

**ANNUAL REPORT
OF THE ADMINISTRATORS
of the Company CONPET S.A.**

for the financial year ended

at

31.12.2021

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MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Esteemed shareholders,
Esteemed investors,

Conpet is a strong company in the energy sector, stable for the Romanian economy and persevering in carrying forward, in the future, an activity with a tradition of transporting crude oil via pipelines for over 120 years.

The challenges of the last two years, which involved profound changes in the way of working, rapid adaptations to unforeseen situations and reconfigurations of the strategies to achieve the objectives, were surmounted by CONPET due to the professionalism and commitment that a team of over 1500 employees took to succeed.

The year 2021 tested the consistency and ability to cope with all the changes that the previous year brought, with the pandemic that affected both the oil industry, global economies and the way we carry out our professional activities on a daily basis.

At CONPET, we responded with resilience, adaptability, responsibility and professionalism, so that the crude oil transport activity continued ceaselessly and sustained, honoring its customers at the same high standards of quality and safety. From the members of the Board of Directors and the executive management who evaluated the situations and predicted scenarios, taking the best solutions, to all the employees, TESA workers or from the "front line" who did their work with efficiency and dedication, we have all proven that we are part of this guild of oilmen – people accustomed to perform in any conditions and keep the world moving, regardless of the challenges.

By prioritizing the health and safety of the employees, trained to be both professionally rigorous and flexible against all changes dictated by the present realities, we have followed with seriousness and perseverance the plans we set ourselves at the beginning of the year and the goals we set ourselves to achieve at the end of it.

We finished the year, making a profit. Thus, compared to the revenues and expenditure budget approved for 2021, we recorded a net profit of 51.9 million RON, 5,3% higher than programmed for the year 2021 and a turnover of 412.8 million RON, up to 1.3% and the transport revenues increased by 1.3% as compared to program.

At the same time, CONPET maintained also last year, the position as a major player on the local capital market. Currently included in 7 stock indexes (out of a total of 9), indicating economic and financial stability, transparency, visibility and maintaining increased investor interest, CONPET reached a capitalization of 683.94 million RON (79 RON/share at 31.12.2021).

CONPET is a company that has quickly adapted to changing working conditions: working in a teleworking system, digitalization, use of remote communication management and tools. Despite the physical distancing necessary to protect health, keeping employees connected to the life of the company at all its working points and promoting common values within the organizational culture remained one of the priorities. Thus, through internal communications, the internal newspaper "Informatia Conpet" and the social media communication channels, CONPET continued to keep its employees close, informed and aware that they are part of a strong organization, with a professional and ethical mission to which they must adhere responsibly and of which they can be proud at any time.

Also, in the context of the COVID-19 epidemic that continued in 2021, in addition to the prevention and protection measures taken at the level of all CONPET work points, a permanent information,

awareness and accountability campaign on all aspects related to the coronavirus pandemic was developed, on all internal and external communication channels.

With a constant concern for the well-being of our employees, in 2021, we have preserved and even increased the benefits granted, maintaining the emphasis on professional evolution and improvement, maintaining health, increasing wages, supporting rest and spending leisure time to maintain an optimal balance between professional and personal life, thus increasing performance at work.

At the same time, known for its involvement in the life of the community to which it belongs, through sponsorship actions, social responsibility, and environmental protection, Conpet continued in 2021 to pay increased attention to supporting major projects in the medical-sanitary sector, as well as many other important projects in the fields of education, sports, social and cultural, carried out both in rural and urban areas, locally and nationally.

Again, the 2021 balance sheet shows that CONPET has maintained its status as a strong and efficient company, in which the stability and adaptability of customers, shareholders and investors can be trusted. In a difficult period for the energy sector and the medical-sanitary field, CONPET proves that its activity is carried out with responsibility, professionalism and professional rigor, maintaining its financial stability and continuing to implement all its projects at the level of society. In perspective, we will continue to capitalize on the strengths we currently have, the body of professionals who provide high quality services, but we will prepare for the challenges and changes that will occur in the field in which we operate, with the vision and responsibility that the management of a strategic company imposes.

Sincerely yours,
CRISTIAN - FLORIN GHEORGHE
CHAIRMAN OF THE BOARD OF DIRECTORS

1. COMPANY PRESENTATION

1.1 Report grounds

The Annual Report of the Board of Directors of CONPET SA for the year ended December 31st, 2021, was prepared in accordance with:

- Annex 1 Accounting regulations Chapter 3 of the Minister of Public Finance Order no. 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards.
- Article 65 of Law no. 24/2017, republished, regarding the issuers of financial instruments and market operations.
- Annex no.15 on the requirements of the Annual Report, from Regulation no. 5/2018 regarding the issuers of financial instruments and market operations issued by the Financial Supervisory Authority.
- Art. 56 of EGO no.109/2011 *on corporate governance of the public enterprises*' subsequent amendments and completions.
- Chapter VI Art. 7, item 7.18 regarding the Administrators' Obligations from the Administration Contracts concluded between administrators and CONPET S.A.
- Art.20 Para (1) letter (e) of the Articles of Incorporation of CONPET SA.

1.2 SUBSTANTIATION DATA

Date of the report	March 21 st , 2022
Issuer's Name	CONPET S.A.
Registered Offices	No. 1-3 Anul 1848 Street, Ploiesti Prahova County, Zip Code 100559,
Telephone/facsimile number	0244 401360/0244 516451
E-mail/Internet	conpet@conpet.ro www.conpet.ro
Trade Identification Number at the Trade Register Office	1350020
Trade Registry Number	J29/6/22.01.1991
The regulated market trading the issued securities	Bucharest Stock Exchange, Premium category
Subscribed and paid-up share capital	28,569,842.40 RON
Main features of the issued securities	8,657,528 shares with a nominal value of 3.3 RON/share. Dematerialized, nominative, ordinary, indivisible, freely tradable shares as of 05.09.2013, under COTE symbol ISIN: ROCOTEACNORT
Total market value	683,944,712 RON (79.00 RON/share at 31.12.2021)
Applied accounting standard	The International Financial Reporting Standards
Auditing	The Financial Statements concluded at December 31 st , 2021 have been audited

1.3 Main activities

CONPET is a strategic company, part of the architecture of the national energy system, being the operator of the crude oil national transport system via pipelines.

Since 2002, CONPET is the concessionaire of the operation of the crude oil, rich gas, condensate and ethane National Transport System, based on the oil Concession Agreement concluded with the National Agency for Mineral Resources, approved pursuant to GD no. 793/25.07.2002.

The Crude Oil, Rich Gas, Condensate and Ethane National Transport System (NTS) is being defined and regulated by Law no. 238/07.06.2004 - Petroleum Law and the Methodological Norms for the enforcement of the Petroleum Law approved under. 2075/2004 and is part of the state's public property, being of strategic importance.

1.4 The company's mission, vision and values

CONPET mission is the operation of the National Transport System via Pipelines under safe and secure conditions, free access to the system's available capacity to all the inquirers, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis as well as accessing the related markets corresponding to the segments of the value chain of the oil industry.

CONPET vision targets the maintenance of its position of strategic player in the Romanian oil industry, acting as crude oil, ethane and rich gas carrier by pipelines and by rail.

Company's Values:

- continuous learning and improvement;
- concern for people and environment;
- openness and quality improvement;
- flexibility and dynamism;
- communication and cooperation.

1.5 Shareholding

CONPET is a publicly owned company, listed at the Bucharest Stock Exchange, under COTE symbol.

The synthetic structure of the shareholding, at reference date 31.12.2021, is as follows:

- 58.7162% - the Romanian State by the Ministry of Energy;
- 41.2838% - Other shareholders natural or legal persons.

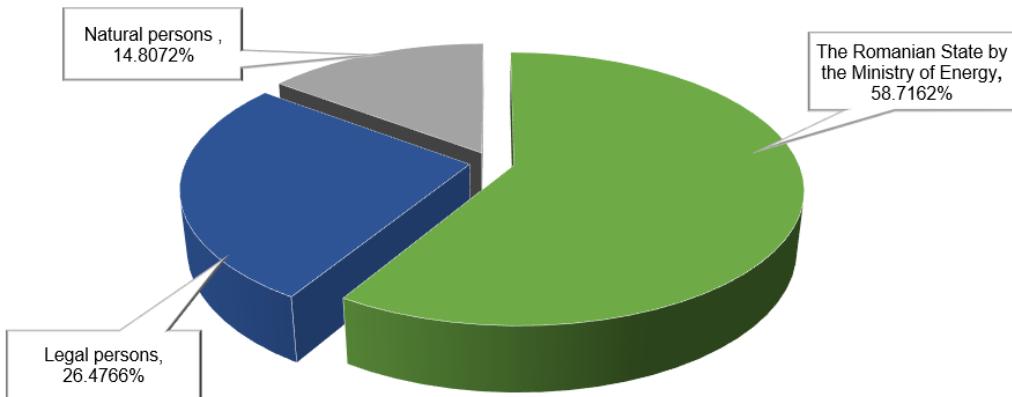


Chart 1 - CONPET S.A. Shareholding Structure at December 31st. 2021

The number of CONPET Shareholders registered at Depozitarul Central S.A. at the end of 2021 is of 13,774, increasing by 5.2% as compared to the end of 2020 (13,095 shareholders).

The share capital of CONPET at 31.12.2021 is of 28,569,842.40 RON and is divided into 8,657,528 nominative shares, each share with a nominal value of 3.3 RON/share.

CONPET SA did not perform transactions having as scope its own shares and, consequently, the company did not hold own shares.

1.6 Company Organization

CONPET was established in 1990, based on the Government Decree no. 1213/1990 regarding the set-up of joint-stock companies in the industry, by taking-over the entire assets and liabilities of I.T.T.C. Ploiești, being the first company established in the oil industry in Romania.

Following the take-over of all assets and liabilities of I.T.T.C. Ploiești, CONPET became the operator of the crude oil, rich gas, condensate and ethane National Transport System.

The crude oil, rich gas, condensate and ethane National Transport System (NTS) is State's public property and bears strategic importance. The NTS is being defined and regulated pursuant to the Oil Law no. 238/07.06.2004 and the Methodological Norms for the Application of the Oil Law, approved pursuant to GD no. 2075/2004.

CONPET supplies transport services for its clients via both the National Transport System, conceded under the Concession Agreement and by rail, from the loading ramps to the refineries, for the oil areas which are not connected to the major transport lines.

1.7 Development Strategic Objectives

The strategic objectives established and assumed by the administrators though the Administration Plan, for the period 2018-2022, were defined in strong correlation with the strategic directions, the vision and expectations of the tutelary authorities, namely the one of the shareholders , and the contextual lines of the Energy Strategy of Romania along 2018-2030, envisaging the years 2050.

The strategic objectives are:

- boost efficiency and improve the activity performance;

- develop new activities, related and non-related to the core business;
- define the Company as a regional player;
- outstanding management of the human resources;
- implement and develop the corporate government principles.

2. RELEVANT CORPORATE EVENTS IN 2021 and TO DATE

10th/11th March 2021

The Extraordinary General Meeting of Shareholders was held, the first convocation on March 10th and the second convocation on March 11th, with the agenda: Approval of the augmentation of the share capital of CONPET SA by the maximum value of 108,798,558 RON representing contributions in kind (land plots) amounting to 63,882,386.70 RON and cash amounting to max 44,916,171.30 RON, from the current value of 28,569,842.40 RON to a maximum of 137,368,400.40 RON.

The Extraordinary General Meeting of Shareholders has ascertained that neither at first call (March 10th), nor at the second (March 11th), the presence quorum provided by law necessary to decide the augmentation of the share capital by contribution in kind held based on the land ownership certificates, has not been met.

April 28th, 2021

The Ordinary General Meeting of Shareholders approved the annual financial statements for the financial year 2020 and the net profit distribution related to the financial year 2020. Within the same meeting the Revenues and Expenditure Budget and the Investment Program related to 2021 were approved.

August 4th, 2021

The Ordinary General Meeting of Shareholders approved the revocation of Mr. Meșca Darius Dumitru from the capacity of administrator of the company CONPET S.A. and appointed Mrs. Kohalmi - Szabo Luminița - Doina in the capacity of provisional administrator of the company CONPET S.A., with a term of office of 4 months, respectively until 03.12.2021 (inclusive of).

December 7th, 2021

The ordinary General Meeting of Shareholders approved the nomination of Mrs. Kohalmi - Szabo Luminița - Doina in the capacity of provisional administrator of the Company CONPET S.A., with a term of office of 4 months, respectively until 04.06.2022 (inclusive of).

February 21st, 2022

CONPET S.A. was included in the FTSE Global Micro Cap index.

February 25th, 2022

The Ordinary General Meeting of Shareholders approved the Revenues and Expenditure Budget for 2022.

3. CONPET 2021 – EXECUTIVE SUMMARY

3.1 Operating Activity Indicators

The comparative situation of the quantities of products (crude oil, condensate and rich gas) transported via the National Transport System (NTS) and the revenues achieved, on transport subsystems in the period 2019-2021 is shown below:

Indicators	M.U.	2021	2020	2019	Variation%	
					2021/2020	2020/2019
Total transported quantities	Thousand tons	6,651	6,685	7,124	▼ 0.5%	▼ 6.2%
Total transport revenues	Thousand RON	410.48	402.79	402.02	▲ 1.9%	▲ 0.2%

Table 1 - Evolution of the transported quantities and transport related revenues during 2019 -2021

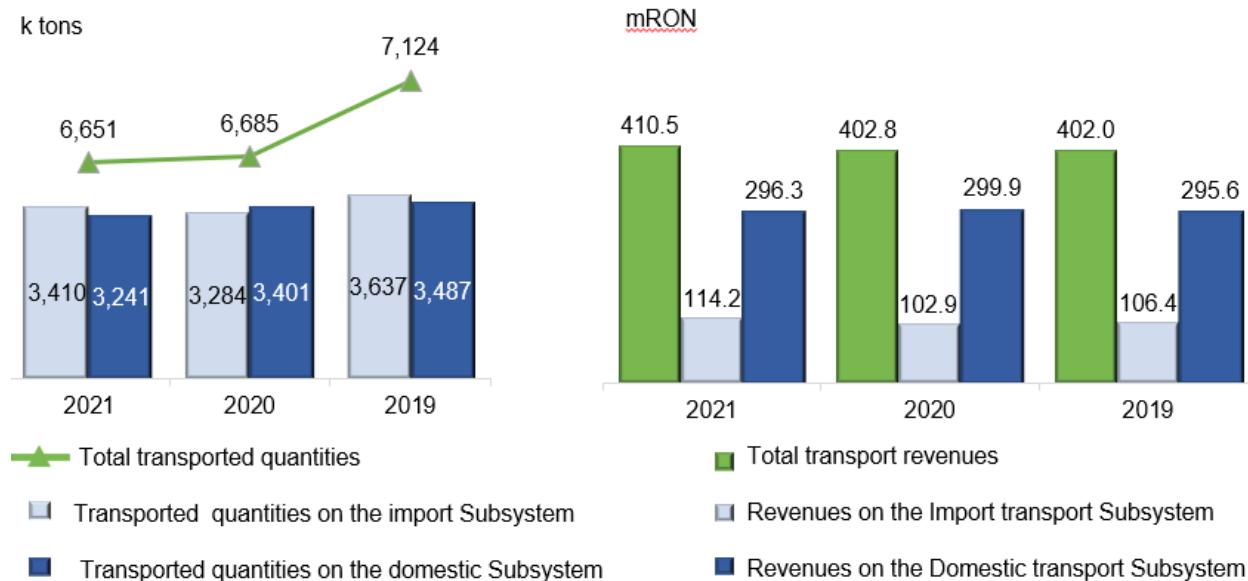


Chart 2 - Evolution of the quantities transported on the domestic and import subsystems between 2019 -2021

Chart 3 - Evolution of the Revenues transported on the domestic and import subsystems between 2019 -2021

3.2. Financial Results Indicators

The economic and financial activity of CONPET SA in 2021 was performed based on the indicators included in the revenues and expenditure budget approved by the General Meeting of Shareholders.

The comparative evolution of the main indicators of financial results in the period 2019-2021, as well as the change in the values recorded in 2021 against the budget, is presented as follows:

2021		Variation (%) 2021/ Budget	Indicators (mRON)	2021	2020	2019	Variation%	
Achieved	Budget						2021/2020	2020/2019
412.79	407.43	▲ 1.3%	TURNOVER	412.79	406.93	407.82	▲ 1.4%	▼ 0.2%
458.39	457.32	▲ 0.2%	Operating revenues, of which:	458.39	447.64	443.00	▲ 2.4%	▲ 1.0%
410.48	405.24	▲ 1.3%	Transport revenues	410.48	402.79	402.02	▲ 1.9%	▲ 0.2%

2021		Variation (%) 2021/ Budget	Indicators (mRON)	2021	2020	2019	Variation%	
Achieved	Budget						2021/2020	2020/2019
400.65	401.52	▼ 0.2%	Operating Expenses	400.65	382.62	380.85	▲ 4.7%	▲ 0.5%
57.74	55.80	▲ 3.5%	EBIT (operating profit)	57.74	65.02	62.15	▼ 11.2%	▲ 4.6%
51.94	50.23	▲ 3.4%	Value adjustments for fixed assets, less adjustments related to rights of use resulted from leasing contracts	51.94	47.38	46.64	▲ 9.6%	▲ 1.6%
109.68	106.03	▲ 3.4%	EBITDA	109.68	112.40	108.79	▼ 2.4%	▲ 3.3%
3.10	2.20	▲ 40.9%	Financial Result	3.10	5.43	7.55	▼ 42.9%	▼ 28.1%
60.84	58.00	▲ 4.9%	EBT (gross profit)	60.84	70.45	69.70	▼ 13.6%	▲ 1.1%
51.93	49.32	▲ 5.3%	NET PROFIT	51.93	60.85	58.88	▼ 14.7%	▲ 3.3%

Table 2. – Evolution of the results from the operating and financial activity 2019-2021 and 2021 vs BUDGET

mRON

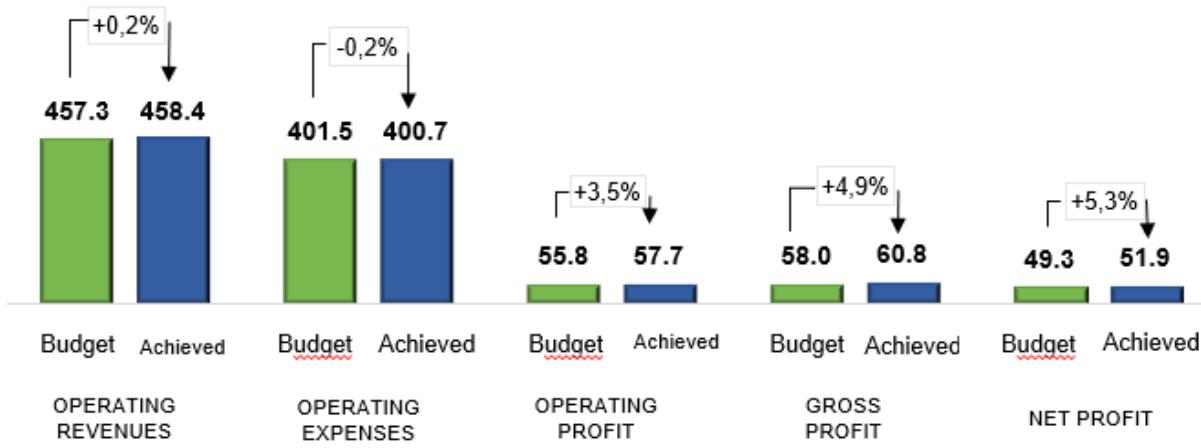


Chart 4 - Analysis of indicators achieved in 2021 as compared to BUDGET

mRON

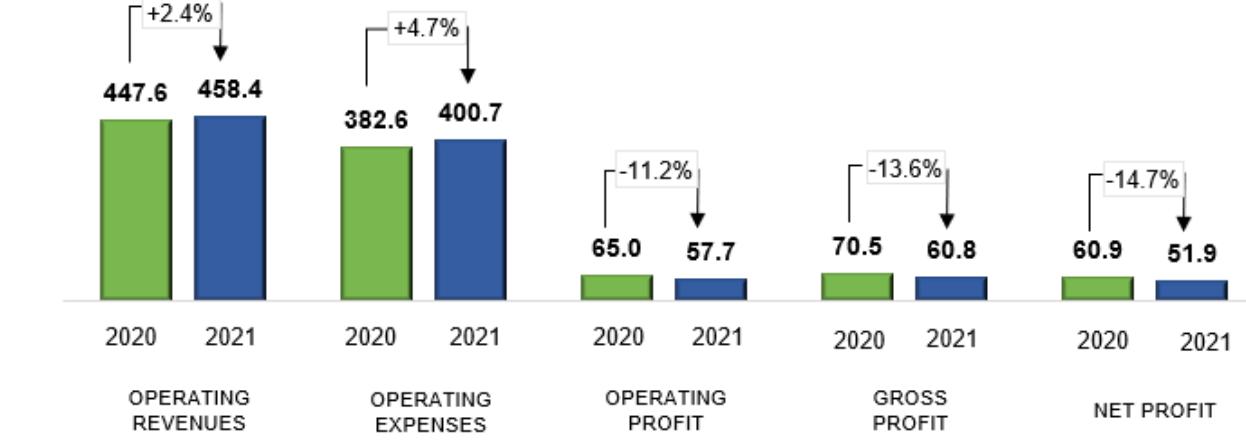


Chart 5 - Analysis of indicators achieved in 2021 as compared to 2020

The turnover achieved in 2021 amounting to 412.8 mRON is increasing by 1.4% as compared to 2020. As compared to the budget, the operating profit increased by 1.3% (5,357 kRON). The operating profit of 57.8 million RON increased by 3.5% compared to the budget (55.8 million RON). As compared to 2020, the operating profit registered a decrease by 7.3 mRON. The company ended 2021 with a net profit amounting to 51.9 million RON, 2.6 thousand RON higher than budgeted.

CONPET is a company paying substantial contributions to the consolidated State budget. The total amount paid in 2021, to the account of the state budget, was of 164 million RON, the most important of which are:

- VAT 51 mRON
- Tax on salaries and related contributions 66 mRON
- Income tax 8 mRON
- Oil royalty 32 mRON

3.3 Investment Activity Indicators

The investment program related to 2020 included rehabilitation works of major transport pipelines and investment works for installations and related equipment to the Crude Oil National Transport System.

The investment projects targets both enhancing efficiency of the transport activity as well as operation, under safe conditions, of the National Transport System.

During 2019-2021 CONPET S.A. made investments worth 228 million RON and 58.59 km of pipeline were replaced, as follows:

Investments	MU	2019	2020	2021	Total
Total investments, out of which:	thous and RON	80,143	84,415	63,536	228,094
Public domain	thous and RON	66,674	69,396	45,596	181,666
Operating domain	thous and RON	13,469	15,019	17,940	46,428
Replaced pipeline	Km	16.09	29.42	13.08	58.59

Table 3 - Investments achieved during 2019-2021

The annual investment program was carried out in proportion of 66%, as compared to the program. Compared to the previous year, the evolution of investments was decreasing by 21 million lei.

2021		Degree of achievement	Investments (Thousand RON)	2021	2020	Variation (%) 2021/2020
Program	Achieved					
96,000	63,536	66.2 %	Total investments, out of which:	63,536	84,415	75.3%
69,000	45,596	66.1 %	Public domain	45,596	69,396	65.7 %
27,000	17,940	66.4 %	Operating domain	17,940	15,019	119.4 %

Table 4 – Investments achieved in 2021 as compared to program and the year 2020

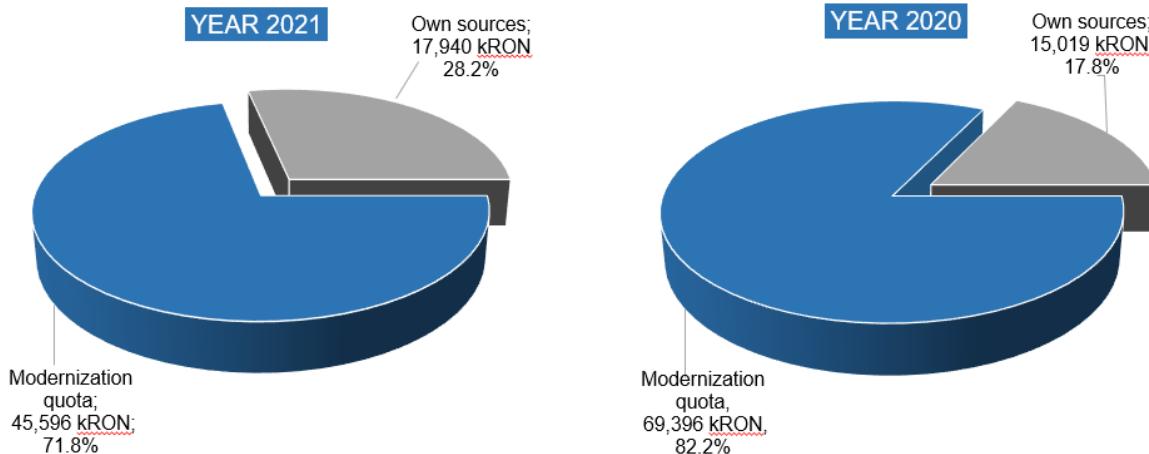


Chart 6 - Share of investments by financing sources in 2021 and 2020

3.4 Company's Stock Market Indicators

The market capitalization amounted to 683.94 million RON (79.00 RON/share) at 31.12.2021, increasing as compared to 31.12.2020 when it was registered the amount of 659.70 million RON (76.20 RON/share).

The evolution of COTE share and market capitalization during 2019 - 2021 is as follows:

Indicators	MU	Dec. 31 st 2019	Dec. 31 st 2020	Dec. 31 st 2021
COTE closing price	RON/share	79.60	76.20	79.00
Market capitalization	Thousand RON	689.14	659.70	683.94
	million Euro	144.19	135.48	138.21

Table 6 - Evolution of COTE share and stock capitalization during 2019– 2021

Currently, the company CONPET S.A. is included in 7 out of the total of 9 stock indices, respectively in BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BET-NG and BET Plus.

The net profit per share is of 6.00 RON/share in 2021, down to 1.03 RON as compared to 2020.

4. ANALYSIS OF THE COMPANY'S BUSINESS

4.1 Analysis of the operating activity

4.1.1 The regulatory Framework

CONPET SA is the operator of the crude oil, rich gas, condensate and ethane National Transport System (SNT). The transport service is being supplied under the natural monopoly regime based on the tariff set by NAMR.

The NTS is being defined and regulated pursuant to the Oil Law no. 238/07.06.2004 and the Methodological Norms for the Application of the Oil Law, approved pursuant to GD no. 2075/2004.

4.1.2 The crude oil, condensate, rich gas and ethane transport activity

CONPET S.A. supplies transport services for its clients both via SNT according to the Oil Concession Agreement of the National Transport System of crude oil, gasoline, condensate and ethane, as well as by rail, from the loading ramps to the refineries, for the oil areas not connected to the transport major pipelines.

The NTS was built taking into account the natural distribution of oil fields, so as to ensure the transport of oil from all these fields to refineries. The system operation is being made based on the local dispatch centers, coordinated from the Company's Central Dispatch.

The SNT's pipeline network is approximately 3,800 km long, currently being used a 3,161 km pipeline network.

The Crude Oil, Rich Gas, Condensate and Ethane Transport System has in composition more transport subsystems, as follows:

- ✓ The domestic crude oil and condensate transport subsystem, having in composition pipelines covering approx. 1,540 km, for the transport of crude oil and condensate from the extraction plants throughout the country to the refineries.
The domestic crude oil and condensate production is transported via pipelines, by railway tanks, or combined (rail and pipelines).
- ✓ The rich gas transport subsystem is meant for the rich gas transport from the rich gas separation units in Ardeal (Biled and Pecica) to Petrobrazi refinery.
- ✓ The ethane transport subsystem provides the ethane transport from Turburea ethane separation platform to Arpechim Pitesti refinery. Currently, due to the inactivity of the Arpechim refinery, the subsystem is used only a portion namely the pipeline linking the Totea warehouse to Petrobrazi refinery, for the transport of condensate.
- ✓ The import crude oil transport subsystem ensures the transport of crude oil from the Oil Terminal Constanta to the refineries in Ploiești, Arpechim-Pitești and Midia.

For the crude oil, rich gas, condensate and ethane transport service, annually CONPET has to develop a proper transport programme so as to provide free access to the available capacity of the system to all applicants, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis.

The available throughput represents the difference between the total physical throughput of the system and the crude oil scheduled for transport in the given year.

The transport contracts signed with the beneficiaries of the services are compliant with the regulated frame-contract approved by NAMR and provides the legal framework for the supply of the transport services.

The crude oil transport throughput is being performed from the sites of product delivery by the producers or importers, from the extraction areas, or from Oil Terminal to the processing units (refineries) using the facilities from the pumping stations and the receipt sites.

These facilities shall consist of crude oil and condensate storage tanks, storage tanks for the storage of rich gas, technological pipes from the pumping/receipt warehouses, pumping aggregates, major pipelines, crude oil and rich gas loading and unloading ramps, rail tank cars.

The transported volume by products - crude oil, rich gas and condensate, programmed and achieved in 2021 and the extent of usage of the transport capacity, is as follows:

Transport Subsystems	Indicators and products		2021	2020	2019	Variation (%) 2021/2020
DOMESTIC	Domestic crude oil, condensate and light condensate					
	- programmed quantities (thousand tons)	3,260	3,442	3,410	▼ 5.3%	
	- achieved quantities (thousand tons)	3,222	3,383	3,468	▼ 4.8%	
	- degree of achievement	98.8%	98.3%	101.7%	+ 0.5 p.p.	
	- degree of use of the transport throughput	52.1%	55.3%	56.6%	- 3.2 p.p.	
	rich gas					
	- programmed quantities (thousand tons)	15.5	18.2	20	▼ 14.8%	
	- achieved quantities (thousand tons)	19.3	18.1	19	▲ 6.6%	
	- degree of achievement	124.4%	99.4%	95.0%	+ 25.0 p.p.	
	- degree of use of the transport throughput	26.6%	15.5%	16.6%	+ 11.1 p.p.	
Total domestic subsystem						
- programmed quantities (thousand tons)	3,276	3,460	3,430	▼ 5.3%		
- achieved quantities (thousand tons)	3,241	3,401	3,487	▼ 4.7%		
- degree of achievement	98.9%	98.3%	101.7%	+ 0.6 p.p.		
- degree of use of the transport throughput	51.8%	54.5%	56.0%	- 2.7 p.p.		
IMPORT	crude oil					
	- programmed quantities (thousand tons)	3,244	3,346	3,064	▼ 3.0%	
	- achieved quantities (thousand tons)	3,410	3,284	3,637	▲ 3.8%	
	- degree of achievement	105.1%	98.1%	118.7%	+ 7.0 p.p.	
TOTAL	- degree of use of the transport throughput	28.9%	27.8%	30.8%	+ 1.1 p.p.	
	- programmed quantities (thousand tons)	6,520	6,806	6,494	▼ 4.2%	
	- achieved quantities (thousand tons)	6,651	6,685	7,124	▼ 0.5%	
	- degree of achievement	102.0%	98.2%	109.7%	+ 3.8 p.p.	
	- degree of use of the transport throughput	36.8%	37.1%	39.5%	- 0.3 p.p.	

Table 7 - Transported quantities by types of products between 2019-2021

The degree of use of the transport system in 2021 was down by 0.3 p.p. as compared to 2020 reaching the level of 36.8%, due to the decrease in the quantities transported by 34 thousand tons.

Of the total quantity of crude oil, condensate and rich gas transported and delivered, from indigenous production, 1,113 tons (34.3%) were transported by rail.

The evolution of the technological consumption on standardized products as compared to the levels recorded between 2019 -2021, is as follows:

Products	2021			2020			2019		
	Standardized	Achieved	Variation	Standardized	Achieved	Variation	Standardized	Achieved	Variation
Import crude oil:	0.239%	0.168%	-0.07 p.p.	0.255%	0.169%	-0.09 p.p.	0.253%	0.118%	-0.14 p.p.
Domestic crude oil, condensate and light condensate	0.366%	0.348%	-0.02 p.p.	0.365%	0.350%	-0.02 p.p.	0.367%	0.317%	-0.05 p.p.
Domestic rich gas	7.383%	3.359%	-4.02 p.p.	7.383%	3.162%	-4.22 p.p.	7.383%	3.491%	-3.89 p.p.

Table 8 - The evolution of technological standardized consumption as compared to achieved between 2019-2021

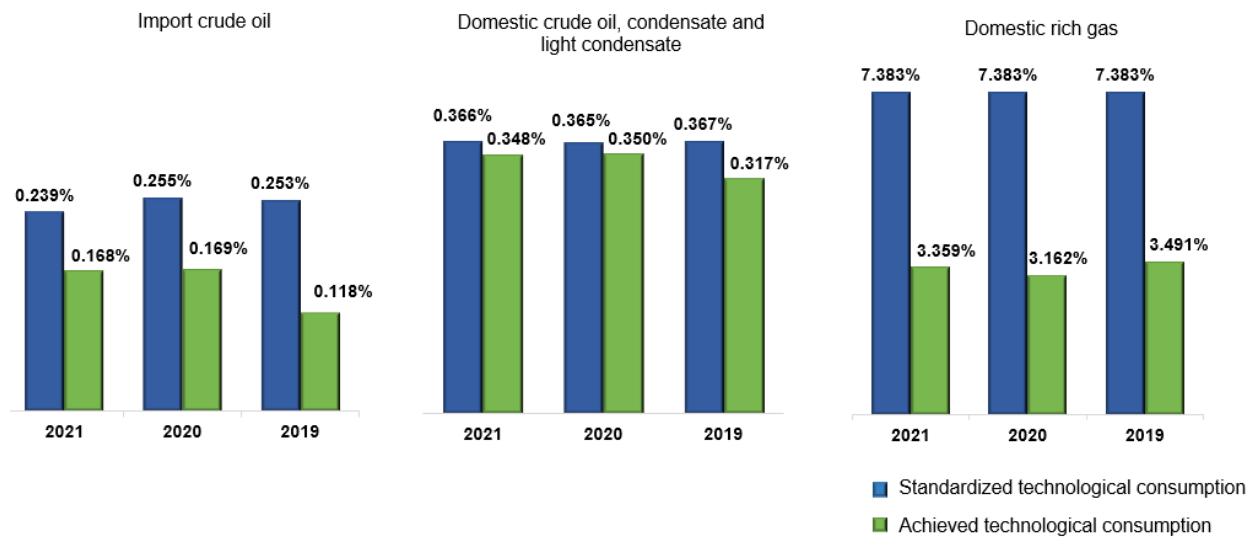


Chart 7 - Evolution of technological consumption on products between 2019-2021

The technological consumptions recorded during transport were admitted within the limits, provided in the transport contracts.

The tariffs for the supply of crude oil, rich gas, condensate and ethane are regulated and approved by the NAMR and are distinguished for each transport subsystem.

