

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Rompetrol Rafinare S.A.

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

#### **Opinion**

We have audited the separate financial statements of Rompetrol Rafinare S.A. (the Company) with official head office in 215 Navodari Boulevard, Administrative Pavilion, 907500 - Navodari, Romania, identified by sole fiscal registration number RO1860712, which comprise the statement of financial position as at December 31, 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

#### **Basis for opinion**

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

#### **Key audit matters**

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

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

The English version of the audit report represents a translation of the original audit report issued in Romanian language

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

Key audit matter	How our audit addressed the key audit matter
<p>Measurement of property, plant and equipment and right of use assets</p> <p>Disclosures on property, plant and equipment and right of use assets, including the related change in accounting policy, are included in Note 2 c), 2 e) and 2 j), Note 5 and Note 6 respectively.</p> <p>Property, plant and equipment of RON 4,419 million, rights of use assets of RON 55.6 million are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2021.</p> <p>As of 31 December 2021, the Company’s shareholders approved a change in the accounting policy for the measurement of land and equipment from historical cost to revalued amount (previously only buildings were measured at revalued amounts), and as of that date a valuation exercise was conducted by an independent appraiser.</p> <p>The recent volatility of oil prices which started in the first half of 2020, given also the economic situation generated by the Covid-19 pandemic had a significant effect on the Company’s performance and therefore impairment indicators were identified in 2020 and 2021.</p> <p>Under the International Financial Reporting Standards, an entity is required to assess at least at each reporting date, whether triggers for potential impairment or reversal of impairment previously recorded exist and, if they exist, an impairment test is required. The assessment of whether there is an indication that an asset may be impaired, or an impairment may be reversed requires significant judgement, as</p>	
	<p>We evaluated the management’s assessment of the triggers for potential impairment as well as the related impairment tests considering also the valuation exercise conducted by the Company as of 31 December 2021 to determine the fair value for the property, plant and equipment. Specifically, our audit work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>• we considered whether the impairment testing covered all significant cash generating units/individual assets for which impairment indicators existed at the end of the reporting period;</li> <li>• we compared the future short and long-term oil and gas prices and product margins used in the Company’s budgets for consensus with analyst’s forecasts;</li> <li>• we assessed the considerations used by the Company for decarbonization and transition to lower carbon economy and economy system;</li> <li>• we assessed the consideration of Covid-19-pandemic impact in the cash flow models;</li> <li>• we involved our internal valuation specialists to assist us in evaluating the key assumptions and the</li> </ul>

it involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.

The impairment test exercise and fair value measurement are complex, requires significant management judgments and are based on unobservable market data and assumptions that are affected by expected future market conditions including the acceleration of the pace of transition to a lower carbon economy and energy system.

As of 31 December 2021, the management has performed a triggering events analysis and performed separate impairment testing in respect of the two CGUs' identified (Refinery and Petrochemicals) for property, plant and equipment and right of use assets.

The impairment test exercise indicated that the recoverable amount was higher than the carrying value, and therefore no impairment adjustment was required.

In light of the judgements and estimates used by management in the determination of future cash flow projections and uncertainties regarding current and future economic environment, the measurement of fair value for property, plant and equipment and impairment assessment for property, plant and equipment and right of use assets are considered a key audit matter.

methodologies used by the Company for the impairment testing of goodwill, property, plant and equipment and right of use assets. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows for the respective CGUs (such as expected sale prices, production/sales volumes, operating profit, discount rate, growth rate, working capital changes, etc.) by analysing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Company;

- we checked the mathematical accuracy of the management's cash flow models for determining the fair value less cost of disposal and its conformity with the requirements of the International Financial Reporting Standards.
- we assessed the Company's considerations for the voluntary change in accounting policy related to measurement of land and equipment and compared it with the requirement of the International Financial Reporting Standards;
- we involved our internal valuation specialists to assist us in the assessment of the valuation exercise carried out for property, plant and equipment. The procedures performed focused on methodologies and valuation techniques applied, method to determine the range of the fair values, its reliability of revalued amounts given the specialized items valued and the appropriateness of the point in range selected and its relevance;

