannot currently be determined with sufficient accuracy.

At this stage Management doesn't expect that such conflict will have a significant negative impact on the Group operations and on the recoverable value of the Group long term assets and considers that the Going concern basis of preparation of the financial statements is appropriate.



**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 = 4.3707 as of 31 December 2021.

**Chairman of the Board of Directors**  
**Yedil Utekov**

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*Yedil Utekov*  
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**Member of the Board of Directors**  
**Alexey Golovin**

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*Alexey Golovin*  
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**Member of the Board of Directors**  
**Bogdan-Catalin Steriopol**

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*Bogdan-Catalin Steriopol*  
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**Member of the Board of Directors**  
**Nicolae Bogdan Codrut Stanescu**

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*Nicolae Bogdan Codrut Stanescu*  
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**Member and General Manager**  
**Felix Crudu-Tesloveanu**

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*Felix Crudu Tesloveanu*  
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**Finance Manager**  
**na-Georgiana Galateanu**

igned by:  
*Ramona Galateanu*  
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