The tariffs applied for the import transport subsystem vary according to the installment of transported quantity, being practiced the bracketing tariff model and the refinery- the hand-over site. Between 2020 and 2021, the following tariffs were applied:

➤ Tariffs from transport services on Domestic Subsystem

Period	Transport tariff (RON/ton)	Approved by NAMR Order No.
December 31 st , 2019 - February 7 th , 2021	87.53	427/2019
February 8 th , 2021 - December 31 st , 2021	91.03	19/2021

Table 9 - Transport tariffs Domestic Subsystem

➤ Tariffs for transport services on Import Subsystem

Period	Quantity ranges thousand tons/month	Arpechim Refinery	Ploiesti Basin *)	Petromidia Refinery	Approved by NAMR Order No.
		RON/ton	RON/ton	RON/ton	
December 31 st , 2019	<120	40.40	39.50	15.00	427/2019
February 7 th , 2021	> 120	17.25	17.00	12.85	
February 8 th , 2021 - December 31 st , 2021	<120	42.00	40.90	16.50	19/2021
	> 120	17.90	17.60	14.40	

*) Petrobrazi Refinery and Petrotel Lukoil Refinery

Table 10 - Transport tariffs import subsystem

The transport tariffs include a modernization quota meant exclusively for the financing of the investments related to the National Transport System.

The transport services are being contracted with the clients, based on a frame contract approved by the National Agency for Mineral Resources.

The company holds a monopoly position on the market of crude oil transport via pipelines, having no competitors in its core business.

Contracted and completed transport services in 2021, on beneficiaries, are as follows:

Customer name	Contract Date and No.	Object of the contract	Duration in Months	Contracted quantity (tons)	Quantity Achieved (tons)
OMV PETROM S.A.	BC OMV 108/25.03.2020	Domestic crude oil transport, import crude oil, rich gas and light condensate	21	3,989,544	4,358,681
ROMPETROL RAFINARE S.A.	BC 389/14.12.2020	Import crude oil transport	12	114,000*	113,966
PETROTEL - LUKOIL S.A.	BC 428/10.12.2019	Import crude oil transport	12	2,323,613	2,159,622
PETROTEL - LUKOIL S.A.	BC 427/10.12.2019	Domestic crude oil transport,	12	10,750**	11,371
NIS PETROL S.R.L.	BC NIS 395/16.12.2020	Unloading road tanks, loading, storage tanks and loading in rail tanks	8	4,000	3,984
	BC NIS 316/20.09.2021		16	3,831	3,367
STANDARD LOGISTIC d.o.o.	BC SERBIA 15/20.01.2021	Railway transport services for raw crude oil, on the route Biled -Stamora Moravița, beneficiary NIS a.d.	12	2,000	7,149 raw crude oil

*) Value updated following the Addendum concluded in October with Rompetrol Refining S.A.

**) Value updated following the Addenda concluded in May with Petrotel Lukoil SA

Table 11- Transport services contracted, budgeted and carried out in 2021

Revenues from the provision of transport services and invoiced to beneficiaries increased by 1.9% compared to 2020, reaching the value of 410.5 million RON.

The income statement for each client and their share in the total transport revenues are as follows:

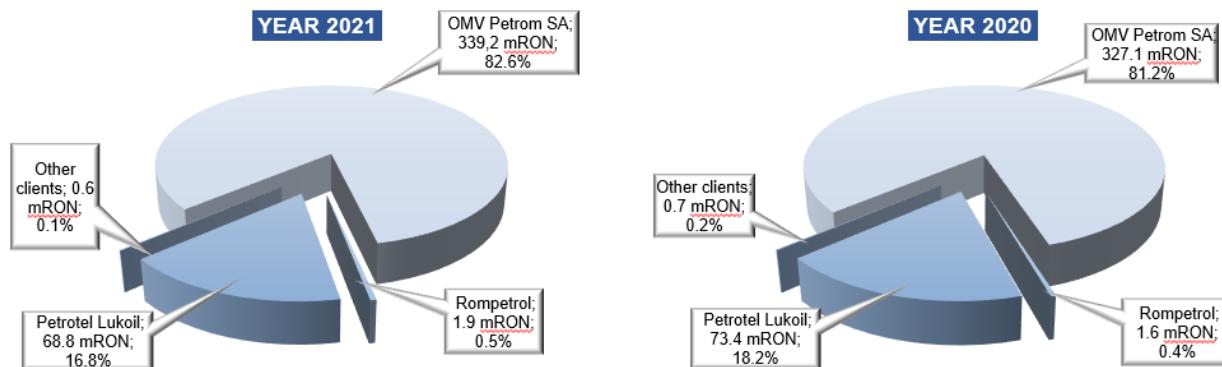


Chart 8 - Evolution of transport revenues by clients in 2021 and 2020

The transport services supplied by the company are addressed to a reduced number of clients, the volume thereof is closely related to the trade policy applied by the beneficiaries of the supplied services.

The revenues from the transport services supplied for OMV Petrom account for 82.6% in the total transport revenues of the company.

4.1.3 Other activities

The revenues from other activities hold a share of 0.6% in turnover and decreasing by 44.2% (1,833 thousand RON) compared to 2020, coming from leases of lands and telecommunication equipment, rail shunting, etc.

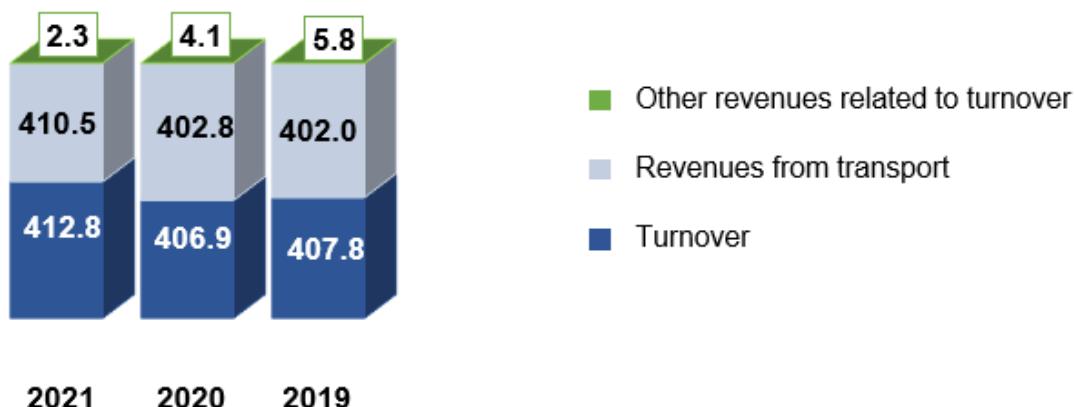
4.1.4 Analysis of the operating activity

In the table below is presented the evolution of the transport services supply and other services, for the period 2019-2021:

Indicators	M.U.	2021	2020	2019	Variation 2021/2020	Variation 2020/2019
Revenues from transport services domestic subsystem	thousand RON	296,280	299,928	295,632	▼ 1.2%	▲ 1.5%
Revenues from transport services import subsystem	thousand RON	114,197	102,857	106,385	▲ 11.0%	▼ 3.3%
Total revenues from transport services	thousand RON	410,477	402,785	402,017	▲ 1.9%	▲ 0.2%
Revenues from rents	thousand RON	1,633	1,633	1,593	-	▲ 2.5%
Other revenues	thousand RON	677	2,510	4,212	▼ 73.0%	▼ 40.4%
Turnover	thousand RON	412,787	406,928	407,822	▲ 1.4%	▼ 0.2%

Table 12 - Evolution of turnover revenues during 2019 - 2021

Evolution of turnover, in million RON



In 2021 the turnover recorded an increase by 1.4% as compared to the level achieved in 2020.

The provision of services from the transport of crude oil by road tanks and from the use of isolated boilers for transport have a share of 0.5% of transport revenues, with an increase of 12.8% compared to the level recorded in 2020.

Transport revenues hold a share of 99.4% in total turnover, the remaining 0.6% is revenues from renting land and telecommunications equipment and from shunting wagons.

4.1.5 Analysis of the supply activity

The procurement activity

The procurement activity performed in compliance with the provisions of CONPET S.A. Internal Procurement Norms and other internal procedures.

Between January - December 2021, 143 procurement procedures were started, 121 procedures being completed by concluding contracts in lei, in amount of 246,054 thousand and in EURO in amount of 1,479 thousand.

At the end of December 2021, a number of 4 acquisitions were in progress, in the total estimated value of 4,592 thousand RON, respectively:

- 1 tendering procedure for a purchase with an estimated value of 1,250 thousand RON
- 3 simplified procedures in total estimated amount of 3,342 thousand RON.

4.1.6. Legal acts concluded in the conditions of Art.52 Para (1) and (3) of EGO no.109/2011

In 2021, no legal acts were concluded under the conditions of art. 52, para. (1) and (3) of O.U.G. no. 109/2011.

4.1.7 Company mergers and reorganizations, procurements and disposals of assets

During financial year 2021 there were no mergers and there have not been made purchases or alienations of fixed assets consisting of buildings and/or lands.

The procurements of tangible and intangible assets in 2021 financial year were made in accordance with the investment program and the approved revenues and expenditure budget and are intended for deployment and modernization.

The company has no open subsidiaries in Romania or abroad.

4.1.8 Implementation/development of the internal control management system

The internal control management system

The company CONPET SA, defined as a public entity in accordance with the Order of the Secretary General of the Government no. 600/2018, applies the Code of the internal control management of public entities approved by the afore-mentioned legislation.

CONPET SA does annual self-assessments of the degree of implementation of the internal control management standards and reports in accordance with the legal requirements.

Within the company, the "Code of Ethics and Integrity of CONPET SA" is drafted and an ethics advisor is appointed by decision of the Director General. The employees of the company have signed an individual commitment to comply with the rules of ethical conduct and integrity contained in the Code of Ethics and Integrity of CONPET S.A. The Ethics and Integrity Council

monitors the compliance of the employees with the principles and norms of conduct and provides consultancy and assistance in the field of ethics, according to the Regulation on the activity of the ethics and integrity counselor within CONPET S.A. in force.

According to the provisions of OGSG no. 600/2018 for approving the Internal Control Management Code of public entities, the Monitoring committee of the internal control management system was appointed, by decision of the Director General, updated during 2021, having regard to changes in the organizational structure.

The Monitoring committee of the internal control management system has the following duties:

- Draws up the Development Program of the internal control management system covering the objectives of CONPET SA in internal control management, including, for each standard of internal control management, activities, officers in charge and deadlines, as well as other relevant elements in implementing and developing the internal control management system.
- Highlights, distinctly, in the program, the actions of professional development in the field of internal control management system, both for persons with management positions and for those with executive positions;
- Aims to achieve and provides updating of the development program of the internal control management system;
- coordinates the process of updating the general and specific objectives, the procedure activities, the risk management process, the system performance monitoring, the procedure situation and the monitoring and, respectively information to the Director General.
- Centralizes by the technical secretariat, the significant risks in the Risk Register of CONPET SA, based on the identification of risks by the risk management teams at divisions, departments and offices directly subordinated to the Director General.
- Analyzes and gives priority to significant risks, that might affect achieving the objectives of CONPET SA, by establishing risk profile and risk tolerance.
- Analyzes and endorses annually the risk profile and the risk tolerance limit proposed by the technical secretariat based on the Risk Register within CONPET SA and submits to approval of the Director General.
- Analyzes the annual plan of implementation of the control measures for the significant risks within Conpet S.A., drafted by the technical secretariat and submits to approval of the Director General.
- Drafts, through the technical secretariat, information to the Director General, approved by the Chairman of the Monitoring Committee, on the deployment process of risk management and monitoring of performance at CONPET SA, based on annual reports from the directorates, departments and bureaus directly subordinated to the Director General.
- Analyzes the annual report on internal control management system and submits it for approval to the Director General.

Analyzes and endorses the Report on the stage of implementation of the actions of the Program for the development of the internal control management system, elaborated according to the provisions of the operational procedure "Monitoring and reporting of key performance indicators", code PO-20-15.

The Commission shall cooperate with all organizational entities to implement and develop the internal control management system. Each member of the Monitoring Committee is responsible for fulfilling the tasks from the development program of the internal control management system and for the settled deadlines met.

The Internal Audit Office shall advise the Monitoring Commission and attends its meetings. The Internal Audit Office monitors the activities of the Monitoring Commission and regularly informs the Director General on the activity of the Monitoring Committee and the problems facing it and which may affect the process of implementing and maintaining the internal control management system.

The Development Program of the internal control management system of CONPET is analyzed annually, on the self-evaluation of the implementation degree, according to OGSG no. 600/2018. The development program of the internal control management system of CONPET SA for 2021 was approved by the Director General on 03.03.2021, and in September 2021 has been revised. According to the provisions of the system procedure "Setting the objectives of CONPET", SMART objectives have been set for 2021, at the level of all organizational entities. These objectives were updated between July and October 2021 to agree with the changes in the organizational structure that took place during the year.

In 2021 took place meetings of all teams of risk management (RMT), in which each team has reviewed the corresponding risks to the set objectives and analyzed the status of implementation of control measures maturity, and where appropriate, new control measures for risk mitigation, as well as new deadlines for their implementation, have been proposed. Control measures have been proposed to mitigate risks, as well as deadlines for their implementation, according to the provisions of the system procedure "Risk management". The significant risks and their control measures were the subject of debate at the meetings of the Monitoring commission of the internal control management system, during 2021.

Following these meetings, the situation of the risks identified in 2021, according to the last update in October 2021, is as follows:

Crt. No.	Risk Management Team Name	Level of tolerance of the identified hazard				Total number of identified hazards
		Number of tolerable hazards (1-4)	Number of hazards with high tolerability (5-8)	Number of hazards with low tolerability (9-12)	Number of hazards intolerable (15-25)	
1.	TRANSPORT OPERATIONS UNIT	22	7	1	0	30
2.	The Economic Direction	13	10	0	0	23
3.	Maintenance Development Agreement	2	14	14	0	30
4.	Critical Infrastructures Unit	2	12	7	0	21
5.	Control Office	2	0	0	0	2
6.	Deputy Director General	8	18	8	0	34
7.	Deputy Director General 2	8	4	2	0	14
8.	Internal Public Audit Office	2	6	1	0	9
9.	BOA and GMS Secretariat Bureau	3	0	0	0	3
10.	Risks identified by the Monitoring Committee	0	0	1	0	1
Total		62	71	34	0	167

Table 13 - Statement of risks identified in 2021

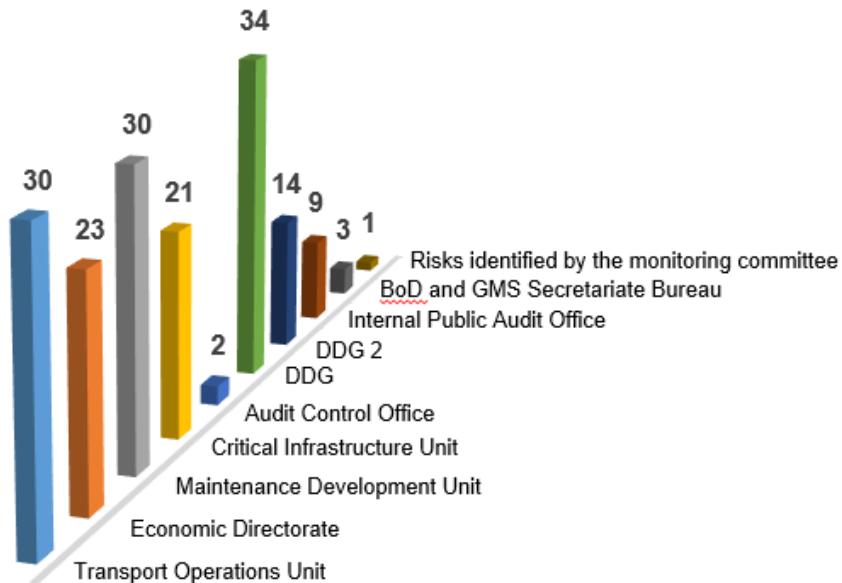


Chart 9 - Statement of risks within the company

The risk profile at CONPET SA level for 2021 is as follows:

- 62 tolerable risks (exposure 1-4);
- 71 high tolerability risks (exposure between 5-8);
- 34 low tolerability risks (exposure between 9-12);
- 0 intolerable risks (exposure 15-25);

The risk profile at CONPET SA in 2021 as compared to 2020 and 2019, is as follows:

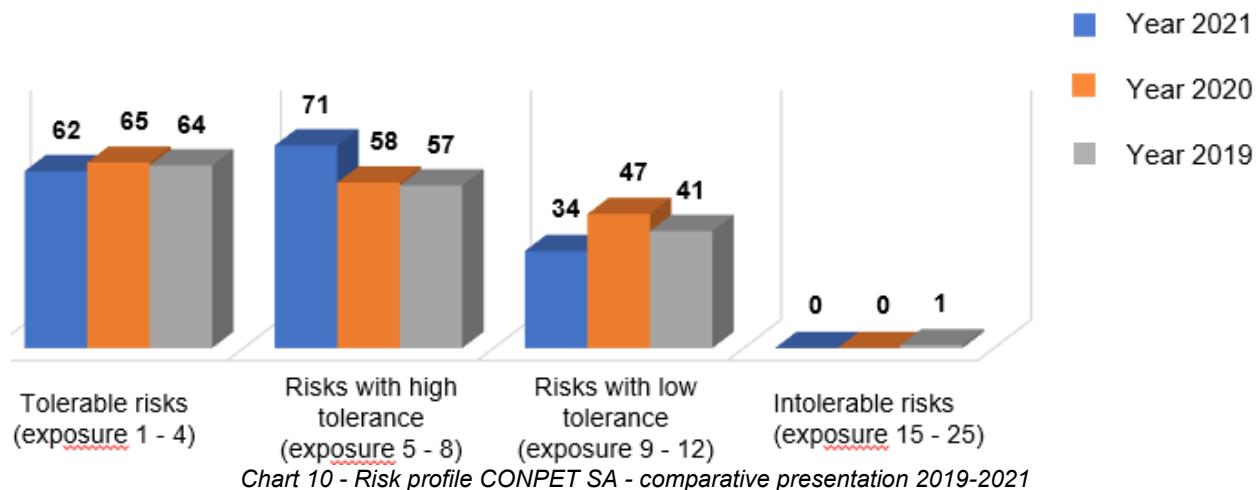


Chart 10 - Risk profile CONPET SA - comparative presentation 2019-2021

Based on the risk profile within CONPET S.A., the Monitoring Commission analyzed and endorsed the risk tolerance limit for 2021, which is up to 12, with a risk appetite at the average level (risks with exposure greater than 12 after their management are not accepted). If the exposure of a risk would increase above the tolerance limit, the Monitoring Commission shall meet for an analysis and the proposal for urgent action.

The Technical Secretariat of the Monitoring Committee has developed the Significant Risk Register within CONPET SA, with a tolerance level greater than or equal to 9. The actions for the treatment of significant risks were centralized and the annual plan for the implementation of control measures for significant risks was elaborated, according to the requirements of O.G.S.G. no. 600/2018, this being approved by the Director General in April 2021. As a result of

organizational changes and changes in specific objectives, this plan was revised and approved in October 2021.

All actions in the Program for the development of the internal control management system for 2021 were made on the terms set out in the program.

Following the evaluation of the internal control management system in accordance with OGSG no. 600/2018, it has been declared compliant at 31.12.2020 with all 16 standards implemented.

The report on the internal control management system at 31.12.2021 has been drafted in January 2022.

The self-assessment results are submitted annually to the guardianship authority.

Integrated management system

Certification of the Integrated management system quality - environment - occupational health and safety was held for the first time in September 2007 with recertification every three years.

In September 2016 the energy management system certification took place, implemented and integrated with previous management systems.

Surveillance audits conducted by the auditors of the certification body Det Norske Veritas occur annually.

Following the external supervisory audit in September 2021, the following certificates are maintained:

- 179568-2015-AQ-ROU-RvA, for the quality management system;
- 179569-2015-AE-ROU-RvA, for the environment management system;
- 179565-2015-AHSO-ROU-RvA, for the occupational health and safety management system;
- 207619-2016-AE-ROU-RvA, for the energy management system.

Starting 2010, within CONPET SA the railway safety management system is implemented and maintained in accordance with the national legal requirements on railway safety and reference European directives. The field of application of this system includes the railway ramps where CONPET carries out railway shunting, for which the company holds the "Licence for the performance of rail transport services (railway shunting)", granted by the Romanian Railway Authority (Ro. AFER).

Also, for Rail ramps in which CONPET S.A. performs only railway shunting for its own benefit/for third parties/ on an industrial railway line not owned by the company, AFER issued on 28.06.2021 the Single Safety Certificate no. OMF 2021007, in accordance with the provisions of OMTIC no. 743/2020.

In order to determine the effectiveness of the integrated quality - environment - health and safety - energy and railway safety management system, in June 2021 the Management Analysis was carried out (A.E.M. no. 29).

The actions agreed following such analysis refers mainly to the following:

- Analysis of the possibility of ensuring the conditions for archiving the documents issued in electronic format within CONPET SA;
- Awareness of the importance of health and safety at work;
- Ensuring the conditions regarding the heating of electrodes, provided in the Welding Procedure Specification (WPS) according to SR EN ISO 15609-1;

- Review of the "Energy planning" process sheet in order to modify the target values of the performance indicators of the process;
- Reviewing the document "Specific objectives for 2021" for the entities subordinated to the economic director, in order to take into account the context changes that may influence the collaboration with the authorities in the activity of updating the Land Registers;
- Inclusion of energy indicators and targets for water consumption in the List of energy objectives and targets for 2022;
- Analysis within the Energy Management Team of the opportunity to establish an indicator for the specific consumption of electricity for technological purposes in electric locomotives, as well as the modification of the indicator of specific diesel consumption for technological purposes, so that it no longer relates to the amount of crude oil pumped, but to the hours of railway maneuvering in the CF ramps;
- Communication to the organization's staff, periodically, of the official CONPET letterhead in force and recalling its use at least on the documents that go outside the organization;
- Conducting an internal survey of workers' satisfaction with the state of safety and health at work ensured at CONPET S.A. level;
- Review of the system procedure "Communication on environmental, SSM, SU" to introduce a form for the communication of change management information by the HSEQ responsible.

The state of implementation of the actions set out in A.E.M. no. 29 will be reported in the next review meeting carried out by the Management.

During 2021 the objectives and energy targets have been updated. The document "List of energy objectives and targets for 2021" includes the following objectives and targets:

Energy objective 2021	Energy target 2021
O1: Maintaining energy efficiency for electricity use.	O1/T1: Maintaining the electricity annual average specific technological consumption at a level of maximum 3.3 Kwh/product ton O1/T2: Maintaining the electricity annual average consumption in Conpet administrative buildings as compared to the reference period 2019.
O2: Increasing energy efficiency for uses of natural gas.	O2/T1: Reducing natural gas consumption at CONPET compared to the reference period 2019.
O3: Increasing energy efficiency for uses of diesel.	O3/T1: Reduction of specific diesel consumption for the rail shunting within CONPET as compared to the 2019 reference period
O4: Increasing energy efficiency for the uses of automotive fuels.	O4/T1: Maintaining the auto fuel consumption in CONPET compared to the reference period 2019.

Table 14 - Energy objectives and targets 2021

In order to meet these targets, was developed and approved the document: "Action plan for achieving energy objectives and targets".

The stage of achieving objectives and energy targets for 2021 and the stage of the action in "Action Plan for achieving energy objectives and targets" will be reviewed in the meeting of analysis conducted by the management (ro. A.E.M. no. 30).

The internal audit of the integrated quality-environment-occupational health and safety management system and the railway safety management system shall provide information on compliance with the requirements of the references and applicable legal requirements. Internal audits are also aimed at assessing the effectiveness and continuous improvement of the management systems implemented.

The internal audits were conducted in accordance with the approved program for the year 2021 and the audit criteria established in the audit plans. The results were communicated to the audited entities through the dissemination of audit reports, to which the non-compliance and corrective Action reports (RNAC) opened during audits were attached. The company annually provides resources to develop adequate internal audit, mandatory requirement of the reference standards SR SR EN 9001:2015, SR EN ISO 14001:2015, SR ISO 45001:2018 and SR EN ISO 50001:2019, as well as the regulations on railway safety.

Starting in January 2021, CONPET S.A. has implemented the anti-bribery management system implementation program, as required by SR ISO 37001:2017.

The first phase of this program was the participation of staff with responsibilities in the implementation of the system at the "Anti-bribery Management Implementation systems" training course.

In March 2021, the anti-bribery policy established by the Director General of CONPET S.A. was approved by the Board of Directors decision dated 23.03.2021 and disseminated to the staff of the organization.

The scope of the anti-bribery management system has been determined by defining in the Integrated Management System Manual. Thus, the anti-bribery management system includes the prevention, detection and fight against bribery, which may occur in the conduct of any process of the organization, at any of the locations of the organization, by any employee of the organization at the interface with the stakeholders included in the Register of stakeholders.

The Director General has designated by decision the working group to carry out the anti-bribery compliance function's tasks for:

- supervising the design and implementation of the anti-bribery management system;
- providing counseling and guidance to staff on the anti-bribery management system and bribery issues;
- ensuring that the anti-bribery management system complies with the requirements of ISO 37001;
- report on the status of implementation of the anti-bribery management system to the Director General and the Board of Directors of CONPET S.A.

- Also, the working group ensures the integration of the anti-bribery management system with the quality, environmental, health and safety at work and energy management systems implemented and certified in CONPET S.A.

In the course of 2021, SMI documents (SMI manual, flow diagrams, process sheets, procedures, CONPET S.A. Stakeholder Register) were revised to include the SR requirements ISO 37001:2017.

4.1.9 Risk management

Within CONPET SA, the Internal Control Management System has been implemented and developed, containing the 16 standards included in the Internal control management code of the public entities.

Implementation of Standard 8 requirements "Risk Management" was a priority in the organization by documentation and application of provisions of PS-MI-18 "Risk management" system procedure (sheet process, flow diagram and system procedure).

In the first half of 2021 have been identified, assessed and centralized risks that may affect the achievement of objectives. At CONPET level, a significant risk register (with exposure level equal to or greater than 9) and an annual plan containing measures to control significant risks, responsible and timeframes for the measures were developed. The risks were revised as a result of organizational changes during 2021 and the Significant Risk Register and the Risk Control Plan were updated/revised in October 2021.

Assessment/reassessment of risks for 2022 will include the analysis stage of the implementation of measures to mitigate the risks for 2021 and will be conducted in accordance with the procedure system "Risk management", during which the risk register at CONPET will be updated.

In paragraph 4.1.8 "The development of the internal management control system" includes detailed information on risk management in 2021 within CONPET SA.

➤ Operational risk

Operational risk comes from the Degradation of the National Pipeline Transport System due to the low level of utilization (small quantities, reduced frequency) and escalation of the criminal acts related to pipeline attacks bearing significant impact on the Pipelines National Transport System and environment.

The analyzed level of operational risk associated to the "degradation of the NTS" is large; it is an intolerable risk for which have been set urgent measures to control it, such as the redefinition of the transport infrastructure according to demand-side, restoring and optimization of pumping programs for the stations with low production, expanding the modernization of pumping stations and continuous monitoring of process parameters and identification of new potential beneficiaries of the services delivered by the company.

The results and the company's business may be influenced by specific operational risks, including the following:

- escalation of the criminal behavior of attack to the pipelines with significant impact on the National Transport System via Pipelines and the environment.
- degradation of the National Pipeline Transport System due to the low level of utilization (small quantities, reduced frequency).
- impossibility of railway transport programs exclusively due to the railway operator.

➤ The Market Risk

The Market risk arises from reducing the amount of crude oil transported to the refineries. This makes the utilization of the transport system to be very low. The company must identify new opportunities leading to increased use of the system and adopt solutions for streamlining and

optimizing transport activities conducive to maintaining the NTS to a high level of operational security.

The Company is dependent on the level of crude oil processing in Romania and the possibility of intervention in this area lays only in the demand of fuels in the market. The company CONPET can only prove at any time that is capable of providing quality services in the transport of crude oil, rich gas and condensate for any client. To ensure this, CONPET must be an active player and permanently interested in the market developments in this area of interest.

Following the petrochemical industry restructuring in Romania, the transport of crude oil derived products (rich gas) decreased severely, (transport of ethane is no longer made since 2009), which adversely affects the use of the subsystem related to these products.

Given the conditions, by the support of the Ministry of Energy and the National Authority for Mineral Resources (NAMR), CONPET pays efforts to identify new opportunities that lead to the increase of the degree of use of the system, nevertheless involving into regional projects started in its business area.

➤ **Credit risk**

Credit risk is the risk that the company bears the financial loss due to the failure of contractual obligations by a customer or counterpart to a financial instrument, and this risk results mainly from trade receivables, cash and cash equivalents and short-term investments of the company.

The company is less exposed to this risk due to the specific nature of the services sold, which are aimed at large companies with a particular financial situation.

The company has implemented a series of policies that ensure that the sale of services is made to customers with a rapid collection. The value of net claims (without adjustments for depreciation) represents the maximum amount at risk of collection.

Credit risk related to trade receivables is low because of the regular collection of counter transport services and guarantees received from customers (letters of guarantee). Even though there are significant concentrations, the customer base is extremely low, the management considers that the commercial credit risk is low.

➤ **Risk related to the regulation and authorization**

Risk related to the regulation and authorization, which is significant given that the company shall regularly obtain and renew several opinions, permits, certifications (for railway shunting activity). The Company is subject to a large number of regulations in various fields, aspects which sometimes leads to additional costs and delays in the commencement or completion of works, with possible negative effects (such as technical failures followed by loss of product shipped which give rise to sanctions from the authorities).

The core business of CONPET, namely transport via pipelines and railway tanks has a significant environmental impact, which involves obtaining and renewing permits that regulate the activity of the company, obtaining building permits, based on all the necessary permits for work subcontracted from repair and investment programs, permits and certifications (AFER) for railway shunting activity, obtaining the INSEMEX authorization for all sectors etc.

The company's activity is subject to a large number of regulations in various fields, which, if not respected, can lead to sanction or suspend the operations of the company.

➤ LIQUIDITY RISK

The liquidity risk is the Company's risk to face difficulties in the achievement of the liabilities associated with the financial debts that are being settled in cash or by the transfer of another financial asset.

The Company's approach in the liquidity management consists in providing, as much as possible, that it will always dispose of enough liquidities to pay the maturity liabilities, both under normal and stress conditions, without bearing unacceptable losses or endanger the Company's reputation.

The liquidity risk is managed by the Company's management by the application of a permanent insurance policy of liquidities meant to cover the settlement of the due financial liabilities.

The level of this analyzed risk is low, the measures to keep it under control stick to the close surveillance of the exposure to liquidity risk, this measure being sufficient.

➤ Exchange Rate Risk

The company may be exposed to fluctuations of the exchange rate of the currencies by means of cash and cash equivalents, short-term investments, long term loans or trade liabilities expressed in foreign currencies.

The functional currency of the Company is the Romanian Leu (RON). At present, the Company is exposed to the exchange rate risk through cash and cash equivalents, as well as through the procurements made in a currency different from the functional currency. The currencies exposing the Company to such a risk are mainly EUR, USD and GBP. The debts in foreign currency are subsequently expressed in RON, at the exchange rate of the date of the balance sheet, communicated by the Romanian National Bank. The resulting differences are included in the profit and loss account, but do not affect the cash flow up to the moment of the liquidation of the liability. The Company's exposure to the exchange rate risk expressed in RON was insignificant. The analyzed level of this risk was negligible; it is a tolerable risk for which no necessary special measures are needed to keep it under control.

➤ Risk of disputes

The Risk related to litigation, which comes from the faulty way the legal status of under/over crossed land by major pipeline transport has been regulated. CONPET was and currently is engaged in a series of trials where the owners of those lands claim for the transport pipelines be either lifted or moved to other sites and the expense be borne by the company.

One of the major risks the company is currently exposed to, as concessionaire of the Crude oil, rich gas, ethane and condensate national transport system drives its sources in the legal regime of the lands under/over crossed by the transport major pipelines instituted pursuant to the provisions of Petroleum Law no. 238/2004. The number of private properties under/over crossed by pipelines is very high and there is a possibility that more and more owners bring proceedings

in Court against the Company to obtain substantiated compensations based on the simple presence of the pipelines on their lands. Due to the defective way in which the legal regime of the lands under/over crossed by the transport major pipelines has been regulated, CONPET was and currently is engaged in a series of trials where the owners of those lands claim for the transport pipelines be either lifted or moved to other sites (and the expense be borne by CONPET), or be granted annual compensations representing consisting amounts of money. Moreover, even some public authorities have laid claim pecuniary about the presence of components belonging to NTS, on the lands owned or managed by them.

Within the last years, the Company prepared various legislative proposals to amend Law no 238/2004 - Petroleum Law, hoping for a coherent and clear regulation of the legal regime of lands under/over crossed by the transport major pipelines. In essence, these proposals are based on the following assumptions:

- public property (of the major pipelines) must coexist with private ownership of land, which leads to the conclusion that the state must be acknowledged the exercise free of charge to certain categories of rights real (encumbrances etc.) for the presence of the pipes on the ground;
- CONPET must fully compensate the landowner for any action that would require temporary occupation of land for repair or damage suffered by owners due to damage.

➤ **The Risk Determined by the Correlation with the Global Market Evolution**

At international and regional level (the European Union):

At the end of 2020, according to the IEA International Energy Agency estimates, it was appreciated that the world oil markets will recover by the end of 2021 the massive shock of the decline in demand triggered by the Covid-19 but will only tend to reach 2019 levels between 2023 and 2026.

At the beginning of 2021, the price of oil was able to recover to its pre-pandemic level. Although demand for oil was low compared to normal, the rise in price fuels hope for a rapid economic recovery as vaccines were launched.

On the rise in 2021, oil prices have been on a largely upward trend. In October it reached its highest rating for the year, \$85.61/barrel, with a short-awaited return from the 19 Covid pandemic shock, even exceeding 2019 levels.

Brent's annual average in 2021 of \$71/b is the highest in three years. The price of crude oil of West Texas intermediate (WTI) followed a pattern like Brent and was on average \$3/b less than Brent in 2021.

The rise in oil prices is mainly due to the weak development of the natural gas, liquefied gas and coal markets (which will last at least until early 2022), as well as the efforts of oil producing nations, particularly Saudi Arabia, to reduce production.

Short-term development estimates. The global economy recovered strongly in 2021, supported by unprecedented fiscal and monetary incentives in major economies. Global GDP growth for 2021 was estimated at 5.5% and is forecasted to 4.2% in 2022. According to IEA (International Energy Agency), oil consumption will reach 101 million barrels per day in 2023, fully recovering nine million barrels per day in 2020. Brent oil futures contracts increased by more than 10 USD per bbl to exceed 83 USD per bbl at Q3/2021.

In the short term (years 2022-2023), global demand for oil is expected to increase by 4.2 mb per day annually, given the improved management of COVID-19 and the increase in vaccination

rates, allowing economic activity and mobility to return to pre-pandemic levels, supported by a steady boost in economic activities, in particular China, India and Asia.