	<ul style="list-style-type: none"> <li>• we checked the mathematical accuracy of the valuation report together with the accounting entries performed to reflect the fair values of property, plant and equipment.</li> <li>• we evaluated the competence, capabilities and objectivity of management's external valuator.</li> </ul> <p>Furthermore, we assessed the adequacy of the Company's disclosures about goodwill and property, plant and equipment, right of use assets, including the related impairment testing as well specific disclosures made for the valuation of property, plant and equipment.</p>
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Key audit matter	How our audit addressed the key audit matter
<p><b>Fair value measurement of investments in subsidiaries</b></p> <p>Disclosures on fair value measurement for subsidiaries are included in Note 2 c), 2 i), 2 j) and Note 7</p>	
<p>Investments in subsidiaries at Fair Value through profit or loss are measured at RON 2,632 million as at 31 December 2021.</p> <p>Following the voluntary change in accounting policy for measurement of investments in subsidiaries, the Company conducted a fair value exercise with the involvement of an external expert. Voluntary change of accounting policy is applied retrospectively, which implied fair value measurement as of 31 December 2020 and 31 December 2019.</p> <p>We considered the fair value measurement of investments in subsidiaries to be significant for our audit due to the magnitude of the amounts involved, the high level of subjectivity in respect of assumptions underlying the fair value assessment and the significant judgements and estimates that need to be made by management over the determination of the</p>	<p>We audited management's estimate of the fair value of financial assets not quoted in an active market, having a fair value of RON 2,632 million as of 31 December 2021. Specifically, our work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>• We analysed the key assumptions used in the valuation report prepared by an external expert, by analysing their consistency with the industry-specific economic environment, relevant available market information and the business plans approved by management for each subsidiary;</li> <li>• We evaluated if the valuation exercise included all factors that influence the investments at the end of the reporting period and its compliance with International Financial Reporting Standards requirements;</li> <li>• We involved our valuation specialists to assist us in evaluating key assumptions</li> </ul>

fair value of financial assets not quoted in an active market.

The Company has investments in different subsidiaries, as indicated in note 7, measured at fair value through profit or loss.

Their measurement represents Level 3 fair value hierarchy, for which quoted prices in an active market are unavailable and whose value is determined by internal valuation techniques that generally use non-observable data. Applied internal valuation techniques can be subjective in nature, involving multiple assumptions and estimates.

For these reasons, we have considered this as a key audit matter

and the methodologies applied in the valuation report by the external expert in the fair value exercise of the financial assets. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the fair value to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows for the respective subsidiary (such as expected sale prices, sales volumes, operating profit, growth rate working capital changes, etc.) by analysing their consistency with the business plans of the Company;

- We checked the mathematical accuracy of management's exercise for determining the fair value.
- we assessed the Company's considerations for the voluntary change of accounting policy related to fair value measurement of investments in subsidiaries and compared it with the requirements in the International Financial Reporting Standards.
- we evaluated of the competence, capabilities and objectivity of management's external valuator.

Furthermore, we assessed the adequacy of the Company's disclosures about fair value measurement of investment in subsidiaries.

#### Key audit matter

#### How our audit addressed the key audit matter

#### Environmental provision

Disclosures about environmental provision are included in Note 2 e) and 2 k), Note 17 and Note 29.

As at 31 December 2021, the Company has environmental provision of RON 312.6 million out of which RON 290.9 million is related to the provision for the

We evaluated the management's assessment for the environmental obligation. Specifically, our audit work included, but was not limited to the following procedures:

rehabilitation of Vega lagoons as presented in Note 17 to the financial statements.

The assessment for environmental provision related to Vega lagoons is significant to our audit due to the magnitude of the amounts involved and the subjective judgments of Company's management in making these estimates, which is impacted by extension of the timeline for the finalization of the rehabilitation works, current environmental and regulatory requirements, the nature of the activities and costs incorporated for the provision estimate.

In light of the judgements and estimates used by management in the determination of environmental obligation and inherent complexity in estimating future environmental remediation costs, this is considered a key audit matter.