Long-term development estimates. The pandemic forced rapid changes in behavior: from new work patterns at home to reductions in air, business and leisure travel. At the same time, more and more governments are focusing on the potential for a sustainable recovery to accelerate the drive toward a low-carbon future. Thus, in the long term, oil demand will decline because of these trends, increasing the prospect of a peak earlier than previously expected if governments continue with strong policies to speed up the transition to clean energy.

Update of the evolution of the global market amid the Russia-Ukraine conflict

The price of crude oil in 2022 increased steadily, with Brent quotations of \$79/barrel on January 3rd.

According to data from the International Energy Agency (EIA), in January 2022, the average price of a Brent crude oil barrel was of \$86.51. This was an increase of more than \$10 from the previous month and the result of geopolitical concerns and higher demand prospects of traders.

In early February, geopolitical unrest stemming from the Russia-Ukraine conflict and elsewhere led to a significant increase in oil price prospects in 2022, against the overall backdrop of OPEC trade stocks of 2.68 billion barrels (the lowest level since 2014) and fears of major disruptions in crude oil supply. As of February 28th, 2022, the price of a Brent crude oil barrel was of \$100.99 and \$95.72 for WTI oil.

Russia's attack on Ukraine, missile attacks on Abu Dhabi, a blockade in Libya and protests in Kazakhstan have prompted evolutionary estimates of the price of short-term crude oil comparable to untouched levels since 2008 after crude oil futures exceeded \$130 per barrel and the cost of natural gas rose.

At present, the impact of the energy sanctions applied to Russia by the EU and the United States, respectively on Russian oil and gas imports, is still being analyzed, the prospects of disproportionate "enormous ramifications" for each EU member country being unanimously accepted, the risks being extreme.

On the European/regional downstream refining segment

Globally, refinery margins across all major trading centers declined in the latter part of 2021 as the performance of all barrel products in all regions lost ground except Asian naphtha. This decrease was attributed to an increase in product production as refineries increased operating rates, following major changes to restore product stock levels.

The speed and depth of the recovery is likely to be uneven both geographically and in terms of sectors and products. Demand for gasoline is unlikely to return to 2019 levels as efficiency gains and the shift to electric vehicles eclipse robust mobility growth in the developing world. Aviation fuels, those most affected by the Covid crisis, are expected to gradually return to 2019 levels by 2024, but the spread of online meetings could permanently change trends in business travel.

The European refinery sector experienced the most significant recession in the period 2008-2013 with the total refining capacity being reduced from 765 to 691 million tons/year by closing 12 refineries. By 2018, another 9 refineries had been closed, with refining capacity falling by 13%.

After a relative stabilization in 2019, the COVID-19 pandemic and the deep crisis generated throughout the oil industry value chain have caused negative reactions from the refining sector across the European continent, as follows:

- Petroineos Grangemouth refinery in Scotland has reduced its capacity by 30% to approximately 150,000b/day;
- The Livorno refinery in north-western Italy will be shut down and suspend all related activities until the end of 2022, with conversion into a bioforestation being assessed;
- ExxonMobil permanently closed its Slagen refinery in Norway in June 2021 to turn the site into an import fuel terminal;
- The Gunvor refinery in Rotterdam has completely closed its two crude oil processing units and is developing new processes in the field of hydrogen and co-processing of vegetable oil;
- The Gunvor refinery in Antwerp is suspended, with no signs of recovery in 2022;
- The Grandpuits refinery in France will turn into a biofuel and plastics recycling complex, ending crude oil refining in early 2021.

At the regional level, during 2021 only scheduled outages were recorded:

- Lukoil's Nefochim refinery in Burgas, Bulgaria, has postponed the maintenance work scheduled in spring for October-November;
- Mol in Hungary continues maintenance works on various units of Duna and Bratislava refineries in the third quarter of 2021 after several works were postponed in 2020 for cost control;
- The refinery in Izmir – Turkey has postponed maintenance works, scheduled to last 30 weeks, to 2022.

Update of the evolution of the global market amid the Russia-Ukraine conflict

According to analysis data from Deloitte and S&P Global Platts, European oil markets and refineries are most exposed to potential tougher Western financial sanctions or possible pipeline disruptions generated by Russia's invasion of Ukraine. The Druzhba pipeline system transporting almost 1 million bbl/day of crude oil from Russian deposits to Europe, mostly to refineries in Germany, the Netherlands and Poland

About half of Russia's exports of crude oil and petroleum products - currently at about 6.5 million b/day - are sent to European countries.

The northern branch of the Druzhba route through Belarus supplies crude oil from the Urals to refineries in Poland and Germany.

The German 230,000 b/day PCK refineries at Schwedt and the Leuna refinery of 230,000 b/day are both powered by the Druzhba pipeline, although they could also obtain alternative supplies through Baltic Sea ports. PKN Poland's 326,000 b/day Plock refinery also processes crude oil delivered through Druzhba, but has diversified its sources of supply, buying crude oil from Norway, Angola, Nigeria, Saudi Arabia and the US.

The Polish refinery in Gdansk, with a value of 210,000 b/day, is also based on imports from the Urals through Druzhba, although due to its location on the Baltic Sea, it can receive deliveries of crude oil and sea.

The southern branch of the Druzhba pipeline transits the territory of Ukraine transports Russian oil to Slovakia, Hungary and the Czech Republic. Ukrainian transit of Russian crude oil for export to the EU was of 11.9 million tons in 2021, down from 12.3 million tons in 2020, while the transit of oil to Belarus remained unchanged at about 800,000 tons.

Crude oil shipments through the southern branch of the Druzhba pipeline network included 5.2 million tonnes, or about 104,427 b/day, to Slovakia; 3.4 million tonnes, or approximately 68,279 b/day, to Hungary; and 3.4 million tonnes, or about 68,279 b/day, to the Czech Republic.

Maritime transport route options

Even if pipeline flows to Europe are disrupted, there are alternative export capacities with maritime transports from the Black Sea, Mediterranean and Baltic ports. In the Czech Republic, although Unipetrol's Litvinov refinery relies on the supply of crude oil from the Druzhba pipeline, its Kralupy plant is mainly supplied by the TAL-IKL pipeline, which transports crude oil delivered by tanker to the Italian port of Trieste. Duna Refineries in Hungary and Slovnaft Refineries in Slovakia, both owned by MOL in Hungary, process crude oil delivered mainly through Druzhba. However, crude oil can also be supplied at sea through the Janaf pipeline, which transports crude oil from the Croatian Omisalj terminal.

The most serious scenario of the conflict in Ukraine is the interruption of exports of about 250,000 bbl/day to Europe through the military escalation of the conflict and the lack of close prospects for the substitution of Ural oil.

With oil markets on the horizon for rising prices of more than 120 USD/bbl of oil as stocks and spare capacities dwindle, any further disruption in supply hitting the world's second-largest oil exporter could trigger even greater price volatility, with risks and effects that are currently impossible to estimate.

Nationally, on the upstream segment - exploration and production of crude oil and condensate

In terms of primary energy resources for 2021, the provisional data released by the Statistics National Institute (ro.INS) for crude oil (period January - December 2021) shows an internal production of 3.103 million toe (Tone of oil equivalent) down by 4.1% compared to 2020). Also, there is a decrease in crude oil imports – 6.823 million toe, respectively 2.3% compared to 2020. Imported petroleum products were at approx. 3.9 million toe, 19% above the level of 2020.

On the upstream-oil exploration and production segment, OMV Petrom is present in Romania, Kazakhstan and Bulgaria, and from 2020 it aims to obtain an exploration block in Georgia.

According to the preliminary results 2021, the total proven reserves of crude oil and gas in the portfolio of OMV Petrom Group were of 473 mil. toe (of which 451 mil. toe in Romania), while the proven and probable reserves of crude oil and gas were of 761 mil. toe (of which 720 mil. toe in Romania).

According to the Q4/2021 report, the total production of crude oil and condensate decreased by 9%, mainly due to the sale of production assets in Kazakhstan in Q2/2021, the sharp natural decline in the main deposits, as well as the operational maintenance activities.

In Romania, the production of crude oil and condensate was of 23,05 million bbl (down by 10% compared to 2020) mainly due to the natural decline, partially counterbalanced by the higher contribution of production from new wells and capital repairs. The natural gas production in Romania decreased by 12.4%, to 3.7 billion cubic meters, being influenced by the sharp natural decline of the main deposits. The cost of production increased by 17%, to 13.19 USD per toe, mainly reflecting the decrease in production available for sale.

In the short term, OMV Petrom's strategy keeps as a target for exploration the areas with high and deep impact (>4,000 m) and the extension of the offshore licenses in the Black Sea, the XIX Neptun block.

In order to continue the policy of outsourcing some marginal deposits, in November 2021 OMV Petrom carried out the third round of outsourcing for a number of 40 marginal exploitation deposits to Brent Oil, after having previously transferred a number of 39 deposits to Mazarine Energy.

2022 Perspectives.

For 2022, OMV expects an average price of 75 USD per barrel (in 2020, 71 USD per barrel). The market will be growing slightly amid increasing demand for petroleum products, and the strategic direction in the upstream segment will be to continue optimizing the portfolio.

The main uncertainties identified at the end of 2021 at group level that may influence the results for 2022 are the price risks of the marketable goods, the operational risks as well as the political and regulatory risk.

On medium and long term, the downward trend of production will continue until 2025-2030, followed by an expected sharp decline. As shown in the Romanian Energy Strategy 2020- 2030, with 2050 perspective, lower production of crude oil will reach about approximately 1.7 million tonnes in 2030 and up to 1.15 million tons in 2050.

At national level in downstream - refining, storage and distribution of fuel

On the downstream segment (refining – distribution) Romania has a total refining capacity of about 12.7 million tonnes per year. In 2020, Romania processed a total quantity of 10.2196 million tons of crude oil, down from 2019 when it processed 12.23 million tons.

According to the T4/2021 report, OMV Petrom Petrobrazi Refinery used in 2021 4.74 million tons of raw material, up by 5% compared to 2020. The refining margin indicator increased by 90%, to 5.47 USD/bbl, due to larger differences in both gasoline and medium distillates. In 2021 the refinery utilization rate was 97%, above the European average, and sales of refined products were 7% higher than in 2020, reaching 5.34 million tons.

According to the preliminary financial report 2021, the Petromidia Năvodari Refinery owned by the Rompetrol – KazMunayGas group processed in 2021, 4.586 million tons of raw materials, down by about 8% compared to the previous year. The reductions were mainly generated by the technical accident in July, following the cessation of the operational processes in the Petromidia refinery in the third quarter of the year. The production activities of Petromidia refinery were resumed at the end of September 2021, the technological installations being gradually restarted, and at the end of October 2021 they reached the optimal operating efficiency.

As for the Vega Ploiesti refinery, the only domestic supplier of bitumen for the Romanian market and the only national producer of hexane, has refined 0.34 million tons of raw material down from 2020 by over 9%. In 2021, the refinery produced 1.13 million tons of gasoline and 2.5 million tons of aviation diesel and gasoline.

The projections of the specialized analyses on the downstream-refining and fuel sales segment in the medium term, consider a relatively constant consumption until 2025, the arguments being the balance between demographic decline and energy consumption and the impact of electromobility at the level of important economic sectors. In normal operation conditions, in a stable business environment and without major disruptive events, the termination of refining activity in Romania is unlikely, still a possible decrease due to increasing demand and pressure from other competitors being possible.

In the long term, beyond 2025, a significant decrease in fuel consumption is expected, generated by the major impact of the expansion of electro mobility in the freight transport sectors/industry also.

➤ **Capital Market Risk**

The Romanian capital market registered a positive evolution during 2021, given the fact that it acquired the status of an emerging market in September 2020. The average daily liquidity for all types of financial instruments recorded an upward trend during the period under review. Romania's representativeness in the Emerging Markets indices has improved significantly. Also, in February 2021, CONPET S.A. was included in the FTSE Global MicroCap index. Thus, we hope that in the future the reduced liquidity risk will influence as little as possible the volatility of the shares.

➤ **Legislative-related Risks**

The frequent amendment of the normative acts here included those that bear direct impact on CONPET business may trigger risks for the company.

The effort of the company CONPET to constantly adapt to changing legislative requirements may generate additional costs and possible future changes in the legislative framework could have negative effects on the activity and profitability of CONPET (increased taxes, introduction of new taxes and duties, reduction or suspension of tax concessions, etc.).

Moreover, a possible increase in the level of the royalty paid for the use of the national Transport System may affect the financial statements and financial projections. An increase of the level of the royalty shall reflect into an augmentation of the transport tariff and, subsequently, the consequences may be seen on two lines: in the decrease of the crude transported quantities and over the pump price of the finite products resulted from the crude oil processing.

An important risk is being represented by the loss of the facility regarding the expenses borne by the Romanian State to provide the guard and protection of the pipelines by gendarmes, regulated by GD no. 1107 dated November 14th, 2012, which amends and complements GD no. 1468/2005.

➤ **The Personnel Risk and the Waging System**

At December 31st, 2021, the structure according to age is not balanced, the age category with the highest rate ratio in the company is ranging between 51 - 60 years old (51.13%) and between 41-50 years old (28.90%).

The average age of CONPET personnel is high (49.3 years old), and the advantage it brings is the work experience accumulated by employees within the company, which indicates stability and professionalism. The average age of the personnel employed in the last two years is 41 years, with an average work experience of 15.5 years.

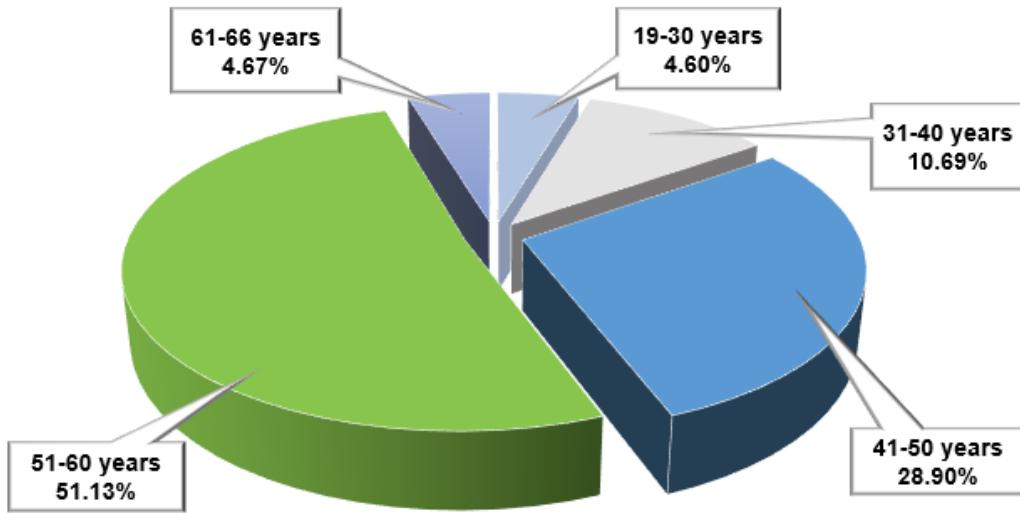


Chart 11 - Personnel structure by age groups

However, the risk of personnel in the future is for the company to deal with staff shortages due to staff departures experienced natural causes.

The level of this analyzed risk was low; being a high tolerability risk and for the control thereof have been set medium and long-term measures by way of the personnel policy and the monitoring of the personnel fluctuations (personnel input/output).

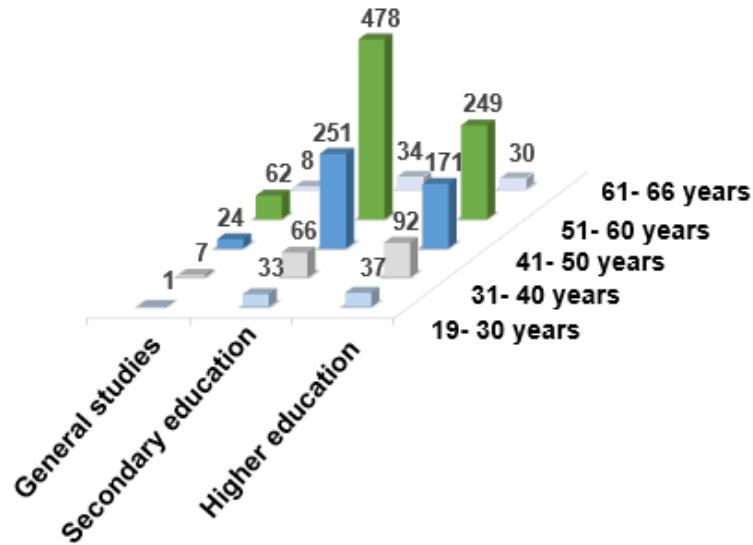


Chart 12 - Personnel structure by studies and age groups in 2021

In terms of level of education, the highest share is for employees who have medium and higher education and are between the ages of 41 and 60.

It should be noted that the age group of 41-50 years is relatively well represented by the scale of employees who will reach the standard retirement age in at least 12 years and a maximum of 25 years, and about 70 % of this echelon has a seniority in society of more than 10 years.

In this regard, the urgent need of vacant posts occupancy is carefully monitored, according to the needs required by organizational entity, the complexity and diversity of activities, skills needed and the responsibility related posts.

➤ The risk caused by pandemic Corona virus (Covid-19)

Besides the above mentioned risks the company is currently facing risks caused by pandemic corona virus (COVID-19). Under these circumstances the company CONPET SA adopted an Action plan to prevent and combat contamination of employees with the new corona virus (COVID-19), as well as to identify scenarios for ensuring business continuity in the premises of the company, if the occurrence of cases of infection with the new virus (COVID-19).

Ever since the beginning of this situation, CONPET adopted special measures to protect the employees and limit a potential extension of the disease COVID-19. Thus, measures for the prevention and protection in all sites where employees operate have been taken, including: limiting visitor access, which is allowed only in absolutely necessary situations, subject to the rules of disinfection set by CONPET, intensification of actions on prevention and hygiene, limiting internal travel at their workstations, establishing minimum staff for the smooth running of operations and ensure continuity in the transport of crude oil, in the light of the pandemic of Corona virus (Covid-19).

CONPET is a financially stable company that has the ability to quickly and efficiently implement emergency measures to be taken to protect the health of employees as well as to maintain safe administration of the crude oil National Transport System. In the context of the pandemic Corona virus (Covid-19), the company ensures business continuity. In terms of the Company's financial statements for the year 2021, the activity is not affected and there is no need to the adjustment thereof.

4.1.10 Internal and external audit

Internal audit

The internal public audit activity within CONPET SA is organized at the level of the Internal Public Audit Bureau. At the level of CONPET S.A. the internal audit structure is established and is functional, the Internal Public Audit Bureau is functionally and administratively subordinated to the General Director and functionally to the Audit Committee.

The internal public audit activity in 2021 was performed based on the Internal Public Audit Plan, approved by the Director General of CONPET SA and endorsed by the Audit Committee, as well as on the basis of the BoD Decisions to conduct ad-hoc audits required.

The core component of the system for reporting the results of the internal audit activity is represented by the internal audit reports, which are compiled at the end of each completed mission and are approved by the company's management. The reports include the findings, conclusions and recommendations made by the auditors in order to improve the audited activities, as well as their opinion in relation to the level of functionality and efficiency of the internal control system attached to the areas assessed.

In 2021, a number of 6 (six) audit missions were carried out in the fields corresponding to the legislative framework applicable to internal audit (budgetary field, financial accounting, company-specific functions and other fields of activity), following which 10 recommendations were formulated.

The missions carried out in accordance with the Internal Public Audit Plan were thematically:

- Fulfillment of the obligations assumed by the company through the Petroleum Agreement;
- Analysis of the way of substantiation, elaboration, revision and reporting of REB of Conpet SA;

- Evaluation of the corruption prevention system;
- Realization of revenues from the transport of crude oil by tankers;
- Evaluation of the accounting system;
- Implementation of the Regulation on the protection of personal data within Conpet S.A.

The recommendations made during 2021 by the internal auditors have been implemented or are being implemented by the audited structures; there have been no cases of depreciation of the recommendations made by the internal auditors and there have been no cases of unspoken recommendations. The Internal Public Audit Office shall continuously monitor the implementation of the recommendations and report on a half-yearly report to the Director-General and the Audit Committee on the status of the recommendations not implemented and in the process of being implemented.

The Internal Public Audit Bureau has updated the Methodological Norms on the exercise of the public internal audit activity and the Internal Audit Charter, following the request no. 28592/18.08.2021 transmitted by the Internal Public Audit Compartment within the Ministry of Energy and the Government Decision no. 316/2021 on the organization and functioning of the Ministry of Energy and sent them for approval to the Internal Public Audit Compartment within the Ministry of Energy. In advance, the Internal Audit Charter was endorsed in September 2021 by the Audit Committee of CONPET S.A.

External audit

The annual financial statements have been audited by the independent financial auditor BDO Audit SRL, appointed by GMS Decision no. 5/30.09.2019 for three years, starting with the financial year 2019. The financial auditor fulfilled to review interim quarterly financial statements drawn up for the first half of 2021.

4.1.11 Assessment of human resources and social dialogue activity

Personnel structure

The number of employees on December 31st, 2021 was of 1,543 persons.

Following the adoption, in 2020, of certain measures meant to resize the human resource, as well as of certain voluntary, or triggered to other causes personnel termination, the effective number of employees at 31.03.2021 decreased by 46 employees as compared to 31.03.2020.

The evolution of personnel structure by education categories reveals the interest of the company to cover the staff needs with high qualification specialists and by the continuous improvement of the existing staff.

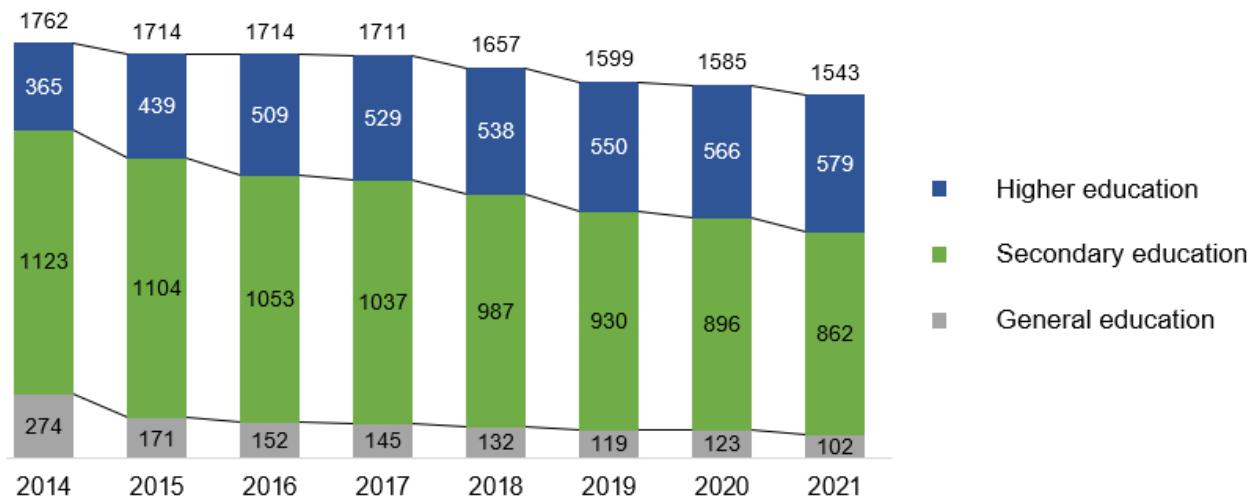


Chart 13 - Evolution of personnel structure by level of education between 2014 -2021

In 2021, the number of higher education employees was 579, increasing by 13 persons compared to 2020, and the number of secondary or general education employees has decreased from 1,019 people to 964 people.

Studies	Total	% in total employees	Women	% in total employees	Men	% in total employees
General	102	6.6%	9	0.6%	93	6.0%
Secondary education	862	55.9%	75	4.9%	787	51.0%
Higher education	579	37.5%	217	14.0%	362	23.5%
Total	1543	100%	301	19.5%	1242	80.5%

Table 15 - Personnel structure by education level and gender at December 31st, 2021

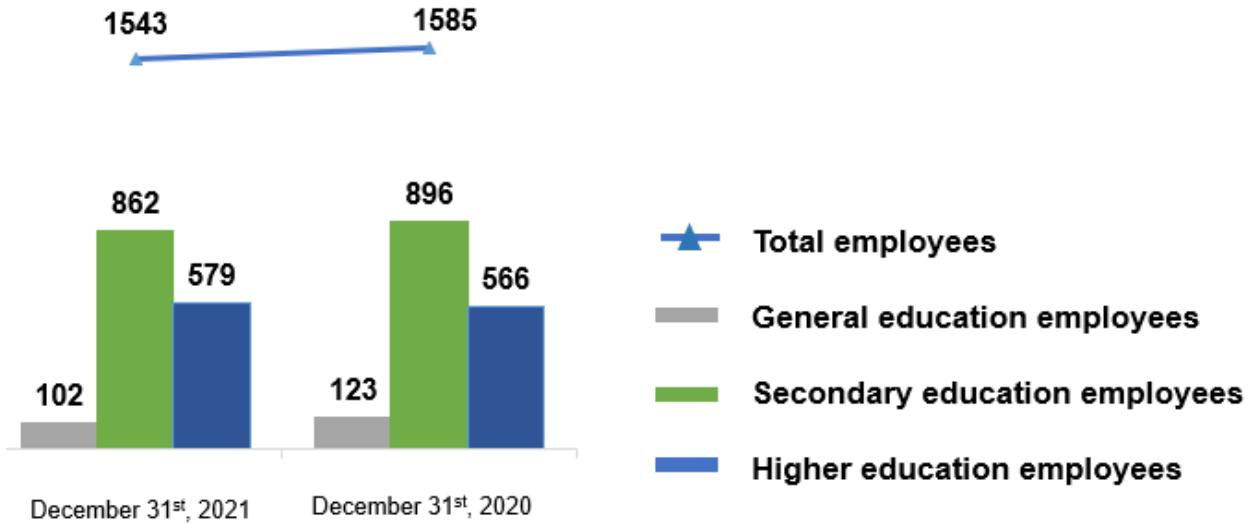


Chart 14 - Evolution of personnel structure by level of education at December 31st, 2021 as compared to December 31st, 2020

The evolution of the staff structure by education categories and gender reveals that the company promotes a non-discriminatory behavior by employing female specialists with higher education and professional skills that contributes to the growth of the company's activity results.

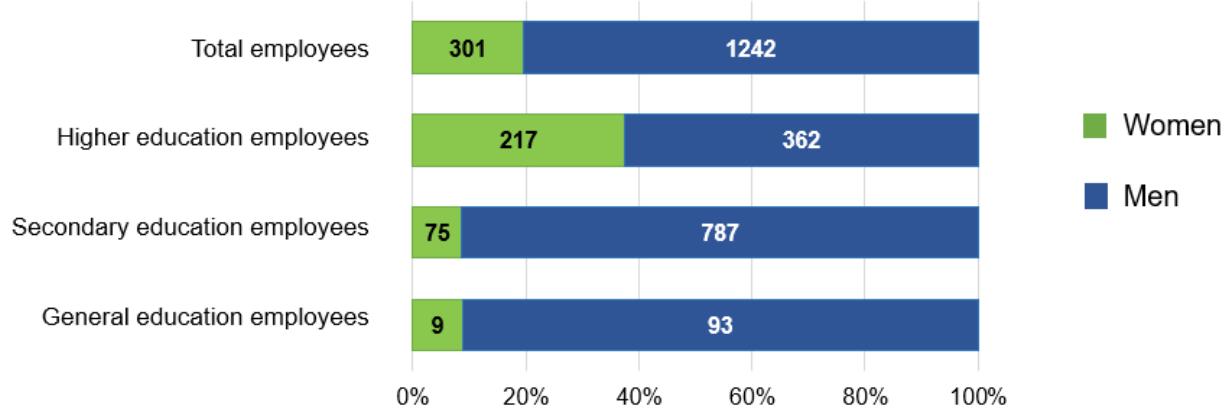


Chart 15– Personnel share structure by categories of studies and gender at December 31st, 2021

The staff with managerial functions represents 5.25% of the total number of employees and the executive staff amounts to 94.75%. Of all employees with managerial positions, 33% is represented by female personnel (December 31st, 2020: 25% of women in management positions).

In 2021 the structure of employees by categories was the following:

- ✓ Directly productive: 574 employees;
- ✓ Technically productive: 332 employees;
- ✓ Administrative: 268 employees;
- ✓ Indirectly productive: 241 employees;
- ✓ General service: 128 employees.

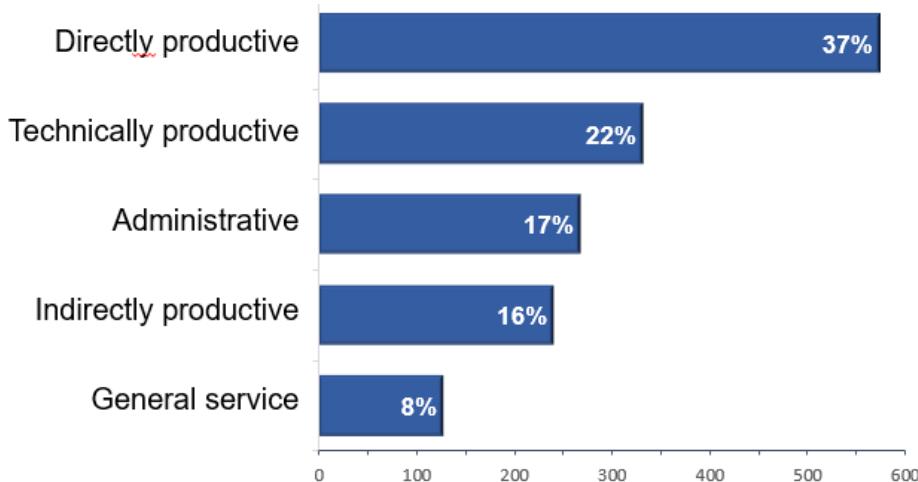


Chart 16 - The structure of employees by category in 2021

The degree of unionization of the workforce at the end of 2021 is of 98.7%. During 2021, there have been no elements of a conflicting nature between employees and the management of the company.

Aspects regarding the Collective Labor Agreement

The Collective Labor Agreement was approved by Decision of the Board of Directors for a period of two years, starting with 01.01.2019 and was registered with the Inspectorate of Labor Prahova on 27.12.2018. The validity of the Collective Labor Agreement was extended until December 31st,

2021, as per Addendum no. 2 to the Collective Labor Agreement, the addendum being registered at Prahova Labor Territorial Inspectorate at 22.09.2020.

The rights of the employees existing in the labor agreement have been negotiated so that the business profitability be ensured, as well as a balance between the interests of the two parties, the Management and the Union, considering that the interests of the employees and the company's management cannot be divergent, as well as the fact that the most important resource of the company is the human resource.

In applying the Collective Labor Agreement, in 2021, a number of nine protocols were concluded between CONPET S.A. and the Free Trade Union Conpet.

Following the change of the organizational structure starting with 15.06.2021, the Board of Directors has mandated the General Director for the negotiation and conclusion with the Free Conpet Trade Union of an addendum. Following the negotiation, the Addendum no. 3 to the CLA, which was registered with the Prahova Territorial Labor Inspectorate on 11.06.2021, having as object the update of the nomenclature of functions and of the salary grid, in accordance with the new organizational chart.

In December 2021, at the request of the Free Trade Union of Conpet, negotiations were held between the social partners, negotiations finalized by the conclusion of an Addendum no. 4 to the CLA, registered with the Prahova Territorial Labor Inspectorate on 14.12.2021. Through the concluded Addendum, the Nomenclature of functions, the Salary Grid, was modified in order to increase the basic salaries by 7% starting with December 15th, 2021 and the CLA was extended by 12 months, starting January 1st, 2022.

Changes in organizational structure

For the achievement of the objective regarding the *reshaping and ongoing adaptation of the human resources in correlation with the technical - economic requirements and realities of the company*, the adjustment of the human resources necessary is being adapted and monitored, having regard to:

- the efficient use of personnel;
- providing business continuity, under the conditions required by the permanent fluctuations in production;
- providing balance between the personnel number and the real technical-economic and administrative needs of the company.
- flexible redistribution of human resources in order to avoid possible blockage in supplying personnel and in view of ensuring the most effective use of the personnel.

CONPET S.A. management pays particular attention to the process of optimal sizing of the resources necessary to achieve the objectives set, through managerial measures, in order to reduce expenses and optimize the functional structures in accordance with the current needs of the company, by constantly ensuring a balance between the number of personnel and the real technical-economic and administrative needs of the company.

In this context, at the level of directorates and departments, a new analysis was started in February 2021 to resize the human resources needs in correlation with the needs of the company, with the aim of reorganizing the activity and streamlining work, leading to increased profitability by maximizing effectiveness in the use of human and financial resources and enhancing employees' time management at the workplace. The analysis aimed at:

- identifying the correlation between the number of positions and the work volume;
- identifying the degree of workload of every employee, as well as of the interaction of the activities performed between the occupants of the positions;

- Identifying the total use, by the occupant of the positions, of the working time related to the achievement of the work duties;
- Identifying the possibility that the duties of employees may be taken over by the other employees of the entity concerned, in compliance with the legal provisions on working time;
- the possibility of monitoring pipelines by extending routes or by alternatively tracking several routes by sector staff;
- the possibility for some employees to perform their duties at several low-activity points, and there is no need to maintain a full-time employee.

As a result of this analysis process, 29 posts were identified, which were disbanded in accordance with the Decision of the BoD.

Thus, the position was reduced by the 29 posts, with the consequence of the individual dismissal of 29 employees, occupants of those posts, for reasons not related to their person. The executive management has taken the necessary steps and drawn up all the necessary documents (modification of the state of functions, notices, dismissal decisions, etc.), so that the individual dismissal process of the employees is carried out in accordance with the legal regulations in force and in compliance with the provisions of the Collective Labor Agreement.

The Activity of Professional Training and Authorization

To maintain and/or develop specific skills and basic abilities of the human capital, the training activities are carried out on an ongoing and planned basis, based on the professional training and authorization programs of the company, as a result of the conduct of a comprehensive process of identification and priorities setting of the CONPET SA staff training needs.

Training of company personnel is achieved mainly through participation in external courses, organized in collaboration with certified trainers for all fields of activity within the company. Also, training is conducted internally by trainers and/or experts of the company, with a good knowledge and experience relevant to the activity of the company. They hold training sessions and trainings to update knowledge and skills specific to the job.

Training of the employees has two components: training (technical, economic and other specialties) necessary to perform duties in the job description and a general one on training and/or professional licensing in various fields.

CONPET management assures annually, by the Revenues and Expenditure Budget, sources for the provision of training. Special attention is paid to the training of technical staff (maintenance and operations), mainly for new skills necessary to carry out the safely operation of the National Transport System.

Crt. no	Type of training and professional authorization 2021 - 12 Months	Participant employees
1.	Various fields authorizations (specific of activity)	73
2.	Railway authorizations	245
3.	Training	302
4.	Qualifications/training/internal authorizations	454
Total		1074

Table 16 - Structure of training/professional authorization courses in 2021

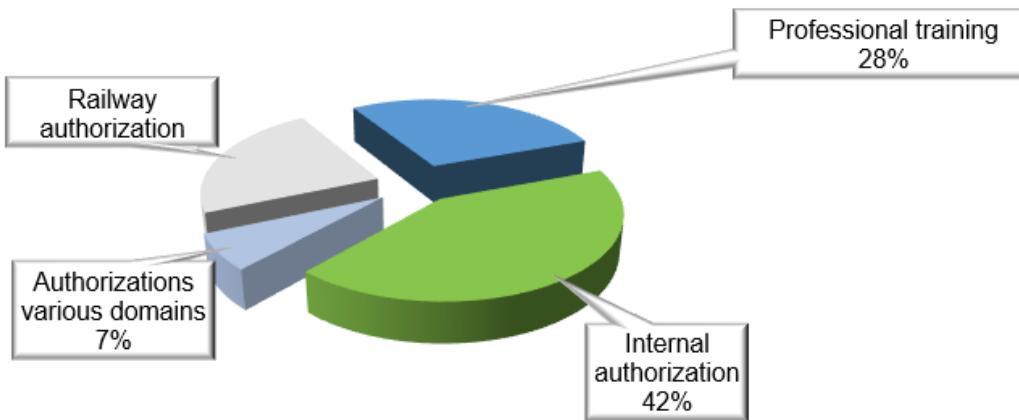


Chart 17 - Type of professional training and authorization 2021

The training and professional authorization activities of employees of the company for 2021 were carried out with the approved revenue and expenditure budget.

Regulation on the assessment of the professional performance of CONPET S.A. employees

In the first quarter of 2021 was carried out the action to evaluate the professional performance of employees for the work carried out in 2020. The evaluation was carried out in accordance with the Employee Performance Assessment Regulation - Annex 1 to the Internal Regulation.

Upon completion of the staff evaluation process, a professional performance evaluation report was prepared which included the results of the evaluation.

The evaluation of the professional performance of employees for the work carried out in 2021 will be carried out under a new regulation which was approved by the Board of Directors in December 2019. The document was drafted for:

- implementation of Standard 3 - *Competence performance* from the Development program of the Internal Control Management System in CONPET S.A.;
- optimization of integrated performance evaluation system of employees within CONPET SA which envisages the establishment of individual SMART objectives and performance indicators for management positions.

At the same time, the new Regulation on the assessment of the professional performance of CONPET SA employees is in line with OGSG no. 600/20.04.2018 on the approval of the Internal Management Control Code, Law no.53/2003 - The Labor Code and focuses on the individual professional performance.

The new evaluation criteria, individual objectives, performance indicators, target values and weights associated to the work of 2020 of the employees in management positions, were subject to conclusion of addenda to individual employment contracts of the employees, as laid down in each entity.

4.1.12 Analysis of the HSEQ activity

Identification of environmental aspects and environmental impact assessment

The environmental impact assessment activity is carried out in the production sectors whenever changes occur in the system involving environmental impact activities, the list of significant impact issues identified at company level being the basis for the development of the Environmental Management Program and the Action Plan for the achievement of environmental objectives.

During 2021, the entire documentation related to the Environmental Management System was reviewed, focusing on identifying environmental aspects, how risks and opportunities related to environmental aspects are treated to prevent and limit their consequences on human health and the environment, using opportunities for the benefit of the organization as well as the environment.

The following documents have been reviewed:

- The Environmental Management Program containing: the commitments associated to the environmental policy, general objectives and measurable environmental targets, the performance indicators on environmental protection, as well as the positions responsible for the achievement of the environmental targets;
- The actions plan for the achievement of the environmental objectives that considered the significant environmental aspects identified inside CONPET the measures from the inspection reports/protocols - authorities, regarding the compliance with the legal requirements and other applicable requirements.

During 2021, from the point of view of the environmental management system, an external audit was carried out, online, to verify compliance with the requirements of the ISO 14001:2015 standard. No non-conformities/ deviations were found regarding the compliance obligations in this area.

Regulation of activities in terms of environment and water management

In terms of environmental protection and water management, CONPET activity is authorized in accordance with the provisions of EGO 195/2005 on environmental protection, as supplemented and amended and Water Law no.107/2005, with subsequent amendments and additions.

The company CONPET holds in this respect 39 permits for water management and 22 environmental authorizations.

For the operation in legality from the point of view of environmental protection, for the year 2021, the annual visas of the environmental authorizations were obtained. Also, the environmental permit related to the Berca Ramp (Buzau County) was revised.

As regards water management regulation, during 2021, 21 water management permits for watercourse crossings by SNTT- related piping routes were renewed during 2021.

Assessments of compliance with legal requirements and other environmental requirements

The assessment of compliance with the legal requirements or other applicable environmental requirements is carried out through: inspections carried out by the environmental authorities (representatives of the central and local environmental and water management authorities), inspections carried out by the HSEQ officials and the staff of the Environmental Protection Service, internal audits carried out by the internal auditors within the Internal Management and

Management Systems Service. The staff from the sectors, respectively the HSEQ officers conduct scheduled inspections according to the annual inspection chart for compliance with the legal requirements and other applicable requirements, but also not scheduled inspections according to the attributions of the job description.

The environment and water management authorities are, carrying out scheduled audits in CONPET sites, unscheduled and thematic with regards to the observance of the legal requirements and other environmental regulations, not having been found major nonconformities. In order to verify compliance with the legal requirements, 50 external inspections were registered at the level of 2021.

Pollutions bearing significant impact on the environment

While pumping the crude oil, on the transport pipelines, accidental pollutions may occur, triggering the contamination of the geological environment. Therefore, in 2021 there have been reported accidental pollutions in the areas: Mislea (Prahova County), Cireșu (Brăila County), Ovidiu, Poarta Albă, Cuza Vodă, Constanța, Castelu, (Constanța County), Poieni (Teleorman County), Crevedia Mare, Videle (Giurgiu County).

The expenses made in 2021 for the decontamination of the affected areas reached 1.4 thousand RON.

For compliance with the regulations required by the national legislation on environment in force, regarding management of dangerous waste, "paraffin - type" and "tank sludge", the company CONPET has the obligation to contract services for recovery/disposal thereof avoiding sanctions provided by EGO 195/2005 on environmental protection, Law 92/2021 on waste regime and GD 1061/2008 on the transport of hazardous waste in Romania.

Hazardous waste "tank sludge-type" is generated from the activity of storage of the crude oil in tanks (in time, mechanical impurities from crude oil settles generating this sludge), it must be periodically evacuated, in order to ensure the necessary storage space for the crude oil, respectively repairs/calibration of tanks, as well as the need to eliminate the risk of fires or pollution from oil storage tanks, tanks leaks, decanters and sewage that is no longer present in the technological and sludge deposits.

The expenses for the execution of the slurry cleaning services carried out in 2021 were of 240 thousand RON.

Within the technological flows carried out by CONPET Ploiești, periodically, based on maintenance programs, the main and/ or local crude oil transport pipelines are subjected to cleaning operations of the interior space with special devices called "pigging". Following the execution of inside cleaning of these pipelines, of the related keyboards, of the filters from pumps or skids, paraffin is generated which is a hazardous waste according to environmental legislation in force. This waste was stored in metal dumps, located in the technological premises of the company, until its disposal by authorized operators.

Monitoring of environmental factors

Based on the requirements of the chapter "Environmental Monitoring" included in the environmental permits, "*The annual program for monitoring and measuring the characteristics of the environmental factors 2021*" has been developed, which has included the performance of the following parameters:

- ✓ concentration of pollutants in the exhaust emissions from the water surface into the water in the sewer network and the concentration of pollutants in the groundwater (existing monitoring wells) determining the level of pollution in the event of accidental pollution of rivers;

- ✓ the concentration of pollutants in atmospheric emissions of stationary sources and/or movable (thermal power stations, oil storage tanks), and the concentration of pollutants in the ambient air;
- ✓ concentration of specific pollutants from soil samples;
- ✓ noise level.

To determine the level of pollution for the environmental factors water, air, soil and noise analyzes are conducted by certified laboratories. The values recorded for each measured indicator were below the maximum limits provided for by the regulation, according to test reports issued. The physical and chemical analyzes to monitor environmental factors were taken through laboratories accredited according to SR EN 17025: 2005.

The results of monitoring the environmental factors are communicated to the environmental authorities as required by environmental permits. In 2021, the costs for environmental factors monitoring amounted to 20 thousand RON.

4.2 Analysis of the corporate activity

4.2.1 Main components of the NTS infrastructure

Below is represented, on the map of the country, the Crude oil, Condensate, Rich gas and Ethane National Transport System.

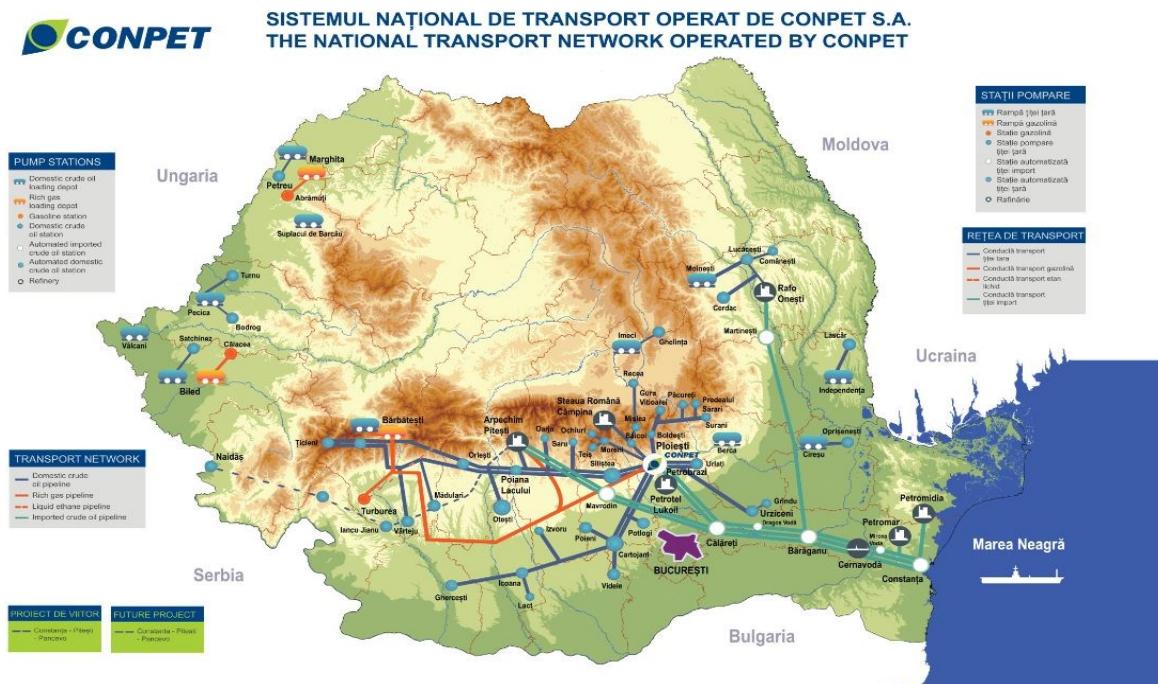


Chart 18- The National Transport System operated by CONPET

Given the natural distribution of the oil fields spread over the entire Romanian territory, the National Transport System was built so as to meet the transport needs from all those fields to the refineries. The system operation is being made based on the local dispatch centers, coordinated from the Company's Central Dispatch.

The Crude Oil, Rich Gas, Condensate and Ethane National Transport System has in composition 4 transport subsystems, grouped according to the transported products as follows:

The domestic crude oil and condensate subsystem transport

The subsystem contains pipelines describing approx. 1,700 km, for the transport of crude oil and condensate from the production units of OMV Petrom and third parties, operating areas throughout the country, to the refineries.

This subsystem has the following main components:

- Ardeal component, used to transport crude oil from the deposit to the railway loading ramps in rail tanks and by rail to the refineries in Ploiești or to Bărbătești unloading ramp.

- Moldova component used to transport crude oil from the production units related to Lucăcești, Comănești and Cerdac pumping stations to Rafo Onești and Dărmănești refineries. Currently, as the processing plants of crude oil from Rafo Onești and Dărmănești refineries do not operate anymore, the pumping of the crude oil taken over for transport is taken to the warehouse of Moinești loading ramp. From here the oil is transported by rail tanks to Petrobrazi, Petrotel- Lukoil refineries or other destination, depending on customer requests. During 2017, following the takeover of the concession by Mazarine of several oil fields in the region of Moldova, the Cerdac deposit was closed. The crude oil extracted from this area is being transported by the storage trucks to Ghelința/Comănești deposit.

Starting 2019, the crude oil from Ghelința storage warehouse is transported by tankers to the loading dock Imeci, loaded into railway tanks and transported to Petrobrazi/Lukoil refinery.

- Ghercești - Ploiești component includes takeover of the crude oil from the production units related to Ghercești, Lact, Izvoru, Videle, Poeni, Roata and Potlogi pumping stations and transport of crude oil by pipeline to Petrobrazi refinery in Ploiești.

- Țicleni–Ploiești component includes two major pipelines with a length of approx. 250 km, thread I and thread II.

Thread I major pipeline ensures the transport of crude oil from Țicleni and from Bărbătești unloading ramp to the refineries in Ploiești (with the possibility of pumping to Arpechim Pitești refinery, as well).

Thread II major pipeline collects the crude oil and condensate from the pumping and repumping stations Mădulari, Orlești, Otești, Poiana Lacului, Oarja, Saru, Siliște and Bucșani for supply to the refineries in Ploiești (or to the terminal in Arpechim Pitești).

- Muntenia basin pipeline component includes pipelines used to transport crude oil from the stations and deposits close to the city of Ploiești.

- local pipeline component used to transport crude oil from deposits to the loading ramps in railway tanks, and from here to the refineries in Ploiești.

The rich gas transport subsystem

The subsystem is intended for the transport of rich gas from the recovery plants in Ardeal, Oltenia and Muntenia to the refineries in Pitești and Ploiești. The transport subsystem has the following composition:

- major pipeline thread I Țicleni-Ploiești (served the region from Oltenia and Muntenia and today is no longer used following the closure of production facilities by OMV Petrom);
- local piping in Ardeal.

Rich gas transport via pipeline in Arpechim refinery has been suspended since April 2011. In 2017, the dower of the rich gas pipeline 6^{5/8}" thread I Bărbătești – Ploiești has been discharged, in length of 289 km.

Currently, there are running two recovery plants (Abrămuț and Calacea). The produced rich gas is transported via pipeline from the ramp Abrămuț to Marghita ramp, and from the ramp Calacea to Biled ramp, and from here by railway to Petrobrazi.

The ethane transport subsystem

This subsystem has been allocated for the transport of ethane from the deethanizer platform Turburea to Arpechim refinery Pitesti. At present, due to the inactivity of Arpechim refinery, the subsystem is not used. Ethane transport has been suspended since November 2008. We mention that a portion of this pipeline (11 km) is used to transport condensate from Totea deposit to Petrobrazi refinery, with the approval of NAMR.

Import crude oil transport subsystem

The import crude oil transport subsystem ensures the transport of crude oil from the Oil Terminal Constanta to the refineries in Ploiești, Arpechim-Pitești and Midia. The import crude oil transport subsystem includes Constanța Nord, Constanța Sud, Mircea Vodă, Bărăganu, Dragoș Vodă, Călăreți, Mavrodin and Martinești pumping stations. Depending on the chosen pumping type, different pumping scenarios can be performed for each transport relationship.

Domestic production of crude oil, condensate and rich gas is transported only via pipeline, either by rail tanks, or combined (rail and pipeline).

During the transport process, CONPET uses a 90 of tanks of various capacities. Starting 2019 CONPET runs a big process of rehabilitation of tanks and replacing those with high degree of wear and storage capacity over the necessary of transport stream with new ones to meet the needs of current production, environment and energy consumption. The modernization and development process will be completed in 2030.

The company also owns a fleet of 242 vehicles, intended for the transport of personnel for work purposes, means of intervention vehicles, off-road vans and mixed transport of persons and goods and special vehicles (emptying, cranes, diggers, etc.).

4.2.2 The wear degree of the company's properties

In order to perform the transport of crude oil, rich gas and ethane, from and to all its business partners, in conditions of maximum operation, high efficiency and operating costs as low as possible, in compliance with the legislation in force relating to environmental protection and labor

protection and the other normative acts in the field, CONPET carries out a continuous activity on the improvement of the technical condition of the National Transport System.

Between 1995-2007, through the Modernization Project co-financed by the World Bank, works consisting of the rehabilitation and modernization/refurbishment itself of the Oil National Transport System have been conducted. This project has targeted:

- ✓ pipelines rehabilitation;
- ✓ rehabilitation of the pumping stations on the major pipelines and two crude oil and rich gas loading/unloading ramps;
- ✓ automation of the transport system and introduction of the SCADA system;
- ✓ introduction of crude oil tax measurement systems;
- ✓ development of a telecommunication system.

After 2007, the emphasis has been mainly placed on the further modernization of the pipeline system.

In order to correctly determine the portions of the pipes to be replaced, periodically the pipes of the transport lines are inspected with smart pigging for the determination of the portions of the spent pipe.

Furthermore, for safe operation, monitoring and maintenance of the National Transport System via pipelines, - considered the performance of works intended to secure the infrastructure of the water crossings designed to enhance the degree of safety in operation of the pipelines in question, indirectly, and the protection of the waters crossed against pollution.

The pipelines that make up the Crude Oil National Transport System cross over and underground various watercourses.

Another important component in terms of safe operation and environmental protection in order to pay attention to the investment process was to secure the crossings. The works carried out were:

- ✓ low weirs;
- ✓ bank protections upstream and downstream of the low weir;
- ✓ wave crushers;
- ✓ piles foundation consolidation;
- ✓ bank protections on the route of the pipelines which are parallel with the riverbed (damaged bank);
- ✓ other works related to pipeline consolidation.

The modernization of the main pipeline transport subsystems also includes the other technological components of the system, namely:

- ✓ pumping stations;
- ✓ technological installations;
- ✓ FEP facilities;
- ✓ technological and administrative buildings;
- ✓ energy and thermal plants, telecommunications;
- ✓ other auxiliary components.

The improvement of the technical status of the transport system, led to:

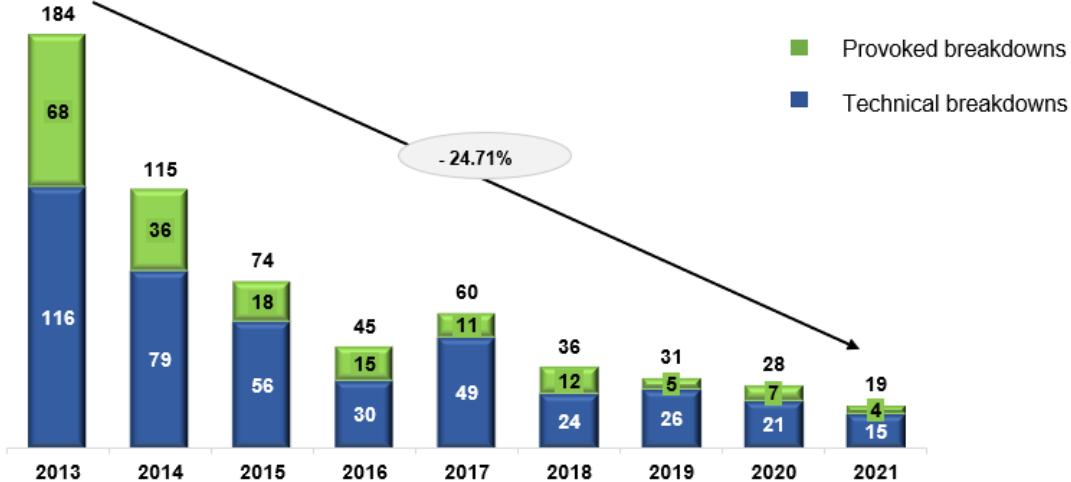
- ✓ reduced technological costs in the storage and transport process;
- ✓ minimized energy, fuel and lubricant consumptions;
- ✓ minimized operating costs and reduced operating difficulties;

- ✓ improved safety and flexibility of the system;
- ✓ reduced environmental impacts;
- ✓ improved quantitative and qualitative measurements of the crude oil transported.

Compared to the above, it can be appreciated that the technical condition of the National System of Transport of Crude oil through pipelines, operated by CONPET, is an appropriate one.

4.2.3 Investments achieved in 2021 as compared to programme

The



current pipeline replacement frequency is given by the in line inspection thereof, the statistics of the technical and the provoked breakdowns. The pipeline replacements within the last few years were performed on the pipelines with the highest degree of utilization.

The total number of technical and provoked breakdowns decreased from 184 in 2013 to 19 in 2021.

Chart 19 - Evolution of the technical and provoked breakdowns during 2013-2021

The achievement of the investment program in 2021, as compared to the level scheduled for 2021 is the following:

thousand RON				
Crt.No.	Name of the Objective	2021 Program	Achieved 2021	Degree of achievement %
	TOTAL GENERAL, out of which:	96,000	63,536	66%
I	PUBLIC DOMAIN	69,000	45,596	66%
1	<i>Pipelines rehabilitation, out of which</i>	28,936	16,922	60%
1.1	<i>Pipeline replacement</i>	27,895	16,922	61%
1.2	<i>Safe disposals</i>	341	0	-
2	<i>Replacement of connection lines Danube crossing C1-C2 and C3-C4 Borcea arm</i>	1,768	301	17%
3	<i>Modernization and monitoring of the cathodic protection system related to the NTS domestic and import - stage 2</i>	4,000	3,649	91%
4	<i>Technical support and consultancy</i>	25	0	-

Crt.No.	Name of the Objective	2021 Program	Achieved 2021	Degree of achievement %
5	<i>Tanks</i>	16,052	13,342	83%
6	<i>Energy works</i>	353	171	48%
7	<i>Telecommunication works</i>	100	23	23%
8	<i>Pumping systems modernization</i>	1,308	250	19%
9	<i>Stations/ramp modernization</i>	7,939	4,937	62%
10	<i>Buildings, fences stations</i>	727	420	58%
11	<i>Automation and SCADA works</i>	6,856	4,481	65%
12	<i>Other works</i>	1,236	954	77%
13	<i>Projects, Studies, Technical Appraisals</i>	400	146	37%
II	OPERATING DOMAIN	27,000	17,940	66%
1	<i>Pipelines rehabilitation</i>	2,015	686	34%
2	<i>Building rehabilitations</i>	3,220	2,333	72%
3	<i>LDH and tank cars</i>	374	374	100%
4	<i>Other works</i>	6,690	1,144	62%
5	<i>Intangible investments</i>	4,249	3,438	81%
6	<i>Modernization of Integrated IT System</i>	675	-	-
7	<i>Headquarters 2 CONPET new constructions – Archive, Data Center Building, Metrology (C18), with demolition of C14</i>	100	-	-
8	<i>Independent facilities and equipment</i>	9,677	6,965	72%

Table 17 - The achievement of the investment program 2021 as compared to Program 2021

The low level of achievement of the investments' program was mainly due to:

- suspension of the of certain works execution due to poor atmospheric conditions in the first part of 2021;
- suspension of the execution of certain works due to SARS-COV2 pandemic or the execution thereof with a reduced number of personnel;
- delays in the works execution as per the execution schedules, due to delays in the supply with materials and equipment, situation also triggered by the corona virus pandemics;

Some of the problems encountered in the execution of the works were solved by the measures adopted operatively: regular meetings with the contractors; redesign of the pipeline route in areas where difficulties have been encountered in obtaining the agreement of entry into the land from the landowners;

identification and settlement of technical solutions for the continuation and completion of works.

In 2021, a number of 19 Technical Projects, a solution study, and a technical expertise with a total investment value of 30,159 thousand RON were approved in CONPET CTE.

Significant investment objectives completed in 2021

- ✓ Execution works for new tank construction for the crude oil storage, 2,500 cm, inside Biled loading ramp;

- ✓ Replacement of crude oil pipelines 10 "F1 and F2 Siliște-Ploiești, on a length of about 300m, located in Aricești Rahtivani, Prahova County;
- ✓ Rehabilitation works at Marghita loading ramp;
- ✓ Execution works for new tank construction for the crude oil storage, 2,500 cm, inside Orlesti pumping Station;
- ✓ Replacement of 14 inch crude oil pipeline Constanța - Bărăganu, Cuza Vodă area, on a length of 550 m;
- ✓ Thermal rehabilitation of locomotive parking shed inside Biled loading Ramp;
- ✓ Upgrade of the CONPET SA headquarters building in Ploiești, 7 Independentei Avenue.
- ✓ Supply and installation of weighing system of railway wagons in the Marghita Ramp;
- ✓ Transformation of LDH 700 CP 139-2 in LDE;
- ✓ Replacement of a pipeline section, 3,500 m in length, with diameters $\varnothing 12^{3/4}"$ and $\varnothing 14^{3/4}"$ Cartojani - Ploiești in the water tributary to Neajlov river and Sfântul Gheorghe forest".
- ✓ Replacement of a pipeline section, about 3,400 m in length, $\varnothing 10^{3/4}"$ in diameter, from the pipeline $\varnothing 10^{3/4}"$ Icoana – Cartojani necessary to be replaced, which has as starting point the entry to the forest from park 4 Roata ending to the exit part of forest park 4 Roata;
- ✓ Replacement of a crude oil pipeline section $\varnothing 8\frac{5}{8}"$ Lucăcești – Vermești , along the section Lucăcești Station- Măgura hill, about 2 km in length, + connection to Moinești crude oil loading ramp of 6", 700 linear meters in length;
- ✓ Optimization of SCADA system and upgrade of Hardware and Software of the remotes transmission units (RTU);
- ✓ Replacement of crude oil pipeline $\varnothing 10^{3/4}"$ Icoana – Cartojani, 4007 m in length, in Bucov forest area, Râca locality, 1,500 m in length, in Miroși locality - on a length of 5,550 m;
- ✓ Maintenance and recovery of alleys and platforms in Barbatesti storage warehouse and ramp;
- ✓ Smart pigging, pipe condition detection 12" F1 and 12" F2 Călăreți - Petrotel;
- ✓ **Replacement of crude oil pipeline $\varnothing 24"$ Călăreți – Pietroșani (7 sections) in total length of 5.9 km and under crossing of Leaota river in length of about 0.1 km;**
- ✓ Execution of technological sewerage modernization works at crude oil tanks R2 and R3 Baicoi Station;
- ✓ Execution works for new tank construction for crude oil storage, with a capacity of 2,500 cm, inside Poiana Lacului pumping station;
- ✓ **Execution of modernization works at Baicoi tank farm, cathodic protection and grounding of R1, R2, R3 and R4 crude oil tanks;**
- ✓ Replacement of the 14 inch crude oil pipeline of Bărăganu - Călăreți on a length of 15972 m., with an estimated pipeline repair coefficient higher than 0.8, set as a result of the smart pigging.

Significant investment objectives in progress on 31.12.2021

Public domain

- ✓ Replacement of the $\varnothing 10\frac{3}{4}"$ F2 Siliste-Ploiești crude oil pipeline, in Brazi Stadium area– inside Petrobrazi Refinery, Prahova County, on a length of approximately 1170m and replacement of cleaning installation.
- ✓ Construction works of a new tank for condensate (V=500 c.m.) - Bărbătești Pumping Station;
- ✓ Rehabilitation works at Cireșu loading ramp;
- ✓ Rehabilitation works at Imeci loading ramp;
- ✓ Rehabilitation works at Marghita loading ramp;

- ✓ Replacement of pipeline section Constanța – Midia 24", Năvodari area, approx. 1,100 m;
- ✓ Upgrade of Mislea station;
- ✓ Modernization of Potlogi pumping station;
- ✓ Moreni crude oil tanks station;
- ✓ Replacement of crude oil pipeline Ø10 ¾" LASCĂR CATARGIU-INDEPENDENȚA, (inv. No. 122406P/118536), domestic crude oil, on the section Capăt RK (2011) Lascăr Catargiu - irrigations major pipeline, diameter 10 ¾", in length of approx 3.5 km;
- ✓ Replacement of crude oil transport pipeline F1 8 ½" Țicleni Bărbătești, in the water access road site Primăria Bărbătești, approximately 200 m;
- ✓ Protection of the crude oil transport pipelines Ø12" and Ø14" Cartojani, route situated between rail lines CF Triaj Brazi and Ghighiului street, on a total length of 110 linear meters.

OPERATOR FIELD

- ✓ Replacement of Ø8 ½" crude oil pipeline NEW Vega-Brazi Refinery, in Petrobrazi Refinery-SKIDs keyboard area, Prahova County, on a length of approximately 800 m and replacement of cleaning installation
- ✓ LDH 1250 HP transformation 860 -2
- ✓ Dispatch building, Biled ramp

Commissioning achieved in 2021 amounted to 75,115 thousand RON, out of which, per financing sources:

- 52,603 thousand RON out of the modernization quota;
- 22,512 thousand RON out of other own sources;

4.2.4. Developments projects

The main investment projects started in the previous years which still continue in 2021 are the followings:

➤ **Modernization and monitoring of the cathodic protection system related to the NTS domestic and import - stage 2**

In order to ensure the life of the crude oil transport pipelines, it is necessary to protect the buried metal pipes against corrosion through good quality insulation and by applying an adequate cathodic protection system.

Protection against external corrosion of the buried pipe is necessary because: ensures safe operation without damage from corrosion for at least 20 years, which can be extended at minimum cost up to 40 years and allows surveillance and maintenance operations - service of the condition of the tubular material with specific, low-cost technologies and methods.

The anti-corrosion protection system used for the import crude oil and domestic crude oil transport pipelines consists of: passive protection - anti-corrosion insulation, designed to separate the metal of the pipe from contact with the aggressive outdoor environment and active protection (cathode) - to complement passive protection - by using an electric current, which gives it the slow aging of the insulation.

The project was divided into two stages. Stage I, during 2017-2019, 109 locations and stage II, during 2019-2022, 30 locations.

By the end of 2021, have been executed SPCs in 124 locations (109 locations stage I and 15 locations stage II), and the works will be ongoing for the other 15 locations.

➤ **Optimizing the SCADA system and hardware and software upgrade for the Remote Transmission Unit (RTU)**

SCADA and Automation initially implemented in 2002 has a life expectancy of 15 years. Close to expiration of the service life, a technical analysis of the system was made and it was found that it is necessary both to change the data transmission and automation equipment and to optimize the Scada System by updating all the related documents, reviewing them and implementing a "Historian" database type. Thus, the changes to be made to the SCADA system will lead to: increase of the safety in the operating system, providing analysis and automatic reporting and centralized, efficient tracking and archiving of process parameters for all locations unmonitored until now.

In September 2017, was signed a design and execution contract, with a value of 16.9 mRON and a fulfillment term: December 2021.

At December 31st, 2021, the physical degree of achievement is 100%; all the equipment for the 29 locations have been delivered, installed and tested.

➤ **Patrimonial Geographical Inventory System (GIS) Stage I and the supply of services after the implementation for a duration of 3 years**

The project implementation represents a continuation of the initiatives to improve CONPET computerization, started by the implementation of an Enterprise Resource Planing (ERP) system and addresses the need to streamline the company's technical activities, by means of a better management of the patrimonial, technical and operational information in order to: enhance safety of the system operation; be aware of the exact condition of the infrastructure; identify the risk areas and those bearing major impact in case of incident; understand the causes leading to integrity incidents, effectively plan the investments in boosting the network's level of integrity, increase the level of training and reactivity in case of incident, by way of specific intervention plans in every area identified as hazardous and proactive approach; reduce the operation costs and the technological consumptions by a better understanding of the behavior of the infrastructure over time; generally increase the labor productivity by easing access to information and reducing the direct and formalized interaction between various functional entities; make on line information available and lower the effort to search in printed historic archives; increase the individual value added of various IT subsystems by integrating them.

The implementation of the GIS system will be a staged process, as to enable the users to effectively adopt the system.

During stage I, the data model was implemented, the data from all available sources have been uploaded, the vector-borne and raster(digital) maps have been acquired, the entire pipeline network on a pilot station was modeled (with the subsystems/equipment deemed relevant). The interface with the ERP system has been developed, for the connection with the maintainable equipment and for easing access to the history of the work orders and with the management system of the Sharepoint documents for the management of all documents associated to the objects in GIS data base. All the available data related to properties (buildings and lands) have been uploaded, the flow addressing the applications for building permits in the pipeline protection area has been electronically implemented, with the import and preservation in the GIS system, of all information received and permits issued (and the possibility to view the issued permits, geographically "tied" with the property for which they have been issued), a mobile application was developed for the Pipeline Route Operators (Ro:OTC - Operator Traseu Conductă) enabling both the monitoring of the patrol activity and the import and transmission of events (inclusive of description, positioning and pictures) along the patrol route. The mobile application is initially tested with 10 users to prove viability and reliability of the application and mobile equipment. In

the first stage was procured the entire GIS application infrastructure necessary to build and initially operate the system, the date base software with the necessary equipment infrastructure related elements.

The implementation stage of the project ended in December 2020, and currently the project is in the post-implementation phase, with a duration of 36 months, during which the extension of the system to the other stations in the network continues, by uploading into the system the data related to the other stations, with its own staff and using the software tools purchased during the first stage. All along the post-implementation duration of stage I, the support and technical assistance is made available by the supplier. The responsibility of the system's operation will be borne exclusively by CONPET personnel.

➤ **Replacement of connection lines Danube crossing C1-C2 and C3-C4 Borcea arm**

The main pipelines for the transport of imported crude oil with Ø14", Ø20" and Ø28" Constanța–Băräganu have the route from OIL TERMINAL to the working point CONPET S.A. - C1, in Ialomita island between C2 and C3, and from C4 to Băräganu station. Currently, the crossing of the Danube River and the Borcea Arm is done through pipelines of Ø 12^{3/4}". The pipes at the under crossings are laid in trenches at 4 m below the sole of the riverbed, continuously concreted on a thickness of 10 cm in radius.

The under crossing of the Danube and of the Borcea arm with the crude oil transport pipelines was carried out in two stages, depending on the year of installation of the main pipelines.

Thus, in 1968, 4 wires of Ø 12^{3/4}" were installed at the Danube under crossing and 4 wires of Ø 12^{3/4}" at the under crossing of the Borcea arm, wires assigned to the main pipeline of Ø14" Constanța-Pitești.

In 1978, another 6 wires (wires 8÷13) are installed, which are allocated to the Ø20" and Ø28" pipes.

In 2003, the first corrosion detection inspection (executor - PIPETRONIX GERMANY) was carried out, followed by two more inspections (2008 executor – CALA ROMANIA and 2015-2016, executor - ROSEN GERMANY).

The obtained reports revealed that part of the wires that ensure the transport of crude oil through these under crossings no longer present safety in operation, requiring immediate measures to ensure the safety in operation of the pipelines, including the closure of some of the wires.