- we assessed main assumptions considered for the computation of provision, such as quantities, prices per activity and updated timeline for the rehabilitation plan;
- we checked the accuracy of historical remediation provisions by comparing to actual expenditure. We used this knowledge to challenge management's current cost estimations for the remediation works
- we inspected third party expert report and external underlying documentation for management's determination of future required activities, their timing, and associated cost estimations and comparing them to the nature and quantum of costs contained in the provision balance as of 31 December 2021;
- we checked the mathematical accuracy of the management's assessment for the environmental provision and its compliance with the requirements of the International Financial Reporting Standards.
- we involved our internal valuation specialists to assist us in evaluating the discount rate used for the computation of provision;
- we involved our environmental and sustainability specialists to inspect and evaluate related supporting evidence for the provision computation and communication with environmental authorities.

Furthermore, we assessed the adequacy of the Company's disclosures about environmental risks and obligations and related provision.



Key audit matter	How our audit addressed the key audit matter
<p>Completeness and measurement of provisions for litigations</p> <p>Disclosures about litigations are included in Note 27 and Note 28.</p>	
<p>The Company is involved in various and significant litigations, including in relation to regulatory and / or governmental proceedings as well as investigations by tax and other authorities which are disclosed in Note 27 and Note 28 to the financial statements. This area is significant to our audit due to the inherent uncertainties over the final outcome of these litigations, complexity of the cases and the significant judgement applied by the management in estimating the final outcome of such assessments and exposures (i.e. whether a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated).</p> <p>Due to the significance and complexity of these litigations, adverse outcomes that could potentially significantly impact the Company's reported financial performance and financial position, we considered this as a key audit matter.</p>	<p>Our audit procedures included, among others, obtaining legal confirmations from the Company's external lawyers advising on these matters and also supporting documentation from the Company's internal legal counsel regarding the status of these litigations. We have inspected the minutes of the Board of Directors' meetings and held periodic meetings with management to discuss and understand the developments in legal proceedings and the management assumptions and judgement in respect of these matters.</p> <p>We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. We assessed the competence, objectivity and independence of external lawyers. Our internal specialists were involved, where appropriate, to assist us to analyse the legal cases and the assumptions made by management.</p> <p>We further evaluated the adequacy of disclosures included in the financial statements regarding provisions recognized and contingencies resulting from legal proceedings.</p>

## **Other information**

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

Our audit opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

- a) in the Individual Annual Report of the Board of Directors we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements as at December 31, 2021;
- b) the Individual Annual Report of the Board of Directors identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 - 19;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the separate financial statements as at December 31, 2021, we have not identified information included in the Individual Annual Report of the Board of Directors that contains a material misstatement of fact.
- d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

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

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

We were appointed as auditors of the Company by the General Meeting of Shareholders on 29 April 2020 to audit the financial statements for the financial year end December 31, 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 14 years, covering the financial periods end 31 December 2008 till December 31, 2021.

### **Consistency with Additional Report to the Audit Committee**

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

### **Provision of Non-audit Services**

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit. In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

### **Report on the compliance of the electronic format of the separate financial statements, included in the annual separate report with the requirements of the ESEF Regulation**

We have performed a reasonable assurance engagement on the compliance of the separate financial statements presented in XHTML format of Rompetrol Rafinare S.A. (the Company) for the year ended 31 December 2021, with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation).

These procedures refer to testing the format and whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements and expressing an opinion on the compliance of the electronic format of the separate financial statements of the Company for the year ended 31 December 2021 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the separate financial statements, included in the annual report should be presented in XHTML format.

## **Responsibilities of the Management and Those Charged with Governance**

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the separate financial statements in XHTML format and for ensuring consistency between the electronic format of the separate financial statements (XHTML) and the audited separate financial statements.

The responsibility of the Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the separate financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of separate financial statements, including the application of the ESEF Regulation.

## **Auditor's Responsibility**

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the separate financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

## **Our Independence and Quality Control**

We apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements to the registered auditors in Romania.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

### Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the separate financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the financial statements of the Company, including the preparation of the separate financial statements of the Company in XHTML format
- tested the validity of the applied XHTML format
- checked whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, our opinion is that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

On behalf of,

**Ernst & Young Assurance Services SRL**

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Registered in the electronic Public Register under No. FA77



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28 March 2022