To ensure optimal conditions for transport of crude oil and avoid the risk of further damage with serious environmental consequences, replacing or restoring crossings have been imposed.

By replacing the pipes in the afore-mentioned crossings, the following objectives will be achieved:

- ensuring the functioning of the transport pipeline, on the route in question, under safety conditions and designed parameters;
- eliminating the major risk of crude oil pollution with a harmful impact on the environment;
- safety in operation;
- reducing maintenance costs;
- increasing the operational life;
- ensuring optimal energy efficiency conditions for the transport of crude oil to the projected parameters;
- major positive impact on the natural and human factor in these areas.

In a global context marked by climate change, global warming, increase of pollution level but also by the concerns of institutions to combat the effects of these phenomena, the construction of new pipelines at the under crossing of the Danube and the Borcea arm, will help improve the quality of the environmental factors by ensuring the functionality of the crude oil transport pipelines under safety conditions and avoid the potential damages that may occur, in case of technical accidents.

In August 2021, the contract for design and execution services for works was signed for an investment value of 107 million RON and with a deadline for implementation by the end of 2023.

4.2.5 Litigations and other aspects on the company's tangible assets

During 2021 CONPET SA was involved in a total of 142 litigations. Among them, 65 litigations were solved definitively and irrevocably. None of the litigations pending resolution present risks related to the stability and continuity of the company's business.

a) Disputes concerning the ownership of the tangible assets of the company

During 2021 CONPET SA was involved in one lawsuit for claiming ownership of some buildings which is pending, as follows:

File no. 2782/229/2018 - Fetesti Court

Procedural status: Appeal

Parties: CONPET S.A.– plaintiff

Zacon Trandafir - defendant

Object: Conpet SA filed a summons for the named Zacon Trandafir so that based on the evidence that will be administered, the court will issue a court decision by which:

- found the absolute nullity of the sale-purchase contract no. 1047/03.02.1999, concluded between Conpet SA, as seller and Zacon Trandafir as buyer;
- orders to the defendant to pay the legal expenses.

In the alternative, the defendant Zacon Trandafir is required to pay the equivalent value of the property at the fair market value established following the administration of a forensic technical expertise.

The court ordered the stamping of the second end of the application with the amount of RON 4472. The fee was paid by Conpet.

Clarifications: By the Conclusion of 22.04.2021, the Fetesti Courthouse defers the judgement for the date of 05.05.2021, disjoins the second end of the request and orders the formation of a new file, having as object an application for damages.

By Sentence no. 828/2021 of 29.07.2021, it rejects as unfounded the request for summons filed by the claimant S.C. CONPET S.A. in contradiction with the defendant ZACON TRANDAFIR, having as subject matter the annulment of the deed (affirmance of absolute nullity). It admits the counterclaim filed by the defendant-claimant ZACON TRANDAFIR, in contradiction with the claimant-defendant S.C. CONPET S.A. having as subject matter the finding of a valid conclusion of the contract concluded between the parties. It obliges the claimant to pay to the defendant the amount of RON 7,471, as legal expenses (RON 3,000 - lawyer's fee, RON 4,471 - judicial stamp duty). The decision can be appealed in 30 days after the communication, which will be submitted at the Fetesti Courthouse. Pronounced by making the solution available to the parties through the court registry, today, 29.07.2021. Conpet appealed.

b). Disputes related to the structure of the share capital of CONPET

Case File no. 5212/105/2018 –Prahova Court of Appeal

Stage of trial: Appeal

Fondul Proprietatea S.A. files an appeal requesting the court to:

1. Oblige Conpet to pay the amount of RON 734,747.04, representing the net value of the dividends related to a share of 6% of the share capital of Conpet, respectively for a number of

524,366 shares held by the claimant on the registration date of AGOA Conpet from 25.04.2007 (i.e. 14.05.2007), for the financial year of 2006,

2. Oblige Conpet to pay damages, respectively the legal interest related to the dividends from the due date of the amount requested in point 1 and until the date of filing the summons (i.e. 09.11.2018), in the amount of RON 579,015.97.

3. Oblige Conpet to pay thereafter the legal interest related to the net value of the dividends, from the date of filing the summons and until the actual payment of the requested amounts,

4. Oblige Conpet to pay the legal expenses of the present litigation

Conpet S.A. filed an impleader of the Romanian State through the Ministry of Finance and A.A.A.S.

Clarifications: By the Conclusion of 25.06.2019, the Prahova Court rejected as unfounded the impleader of the Authority for the Administration of State Assets, formulated by the defendant Conpet S.A. Conpet and the Romanian State through the Ministry of Public Finance filed an appeal against this decision of the court. By the same Conclusion of 25.06.2019, the court admitted in principle the impleader of the Romanian State through the Ministry of Public Finance, formulated by the defendant Conpet S.A. and rejected as unfounded the plea of the lack of passive procedural quality of the Romanian State through the Ministry of Public Finance. The appeal was registered with the Ploiești Court of Appeal with no. 5212/105/2018 / a2. By the decision no. 515/05.11.2019 the Ploiești Court of Appeal admits the plea of the inadmissibility of the appeal declared by the Ministry of Public Finance. It dismisses this appeal as inadmissible. It rejects the plea of lack of interest and the exception of inadmissibility of the appeal declared by Conpet SA. It dismisses this appeal as unfounded. Final.

By the Conclusion of 20.09.2019, the Ploiești Court of Appeal suspended the trial of the case until the settlement of the appeals made against the decision pronounced on 25.06.2019. This conclusion remained final by non-appeal.

By Sentence no. 633/20.05.2021 The Court unfoundedly rejects the exception of the prescription of the right to action. It admits the action. It obliges the defendant Conpet SA to pay to the claimant the amounts of RON 734,747.04 representing the value of dividends, of RON 579,015.97, representing dividends for the period 26.10.2007-09.11.2018, and the legal interest related to the net value of the dividends from 09.11.2018 and until the actual payment of the main debit. It admits in part the request for bail. It obliges the summoned in guarantee The Romanian State to pay to the defendant SC CONPET SA, the amount of RON 734,747.04, representing the value of dividends, and the legal interest related to this amount starting with 17.12.2018 and until the date of restitution to the defendant of the amount of RON 734,747.04. The decision can be appealed within 30 days from communication.

By Decision no. 814/01.07.2021 The Court admits the request for correction of the material error made by the claimant. It corrects the material error crept into the content of paragraph 3 of the operative part of sentence no. 633/02.06.2021 pronounced by the Prahova Court, in the sense that it is written: "It obliges the defendant S.C. Conpet S.A. to pay to the claimant the amounts of RON 734,747.04 representing the main debit, of RON 579,015.97, representing dividends for the period 26.10.2007-09.11.2018, and the legal interest related to the net value of the dividends from 09.11.2018 until the actual payment of the main debit.". It admits the request for completion of the decision made by the claimant. It orders the completion of the civil sentence no. 633/02.06.2021 in the sense that it also provides: It reduces to RON 70,000 the fee of the claimant's lawyer. It obliges the defendant S.C. Conpet S.A. to pay the claimant the following legal expenses: RON 20,347.63 representing judicial stamp duty, RON 4,300 expert fee, RON 8,481.87 expert fee, RON 70 lawyer's fee and RON 1,125 other expenses. It obliges the summoned in guarantee The Romanian State to pay to the defendant S.C. Conpet S.A. legal expenses in the amount of RON 16,943. The decision may be appealed after communication.

c) Litigations where the company's administrators/members of the executive management were involved, in the last 5 years

In the last 5 years, the company had no litigation or administrative proceedings in which the company's directors and members of the executive management in office in 2021 have been involved.

Other aspects on the company's tangible assets

State of the lands not included in the share capital

Currently, all the lands owned by CONPET S.A. are registered in the Integrated Cadastre System and the Land Registry.

At 30.12.2021, CONPET has registered in the company's patrimony land plots in surface of 733,601 Sq.m, with a book value of 22,858,900 RON, held based on the land ownership Certificates (709,770 sq.m) and sale - purchase contracts (23.831 Sq.m).

The company has augmented the share capital with some part of the lands held based on the land ownership certificates (Ro. CADP), not being included in the share capital lands with a surface of 554,337 Sq.m, being comprised in 48 CADP. The Ownership certificates for these lands have been issued between 2001-2005 and the value evaluated at the time of issuing the certificates, established according to GD no.834/1992 is of 26,708,233 RON. These lands have been registered in the company patrimony on the expense of other equity reserves.

In 2013, the Court of Accounts performed an audit of the status of the public patrimony; subsequently, disposing, by Decision nr. 28/2013, the augmentation of CONPET share capital by the value of the lands for which have been obtained land ownership certificates, measure that was not fulfilled within the initial deadline (30.09.2014) and neither within the extended terms (30.06.2015, 31.08.2016, 31.03.2018, 30.06.2019 and 31.03.2020).

Pursuant to Decision no. 15494/08.02.2022, the Prahova Chamber of Accounts granted a new deadline for the achievement of the measures, respectively 09.12.2022.

The Board of Directors has undertaken all steps in view of augmentation of the share capital by the value of land held based on the land ownership certificates.

Thus, under the lands appraisal reports, in compliance with the provisions of Art. 6 of GD no.834/1991 on the value update, ulterior completions and amendments, drafted by expert valuer, the Board of Directors has summoned the Extraordinary General Meeting of Shareholders, on 19.05.2016, in first call, namely 20.05.2016, in second call. At both EGMS the quorum has not been met.

Although there have been convened two general meetings of shareholders, the Board of Directors has summoned a new EGMS for 05.07.2016, with the same Agenda. Following the cast vote by the shareholders present and represented, the proposal to augment the share capital has not been approved, due to the lack of necessary quorum for approval votes.

Subsequently, there have been undertaken all necessary steps for the augmentation of the share capital, and on 26.03.2019, the EGMS has approved the initiation of the procedure for the augmentation of the share capital and the appointment by the Trade Register Office of an authorized assessor to evaluate the lands contributed to the share capital. Based on the new appraisal report the EGMS has been convened on 04.07.2019 in first call and 05.07.2019 in second call, with the Agenda - Approval of the augmentation of the share capital by maximum value of 101,763,954.60 RON, representing contribution in kind (lands) in amount of

59,751,935.10 RON and cash amounting to maximum 42,012,019.50 RON, from the current value of 28,569,842.40 RON at the value of maximum 130,333,797 RON, by issuing a number of maximum 30,837,562 new shares, nominative, dematerialized, at a price of 3.3 RON/share, equal to the nominal value, without share premium.

In both EGMS meetings has not been met the attendance quorum provided by the law, needed for the augmentation of the share capital with contribution in kind.

On 24.09.2020, the EGMS approved the initiation of the operation of increasing the share capital by the value of the land plots held based on 48 certificates attesting the property right and the initiation of formalities to the Trade Register Office attached to the Prahova Tribunal in order to appoint an authorized evaluator.

Through the application submitted to O.R.C, the company CONPET S.A. Ploiesti requested the appointment of an expert evaluator, under the conditions of articles 38 and 39 of Law no. 31/1990 on companies, republished, with subsequent amendments and completions, to draw up the evaluation report of the contribution in kind representing land. Based on the new appraisal report has been convened the EGMS, on 10.03.2021 in first call and 11.03.2021 in second call, with the Agenda - Approval of the augmentation of the share capital by maximum value of 108,798,558 RON, representing contribution in kind (lands) in amount of 63,882,386.70 RON and cash amounting to maximum 44,916,171.30 RON, from the current value of 28,569,842.40 RON at the value of maximum 137,368,400.40 RON, by issuing a number of maximum 32,969,260 new shares, nominative, dematerialized, at a price of 3.3 RON/share, equal to the nominal value, without share premium. The augmentation of the share capital by contribution in kind was not approved by the EGMS because during the two meetings the attendance quorum provided by law was not met.

State of the Real Estate Registration of lands and buildings belonging to CONPET

Land Tabulation Situation

By the reporting date there were completed and registered in the integrated cadastre and land register all land owned, namely the total area of 733,648 sqm.

The company has unused land areas, vacant since the abolition of some work sites. These lands have total area of 10,835.5 sq.m. and are associated to the work sites Frasin - Suceava county (1,241 sqm) and Frunzeasca - Galați county (9,594.5 square meters).

Building Tabulation Situation

Out of the total of 190 constructions that are subject to tabulation, 177 were tabulated, the remaining 13 unintabulated constructions are under analysis to solve the problems that led to the impossibility of tabulating them.

4.3 Analysis of the financial activity

The financial information presented in this report are taken from financial statements for the period ended December 31, 2021, prepared in accordance with Order of the Ministry of Public Finances Order no. 2844/2016, audited.

4.3.1 Statement of the Financial Standing

Indicator (thousand RON)	2021	2020	2019	Variation (%)				
				2021/2020	2020/2019			
ASSETS								
Fixed assets								
Tangible assets	512,823	504,534	466,978	▲ 1.6%	▲ 8.0%			
Intangible assets	6,942	4,313	2,998	▲ 61.0%	▲ 43.9%			
Financial Assets	411	1,112	811	▼ 63.0%	▲ 37.1%			
Receivables related to the deferred corporate tax	4,637	4,956	5,422	▼ 6.4%	▼ 8.6%			
Total non-current assets	524,813	514,915	476,209	▲ 1.9%	▲ 8.1%			
Current assets								
Inventories	5,312	5,912	8,170	▼ 10.1%	▼ 27.6%			
Trade liabilities and other liabilities	48,922	40,260	42,249	▲ 21.5%	▼ 4.7%			
Cash and cash equivalents	191,751	198,257	238,577	▼ 3.3%	▼ 16.9%			
Prepaid expenses	624	603	1,862	▲ 3.5%	▼ 67.6%			
Total current assets	246,609	245,032	290,858	▲ 0.6%	▼ 15.8%			
TOTAL ASSETS	771,422	759,947	767,067	▲ 1.5%	▼ 0.9%			
SHAREHOLDER'S EQUITY AND LIABILITIES								
Equities								
Subscribed and paid-up share capital	28,570	28,570	28,570	-	-			
Legal reserves	5,714	5,714	5,714	-	-			
Revaluation reserves	18,360	20,932	21,112	▼ 12.3%	▼ 0.9%			
Other reserves	517,047	500,269	495,540	▲ 3.4%	▲ 1.0%			
Retained Earnings	46,289	40,679	43,997	▲ 13.8%	▼ 7.5%			
Year's Result	51,929	60,847	58,877	▼ 14.7%	▲ 3.3%			
Total Equities	667,909	657,011	653,810	▲ 1.7%	▲ 0.5%			
Long-term trade liabilities	1,288	-	-	-	-			
Long-term liabilities to the employees	16,629	19,864	16,269	▼ 16.3%	▲ 22.1%			
Other long-term liabilities	3,458	3,470	4,545	▼ 0.3%	▼ 23.7%			
Total long-term liabilities	21,375	23,334	20,814	▼ 8.4%	▲ 12.1%			
Current liabilities								
Trade liabilities	32,148	23,584	27,179	▲ 36.3%	▼ 13.2%			
Current income tax	2,049	738	3,077	▲ 177.6%	▼ 76.0%			
Other liabilities	27,106	29,893	33,053	▼ 9.3%	▼ 9.6%			
Short-term liabilities to the employees	12,066	14,128	14,652	▼ 14.6%	▼ 3.6%			
Short-term provisions	8,769	11,259	14,482	▼ 22.1%	▼ 22.3%			
Total current liabilities	82,138	79,602	92,443	▲ 3.2%	▼ 13.9%			
Total liabilities	103,513	102,936	113,257	▲ 0.6%	▼ 9.1%			
TOTAL EQUITIES AND LIABILITIES	771,422	759,947	767,067	▲ 1.5%	▼ 0.9%			

Table 18 - Company's Statement of the financial standing during 2019-2021

The **total assets** of the company record an increase by 1.5% (11,475 thousand Ron) as compared to December 31, 2020, mainly due to the increase in the fixed assets.

The **intangible assets** recorded 1.9% increase as compared to December 31, 2020, mainly generated by input of fixed assets by procurement, in a value higher than the amortization recorded in 2021.

The fixed assets input represents investments executed for the development and modernization of the National Transport System and for the provision of the achievement of the transport operations under safety conditions.

The current assets increased by 0.6% (1,577 thousand RON), from 245,032 thousand RON achieved at 31.12.2020 to 246,609 thousand RON at 31.12.2021.

In structure, as compared to December 31, 2020, the trade receivables and other receivables record an increase by 21.5% (8,662 thousand Ron), and cash availabilities decrease by 3.3% (6,506 thousand RON).

The cash from the modernization quota existing in bank accounts at 31.12.2021 was of 124,110 thousand RON, 7,706 thousand RON higher than 31.12.2020 (116,404 thousand Ron). The cash representing the modernization quota has a special usage regime, provided by GD no. 168/1998, this being destined exclusively to the financing of the modernization works and development works related to the goods belonging to the public domain.

The equities recorded an increase by 1.7% (10,898 thousand RON) as compared to December 31, 2020, reaching 667,909 thousand RON, the decrease being mainly determined by the increase of the modernization quota reserves.

The total liabilities increased by 577 thousand RON to December 31, 2021, as compared to the value on December 31, 2020 due to the increase in **current debts**.

Long-term liabilities record a decrease of 1,959 thousand RON, as compared to December 31, 2020, due to the decrease of the provisions for employees' benefits.

The current liabilities, in amount of 82,138 thousand RON, decreased by 2,536 RON as compared to December, 2020, mainly due to the increase of the trade liabilities.

4.3.2. The global result

The evolution of the main financial indicators of the profit and loss account and other global result elements, during 2019-2021, is presented below:

Indicator (thousand RON)	2021	2020	2019	Variation (%)	
				2021/2020	2020/2019
Revenues from contracts	412,787	406,928	407,822	▲ 1.4%	▼ 0.2%
Other revenues	40,684	40,708	35,181	▼ 0.1%	▲ 15.7%
Earnings from disposal of assets	4,915	0	0	-	-
Total operating revenues	458,386	447,636	443,003	▲ 2.4%	▲ 1.0%
Expenditure on inventories	5,448	6,106	7,605	▼ 10.8%	▼ 19.7%
Expenses with energy and water	16,553	12,465	13,089	▲ 32.8%	▼ 4.8%
Personnel expenses	168,219	162,559	159,901	▲ 3.5%	▲ 1.7%
Value adjustments on fixed assets, less adjustments related to rights of use resulted from lease contracts	51,939	47,385	46,639	▲ 9.6%	▲ 1.6%
Value adjustments for fixed assets, less adjustments related to rights of use resulted from leasing contracts	1,673	1,926	1,622	▼ 13.1%	▲ 18.7%
Value adjustments on current assets	278	(347)	(717)	-	-
Expenses related to external services	109,776	107,482	107,103	▲ 2.1%	▲ 0.4%
Loss from disposal of assets	-	41	213	-	▼ 80.8%

Indicator (thousand RON)	2021	2020	2019	Variation (%)	
				2021/2020	2020/2019
Provision adjustments	(4,144)	(2,802)	10,480	-	-
Other expenses	50,907	47,805	34,920	▲ 6.5%	▲ 36.9%
Total Operating Expenses	400,649	382,620	380,855	▲ 4.7%	▲ 0.5%
Operating Profit	57,737	65,016	62,148	▼ 11.2%	▲ 4.6%
Financial Revenues	3,428	6,123	7,874	▼ 44.0%	▼ 22.2%
Financial Expenses	330	686	318	▼ 51.9%	▲ 115.7%
Financial profit	3,098	5,437	7,556	▼ 43.0%	▼ 28.0%
Profit before corporate tax	60,835	70,453	69,704	▼ 13.7%	▲ 1.1%
Expenses with current corporate tax	9,155	9,177	12,959	▼ 0.2%	▼ 29.2%
Expenses with (revenues coming from) deferred corporate tax	(249)	429	(2,132)	-	-
Profit of the year	51,929	60,847	58,877	▼ 14.7%	▲ 3.3%
Other global result elements which will not be reclassified later in profit or loss	3,383	216	(941)	-	-
Net increase of the modernization quota reserve	9,811	3,193	(1,017)		
Total other global result elements which will be reclassified later in profit or loss	9,811	3,193	(1,017)		
Total other global result elements	13,194	3,409	(1,958)		
Total global result	65,123	64,256	56,919	▲ 1.3%	▲ 12.9%
Earnings per share	6.00	7.03	6.80	▼ 14.7%	▲ 3.4%

Table 19 – Global result statement during 2019-2021

The summary of the results, in evolution 2019-2021, is as follows:

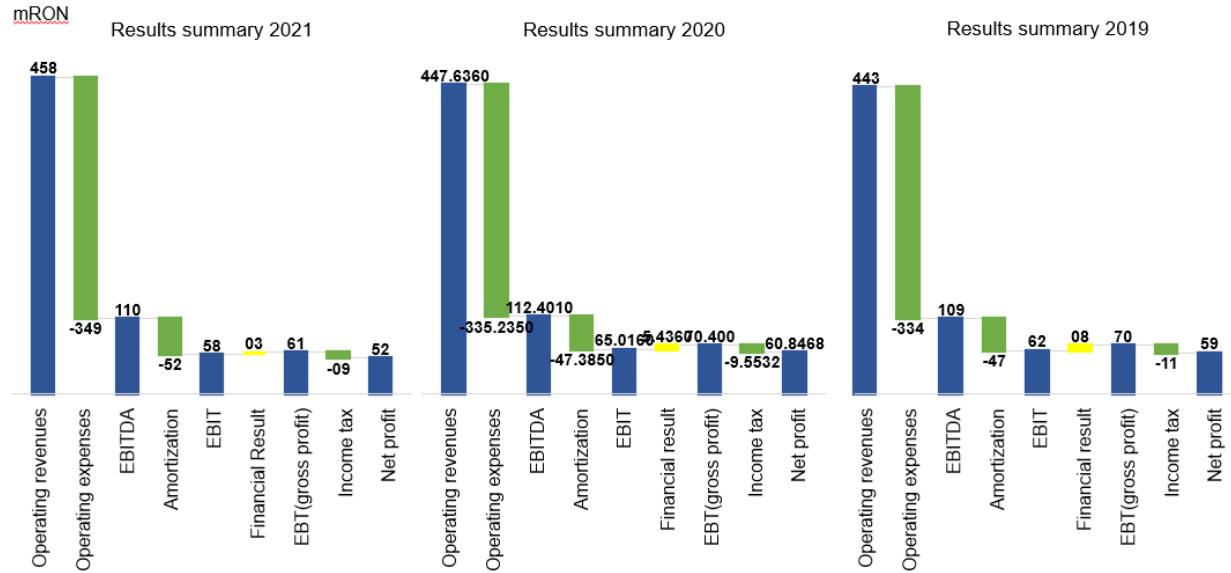


Chart 20 - Summary of the financial results during 2019-2021

The Operating Revenues

As compared to the approved budget and the previous (2020 -2019) period, the total revenues of the operating activity and the transported volume in 2021 is as follows:

2021		Variation (%) 2021/ Budget	Indicators	2021	2020	2019	Variation (%)	
Achieved	Budget						2021/2020	2020/2019
			Revenues from transport services Domestic Subsystem					
3,241	3,276	▼ 1.1%	Thousand tons	3,241	3,401	3,487	▼ 4.7%	▼ 2.5%
296,280	299,328	▼ 1.0%	Thousand RON	296,280	299,928	295,632	▼ 1.2%	▲ 1.5%
			Revenues from transport services Import Subsystem					
3,410	3,244	▲ 5.1%	Thousand tons	3,410	3,284	3,637	▲ 3.8%	▼ 9.7%
114,197	105,909	▲ 7.8%	Thousand RON	114,197	102,857	106,385	▲ 11.0%	▼ 3.3%
			Total revenues from transport services					
6,651	6,520	▲ 2.0%	Thousand tons	6,651	6,685	7,124	▼ 0.5%	▼ 6.2%
410,477	405,237	▲ 1.3%	Thousand RON	410,477	402,785	402,017	▲ 1.9%	▲ 0.2%
1,633	1,625	▲ 0.5%	Revenues from rents	1,633	1,633	1,593	-	▲ 2.5%
677	568	▲ 19.2%	Other revenues	677	2,510	4,212	▼ 73.0%	▼ 40.4%
412,787	407,430	▲ 1.3%	Turnover	412,787	406,928	407,822	▲ 1.4%	▼ 0.2%
37,680	36,810	▲ 2.4%	Write-back to revenues of reserve constituted based on the expenses with the modernization quota	37,680	33,788	32,098	▲ 11.5%	▲ 5.3%
4,915	6,229	▼ 21.1%	Earnings from disposal of assets	4,915	0	0	-	-
3,004	6,855	▼ 56.2%	Other revenues	3,004	6,920	3,083	▼ 56.6%	▲ 124.4%
45,599	49,894	▼ 8.6%	Other operating revenues	45,599	40,708	35,181	▲ 12.0%	▲ 15.7%
458,386	457,324	▲ 0.2%	Total Operating Revenues	458,386	447,636	443,003	▲ 2.4%	▲ 1.0%

Table 20 - Operating income statement year 2021 compared to Budget and the period 2019-2021

The revenues achieved on the transport subsystems in 2021, as compared to the budget and the ones achieved in 2020, are as follows:

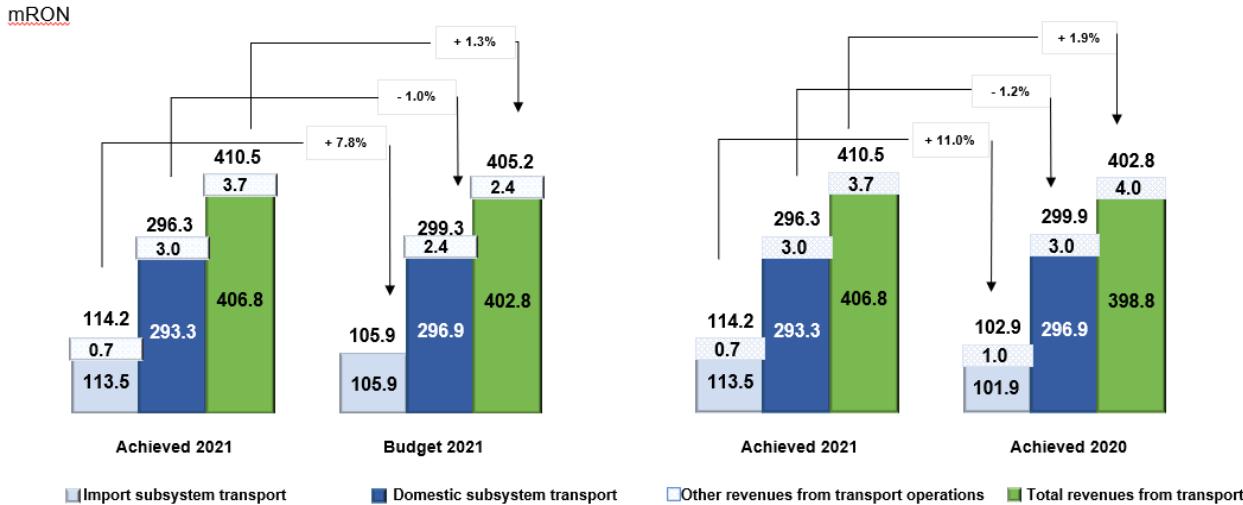


Chart 21 - The evolution of the revenues achieved from transport on the 2021 sub-systems vs 2021 Budget and achieved 2020

The operating revenues recorded an increase by 0.2% as compared to the budget, mainly determined by the increase in transport revenues by 1.3% (5,240 thousand Ron). As compared to 2020, the increase in the operating revenues was of 2.4% (10,750 thousand Ron).

In structure, by transport subsystems, the evolution of the revenues as compared to the Budget provisions is different, as follows:

- revenues decrease by 1.0% from the transport on the Domestic Subsystem;
- revenues increase by 7.8% from the transport on the Import Subsystem.

The transport revenues hold a share of 99.4% in turnover, the difference of 2,310 thousand RON (0.6%) representing revenues from various activities such as: leases of lands and telecommunication equipment, rail shunting.

Other operating expenses have registered an increase by 12.0% YoY, from 40,708 thousand RON to 45,599 thousand RON. As compared to the Budget, it was registered a decrease by 8.6%. Other operating revenues mainly include the revenues from the reserve related to the modernization quota, at the level of depreciation of the tangible assets financed out of this source. The revenues representing modernization quota have registered an increase by 11.5% in 2021, as compared to the same period of 2020.

Operating Expenses

The operating expenses made in 2021, as compared to the last 2 years and the budget provisions, are as follows:

Achieved 2021	Budget 2021	Variation (%) 2021/ Budget	Indicators (thousand RON)	2021	2020	2019	Variation (%)	
							2021/2020	2020/2019
5,448	6,098	▼ 10.7%	Material expenses, out of which:	5,448	6,106	7,605	▼ 10.8%	▼ 19.7%
2,981	3,294	▼ 9.5%	-expenses with consumables	2,981	3,244	4,023	▼ 8.1%	▼ 19.4%
1,569	1,599	▼ 1.9%	- fuel expenses	1,569	1,427	2,038	▲ 10.0%	▼ 30.0%
16,553	12,738	▲ 29.9%	Other outside Expenses (with energy and water)	16,553	12,465	13,089	▲ 32.8%	▼ 4.8%
168,219	168,362	▼ 0.1%	Personnel expenses, out of which:	168,219	162,559	159,901	▲ 3.5%	▲ 1.7%
133,956	134,048	▼ 0.1%	- salaries expenses	133,956	130,062	128,070	▲ 3.0%	▲ 1.6%
3,755	3,800	▼ 1.2%	- expenses related to insurances, social protection, and other legal obligations	3,755	4,323	4,550	▼ 13.1%	▼ 5.0%
30,508	30,514	▼ 0.02%	- other personnel expenses	30,508	28,174	27,281	▲ 8.3%	▲ 3.3%
51,939	50,227	▲ 3.4%	Value adjustments on fixed assets, less adjustments related to rights of use	51,939	47,385	46,639	▲ 9.6%	▲ 1.6%

Achieved 2021	Budget 2021	Variation (%) 2021/ Budget	Indicators (thousand RON)	2021	2020	2019	Variation (%)	
							2021/2020	2020/2019
			resulted from lease contracts					
1,673	2,154	▼22.3%	Value adjustments for fixed assets, less adjustments related to rights of use resulted from leasing contracts	1,673	1,926	1,622	▼ 13.1%	▲ 18.7%
109,776	110,051	▼ 0.2%	Expenses with external services, out of which:	109,776	107,482	107,103	▲ 2.1%	▲ 0.4%
2,317	2,900	▼ 20.1%	-Maintenance (maintenance, current repairs)	2,317	1,985	2,541	▲ 16.7%	▼ 21.9%
63,202	61,886	▲ 2.1%	- expenses with crude oil transport by rail	63,202	63,567	60,907	▼ 0.6%	▲ 4.4%
1,474	1,683	▼ 12.4%	- expenses with decontamination works	1,474	805	659	▲ 83.1%	▲ 22.1%
31,527	31,224	▲ 1.0%	- oil royalty	31,527	30,903	31,308	▲ 2.0%	▼ 1.3%
11,256	12,358	▼ 8.9%	-other services performed by third parties	11,256	10,222	11,688	▲ 10.1%	▼ 12.5%
278	361	▼23.0%	Value adjustments on the current assets	278	(347)	(717)	-	-
(4,144)	952	-	Provision adjustments	(4,144)	(2,802)	10,480	-	-
-	-	-	Loss from disposal of assets	-	41	213	-	▼ 80.8%
50,907	50,582	▲ 0.6%	Other operating expenses, out of which:	50,907	47,805	34,920	▲ 6.5%	▲ 36.9%
47,490	46,940	▲ 1.2%	- modernization quota expenses	47,490	36,981	31,080	▲ 28.4%	▲ 19.0%
400,649	401,525	▼ 0.2%	Total operating expenses	400,649	382,620	380,855	▲ 4.7%	▲ 0.5%

Table 21 - Operating income statement year 2021 compared vs. Budget and vs. 2019-2021 period

The operating expenses achieved in 2021 increased by 4.7% as compared to 2020, from 382,620 thousand RON to 400,649 thousand RON.

The increase in the operating expenses was mainly determined by the increase of the expenses with the modernization quota, of the personnel expenses and of the energy and water expenses.

As compared to the approved budget, in 2021 were registered savings at the following types of expenses: third- party expenses (1,102 thousand RON), material expenses (650 thousand Ron), maintenance expenses (580 thousand RON), decontamination works (209 thousand RON), personnel expenses (143 thousand RON).

Statement of the profitability for 2021 vs 2020 is rendered in the chart below:

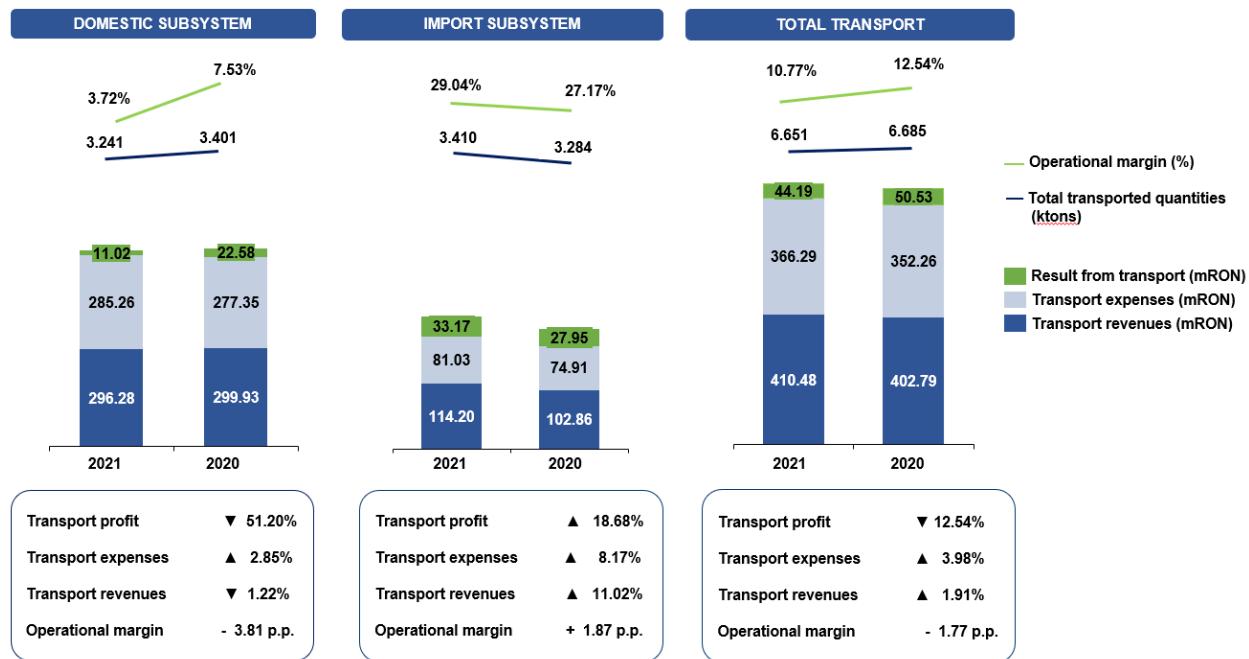


Chart 22 - Profitability of the transport subsystems in 2021 and 2020

The 2021 resulting profit from the transport activity on the two sub-systems (Domestic and Import) lowered by 12.54% from 50.53 million RON in 2020 to 44.19 million RON in 2021. In 2021, on the entire transport network (Domestic and import) was achieved an average profit/ton of 6.65 Ron, as compared to 7.56 RON in 2020.

The operating profit achieved in 2021, of 57,737 thousand RON, increased by 3.5% (1,938 thousand Ron), as compared to the budget provisions. As compared to the previous year, the profit lowered by 11.2%.

Financial Result

Indicator (thousand RON)	2021	2020	2019	Variation (%)	
				2021/2020	2020/2019
Revenues from interests	3,402	6,097	7,854	▼ 44.2%	▼ 22.4%
Revenues from operations with securities and other financial instruments	-	-	-	-	-
Other financial revenues	26	26	20	-	▲ 30.0%
Total financial revenues	3,428	6,123	7,874	▼ 44.0%	▼ 22.2%
Total financial expenses	330	686	318	▼ 51.9%	▲ 115.7%
Financial Result	3,098	5,437	7,556	▼ 43.0%	▼ 28.0%

Chart 22 - Financial results during 2019-2021

The financial revenues are lower by 44% in 2021 YoY, due to the reduced interests at the bank deposits.

The financial expenses lowered by 356 thousand RON in 2021 as compared to 2020, mainly due to the 38% decrease (330 thousand RON) of the expenses regarding the interests related to leasing contracts.

Based on this evolution, **the financial result** lowered by 43.0% in 2021, as compared to 2020 (from 5,437 thousand RON to 3,098 thousand RON).

The company ended 2021 with a net profit amounting to 51,929 thousand RON, 5.3% over the budgeted level, and as compared to 2020 level, records 14.7% decrease.

4.3.3. Economic-financial Indicators

Name of the indicators	Calculation formula	2021	2020	2019	Variation	
					2021/2020	2020/2019
PROFITABILITY INDICATORS						
Gross sales margin	EBIT (operating profit)	14.0%	16.0%	15.2%	▼ 2.0 p.p.	▲ 0.8 p.p.
	Turnover					
operating profit margin	EBIT (operating profit)	12.6%	14.5%	14.0%	▼ 1.9 p.p.	▲ 0.5 p.p.
	The Operating Revenues					
EBITDA in total sales	EBITDA	26.6%	27.6%	26.7%	▼ 1.0 p.p.	▲ 0.9 p.p.
	Turnover					
EBITDA adjusted in total sales	Adjusted EBITDA	28.9%	28.4%	26.4%	▲ 0.5 p.p.	▲ 2.0 p.p.
	Turnover					
EBITDA in equity	EBITDA	16.4%	17.1%	16.6%	▼ 0.7 p.p.	▲ 0.5 p.p.
	Total Equities					
EBITDA adjusted in equity	Adjusted EBITDA	17.9%	17.6%	16.5%	▲ 0.3 p.p.	▲ 1.1 p.p.
	Total Equities					
Gross Profit Rate	Gross result	14.7%	17.3%	17.1%	▼ 2.6 p.p.	▲ 0.2 p.p.
	Turnover					
LIQUIDITY INDICATORS						
Current liquidity indicator (times)	Current assets	3.00	3.08	3.15	▼ 2.6%	▼ 2.2%
	Current liabilities					
The quick ratio indicator (acid test)	Current assets - Inventories	2.94	3.00	3.06	▼ 2.0%	▼ 2.0%
	Current liabilities					
PROFITABILITY INDICATORS						
Return on Assets (ROA)	Net result	6.7%	8.0%	7.7%	▼ 1.3 p.p.	▲ 0.3 p.p.
	TOTAL ASSETS					
Return on Equity (ROE)	Net result	7.8%	9.3%	9.0%	▼ 1.5 p.p.	▲ 0.3 p.p.
	Total Equities					
Return on Sales (ROS)	Net result	12.6%	15.0%	14.4%	▼ 2.4 p.p.	▲ 0.6 p.p.
	Turnover					
Inventories turnover speed (days)	Average stock	370.7	416.6	415.5	▼ 11.0%	▲ 0.3%
	Sales costs					
Duration of stocks rotation (times)	Sales costs	0.97	0.86	0.87	▲ 12.8%	▼ 1.2%
	Average stock					
Rotation speed of the clients' debits (days)	Average stock clients X360	28	28	29	-	▼ 3.4%
	Turnover					
Rotation duration of the clients' debits (times)	Turnover	13.05	12.98	12.37	▲ 0.5%	▲ 4.9%
	Average stock clients					
Rotation speed of supplier credits (days)	Average stock suppliers X360	26	28	28	▼ 7.1%	-
	Procurement from suppliers of goods and services					
Rotation speed of the suppliers' credits (times)	Procurement from suppliers of goods and services	13.67	12.96	12.86	▲ 5.5%	▲ 0.8%

Name of the indicators	Calculation formula	2021	2020	2019	Variation	
					2021/2020	2020/2019
	Average balance suppliers					
RISK INDICATORS						
Leverage degree indicator	Borrowed capital	0.59%	0.53%	0.70%	▼0.06 p.p.	▼0.17 p.p.
	Total Equities					

Table 23 - Economic - financial indicators during 2019-2021

4.3.4 Execution of the revenues and expenditure budget

Execution of 2021 Revenues and Expenditure Budget is presented in the format and structure of the Order of the Ministry of Public Finances no. 3818/2019.

		INDICATORS		BUDGET YEAR 2021	Achieved year 2021	%
I.		TOTAL REVENUES		460,243	461,814	100.3%
1		Total Operating Revenues		457,324	458,386	100.2%
2		Financial Revenues		2,919	3,428	117.4%
II		TOTAL EXPENSES		402,243	400,979	99.7%
1		Operating expenses, out of which:		401,525	400,649	99.8%
	A.	goods and services expenses		98,362	100,923	102.6%
	B.	Taxes, fees, and similar levies related expenses		33,562	33,796	100.7%
	C.	Personnel expenses, out of which:		168,362	168,219	99.9%
	C0	Salary related expenses		154,550	154,451	99.9%
	C1	Salary expenses		134,048	133,956	99.9%
	C2	Bonuses		20,502	20,495	99.9%
	C3	Other personnel expenses, out of which: expenditure on severance payments relating to personnel layoffs		1,798	1,798	100.0%
	C4	Expenses related to the Contract of Mandate and other management and control bodies, committees and commissions		4,894	4,892	100.0%
	C5	Expenses with contributions due by the Employer		7,120	7,078	99.4%
	D.	Other operating expenses		101,239	97,711	96.5%
2		Financial Expenses		718	330	46.0%
III		GROSS RESULT (profit/loss)		58,000	60,835	104.9%
IV		INCOME TAX		8,682	8,906	102.6%
V		ACCOUNTING PROFIT REMAINING AFTER THE DEDUCTION OF THE INCOME TAX		49,318	51,929	105.3%
VI		REVENUES FROM EUROPEAN FUNDS		0	0	-
VII		ELIGIBLE EXPENSES FINANCED OUT OF EUROPEAN FUNDS		0	0	-
VIII		INVESTMENT FINANCING SOURCES		96,000	63,573	66.2%
IX		INVESTMENT RELATED EXPENSES		96,000	63,573	66.2%
X		SUBSTANTIATION DATA				
	1	Number of employees estimated at the end of the year		1,556	1,543	99.2%
	2	Total average number of employees		1,543	1,511	97.9%
	3	Average monthly earnings per employee (RON/employee) determined based on payroll expenses *		7,698	7,856	102.1%
	4	Labor productivity in value units per total average number of employees (kRON/employee)		296	303	102.4%
	5	Total expenses per each 1000 RON of total revenues		874	869	99.4%
	6	Overdue payables		0	0	-
	7	Outstanding receivables		285	97	34.0%

Table 24- Implementation of the Revenues and Expenditure Budget for 2021

4.3.5 Cash-flow

Indicators (thousand RON)	2021	2020	2019	Variation	
				2021/2020	2020/2019
Cash flows from operating activities:					
+ Proceeds from services supply	447,653	451,157	451,818	▼ 0.8%	▼ 0.1%
+ Proceeds from interests related to banking investments	3,320	6,572	7,956	▼ 49.5%	▼ 17.4%
+ Other proceeds	9,830	4,902	6,615	▲ 100.5%	▼ 25.9%
- Payments to the suppliers of goods and services	121,740	117,925	119,161	▲ 3.2%	▼ 1.0%
- Payments to and on behalf of the employees	166,735	160,130	155,944	▲ 4.1%	▲ 2.7%
- VAT Payments	51,158	43,943	46,788	▲ 16.4%	▼ 6.1%
- Payments related to corporate tax and specific tax	7,869	11,515	13,667	▼ 31.7%	▼ 15.7%
- Other payments regarding operating activities	43,856	41,803	36,819	▲ 4.9%	▲ 13.5%
A Net cash from operating activities	69,445	87,315	94,010	▼ 20.5%	▼ 7.1%
Cash flows from investment activities					
+ Proceeds from sale of tangible assets	302	63	38	-	▲ 65.8%
+ Proceeds from modernization quota	47,490	36,981	31,081	▲ 28.4%	▲ 19.0%
- Payments for purchase of tangible assets	63,416	102,602	84,149	▼ 38.2%	▲ 21.9%
B Net cash from investing activity	(15,624)	(65,558)	(53,030)	-	-
Cash flows from financing activities:					
+ Proceeds of dividends transferred to Depozitarul Central	0	0	2,786	-	-
- Paid Dividends	57,690	59,118	62,873	▼ 2.4%	▼ 6.0%
- Payments on the account on the debt related to the leasing	2,430	2,765	1,755	▼ 12.1%	▲ 57.5%
- Interest payments	207	194	243	▲ 6.7%	▼ 20.2%
C Net cash from financing activities	(60,327)	(62,077)	(62,085)	-	-
Net increase of the cash and cash equivalents					
=A+B+C=D2-D1	(6,506)	(40,320)	(21,105)	-	-
D1 Cash and cash equivalents at the beginning of the period	198,257	238,577	259,682	▼ 16.9%	▼ 8.1%
D2 Cash and cash equivalents at the end of the period	191,751	198,257	238,577	▼ 3.3%	▼ 16.9%

Table 25 - Statement of cash flows in period 2019 - 2021

The cash and cash equivalences in balance at 31.12.2021 decreased by 3.3% as compared to December 31, 2020 (191.8 million RON as compared to 198.3 million RON), due to the decrease in cash from operating activity.

Out of the total of 191.8 million RON cash accounted in balance at 31.12.2021, the share related to the modernization quota is in amount of 124.1 million RON.

The effects of the three activity areas (operation, investment and financing) over the cash in the 12 months period of 2021 reveal the followings:

- the operating activity triggered a cash-flow in amount of 69 million RON;
- the investment activity ended with a negative cash flow in amount of 16 mRON;
- The financing activity lowered the total cash flow by 60 million RON, mainly due to the cash outputs for the payment of dividends (58 million RON);

The value of the net cash flows from the operating activity records a diminution by approximately 17.8 million RON generated by the increase in payments to the utility suppliers due to the augmentation of the electricity and natural gas prices and of the payments to the employees and the State budget.

The net cash from investment activities registers a negative value, lower by approximately 22mRON compared to the level registered in 2020, due to the decrease of the investment volume, on the one hand, and also to the cash related to the modernization quota, on the other hand.

The net cash from the financing activity registers in both compared periods negative amounts determined by the payment of dividends to the shareholders and the amounts related to leasing.

4.3.6. The internal audit and the risks management systems in the financial reporting process

The internal audit and the risks management systems in the financial reporting process have the following main objectives:

- ✓ Compliance with the financial-accounting legislation in force and the reporting standards;
- ✓ The application of the accounting standards approved and of the instructions drafted by the management with regards to the financial information;
- ✓ Ensuring the reliability of the financial information. The objective aims to ensure that accounting, financial and management information communicated or published are complete and accurately reflect the activity and situation of the entity;
- ✓ Prevention and detection of frauds and accounting and financial irregularities.

The fulfillment of these objectives is being supported by:

- ✓ Personnel recruitment with an adequate level of competence, in compliance with the company's needs and the existence of a continuous professional development plan to enable the upgrade of knowledge related to the accounting and fiscal legislation;
- ✓ Clear definition of the responsibilities related to each person involved in the financial reporting process, respectively the separation of attributes related to the performance of operations among persons, so that the approval, audit and registration attributions be, in a fair measure, awarded to different persons, as per the company's organization chart;
- ✓ Design and implementation of several internal procedures regarding the counting and control of the accounting-financial operations, settlement of the information circuits and the related audits thereof, to ensure the quick, fair and complete centralization of the financial information, as per the internal procedures manual;
- ✓ The financial preventive audit system;
- ✓ Identification of risks in relation to the financial reporting process, the assessment of the effectiveness and efficiency of the application of the internal procedures regarding the processes relevant to the financial reporting by the internal audit department and communication of the identified shortcomings to the Board of Directors;
- ✓ The accounting policies manual drafted as per the legislation in force, approved by the Board of Directors;
- ✓ The existence of a calendar and a well-defined process with regards to the elaboration of accounting and financial information compliant with the financial-accounting and capital market reporting requirements, as well as the checking and appropriate approval thereof by the Board of Directors, in view of publication thereof.

4.3.7 Related Parties

In 2021, the Company performed related party transactions, out of which, significant are the procurements from SNTFM CFR Marfa (over 95%).

Partner	Unsettled amounts at December 31, 2020	Procurements during 01.01.2021-31.12.2021	Settlements during 01.01.2021-31.12.2021	Unsettled amounts at December 31, 2021
SNTFM CFR Marfa S.A.	6,709,061	75,544,240	76,460,702	5,792,599

*The amounts are in RON and VAT inclusive.

4.4 Analysis of the corporate activity

4.4.1 Activity on the capital market

Evolution of “COTE share”

The shares issued by CONPET S.A. are traded on the regulated market administered by Bucharest Stock Exchange, on Main segment, at Equity sector - category Premium, under “COTE” symbol.

At the end of 2021, the trading price of CONPET shares recorded an increase by 3.67% compared to the closing price of the last day of the previous year.

In summary, the transactions recorded with CONPET shares on Bucharest Stock Exchange in 2021 are as follows:

- 15,019 transaction have been performed, 31% more YoY (11,498 transactions);
- The total volume of traded shares amounted to 965,333 shares, 21.83% lower than the volume recorded in 2020 (1,234,934 shares);
- The total value of trades amounted to 84,336,132 RON, 9.75% lower than the value recorded in the same period of 2020 (93,442,522 RON);
- the average trading price was of 87.36 RON/share, higher by 10.92 RON/share versus the average price of the shares registered during 2020 (76.44 RON/share);
- the trading price registered maximum value, respectively 99.60 Ron/share at the beginning of February;
- A peak of the transactions was recorded on 29.04.2021, when a total volume of 77,353 shares was traded, in amount of 7,194,371 RON, representing 8.01% of the total volume of COTE shares traded during 2021;
- the market capitalization at the end of December 2021 was of 683,944,712 RON, increasing by 3.67% as compared to the value recorded at the end of 2020 (659,703,634 RON).

The main trading indices of 2021 for the shares issued by CONPET are presented in the following table:

Month	Indices	Average price (Ron/share)	No. shares	No. of traded shares	Value of trades (RON)
January		83.56	1,722	103,050	8,610,351
February		94.12	2,739	173,161	16,298,442
March		90.06	1,596	88,151	7,939,145
April		92.77	861	133,527	12,387,218
May		93.17	1,378	74,337	6,925,972
June		87.88	1,178	51,907	4,561,496
July		83.97	736	30,372	2,550,412
August		81.83	936	27,099	2,217,635
September		82.15	769	88,037	7,232,002
October		82.72	660	47,161	3,901,250
November		80.02	1,203	72,975	5,839,181
December		77.73	1,241	75,556	5,873,029
Cumulated		87.36	15,019	965,333	84,336,132

Table 26 - Main trading indices

Currently, the company CONPET S.A. is included in 7 out of the total of 9 indices of the Bucharest Stock Exchange, respectively **BET**, **BET-TR**, **BET-XT**, **BET-XT-TR**, **BET-BK**, **BET-NG** and **BET Plus indices**.

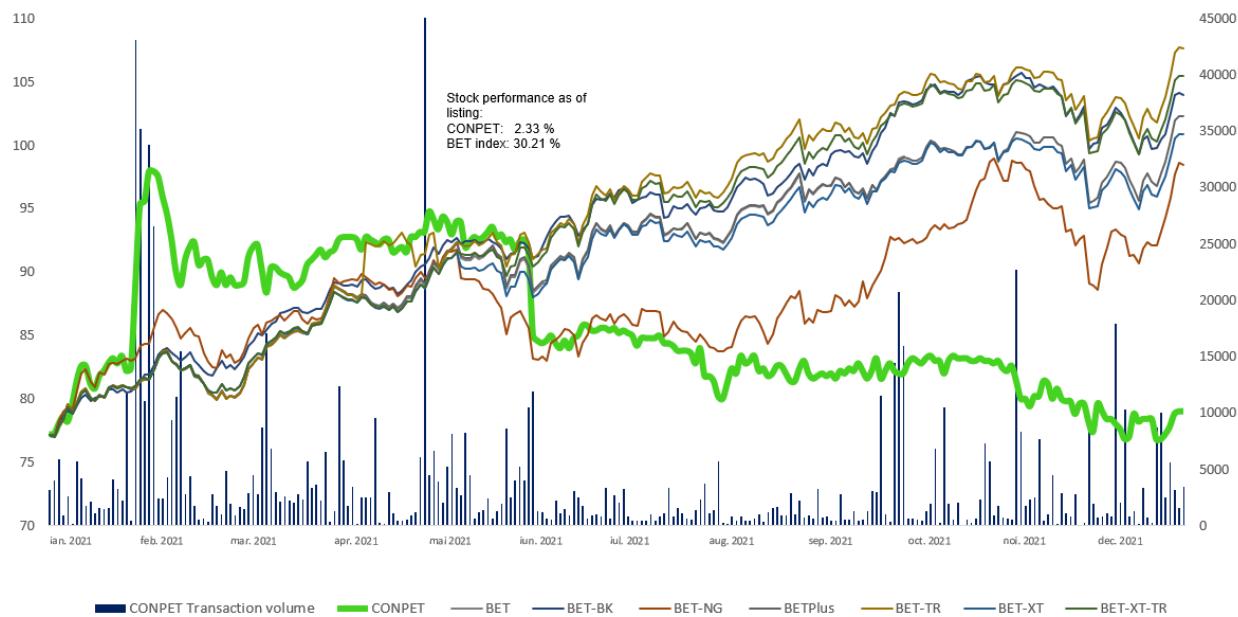


Chart 23 - Evolution of COTE share vs. stock indices (rebased) where it is included in 2021 (RON)

Graphically, the evolution of the trading price of CONPET S.A. shares, along 2021 is the following:

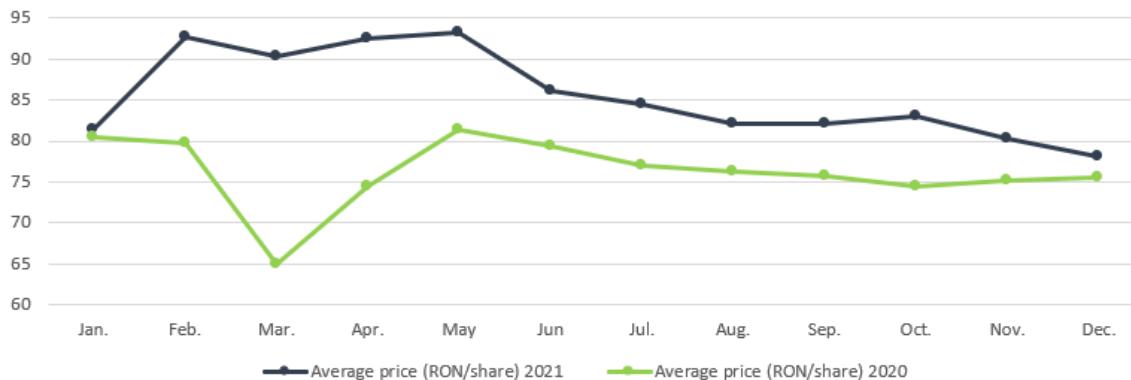


Chart 24 - Evolution of the trading price of the shares

Stock Market indicators	Period					
	2016	2017	2018	2019	2020	2021
PER	10.79	12.03	9.04	11.36	11.20	12.13
P/BV	0.89	1.08	1.02	1.04	1.01	1.09
EPS	7.30	8.26	8.59	7.01	6.80	6.51
DIVY (dividend yield)	9.26	26.56	10.35	9.38	9.26	8.73

Table 27 - Main stock performance indices

On 31.12.2021, according to the TOP 30 Issuers according to capitalization, CONPET ranked the 26th, with a market capitalization of RON 683,944,712 (EUR 138.21 mEUR), which accounts for 0.30% share in the total market capitalization.

The Dividend Policy

Within the last 5 years, CONPET fulfilled its commitment to award a yield to its shareholders by means of a sustainable policy and distributed dividends in a quota comprised between 88% and 93% of the net accounting profit.

The dividend policy of the Company CONPET S.A. was approved by the Board of Directors on 28.01.2021.

The net profit distribution decisions concern the company's options between partial or full reinvestment of the net profit and/or distribution in the form of dividends.

Depending on the situation prevailing at the time of the proposed profit allocation, deviations from the Policy may occur because of specific legal requirements applicable at that date, changes in the tax framework, depending on capital requirements for investments, etc.

The dividend profit distribution rate, set out in the dividend policy, which the Board of Directors will consider in the formulation of the proposal to the General Meeting of Shareholders of CONPET S.A. will range between **85 % and 100 % of the net accounting profit**.

The gross dividend per share is the share of the company's net profit that is calculated and paid to shareholders for each share held.

The evolution of the dividends distributed from the net profit for the period 2018- 2020 is as follows:

Share of profit	GMS date	Registration date	Total gross dividends due - RON-	% of net profit	Gross dividend/share - RON-	Paid gross dividends - RON-	Net dividends accumulated at 31.12.2021
2018-Dividend Profit of the period, from reserves and retained earnings	23.04.2019	11.06.2019	64,652,923	90.1%	7.47	62,359,443.70	2,293,479.30
2019-Dividend out of the Profit of the year, from reserves and retained earnings	29.04.2020	11.06.2020	61,055,584	87.6 %	7.05	58,831,750.46	2,223,833.54
2020-Dividend out of the Profit of the year, from reserves and retained earnings	28.04.2021	08.06.2021	59,707,439	84.5%	6.89	57,412,401.50	2,295,037.50

Table 28 - Evolution of dividends distributed in the period 2019-2021

The return on investment and dividend yield in the period 2014-2021 are shown in the chart below:



Chart 25 – Evolution of return on investment and dividend yield

Total dividend per share was 6.89 RON, thus offering its shareholders a dividend yield of 8.73%, thereby positioning itself on the second place in the top of the dividends granted by a company listed on the Bucharest Stock Exchange.

Own shares, issuance of bonds or other debt instruments

CONPET did not perform transactions having as scope purchase of own shares and does not hold own shares at the end of 2021.

CONPET has no subsidiaries and there are no shares issued by the parent company and owned by the subsidiaries.

CONPET has not issued bonds or other debt instruments.

4.4.2. Corporate Governance

Corporate governance continues to be in a process of adapting to the demands of a modern economy, to the obvious globalization of social life as well as to the information needs of investors and third parties interested in the activity of the companies.

The corporate governance at the level of CONPET is organized and conducted in accordance with the Romanian legislative framework, namely the Companies Law no. 31/1990 and the Government Emergency Ordinance no. 109/2011 on corporate governance of the public enterprises.

CONPET shares are traded, starting with September 5th, 2013, on the regulated market managed by the Bucharest Stock Exchange (BSE), at category I, under the COTE symbol.

Starting January 5th, 2015, CONPET SA is included in PREMIUM category of the regulated market managed by Bucharest Stock Exchange.

The Corporate governance system is constantly improved, as to be compliant with the rules and recommendations applicable to a company listed at the BSE.

Among the measures already implemented, please note:

- ✓ the inclusion in the administrators' annual report of a chapter devoted to corporate governance with reference, *inter alia*, to the information related to the Board of Directors and the established consultative committees, namely: the Audit Committee, the Nomination and Remuneration Committee, the Development and Investors Relationship Committee and Authorities Relationship Committee;
- ✓ diversification of communication with shareholders and investors through the inclusion on the web page of the releases addressed to market participants, half-yearly financial statements, annual reports, procedures to be followed in order to access and participate to the GMS;
- ✓ the establishment of a specialized entity dedicated to the relationship with investors and shareholders.

The Corporate Governance Rules

As an issuer listed on Bucharest Stock Exchange, CONPET has promoted and approved, by the Decision of the Board of Administration in March 2014, the CONPET Corporate Governance Rules. This document accounts for the voluntary assumption by the Company of the corporate governance principles, given the characteristics and its specific activity in accordance with the principles set out in the Corporate Governance Code of Bucharest Stock Exchange. The regulation is a public document and can be read on the company's website by accessing the following link:<https://www.conpet.ro/guvernanta-corporativa/regulament-de-guvernanta-corporativa/>.

Other applicable documentation

For the application of the general regulatory framework, CONPET has adopted documents by which corporate governance is transposed into practice:

- ✓ The Articles of Incorporation of CONPET, comprising provisions relating to the management bodies (General Meeting, Board of Directors, Executive Management) as well as their powers and operating procedures;
- ✓ The Rules for the organization and functioning of the Board of Directors, detailing and operationalizing how this body meets, how it analyzes, discusses and makes decisions, how it interacts with the executive management and with other parts.

- ✓ The Regulation for the organization and functioning of CONPET, the Code of Ethics, the Internal Regulations, which incorporate, detail and operationalize certain aspects incident to the governance framework of the company.

Statement on the Conformity with the Provisions of the Corporate Governance Code issued by Bucharest Stock Exchange

Provisions of the Corporate Governance Code	Complies	Fails to comply or partially complies	Reason for Non-Compliance
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES		Delimitation of BoD responsibilities of the ones of the Director General is provided in the Corporate Governance Regulation.
A.2. Provisions for the management of conflict of interests should be included in the Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		Both the Rules of Organization and Operation of the Board of Administration of the company CONPET S.A and the Corporate Governance Rules approved by the Board of Administration contain provisions concerning the management of the conflict of interests. In practice, the members of the Board inform the Board, whenever needed, on any conflict of interests having arisen or that may arise and refrain from taking part to discussions and from the voting for the adoption of a Resolution regarding the issue giving rise to such conflict of interests.
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES		
A.4. Most of the members of the Board of Directors should be non-executive. In case of the Premium Tier companies, at least two non-executive members of the Board of Directors should be independent. Each independent member of the Board of Directors should submit a declaration at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, on the grounds on which he/she is considered independent in character and judgment in practice and according to the following criteria: A.4.1. Not to be the CEO/executive officer of the company or of a company under	YES		

Provisions of the Corporate Governance Code	Complies	Fails to comply or partially complies	Reason for Non-Compliance
<p>his/her control and not have been in such position for the previous five years;</p> <p>A.4.2. Not to be the CEO/executive officer of the company or of a company under his/her control and not have been in such position for the previous five years;</p> <p>A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company under his/her control, apart from those corresponding to the capacity of non-executive administrator;</p> <p>A.4.4. Not to be or not have been an employee of, or not have or have had any contractual relationship, during the previous year, with a significant shareholder of the company, controlling over 10% of the voting rights, or with a company under his control;</p> <p>A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company under his/her control, either directly or as a customer, partner, shareholder, member of the Board/Administrator, Director General/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;</p> <p>A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or associate employee of the current external financial auditor or internal auditor of the company or of a company under his/her control;</p> <p>A.4.7. Not to be a Director General/executive officer in another company where another Director General/executive officer of the company is a non-executive administrator;</p> <p>A.4.8. Not to have been a non-executive administrator of the company for more than twelve years;</p> <p>A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.</p>			
<p>A.5. Any relatively permanent professional commitments and engagements of a member of the Board, here included the executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to</p>	YES		<p>Part of the professional commitments and obligations are communicated in the Statements of Assets and Liabilities of the Board members (in compliance with provisions of</p>

Provisions of the Corporate Governance Code	Complies	Fails to comply or partially complies	Reason for Non-Compliance
shareholders and to potential investors before appointment and during his/her mandate.			Law 176/2010 regarding integrity in the exercise of the positions and public dignities, for the amendment and complementation of Law no.144/2007 regarding the incorporation, organization and operation of ANI, as well as for the amendment of other normative acts).
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES		The existing provisions included in the independence statements, respectively in the Corporate Governance Rules regarding the conflict of interest provide compliance with the requirement.
A.7. The company should appoint a secretary of the Board responsible for supporting the work of the Board.	YES		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the president or the nomination committee and, if so, summarize the key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		Partially compliant	In compliance with the provisions of the EGO 109/2011, the assessment of the administrators' activity is being performed annually by the general meeting of shareholders and is aiming at both the contract execution and the administration plan. The Nomination and Remuneration Committee drafts a report regarding the administrators' evaluation, also considering the assessment surveys filled in for every BoD member.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by the administrators (in person and in absentia) and a report of the Board and committees on their activities.	YES		
A.10 The corporate governance statement should contain information on the precise number of the independent members of the Board of Administration or of the Supervisory Board.	YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for new Board	YES		The procedure for the appointment/nomination of the Board members is performed in compliance with the provisions

Provisions of the Corporate Governance Code	Complies	Fails to comply or partially complies	Reason for Non-Compliance
appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.			of the EGO no.109/2011 on the corporate governance of the public enterprises.
B.1 The Board should set up an audit committee where at least one member should be an independent non-executive. The majority of members, including the President, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven an adequate auditing or accounting practice. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
B.2. The President of the audit committee should be an independent non-executive member.	YES		
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal audit.	YES		
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal audit reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal audit failings or weaknesses and their submission of relevant reports to the Board.	YES		
B.5. The audit committee should review conflicts of interests in relation to the transactions of the company and its subsidiaries with related parties	YES		
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	YES		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by recurrent (at least annual), or	YES		

Provisions of the Corporate Governance Code	Complies	Fails to comply or partially complies	Reason for Non-Compliance
ad-hoc reports to be submitted to the Board afterwards.			
B.9. No shareholder may be given undue preference over other shareholders regarding transactions and agreements made by the company with shareholders and their related parties.	YES		The company CONPET S.A. observes the recommendations of the Corporate Governance Code of the BSE.
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies it has close relations with, that is equal to or bigger than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		Partially compliant	We have no policy in this respect.
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by hiring an independent third-party entity.	YES		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the Audit Committee. For administrative purposes and in the scope related to the liabilities of the management to monitor and mitigate risks, it should report directly to the Director General.	YES		
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period subject to review.	YES		
D.1. The company should have an Investor Relations function - indicating, to the general public, the person (s) responsible or the organizational unit. In addition to the information required by legal provisions, the company should include on its website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES		

Provisions of the Corporate Governance Code	Complies	Fails to comply or partially complies	Reason for Non-Compliance
D.1.1 The main corporate regulations: the articles of incorporation, the procedures on general shareholders' meetings;	YES		On the company website are published information relevant for the investors (Articles of Incorporation, shareholders' rights etc.). The General Meetings of Shareholders are held by the observance of the legislation in force regarding the companies and the capital market, in compliance with the legal provisions regarding the call and performance of the general meetings.
D.1.2. Professional CVs of the members of the governing bodies of the company, other professional commitments of the Board members, including the executive and non-executive Board positions in companies or non-profit institutions;	YES		
D.1.3. Current and periodic reports (quarterly, semi-annual and annual reports) – at least the ones provided at item D.8 – including current reports with detailed information related to non-compliance with this Code;	YES		
D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions made;	YES		
D.1.5. Information on corporate events, such as payment of dividends and other distributions to the shareholders or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES		
D.1.6. The name and contact data of a person who should be able to provide, upon request, relevant information;	YES		
D.1.7. Corporate presentations (e.g. investors presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES		

Provisions of the Corporate Governance Code	Complies	Fails to comply or partially complies	Reason for Non-Compliance
D.2. The company should provide a policy related to the annual distribution of dividends or other benefits to the shareholders, proposed by the Director General or the Management Board and adopted by the Board of Administration, as a set of directions the company intends to follow regarding the distribution of net profit. The principles of the annual dividend distribution policy should be published on the corporate website.	YES		
D.3. The company should adopt a policy with respect to forecasts, whether they are disclosed or not. Forecasts refer to the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. Policy rate forecast will establish the period considered and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual, or quarterly reports. The forecast policy should be published on the corporate website.	YES		The forecasts have been presented in the summary of the Administration Plan approved in the GMS dated 18.12.2018, published on the company website.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal audit and significant risk management systems, as well as opinions on issues subject to resolution at the general meeting.	YES		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders unless the President of the Board decides otherwise.	YES		
D.8. The quarterly and semi-annual financial reports should include	YES		

Provisions of the Corporate Governance Code	Complies	Fails to comply or partially complies	Reason for Non-Compliance
information, in both Romanian and English, regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.			
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the "Investors Relation" section of the company website at the time of the meetings/conference calls.	YES		
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company is part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	YES		

Table 29– Statement on the Conformity with the Provisions of the Corporate Governance Code issued by Bucharest Stock Exchange

Actions for further improvement of CONPET corporate governance

With its listing at the BSE, CONPET has undertaken the application of the Corporate Governance Code of Bucharest Stock Exchange and, therefore, of the highest corporate governance standards currently existing in Romania.

One of the goals of the company CONPET S.A. is to increase the transparency and visibility of the company on the stock market and to ensure greater openness to shareholders and investors to increase the credibility of the company.

Transparency, information and communication

As a company listed at the Bucharest Stock Bucharest, CONPET fully complies with the obligations of reporting to the investors and the market in general, drafting and submitting the periodic and current reports required by the regulations of the Stock Exchange.

As a company that operates in a competitive environment of great significance for the economy in general, CONPET seeks to achieve the right balance between information of a confidential nature and of public interest. Internal regulations have been adopted for the dissemination of information and compliance with confidentiality.

In accordance with the principles of corporate governance, CONPET has announced the timetable for meetings with analysts and investors. In 2021, conference calls with financial analysts from the capital market have been organized, for the analysis of the periodic reports of

the company. The presentation materials prepared on the occasion of the events mentioned above have been published on the company's website.

Furthermore, particular importance has been given to the relationship with shareholders and investors, by showing increased transparency. The company's representative answered positive to all the participants to the capital market. In 2021, the company CONPET took part in numerous events organized within the capital market, showing openness towards both institutional and individual investors.

The company has also provided a contact number and an email address (infoinvestitor@conpet.ro), through which investors can clarify certain aspects or ask various questions, thus getting in direct contact with the company's investors' relation team.

The evolution of CONPET S.A. share is monitored by the research departments of the major financial investment services companies from the Romanian capital market. Furthermore, the entity that manages the investor relation maintains a permanent connection with all financial analysts in the capital market.

At CONPET level, the corporate governance structures are:

- The General Meeting of Shareholders;
- the Board of Directors and the Consultative Committees;
- The Director General.

The General Meeting of Shareholders

At the reference date 31.12.2021, the total number of shares was 8,657,528, owned by 13.774 shareholders. The shareholding structure, corresponding to the consolidated synthetic structure of the shareholders at the same date, was the following:

✓ **The Romanian State by the Ministry of Energy (1 Shareholder)**

Number of shares:	5,083,372
- Value of contribution to the share capital (RON):	16,775,127.6
- Share on profit and loss (%):	58.7162

✓ **Legal persons (93 shareholders)**

Number of shares:	2,292,221
- Value of the contribution to the share capital (RON):	7,564,329.3
- Share on profit and loss (%):	26.4766

✓ **Natural persons (13,680 shareholders)**

Number of shares:	1,281,935
- Value of the contribution to the share capital (RON):	4,230,385.5
- Share on profit and loss (%):	14.8072

The shareholders exercise their rights at the General Meeting of Shareholders ("GMS"), which is the highest decision-making body of the company. The powers of approval of the General Meeting of Shareholders, the organization and validity conditions of these meetings are set out in the Articles of Incorporation of the company, in accordance with the applicable regulations, and are

supplemented with the incident legal provisions. Both the Articles of Incorporation of the company and shareholders' rights are posted on the company's website at the following addresses:
<https://www.conpet.ro/wp-content/uploads/2015/11/Articles-of-Incorporation-18.12.2018.pdf>
<https://www.conpet.ro/relatia-cu-investitorii/info-actionari/>

According to the law, each subscribed and paid share gives the holder the right to one vote in the General Meeting of Shareholders, the right to elect and to be elected to the governing bodies, the right to participate in the distribution of dividends according to the provisions of the Articles of Incorporation and of the legal dispositions, as well as other rights provided for herein.

The shareholders are entitled to a fair and complete information in the General Meeting of Shareholders on the company's situation. In the case of issuance of new shares, the existing shareholders have preference right to subscription, under the law.

General Meetings are ordinary and extraordinary.

The General Meeting of Shareholders is convened by the Board of Directors, whenever necessary. The convening of the General Meeting of Shareholders shall comply with the legal provisions regarding the companies, as well as the capital market regulations and the provisions of the Articles of Incorporation. The meeting deadline cannot be less than 30 days as of the publishing of the Convening Notice in the Official Gazette of Romania, part IV.

To provide equal treatment and full and fair exercise of all shareholders' rights, CONPET makes available to them all relevant information regarding the GMS and adopted resolutions, according to the law, both by mass-communication means and in the special section opened on the company's website.

CONPET pays all diligence, in compliance with the requirements of the relevant legislation, to ease the participation of the shareholders in the sessions of the General Meetings, as well as for the full exercise of the rights thereof. The shareholders may take part and vote, in person, in the General Meeting of Shareholders, but also have the possibility to exercise the vote by representation or by correspondence.

The General Meeting of Shareholders is opened and presided by the President of the Board of Administration or, in his absence, by another administrator appointed by the President of the Board of Directors.

During the General Meetings of Shareholders, the dialog between the shareholders and the members of the Board of Directors and/or the Director General is allowed and encouraged. Each shareholder may address questions to the administrators regarding the company activity, according to the legal provisions.

The decisions made by the General Meetings of Shareholders within the limits of the law and of the Articles of Incorporation are mandatory even for the shareholders who did not take part in the meeting or voted against.

The decisions of the General Meeting of Shareholders which are contrary to the law or the Articles of Incorporation can be challenged in court, according to the law.

The Ordinary General Meeting of Shareholders has the following main responsibilities:

- ✓ discusses, approves or modifies the annual financial statements, based on the administrators' report and the financial auditor's report;
- ✓ elects and revokes the administrators according to the law;
- ✓ approves the financial and non-financial performance indicators of administrators, belonging to the component management proposal of the management plan drafted under art. 30 of EGO no. 109/2011 on corporate governance of public enterprises;

- ✓ appoints or revokes the financial auditor and sets forth the minimum duration of the financial audit contract;
- ✓ sets the remuneration level and any other amounts and advantages due to the administrators, as well as the general limits of the remuneration of the Director General with mandate;
- ✓ approves the Organization and Functioning Regulation of the Board of Administration and sets out the competencies thereof;
- ✓ approves the revenues and expenditure budget and the investment program for the next financial year, as well as the Budget rectification;
- ✓ approves the profit distribution according to the provisions of the normative acts in force and determination of dividend per share profit;
- ✓ passes judgments over the administrators' management and the means to recover the losses they have caused to the company;
- ✓ decides upon the pledging, leasing or dissolution of one or several units of the company.

The Extraordinary General Meeting of Shareholders has the following main responsibilities:

- ✓ changing the legal form of the company;
- ✓ changing the location of the company's headquarters;
- ✓ changing the company's line of business;
- ✓ establishment or disestablishment of subsidiaries;
- ✓ prolongation of the company's life;
- ✓ share capital increase;
- ✓ reduction of the share capital or replenishment thereof by issuing new shares;
- ✓ merger with other companies or division of the company;
- ✓ anticipated dissolution of the company;
- ✓ conversion of the shares from one category into another;
- ✓ conversion of a category of bonds into another category or into shares;
- ✓ bond issuance;
- ✓ change of nominal value and number of shares;
- ✓ decides upon the contracting of medium- and long-term bank loans, including external ones; establishes the competencies and level for contracting the current bank loans, trade loans, as well as the level of the guarantees;
- ✓ decides upon the participation, according to the law, in the establishment of new legal persons or in the association with other legal or natural persons in the country or abroad;
- ✓ may delegate to the BOA the execution of responsibilities specified in Art. 15 para. (4) letters b), c) and f). The delegation of the duty in Art. 15 para. (4) letter c) cannot concern the main business area and the core business of the company.
- ✓ decides on what market the securities issued by the company are to be traded and chooses the authorized independent registrar that manages the registers of the shares issued by the company.
- ✓ any other amendment of the Articles of Incorporation or any other decision for which the approval of the Extraordinary General Meeting of Shareholders is asked.

The Board of Directors

The Company is administered by a Board of Directors, composed of 7 administrators. The administrators can act as shareholders. For the appointment of an administrator to be legally valid, the person appointed must expressly accept.

The Board of Directors is ruled by a President. The President is elected by the Board of Directors, among its members. The revocation from the position of chairman of the Board of Directors is still the attribute of the Board of Directors. The decision regarding the appointment or revocation thereof is being made with the majority vote of the members of the Board of Directors.

The President of the BOD of the company cannot be the Director General.

The Board of Directors usually meets at the company's headquarters or any place of business of the company or in any place communicated by the convening notice. Operational meetings of the Board of Directors may be organized by means of remote communication meeting the technical conditions necessary for the identification of the participants, their effective participation in the meetings of the Board of Directors and the retransmission of deliberations on a continuous basis (via e-mail, telephone, video conference or other communication equipment), whenever necessary, but at least every 3 months, at the convocation of the President or at the reasoned request of 2 of its members or of the Director General. The Board is being presided by the chairman. If the president is temporarily unable to exercise his powers, during the respective state the Board may assign another administrator serving as president. If his case, the Board shall be convened at the reasoned request of at least two of the administrators or the Director General. The Agenda is set by the authors of the request. The Chairman must act on such a request.

The Board of Directors may decide on matters not included on the Agenda, except for emergencies that were accepted by all administrators. The President shall decide on the urgency of the problems. To decide on the emergencies, the absent members will also be consulted, by various remote communication devices.

The Board operates under its own rules and regulations in force.

For the validity of resolutions, the presence (directly or by proxy) of at least five council members is required and decisions are taken by majority vote of the members present. The president of the Board will have a casting vote in case of equal votes.

Board members can be represented at meetings of the respective body only by other members of it. A present member may represent one absent member.

In case of decisions made during the meetings where a member of the Board failed to participate, the latter remains liable in connection therewith if, within 30 days of acknowledgment thereof, did not challenge it in the forms provided by the law.

The Agenda is set by the President. The call, agenda and meeting materials are sent to administrators in sufficient time before the meeting date, the time-limit being established in the regulation of the Board. The protocols of the meeting are contained in a register of meetings and deliberations of the Board, by the care of the president of the Board. The protocol contains the names of participants, policy deliberations, decisions, number of votes and dissenting opinions. This is signed by the Chairman of the Board of Directors and the other administrators and by the BoD Secretariat, being included in the registry of the meetings and deliberations of the Board of Directors. The BOA Secretariate is from outside the Board of Administration, being provided by staff from the BOA and GMS Secretariat.

The structure of the Board of Directors is diverse, the administrators having different professions (engineers, lawyers and economists), with professional experience in oil&gas, energy, investment, capital market analysis, legal etc.

After completing the selection procedure provided by EGO no. 109/2011 *on corporate governance of public enterprises*, approved with amendments and completions by Law no. 111/2016, the Ordinary General Meeting of Shareholders, in the meeting dated 22.08.2018, following the application of cumulative voting method, appointed the following administrators of the company: Gheorghe Cristian – Florin, Iacob Constantin – Ciprian, Popa Claudiu – Aurelian, Gavrilă Florin – Daniel, Albulescu Mihai – Adrian, Meșca Darius – Dumitru, Pavăl Karina, with a period of 4 years mandate, respectively starting from 22.08.2018 up to 21.08.2022 (inclusive of).

By the BoD Decision no. 16/07.06.2019 the Board of Directors took note of the address received from Mrs. Pavăl Karina registered at CONPET SA with no. 21798/04.2019 regarding the waiver

of mandate and the capacity of administrator due to reasons non attributable to the parties, as per Art. 37.7 from the Contract of mandate concluded at 22.08.2018 , the notification coming into force from the date of registration of the address within the company.

Pursuant to the BoD decision no. 17/04.07.2019, the BoD appointed as Mr. Nicușor– Marian Buică, in the capacity of provisional administrator on the vacancy, starting with 05.07.2019 until the date of the OGMS meeting. The appointment of the provisional administrator is carried out in accordance with Art. 137² Para 1 of Law no. 31/1990 on companies, republished, with subsequent amendments and completions, of the Art. 19 Para. (4) of the Articles of Incorporation of CONPET S.A..

By the OGMS Decision. no. 5/30.09.2019, Mr. Buică Nicușor - Marian was appointed as administrator of the Company CONPET S.A., the duration of the mandate of the elected administrator starting from the date of the OGMS Resolution (30.09.2019) up to the end of the mandate of the current Board of Directors (21.08.2022, inclusive of).

On 23.03.2021, the Board of Directors took act of the Notification received from Mr. Meșca Darius - Dumitru, based on which he communicates his waiver to the administrator mandate as per Art. 37.7 of the Mandate Contract concluded on 22.08.2018 (due to causes non-attributable to the parties), the administrator position remaining vacant starting with 08.04.2021. On the vacancy was appointed, on 23.03.2021, Mrs. Kohalmi - Szabo Luminița - Doina acting as provisional administrator, in compliance with the provisions of Art. 137² para. 1 of Law no. 31/1990 on the companies, republished, further amendments and completions and of Art.19 para. (4) of the Articles of Incorporation of CONPET S.A., with a duration of mandate starting 08.04.2021 until the meeting of the Ordinary General Meeting of Shareholders, but no later than 07.08.2021.

Subsequently, Mrs. Kohalmi - Szabo Luminița - Doina (...) was appointed, pursuant to the OGMS Resolution no. 2/04.08.2021, in the capacity of provisional administrator of the Company CONPET S.A., with a term of office of 4 months, respectively as of the date of the OGMS Resolution (04.08.2021) until the date of 03.12.2021 (inclusive of) or until the completion of the recruitment and selection procedure provided for in EGO no. 109/ 2011 on the corporate governance of public enterprises, if this takes place earlier than 4 months as of the appointment of the provisional administrator by the OGMS.

By the OGMS Resolution no. 4/07.12.2021, Ms. Kohalmi - Szabo Luminița - Doina was appointed in the capacity of provisional administrator of the Company CONPET SA S.A., with a term of office of 4 months as of the OGMS Resolution, respectively as of 07.12.2021 until 06.04.2022 (inclusive of) or until the completion of the recruitment and selection procedure provided for in EGO no. 109/ 2011 on corporate governance of public enterprises, if this takes place earlier than 4 months after the appointment by the OGMS of the provisional administrator.

The CV's of the members of the Board of Directors of CONPET S.A. are available on the company's website <https://www.conpet./Guvernanta corporativa / Consiliul de Administratie>.

All along 2021, the members of the Board of Directors did not hold shares at CONPET S.A..

Consultative Committees

Within the Board of Directors there have been established the following consultative committees:

- ✓ The Nomination and Remuneration Committee;
- ✓ The Audit Committee;
- ✓ *The Committee for Development and Relation with the Authorities and Investors*

Composition of the Consultative Committee

The Nomination and Remuneration Committee is made of 5 non - executive administrators: Albulescu Mihai – Adrian – Chairman; Popa Claudiu - Aurelian - member, Gavrilă Florin - Daniel - member, Buică Nicușor - Marian - member și Kohalmi - Szabo Luminița - Doina - member.

The Audit Committee is made of 3 (three) non-executive, independent administrators: Gavrilă Florin - Daniel - Chairman; Iacob Constantin - Ciprian - member and Buică Nicușor - Marian – member.

The Development and Investor Relations Committee is made of 3 (three) non-executive independent administrators: Popa Claudiu - Aurelian - Chairman, Albulescu Mihai - Adrian - member, Iacob Constantin - Ciprian – member.

The terms of reference and duties of the Board of Directors and of the Consultative Committees may be consulted at the web pages: <https://www.conpet.ro/wp-content/uploads/2015/10/Regulamentul-de-Organizare-si-Functionare-al-Consiliului-de-Administratie.pdf> pentru Consiliul de Administrație, respectiv <https://www.conpet.ro/wp-content/uploads/2015/10/Regulament-intern-de-Organizare-si-Functionare-Comitete-Consultative1.pdf> for the Consultative Committees established at the BoD level.

The Consultative Committees meet whenever necessary at the call of the President, and the proposals/recommendations made to the Board of Directors (to substantiate its decision-making) are adopted by a majority of the votes cast. Attributions and responsibilities of the consultative committees are being established by the Board of Directors.

The Summary of the Activities

In 2021, the Board of Directors held 26 meetings. The Consultative Committees also held 37 meetings, as follows: 10 meetings of the Audit committee, 20 meetings of the Nomination and Remuneration committee and 7 meetings of the Development and Investor and Authorities Relation committee.

The meetings of the Board of Directors took place according to the agenda sent to the administrators, the main decisions made having as object the followings:

- ✓ approval of the Revenues and Expenditure Budget of CONPET S.A. for the period 2021 and estimates for 2022 – 2023;
- ✓ endorsement of the Investments Program for 2021 by the OGMS. (also comprising the estimates of the investment expenses in 2022 and 2023) and approval of 2021 Investments Program, the structure being broken down by objectives;
- ✓ approval of Current Repairs Program for 2021;
- ✓ approval of the new organizational structure of CONPET, of the Organizational and Operational Rules of CONPET and of the Classification of functions of the company, correlated with the new organizational structure;
- ✓ approval of continuing to delegate to the Director General the authority to approve the resulting new Staff Establishment and its subsequent amendments by the observance of the organizational structure and with the framing in the staff number approved by the Board of Directors;
- ✓ approval of the resizing of the personnel necessary eliminating posts in the organizational entities of society, having as result individual dismissal;
- ✓ approval of the results of the annual inventory of the elements similar to assets, liabilities and equities, as per the Report concluded by the Inventory Central Committee;
- ✓ Approval of 2021 annual procurement program and of the amendments/modifications made thereof;

- ✓ endorsement of the proposal advanced to the OGMS to augment the share capital of the company CONPET S.A.;
- ✓ periodical monitoring of the physical and value achievement of the 2021 Investment Program;
- ✓ Periodical monitoring and information regarding the status of the procurement performed by the Company;
- ✓ analysis of the company's business presented by the executive management in the monthly reports;
- ✓ periodic information concerning the fulfillment stage of measures decided by the Board of Administration and the current activity of the company and the issue related to the performance on the technical, economical, legal components and other aspects;
- ✓ approval of the decommissioning/downgrade of the goods (fixed assets and inventory goods in use) belonging to the company patrimony, whose operation is no longer justified and the approval of the proposed means to capitalize these goods;
- ✓ endorsement of the proposals to decommission/downgrade the goods (fixed assets and inventory goods in use) belonging to the company patrimony, whose operation is no longer justified and the endorsement of the proposed means to capitalize these goods;
- ✓ approval of the Activity Report of the Directors with mandate contracts for the period ended 31.12.2020;
- ✓ approval of the Annual Report of the company's administrators for the financial year ended 31.12.2020, report presented in the OGMS;
- ✓ endorsement of the annual financial statements at the date and for the financial year ended 31.12.2020;
- ✓ endorsement of the proposals advanced by the executive management to the OGMS on the distribution of the net profit related to the financial year 2020 and the distribution of the retained earnings, establishment of the gross dividend per share (from the amounts allocated from the profit for 2020 and from the amounts allocated from the retained earnings), setting the date of registration and the date of payment of dividends to the shareholders;
- ✓ approval of the Annual Report of the Nomination and Remuneration Committee to the OGMS related to the remunerations and other benefits awarded to the administrators and the directors with mandate contract during 2020 financial year;
- ✓ Submission for approval of the OGMS of the Board of Directors on the management activity in 2020, prepared in compliance with the provisions of Article 55 of EGO 109/ 2011 on corporate governance of public enterprises and the provisions of the mandate contract;
- ✓ approval of the Report of the Board of Directors regarding the monitoring of 2020 Key Performance Indicators (KPIs) of Administrators falling within the limits approved by the OGMS and submission, to the OGMS, of the proposals related to the approval of the total degree of fulfillment of financial and non-financial performance indicators (KPIs) for 2020, approved for administrators by OGMS Resolution no. 7 of 18.12.2018 and to granting of the variable component due to the administrators for the term of office in 2020, in accordance with the provisions of the mandate contracts;
- ✓ approval of the Report of Directors with mandate contract to monitor the framing of key financial and non-financial performance indicators (KPIs) for 2020 within the limits approved by the Board of Directors, i.e. approval of the total degree of compliance of the financial and non-financial performance key indicators (KPIs) of the Director General, the Deputy Director General and the Economic Director for 2020 and the approval of the granting of the variable component due to directors for the term of office in 2020, in accordance with the provisions of the mandate contracts and within the limits approved by the OGMS;
- ✓ approval of the Report of the Nomination and Remuneration Committee on the evaluation of the activity of directors with a mandate contract for 2020, which can be found posted on the website of the Ministry of Energy;

- ✓ approval of the report of the Nomination and Remuneration Committee on the evaluation of the company's administrators activity in 2020;
- ✓ approval of quarterly reports of the administrators regarding the economic-financial activity of CONPET S.A., accompanied by the interim financial statements prepared in compliance with IAS 34;
- ✓ endorsement of the quarterly reports prepared by the executive management on monitoring the financial and non-financial key performance indicators and of the total degree of fulfillment;
- ✓ approval of the quarterly reports of the directors with contracts of mandate regarding the activity of CONPET S.A.;
- ✓ approval of the rectified Revenues and Expenditure Budget for 2021 (Annexes no. 1, 2, 4 and 5);
- ✓ approval of revision of the Investment program for 2021 and estimates for the years 2022 and 2023, within the same values, for the levels falling under the duties of the BoD;
- ✓ endorsement of the Information Note to the Ordinary General Meeting of Shareholders with regards to the ascertainment of the prescription of the shareholders' rights to additional dividends, unclaimed until 31.01.2021, respectively 28.06.2021;
- ✓ approval of the establishment and registration, at the Trade Register Office attached to Prahova Law Court, of a work site, as secondary establishment of the company where are being performed own office activities for the company;
- ✓ analysis of the notification on the monitoring of the performance of the internal/management control system and management of the risks CONPET level in 2020;
- ✓ analysis and endorsement/approval of the Consultative Committees Reports, as appropriate;
- ✓ approval of the Convening Notices of the General Meeting of Shareholders and of the materials related to their Agenda;
- ✓ approval of sponsorship requests and periodical monitoring of sponsorship contracts concluded by the company;
- ✓ approval of the company representation to different internal events, establishing the composition of the delegations in what regards the administrative leadership and the Director General;
- ✓ monitoring the activities and actions carried out monthly by the non - governmental organizations in which CONPET S.A. is a member;
- ✓ approval of the Rules on the Organization and Functioning of the Consultative Committees established at the BoD level; - update of the composition following the reconfiguration of the composition of the consultative committees established at the Board of Directors' level;
- ✓ approval of the Rules on the Organization and Functioning of the Board of Directors, updated from the point of view of the BoD composition with the provisional administrator;
- ✓ approval of the initiation of the procedure for the recruitment and selection of the Director General of the Company, in compliance with the provisions of the GEO no. 109/2011 on the corporate governance of the public enterprises, approved with further amendments and completions by Law no. 111/2016 and granting mandate to the Nomination and Remuneration Committee for the deployment thereof;
- ✓ appointment of a provisional Director General as of 05.02.2021, until the completion of the recruitment and selection procedure for the Director General, in accordance with the provisions of GEO no. 109/ 2011 on corporate governance of public enterprises, but not more than 4 months, respectively from 05.02.2021 to 04.06.2021 (inclusive of);
- ✓ approval of the Contract of Mandate of the provisional Director General;
- ✓ settlement of the timeline of the procedure for recruitment and selection of the Director General, with deadlines, approval of the criteria regarding the recruitment and selection of the Director General, approval of the notice on recruitment and selection, settlement of the

duration of the mandate contract of the Director General at 4 years, as of the date of his appointment;

- ✓ approval of the report of the Nomination and Remuneration Committee on the settlement of the matrix of candidates and weights in the final grade during the process for recruitment and selection of the Director General;
- ✓ appointment of the Director General, following the deployment of the recruitment and selection procedure as per the provisions of the GEO no. 109/2011, with a term of mandate, starting 21.04.2021;
- ✓ approval of the Contract of Mandate of the Director General and granting mandate to the Chairman of the BoD to sign it;
- ✓ appointment of a provisional administrator following the waiver of the mandate of one of the BoD members, the approval of conclusion of a contract of mandate with the provisional administrator and granting mandate to the Chairman of the BoD to execute the contract.
- ✓ endorsement of the Policy relating to the remuneration of administrators and directors with a mandate contract, applicable at company level, published on CONPET S.A. website, following the approval thereof by the OGMS; 2021- April;
- ✓ approval of the accounting policies Manual of the company CONPET S.A., - updated April 2021;
- ✓ approval of the Company policy regarding the dividend - January 2021;
- ✓ approval of the Code of Ethics and Integrity of CONPET S.A.- May 2021;
- ✓ Approval of the anti-bribery applicable at CONPET S.A. level - March 2021;
- ✓ approval of the composition of the management of the Administration Plan 2018 – 2022 of the company CONPET S.A., prepared by the Director General;
- ✓ approval of the financial and non- financial Key Performance Indicators (KPIs) for the period 2021 – 2025 (estimates for 2023 – 2025), Annex 1 to the Contract of Mandate of the Director General;
- ✓ approval of Addendum no. 1 comprising certain amendments to the contract of mandate of the Director General and Addendum no. 2 to the Contract of Mandate, having as scope the financial and non- financial Key Performance Indicators (KPIs) for the period 2021 – 2025 (estimates for 2023 – 2025) and some mentions regarding the variable component of the remuneration thereof and granting mandate to the Chairman of the BoD for the execution thereof;
- ✓ approval of the Corporate Governance Rules of CONPET S.A. -updated June 2021;
- ✓ endorsement of the Contract of Mandate of the provisional administrator recommended for the approval of the OGMS, its remuneration being composed of a fixed gross monthly allowance in the same amount as that approved by OGMS Resolution no. 5/ 22.08.2021 for the other administrators;
- ✓ approval of decommissioning of certain fixed assets belonging to the company patrimony proposed to be scrapped and the proposed capitalization means in relation to these goods;
- ✓ approval of the start auction prices for the capitalization of certain fixed assets belonging to the Company/State patrimony, as per the proposals in the reports drafted by the appraiser.
- ✓ approval of the conclusion of a single insurance policy to include the directors with a contract of mandate together with the company's administrators (the minimum amount insured, the compensation limit) approved by the OGMS is 12,000,000 Euro in aggregate);
- ✓ endorsement of the amounts representing additional insurance premium related to the extension of the availability of the insurance policy of the administrators until 31.12.2021, amounts subsequently approved by the OGMS;
- ✓ approval of the amounts representing additional insurance premium related to the extension of the availability of the insurance policy of the directors with contract of mandate until 31.12.2021.

- ✓ approval of the sale of crude oil stocks originating from the pipeline decommissioning, stored at the work sites from Siliste and Orlesti;
- ✓ approval of the transfer on the company's expense of certain amounts representing the exchange value of certain fines;
- ✓ Approval of the amendment and supplementation of the Procedural Internal Procurement Norms - revision 4, November 2021;
- ✓ Granting the Director General of the Company for the negotiation and conclusion, with CONPET Free Union, of an Addendum to the Collective Labor Agreement applicable at Company level.

Directors with contracts of mandate (the Director General, Deputy Director General and Economic Director)

Following the execution of the recruitment and selection procedure of the Director General and Financial Director (known as Economic Director) carried out in accordance with EGO no.109/2011 on corporate governance in public enterprises, by the Nomination and Remuneration Committee, The Board of Directors appointed the directors with contract of mandate, as follows:

- ✓ CHIS Timur - Vasile, in the capacity of Director General of CONPET S.A. starting 07.11.2018, for a 4 years' mandate, respectively until 06.11.2022 (inclusive of), delegating the management of the company in accordance with the legal provisions in force, the Articles of Incorporation and the Contract of Mandate. Pursuant to the BoD Decision no. 1/12.01.2021, the BoD took note of the waiver of the Director General mandate of Mr. Chis Timur - Vasile, entrusted by the Board of Directors, the contract of mandate terminating under the conditions of Art. 12.1. (C), with the mention that the accepted notice period accepted by the BoD was by the end of the date 18.01.2021 and also empowered Mrs. Mihaela Anamaria Dumitrache - Deputy Director General, to carry-on the attributions and responsibilities related to the Director General position (here-included the delegations awarded to him by the GMS), as of 19.01.2021, being delegated to her the company management in compliance with the legal provisions in force and the Contract of Mandate, until the appointment of a Director General.
- ✓ Dorin Tudora was appointed by the BoD Decision no. 3/05.02.2021, in the capacity of Provisional Director General starting 05.02.2021, until the completion of the recruitment and selection procedure for the Director General, in accordance with the provisions of GEO no. 109/ 2011 on corporate governance of public enterprises, but not more than 4 months, respectively from 05.02.2021 to 04.06.2021 (inclusive of).

By the BoD Decision no. 8/ 20.04.2021, following the unrolling of the recruitment and selection procedure of the Deputy Director General carried out in accordance GEO no.109/2011 on corporate governance in public enterprises approved pursuant by Law no. 111/2016, further amendments and completions, the BoD appointed Mr. Dorin Tudora in the capacity of Director General, with a term of office of 4 years, respectively starting with 21.04.2021 until 20.04.2025 (inclusive of).

- ✓ Toader Sanda in the capacity of Economic Director of CONPET S.A., starting 07.11.2018, for a 4 years' mandate, respectively until 06.11.2022 (inclusive of), delegating the management of the company in accordance with the legal provisions in force, the Articles of Incorporation and the Contract of Mandate.
- ✓ Dumitrache Mihaela - Anamaria was appointed in the capacity of Deputy Director General starting with 18.02.2019, for a 4 years' mandate, respectively until 17.02.2023 (inclusive of), delegating to her the management of the company in accordance with the legal provisions in force and the Mandate contract.

The Director General of the company has the attributions specified in the contract of mandate, supplemented by provisions of the Articles of Incorporation, the Rules of Organization and Operation completed with the applicable legal provisions.

The Director General supplies to the Board of Directors, regularly and comprehensively, detailed information regarding all outstanding aspects for the company business. Additionally, any outstanding event is immediately communicated to the Board of Directors.

Moreover, any member of the Board of Directors may request the Director General information regarding the operative company management.

The management and administration bodies are active, have the freedom to adopt the decisions they consider right, acknowledge their role and are permanently capable of supporting their decisions against the administration structures or other interested parties that have the right to obtain such information.

The Deputy Director General and the Economic Director have the attributions specified in the contract of mandate, supplemented by provisions of the Articles of Incorporation, and in accordance with the applicable legal provisions.

The Remuneration Policy

The remuneration policy of the administrators and directors with contract of mandate, which also includes the remuneration criteria thereof, was approved by the OGMS Resolution no. 1/28.04.2021 and is posted on the company's web page.

➤ The Board of Directors

Remuneration for the members of the Board of Directors, respectively the non-executive directors is determined by the General Meeting of Shareholders in the structure and limits set by GEO no.109/2011, consisting of gross monthly fixed compensation and a variable component.

1. Monthly gross fixed allowance

- *The members of the Board of Directors with mandate starting 22.08.2018.*

According to OGMS Resolution no.5, dated 22.08.2018, the members of the Board of Directors have monthly fixed gross allowance equal to twice the average for the last 12 months of the average gross salary per month for work done according to the core business recorded by the Company, at class level according to the classification of the national economy, announced by the National Institute of Statistics, prior to the appointment.

According to Article 7 of the OGMS Resolution no. 5/22.08.2018, the maximum gross monthly fixed allowance established for administrators is 13,022 RON gross/person.

- *Member the Board of Directors with mandate after 30.09.2019*

By Decision no. 5/30.09.2019, Mr. Buică Nicușor - Marian was appointed by the OGMS as administrator of the company CONPET SA, on the place left vacant, following the waiver of Ms. Pavăl Karina to the mandate and the administrator capacity. The duration of the elected administrator's mandate is as of the date of the OGMS decision (30.09.2019) and up to the end of the mandate of the current Board of Directors (21.08.2022, inclusive of).

The monthly fixed gross allowance of the new administrator is being set at the same level with the administrators appointed in the OGMS meeting from 22.08.2018, respectively 13,022 RON/month.

- *Member the Board of Directors with provisional mandate starting with 08.04.2021.*

By the OGMS Resolution no. 5/30.09.2019, Mrs. Kohalmi Szabo Luminita - Doina was appointed by the OGMS as administrator of the company CONPET SA, on the place left vacant, following the waiver of Mr. Meșca Marius Dumitru to the mandate and the administrator capacity.

The monthly fixed gross allowance of the new administrator was set at the same level with the administrators appointed in the OGMS meeting dated 22.08.2018, respectively 13,022 RON/month.

The gross fixed remuneration due to the members of the BoD for the period 01.01.2021-31.12.2021 was of 1,092,588 RON.

2. Variable component

According to Article 37 Para. (2) of GEO no.109/2011, the variable component is determined based on financial and non-financial performance indicators negotiated and approved by the GMS.

By OGMS Resolution no. 7/18.12.2018 were established the key performance indicators and related weights. The variable component of the non-executive members is of maximum 12 monthly fixed allowances.

The variable component due to administrators is granted in conjunction with the annual total degree of fulfillment of financial and non-financial KPIs approved by the contract of mandate.

At the meeting dated 28.04.2021, the OGMS approved the total degree of achievement (102.6%) of the financial and non-financial key performance indicators for the year 2020, based on the monitoring report on the framing of the performance indicators within the limits approved by OGMS for the year 2020 and granting the variable component due to administrators for the term of office in 2020, as per the provisions of the mandate contract. The total gross variable component related to 2020 and paid in April 2021 was in amount of 1,093,848 RON.

In the financial statements related to 2021 are included provisions representing variable allowances for mandate contracts for non-executive administrators in amount of 1.092.588 RON and will be paid after the approval of the financial statements by the OGMS and the report in relation to the total degree of compliance with the key performance indicators.

➤ The Directors with mandate contracts

The Director General

For the Director General - Mr. Chis Timur, who carried on his activity until the date of 18.01.2021 (inclusive of) the Board of Directors set the monthly fixed gross allowance of the Director General for execution of the entrusted mandate in the amount of 40,416 RON, that is 6 times the average for the last 12 months of the average gross earnings per month for the activity carried out according to the scope of business recorded by the company, at class level, according to the classification of the activities of the national economy, announced by the National Nationality of Statistics prior to the appointment, effective starting from the date of signing the addendum to the contract of mandate.

The gross fixed allowance of the Director General of CONPET S.A. between 01.01.2021 – 18.01.2021 was of **22,229** RON.

The gross variable component related to 2020 and paid in April 2021 to the Director General was in amount of 484,992 RON.

For the provisional Director General – Mr. Tudora Dorin, appointed by the BOD Decision no. 3 dated 05.02.2021, who carried on his activity starting 05.02.2021 and until the completion of the process for the recruitment and selection of the Director General, as per GEO no .109/2011 regarding the corporate governance of public enterprises, but no more than 4 months, the Board of Directors set, as per Article 3 of the same decision, the gross monthly fixed allowance in amount of 40,416 RON /month (the same amount as of the former Director General with contract of mandate), which does not exceed the limit established by the GMS pursuant to the Decision no. 7/18.12.2018, with applicability as of 05.02.2021.

As of 21.04.2021, pursuant to the Board of Directors' Decision no. 8/20.04.2021 Mr. Tudora Dorin in the capacity of Director General, following the procedure for recruitment and selection of the Director General, as per the provisions of the EGO no. 109/2011 on corporate governance of public enterprises approved by Law no. 111/2016, further amendments and completions, with a mandate duration of 4 years, respectively as of the date of 21.04.2021, until the date of 20.04.2025 (inclusive-of).

In the same Board of Directors' meeting has settled the monthly fixed gross allowance of the Director General, for the execution of the entrusted mandate in amount of 53,160 RON, amount which does not exceed the limit set in the GMS pursuant to Decision no. 7/18.12.2018, respectively 6 times the average on the last twelve months of the monthly gross average earnings for the activity performed as per the core business registered by the company, at level of class, as per the classification of the activities in the national economy, communicated by the National Institute of Statistics, prior to the appointment.

The gross fixed allowance of the Director General of CONPET S.A. between 05.02.2021 – 31.12.2021 was of **542,693** RON.

Deputy Director General

The Board of Directors has set the gross monthly fixed allowance for the Deputy Director General for the execution of the entrusted mandate, respectively 35,290 RON, meaning five times the average for the last 12 months of the gross average earnings for the activity performed as per the core business registered by the company, at class level, according to the classification of the national economy, communicated by the National Institute of Statistics prior to the appointment, with applicability as of the date of the addendum to the contract of mandate.

The gross fixed allowance granted to the Deputy Director General of CONPET S.A. between 01.01.2021– 31.12.2021 was of **423,480** RON.

The gross variable component related to 2020 and paid in 2021 to the Deputy Director General was in amount of 423,480 RON.

The Economic Director

The Board of Directors has set the gross monthly fixed allowance for the Economic Director of the entrusted mandate, respectively 33,680 RON, meaning five times the average for the last 12 months of the gross average earnings for the activity performed as per the core business registered by the company, at class level, according to the classification of the national economy, communicated by the National Institute of Statistics prior to the appointment, with applicability as of the date of the addendum to the contract of mandate.

The fixed gross allowance granted to the Economic Director of CONPET SA between 01.01.2021– 31.12.2021 was of **404,160** RON.

The gross variable component related to 2020 and paid in April 2021 to the Economic Director was in amount of 404,160 RON.

The total gross fixed allowance due to the directors with mandate for the period 01.01.2021 – 31.12.2021 was of 1,392,562 RON.

The general limits of the variable component have been approved by the OGMS at the meeting dated April 23, 2019. The variable component is being paid following the approval of the annual financial statements, according to the degree of achievement of the key performance indicators.

In the meeting dated 28.04.2021, the Board of Directors approved:

- The Annual Report of the Nomination and Remuneration Committee related to the remunerations and other benefits awarded to the administrators and the directors with mandate contract during 2020 financial year.
- The annual report of the administrators.

The total degree of achievement of the key financial and non-financial performance indicators of the directors with contract of mandate for the year 2020 accounted for 104.8%, as per the reports mentioned-above and approved pursuant to the OGMS Decision no.1 dated 28.04.2021.

The total gross variable component related to 2020, paid in April 2021 was in amount of 1,312,632 RON.

The variable component related to 2021 shall be paid following the approval of the financial statements, according to the degree of achievement of the key performance indicators.

In the financial statement of 2021 are included provisions representing variable allowances related to the contracts of mandate for the directors with contract of mandate, in amount of 1,292,870 RON and shall be paid after the approval of the financial statements.

Status of achieving the Key Performance Indicators for 2021

Total Degree of achievement of the performance indicators (GT_{ICP}) is the amount of the degree of achievement of every KPI (GI_{ICP}) weighted by the weighting coefficient (W_{ICP}) related to every KPI.

The calculation formula is the following:

$$GT_{ICP} = \sum_{i=1}^n GI_{iICP} \times W_{iICP}$$

where:

GT_{ICP} = Total annual degree of achievement of the KPI

W_{ICP} = Weighting Coefficient (weight) for every KPI

GI_{ICP} = Degree of achievement of the individual KPI

The degree of achievement of every KPI (GI_{ICP}) is the degree of achievement of every KPI, considering the means of calculation provided at every KPI, subsequently weighted by the weighting coefficient (W_{ICP}) related to each KPI.

The variable component of the remuneration due to the administrators will be directly proportional to the GT_{ICP} for the corresponding financial year or part of the corresponding financial year and is being granted as follows:

In the event that:

- a) $GT_{ICP} \geq 100\%$, the maximum variable remuneration component approved by the OGMS for each administrator is granted in the maximum amount approved by the OGMS.
- b) $80\% \leq GT_{ICP} < 100\%$, the maximum variable component of remuneration for each director with contract of mandate is being awarded in proportion to the total degree of achievement of the performance indicators
- c) $GT_{ICP} < 80\%$, the variable component shall not be awarded.

- **Financial and non-financial Key performance indicators for 2020 approved for the administrators of the company**

According to OGMS Resolution no. 7/18.12.2018 the financial and non-financial performance indicators of the company's administrators were approved (KPIs), for the period 2018-2022, which will be used for granting the variable remuneration component of the administrators during the execution of the contract of mandate.

The structure of financial and non-financial KPIs, the performance objectives of each KPI, their weight and the degree of achievement are shown in the table below:

Cr t.n o.	Performance indicator	Performance objective	MU	YEAR 2021		Degree of achievement KPI(%)	KPI weights for the settlement of the remuneration	Degree of achievement weighed KPI(%)
				Contract of Mandate	Achievements			
A. KEY PERFORMANCE INDICATORS - FINANCIAL: 25%								
1.	Outstanding payments	Level zero	Thous and RON	0	0	100.0%	2%	2.0%
2.	The decrease of the operating expenses = (Operating expenses - Impairments of assets and impairments of provisions)/ Turnover	The maintenance of the share of the operating expenses in turnover at the level assumed by way of the Administration Plan	%	81.5%	85,4%	95.2%	8%	7,6%
3.	Adjusted EBITDA = Operating profit - write-back of the reserve out of the modernization quota + Expenses regarding the settlement of the modernization quota + Impairments of tangible and intangible assets, here included the revaluation differences).	The realization of adjusted EBITDA target assumed by the Administration Plan	Thous and RON	98,872	119,486	120.8%	10%	12,1%
4.	Labor Productivity	Achievement of the labor productivity level provided in the annual Budget approved	Thous and RON/person	296	303	102.4%	5%	5.1%
B. NON-FINANCIAL KEY PERFORMANCE INDICATORS: 75%								
B1. OPERATIONAL: 25%								
5.	Framing within the specific consumptions for the crude oil transport (does not include the crude oil quantity lost during provoked breakdowns or in case of breakage resulting in contamination, where the owners do not	The target value is lower than the value of the maximal technological consumption, for crude oil	%	Domestic crude oil Target: $\leq 0.361\%$ Achieved: 0.343%	0.296%	115,5%	3%	3.5%
				Import crude oil LUKOIL Target: $\leq 0.290\%$ Achieved: 0.180%				
				Import crude oil Petrom Target: $\leq 0.143\%$ Achieved: 0.140%				

Cr t.n o.	Performance indicator	Performance objective	MU	YEAR 2021			Degree of achievement KPI(%)	KPI weights for the settlement of the remuneration	Degree of achievement weighed KPI(%)
				Contract of Mandate	Achievements				
	ease access for remedy).			Import crude oil Midia Target: ≤ 0.108% Achieved: 0.100%					
6.	Monitoring of the average annual specific consumption for technological purposes	Maintenance of the electricity average annual specific technological consumption at a level of max.3, Kwh/to	Kwh/to	Max 3.3 Kwh/to	3.3	2.79	100,0%	2%	2,0%
7.	Achievement of the investments financed out of the modernization quota	95% of the annual Investments Plan financed out of the Modernization Quota	%	≥95 %	95%	96.0%	100,0%	20%	20.0%
B2 OF CORPORATE GOVERNANCE: 50%									
8.	Implementation/Development of the management control system in compliance with the legal requirements in force	100% achievement of the actions included in the program	%	100%	100%	100,0%	20%	20.0%	
9.	Duly reporting of the degree of achievement of the performance indicators of the company	Framing within the reporting due deadlines	%	100%	100%	100,0%	20%	20.0%	
10	Boost institutional integrity by inclusion of the measures to mitigate corruption as an element of the management plans	Minimum 90% achievement of the measures assumed by the approved Integrity Plan	%	≥90 %	100%	100,0%	10%	10.0%	
Total degree of achievement of the performance indicators								102.3%	

*) Average technological consumption (calculated according to the share of each type of transport)

Table 30 - Key financial performance indicators 2021

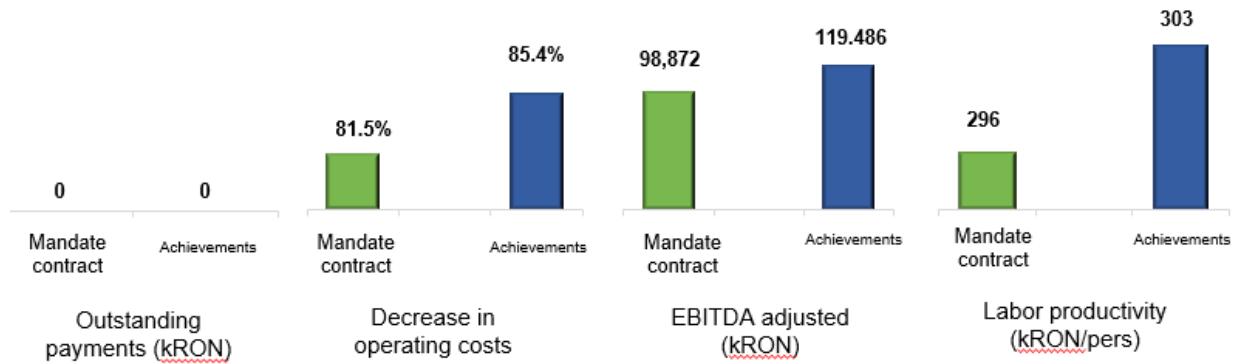


Chart 26- Financial Key Performance Indicators

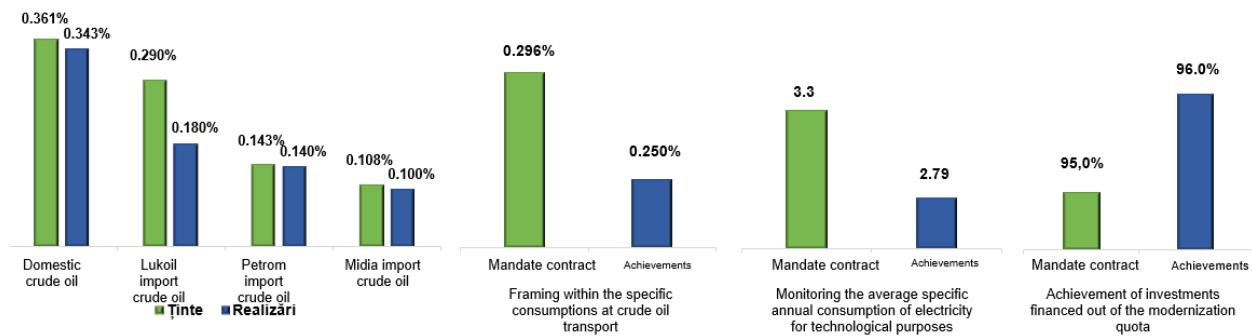


Chart 27- Operational non-financial Key Performance Indicators



Chart 28 - Key non-financial governance performance indicators

For 2021, the total degree of achievement of the key performance indicators for administrators is 102.3 %.

- Financial and non-financial key performance indicators for 2021 set for the directors with contract of mandate**

For 2021, the degree of achievement of the performance indicators set for the directors with contract of mandate was of 104.1%.

In Annex 3 of the Report of the Administrators is presented the calculation of the total degree of fulfillment of the financial and non-financial key performance indicators of directors with contract of mandate.

The remunerations and degree of fulfillment of the key performance indicators of the administrators and directors with contract of mandate are presented in the annual report of the Nomination and Remuneration Committee.

Management of the conflicts of interests

During 2021, within CONPET SA there were registered no conflicts of interest, as shown in the declarations of interest submitted by the senior management and the BoD members, pursuant to Law 176/2010 regarding the integrity in exercising public functions and dignities, for amending and completing Law 144/2007 on the establishment, organization and functioning of the National Integrity Agency, as well as amending and supplementing other normative acts.

In view of implementation of the National Anti-corruption Strategy 2016-2020, to which CONPET S.A. has adhered, in 2017, has been approved the Integrity Plan, document upgraded in 2021 by decision of the Director General of CONPET S.A. - which details, in a personalized manner, the measures applicable to CONPET S.A., subsumed to the general and specific objectives provided in SNA for the identification of risks, vulnerabilities and specific intervention needs.

The measures/actions in relation to the deployment of programs related to the training, raising awareness and anti-corruption education of the personnel have been performed at the level of 2021.

The periodical staff awareness activity was of a society-wide level in the field of integrity, based on actions deployed all along 2021 in relation to the instruction of the personnel regarding their awareness on the provisions of the Code of Ethics and Integrity (May 2021) and training,

evaluation and testing of the personnel on the conflicts of interest and incompatibilities (September-December 2021).

Consequently, the awareness and anti - corruption education program in what concerns the provisions of the legislation in force and the internal norms in terms of conflict of interests and incompatibilities, which took place during 20.09.2021 - 20.12.2021, materialized in higher results from our employees, respectively:

- 99.61% of the total personnel was instructed when the program was initiated;
- the degree of knowledge of the norms regarding the conflicts of interest and incompatibilities is 99.80% (no. of employees who obtained qualifier VERY GOOD and GOOD/no. of tested employees*100).

Subsequent to the education and acknowledgment charges of CONPET S.A. personnel in the integrity and Anti-corruption issues, have been initiated a series of activities related to information of employees, by elaboration, presentation and dissemination of informative materials, with reference to the provisions of the Anti-corruption National Strategy 2016-2020 and the Integrity Plan adopted at the company's level, as well as those related to the corruption crimes provided by the Criminal Code. Have been prepared materials in respect of corruption mitigation, *inter alia* the informative material regarding the conflicts of interests and incompatibilities (personnel training topic in view of employees' instruction, evaluation and testing).

CONPET has developed its own Code of Ethics, based on clear principles of observance of the legal frame and internal rules, focusing on quality, confidentiality, avoiding conflicts of interest, respect and trust, responsibility towards the local community, responsibility towards the environment, transparency and loyalty.

The employees of the company have been informed through various means of communication (electronic mail, posting on the company's website, presentation sessions conducted by the Integrity Office, direct communication from the heads of the workplace on the: implementation of NAS, particularly with regard to the Declaration of Accession to NAS and provisions of the Integrity Plan.

The Administrator or the Director General having, in a certain operation, directly or indirectly, interests contrary to the company, must notify in relation thereto the other administrators and the internal auditor and not take part to any deliberation regarding this operation. The same is the duty of the Administrator or the Director General if, in a particular operation, knows that the spouse, relatives or affiliates up to the fourth degree inclusively are interested.

The members of the Board of Directors keep confidentiality on any facts, data or information they have acquired in the course of exercising their responsibilities and understand that they have no right to use or disclose them during the activity or after cease of the activity.

In order to avoid the occurrence of conflicts of interest, the company has established several ethical rules both by the members of the Board of Directors and by the Director General and employees of the company, in correlation with the applicable legal provisions.

Both in the Rules of Organization and Operation of the Board of Directors of the company CONPET S.A., as well as the Corporate Governance Rules there are dispositions with regards to the management of the conflicts of interests. In practice, the members of the Board of Directors shall inform the Board of any conflicts of interest that have arisen or may arise and shall refrain from attending the discussion and voting for the adoption of a ruling on the matter giving rise to the conflict of interest concerned.

No cases of conflicts of interest and incompatibility alerts have been recorded in 2021.

Social and Corporate Responsibility (CSR)

Corporate Social Responsibility is the permanent commitment of CONPET towards ethical behavior that includes social and environmental concerns in its business and contacts with other parties and contributes to economic development by improving the quality of life for, both its own human resources and for the community it belongs to.

Corporate Social Responsibility is an inherent part of CONPET's strategy. Respect for people, responsibility for the environment and involvement in community life are essential values and major priorities CONPET.

The actions the company CONPET undertook in 2021, in terms of CSR, targeted both the internal dimension, which has as main purpose the alignment of the employees to the company's values and mission, provision of a safe and sound environment, improvement of the employees' quality of life, as well as the external dimension, that of the company's relation with third parties, who commits to support the development of the community he is part of.

In the context of the COVID-19 pandemic, in addition to the prevention and protection measures taken at the level of all CONPET worksites in order to protect the health of employees, an internal information, awareness and accountability campaign on issues related to the corona virus pandemic has been initiated, using the internal communication channels and social media.

Through Revista Presei/Press Review, CONPET employees, received daily official Information regarding COVID-19 prepared by the Strategic Communication Group, as well as the relevant articles released in the national and international media about the evolution of the pandemics, measures considered at national and international level, the prevention rules etc. Moreover, the company's Facebook account was used in view of correct information, from official sources, of the persons following CONPET social media communication channel.

As regards the strengthening of the organizational cultures and shared values, as well as the creation of more powerful liaisons between the company's employees, have been organized actions for the promotion of the company's employees and image, *inter alia* the traditional annual awarding of the employees with seniority in the company: 30 years for women, respectively 35 years for men, congratulating the seniors, achievement of an anniversary number of "Informația CONPET" newspaper - online release on the occasion of Company's Anniversary Day, January 22, 2021.

Moreover, for easing the internal communication of all employees, they have been informed and kept up to date with the most important news which occurred at the company's premises and work sites, by way of internal communication sent to all employees. Internal communications and articles in the internal newspaper "Informația CONPET" have been made about the main sponsorship and social responsibility activities.

Sponsorship

The sponsorship actions were performed in compliance with the annual Revenues and Expenditure Budget, falling within the sponsorship expenses broken down by areas of interest.

The sponsorship policy of the company supports both traditional projects, those that have an important and lasting impact on the community, as well as requests for smaller scale, which promote, through ideas and actions, the individual performance.

In the context of the Covid-19 corona virus epidemic, in 2021, 50% of CONPET funds approved for sponsorship have been allocated and used, mainly for medical and health major projects. Thus, have been supported the public health units from Prahova, as well as organizations directly involved in the fight against Covid-19 pandemics, namely:

- Ploiesti Municipal Hospital for the purchase of an electrocardiograph with stand and mobile arm, respectively of an EKG Recorder Holter, medical equipment necessary for the Cardio Department;
- Ploiesti Pediatric Hospital which purchased an automatic microbiology analyzer to streamline the flow of analyzes performed within the hospital.
- Association for the Support of Prahova Ambulance - the purchase, as a matter of urgency, of rapid tests necessary to test patients with Sars-Cov-2 specific symptoms in Prahova County.

Also, CONPET S.A. continued to support the equipment of the education units in rural and urban areas with computers, targeting to improve the students' access to modern educational resources as well as the performance of the sports activities in certain prestigious clubs for the benefit of the children and youngsters in Prahova county.

In 2021, in the Revenues and Expenditure Budget of CONPET S.A. were provided sponsorship expenses amounting 700,000 RON.

At the company's Board of Directors meetings there have been approved, 01.01.-31.12.2021, sponsorship amounting to 673.050 RON, as follows:

- "Education, social and sports activities"	270,050 RON
- "Medical and causes"	350,000 RON
- "Other actions and activities"	53,000 RON

The statement of the sponsorship is disseminated to the public by the publishing of an annual report of the sponsorship awarded by CONPET S.A. on the company website, at the following address <https://www.conpet.ro/relatia-cu-investitorii/raportari/rapoarte-anuale/>

4.4.3. The Executive Management

4.4.3.1 Strategic objectives regarding the management of the company CONPET

Actions carried out in view of achieving the strategic objectives contained in the Administration Plan

The strategic objectives comprised in the company's administration Plan for the period 2018-2022 derive from the expectations Letter of the major shareholder, the Romanian State, by the Ministry of Energy and target the increase of business efficiency and the improvement of business performance, optimization of the operating expenses, the development of new activities related and non-related to the core business, definition of the company as regional payer, efficient management of human resources and the implementation and development of the corporate governance principles.

The actions undergone in 2021 for the achievement of the objectives in the Administration Plan

Objective 1 INCREASING THE EFFICIENCY AND IMPROVEMENT OF BUSINESS PERFORMANCE

Redefining the necessary of the transport infrastructure

A new scenario to pump crude oil extracted from the Aricești oil field was implemented, which consisted of transport of crude oil extracted from Aricești to the Petrobrazi Refinery in mixture with crude oil extracted in Baicoi Vest. This new scenario leads to the reduction of costs achieved at the Aricești workstation.

To decrease costs on the Import transport system, activities were continued to reactivate the Pietroșani-Brazi transport route through a new 14" pipeline, with a view to defining a new pumping scenario. This pumping scenario was created in the context of the rehabilitation of the 24" Calăreți-Pietroșani pipeline as well as the project to rehabilitate the Pietroșani fixed point – the 24" and 14" smart pigging stations. The project of 14" Pietroșani-Brazi transport pipeline is in process of obtaining Building Permit.

Multi annual investment program

The multi-annual investment program of the company consists mainly of investment objectives to increase efficiency of the National Transport System and its operational safety.

When establishing the multi-annual investment program is intended first, to respect the commitment assumed by the company through the minimum investment program communicated to NAMR annex to the concession agreement.

The Maintenance Development Unit prepared a scope of work for the implementation of good practices and informatization of CONPET project management processes.

In September 2021 was deployed the process related to the procurement and signing of the contracts for the implementation of good practices and informatization of CONPET project

management processes and has been initiated the contractual stage on the instruction of Conpet personnel appointed to implement this project.

The main investment projects carried out in 2021 to achieve the strategic objective

The continuation of the project "System for location and detection of the Pipeline leaks"(LDS)

In 2020 was monitored the post-implementation of the pilot project "System for location and detection of the Pipeline leaks" along the route Poiana Lacului - Siliște - Ploiești and was analyzed the possibility to implement the project on other transport routes. Following the analysis of the implementation of an LDS system on other transport routes in 2021 Q4, has been postponed the implementation along Constanța - Ploiești route until the completion of the project regarding the under-crossing of the Danube river and Borcea Arm, as well as the achievement of the works execution "Replacement of linking lines Danube C1-C2 and Borcea arm C3-C4 crossing".

Optimization of SCADA system and upgrade of Hardware and Software of the remote transmission units (RTU). In 2021, there have been finalized and commissioned the SCADA system optimization works and upgrade Hard and Hardware and Software of the Remote Transmission Units (RTU) for a total of 29 locations.

The modernization and monitoring of the Cathodic Protection System related to the National Transport system via Pipelines Modernization and monitoring of the cathodic protection system for the crude oil transport system via pipelines aims at slowing down or even stopping the corrosion process occurring at the surface of the underground metal pipes.

Starting 2013, CONPET has initiated a comprehensive project to modernize and monitor the cathodic protection system of the crude oil pipeline transport system.

The project was divided into two stages. Stage I, during 2017-2019, 109 locations and stage II, during 2019-2022, 30 locations.

By the end of 2021, have been executed SPCs in 124 locations (109 locations stage 1 and 15 locations stage II); the works execution will be ongoing in 2022 as well for the remaining 15 locations.

Implementation of a GIS System

The feasibility study for the implementation of a patrimonial geographic evidence system has been completed and launched the procurement process for technical assistance services for system implementation management. In August 2019 was signed the execution contract for the management of the implementation system (technical assistance services).

In December 2020 was finalized stage 1 of the implementation of the GIS patrimonial geographic evidence system. At the end of 2021 were finalized 12 months of post-implementation technical assistance from the total of the 36 contractual months (stage 2).

ERP Upgrade

During 2020, the scope of work for the analysis phase was developed and approved in view of reconfiguring the current ERP system. The procurement of these services was achieved in 2021, the scope of the contract being to identify the new business requirements in view of ERP upgrade.

Rehabilitation of the pipelines under crossing Dunarea river and Borcea Arm

In 2021, was deployed the procurement procedure in what regards the works design and execution for "Replacement of the connection lines crossing Danube C1-C2 and Borcea arm C3-C4", the contract was signed and the site for works execution was handed over.

The implementation of a system for the tele-transmission and telemetering of the power consumptions in CONPET S.A. locations.

In 2020 the scope of work was drafted and in September 2021, the technical project was submitted for the contracting of the works execution. To date, there is in progress a procedure for the analysis of the bids submitted by the bidders. The implementation of the telemetering system will be achieved in 19 locations (oiana Lacului, Cartojani, Videle, Lucăcești, Imeci, Moreni, Siliștea, Cireșu, Băicoi,, Bărbătești, Ticleni, Orlești, Ghercești, Otești, Biled,, Pecica, Marghita; Constanța Sud, Călăreț).

Objective 2 DEVELOPMENT OF NEW RELATED AND NON-RELATED TO THE CORE BUSINESS

The development of storage activities/crude oil and oil products handling for third parties

In the context of defining and updating the legal framework on the procedure for delegating the storage obligation in order to ensure the storage of strategic stocks on the territory of Romania, CONPET analyses the conditions necessary for the development of this type of activity. In this respect, addresses for information letters were sent to NAMR on the intention of CONPET SA to develop the activity of storage of crude oil/petroleum products, including the updated situation of the company's storage capacities as well as an estimation of the tariff for the provision of storage services.

In September 2020, a Collaboration Committee was set up, with CONPET acting as a member, together with representatives of the National Defense Ministry, the Ministry of Foreign Affairs, the Ministry of Energy, NAMR, Oil Terminal S.A., the Oil and Gases University. The purpose of the Committee is to analyze the possibilities of transport and storage for military destinations. I

Assessment of the opportunity/feasibility of the increase efficiency related scenarios of the Rail transport activities

From the point of view of the efficiency of the railway transport, the re-commissioning of the railway ramp from the Astra Refinery was taken into account, a decision justified by the delays in unloading and the maneuver in the railway ramp from the Brazi refinery, declared depleted infrastructure.

In 2020, the feasibility study was completed, approved by the Technical-Economic Council and the Certificate of Urbanism was obtained.

Another project aiming at reducing fuel consumption and reducing maintenance and repair costs on existing locomotives consists in the conversion of diesel-operated locomotives into electric-operated locomotives. Consequently, in the multi annual investments programs have been budgeted:

- the conversion of 3 (three)hydraulic diesel-operated locomotives (LDH 1250 HP) into electrical-operated locomotives LEA (spread over 4 years, starting 2019), with commissioning early 2022;
- the conversion of a hydraulic diesel-operated locomotive (LDH 700 HP) into electrical-operated locomotives LDE - it was commissioned within the month of May 2021 in Marghita ramp.

Assessment of the feasibility of the development of transport for atypical products

During 2021, the executive management initiated a series of meetings and discussions with representatives of companies active in the oil, chemical and petrochemical industries. Preliminary discussions were launched subsequently, on the possibility of providing services for the transport, storage and loading of agricultural and chemical products in areas where CONPET ramps are adjacent to areas with intensive agricultural activity. As a result of the participation to public consultations for POTJ framework - The Just Transition Operational Program organized by

Prahova County Hall, has been submitted the draft project - conversion of the crude oil transport pipeline for the use in the transport of natural gas/hydrogen mixture.

Electricity production from renewable resources (pilot project);

In May 2021, was updated the analysis on the possibility of implementing a photo voltaic system for local electricity production (photo voltaic power plant) with an installed power of 10 kw on-grid located in Tămădău Mare, Călărași County - Călăreți Pumping Station. The analysis includes both technical and economic elements and cost-benefit analysis elements, with costs updated at May 2021 level. Later on, in Q4 have been reviewed the work hypothesis considered in the study deployed in 2017, by updating certain parameters at 2021 level (photo voltaic plant for production of electricity 5 MW).

Objectives 3 DEFINING THE COMPANY AS REGIONAL PLAYER

In order to support collaboration opportunities by providing information or participation in actions coordinated by the ministry, for the works of the Joint Intergovernmental Commissions for Bilateral Energy Cooperation, was submitted to the Ministry of Energy the proposal regarding topics of interest for discussions within the Energy Working Group Romania.

In 2021, the European Commission - the Directorate General for Energy, launched the consultation regarding the inclusion of two new topic areas: intelligent network infrastructures (electric power) and trans-border transport infrastructure of the carbon dioxide.

Objective 4 HIGH PERFORMANCE MANAGEMENT OF THE HUMAN RESOURCES

Reshape and ongoing adaptation of the human resources in correlation with the technical economic requirements and realities of the company.

To achieve this objective, the human resources necessary has been continuously monitored and adapted, given the specific activity of CONPET, respectively the workload fluctuations at the level of workstations, which triggers the deployment of numerous redistribution of employees from one worksite to another, by way of:

- ✓ identification of the correlation between the number of positions and the work volume;
- ✓ the degree of workload, as well as of the interaction of the activities performed between the occupants of the positions;
- ✓ the total use, by the occupant of the positions, of the working time related to the achievement of the work duties;
- ✓ the possibility that the duties of certain employees be taken over by the other employees within the same unit, by the observance of the legal provisions regarding the work time;
- ✓ The possibility to supervise the pipelines based on the extension of some routes or by alternative tracking of various routes by the sectors' personnel;
- ✓ The possibility that some employees exercise the job duties in more work sites with reduced activity, necessary to maintain a full job employee.

As a result of this analysis process, 29 positions were identified and terminated as per the Decision of the Board of Directors dated 24.02.2021.

Consequently, the staff establishment was reduced by the 29 positions, with the consequence of individual dismissal of 29 employees, occupants of the respective positions, for reasons not attributable to them. The executive management paid all due diligence and prepared all necessary papers (amendments to the staff establishment, notifications, dismissal decisions etc), such a way that the individual dismissal process of the employees be carried out in compliance

with the legal regulations in force and by the observance of the provisions of the Collective Labor Agreement of CONPET S.A..

In 2021 S1 was approved a new organizational structure of the company applicable as of 15.06.2021 as per the BoD Decision dated 27.05.2021. For the design of the organizational structure, the followings have been considered:

- The company's current developments, the obtained results and performance, its visibility on the capital market;
- The development of the corporate government principles at company level in order to improve business efficiency, the processes within the company and boost confidence of the investors;
- Improvement of the coordination of the duties of the company's entities in accordance with the needs and complexity of the activity deployed;
- Optimization of the decision-making framework and streamlining the internal communication flows (by way of the new organizational structure, the number of the management positions reduced from 95 to 81 positions);
- Necessity to enhance flexibility of the organizational structure, per components and as a whole, as to correspond to the current and future development needs of the company;
- The need to strengthen the commercial capacity.

Following the reanalysis of the functional flows pursuant to Decision dated 30.06.2021, the Board of Directors of CONPET S.A. approved the amendment to the company's organizational structure, as of 01.07.2021. Also, following the Board of Director Decision dated 12.08.2021, was approved a new amendment to the company's organizational structure, applicable as of 01.09.2021.

The development of the specific competencies and basic skills of the human capital

The training and professional authorization programs of the company's employees were drafted and approved in this respect for the year 2021, following the identification of professional training needs and personnel authorization necessities, in correlation with the duties in the job description, in view of maintaining/developing the skills, specialized knowledge and the necessary competencies related to the position held.

The training program, respectively the professional authorization program for 2021 were reviewed by the observance of the legal provisions and other needs arising during the year.

Training is provided through collaboration with external partners, authorized training company, but also internally within the company.

Internal Training is organized by internal trainers and/or experts from the company with a good knowledge of the field and/or relevant experience in the field of technical activity, supporting qualifying session Internship/training/maintenance knowledge in various industries and audit/verification of employees participating in those sessions. There is a permanent concern for the extension of the trainers' body in other domain as well, (such as ethics and integrity counseling, GDPR).

Through the company's trainers, in 2021 were trained/retrained/ qualified inhouse: fluid products receivers predators, employees with operating duties in the micro SCADA domain.

Development of the employees' results assessment system

The new evaluation criteria, individual objectives, performance indicators, target values and weights associated thereof, for the activity carried out in 2021 of the employees in management positions, were subject to conclusion, in this respect, at the end of 2020, of addenda to the individual employment contracts of the employees, as laid down in each entity.

Negotiation of the Collective Labor Agreement

Following the amendment of the organizational chart starting with 15.06.2021, the Board of Directors empowered the Director General to negotiate and conclude, with Conpet Free Union, an addendum to the Collective Labor Agreement having as scope the update of the Job title Classification and the Wage Grid, in accordance with the new Organizational Chart.

The Board of Directors empowered the company's Director General to negotiate and conclude with Conpet Free Union, an addendum to the Collective Labor Agreement, as per the Decision Dated 13.12.2021. The rights of the employees in the CLA were negotiated to ensure achievement of financial performance indicators set out in the Management Plan, concurrently framing in the annual revenues and expenditure budget, succeeding, at the same time, to ensure a balance between the interests of Employer and Union, taking into account that the interests of employees and the management of the company cannot be divergent,

Following the negotiations dated 14.12.2021, the social partners concluded Addendum no. 4 to CLA which has been filed and registered at Prahova Labor Territorial Inspectorate (ITM Prahova). Based on the concluded addendum, have been amended the job classification, the wage grid and the CLA was extended by 12 months, starting January 1, 2022.

Also, for the purposes of CONPET CLA application registered at Prahova Labor Territorial Inspectorate, in 2021, between CONPET S.A. and Conpet Free Union have been concluded 9 protocols.

Objective 5 IMPLEMENTATION AND DEVELOPMENT OF THE PRINCIPLES OF CORPORATE GOVERNANCE

Issue of a Code of Ethics and Integrity

According to EGO no. 109/30.11.2011 on the corporate governance of public enterprises and within the Development Program of the Internal Control Management System elaborated in accordance with OSGG 600/2018, considering the need to build an integrity culture within CONPET, a new Code of Ethics and Integrity was drafted and an ethics counselor within the Integrity Office was appointed.

Active involvement in corporate social responsibility

In 2021, 23 sponsorship contracts in total value of 673.05 thousand RON have been concluded. The public health units in Prahova and the humanitarian organization National Red Cross Society were supported mainly by sponsorship actions, the "medical and health" sponsorships had the highest share, respectively 52%.

Starting March 2020, the official information on COVID-19 made by the Strategic Communication Group - Ministry of Internal Affairs is distributed daily on CONPET's Facebook page, in order to correctly inform, from official sources, the employees and persons following the communication channel of CONPET.

Development of reporting, control and risk management capabilities

The project of the development program of the internal control management system at CONPET S.A. for 2021. In September 2021, the Program for the development of CONPET S.A. internal management control system for 2021 was revised, by the introduction of new actions triggered by the amendments to the organizational structure. The program revision was achieved following the meeting of the Monitoring Commission dated 02.09.2021. The development program of the internal control management system of CONPET S.A. for 2021 was approved by the Director General.

All actions due in 2021 were deployed.

Implementation of SR ISO 37001:2017 requirements anti-bribery management systems

The action is included in the Program for the implementation of the requirements of SR ISO 37001: 2017 anti-bribery management systems.

The program for implementation of the requirements of SR ISO 37001: 2017 anti-bribery management systems has been developed, approved and disseminated to all functions that have responsibilities in implementation. In March 2021, the Program for the implementation of ISO 37001 requirements was revised and approved by the Director General.

In 2021, various SMI documents have been revised, to be enclosed in SR ISO 37001:2017 requirements. The program for the implementation of SR ISO 37001:2017 requirements in force did not have actions due in 2021 Q3 and 2021 Q4.

The Executive Management

Between 01.01.2021– 31.12.2021, the executive management had the following composition:

Directors:

Position	Name and Surname	Observations
Director General	Eng. TUDORA Dorin	- contract of mandate of 4 years, period 21.04.2021 – 20.04.2025 (inclusive of); - provisional appointment starting with 05.02.2021 (as per Art.2 of the BoD Decision no.3/05.02.2021) until 20.04.2021, inclusive of)
	Legal expert DUMITRACHE Mihaela–Anamaria	- empowered during 19.01.2021 – 04.02.2021 as per Art. 2 of the BoD Decision no.1/12.01.2021 to also carry out, the attributions and responsibilities connected to the Director General position.
	PhD Eng. CHIŞ Timur Vasile	- contract of mandate of 4 years, period 07.11.2018 - 06.11.2022, (inclusive of). In the meeting dated 12.01.2021, the Board of Directors took notice of the decision of Mr. Chiş Timur Vasile to waive the mandate of Director General.
Deputy Director General	Legal expert DUMITRACHE Mihaela–Anamaria	- contract of mandate of 4 years, period 18.02.2019 - 17.02.2023, inclusive of.
Economic Director	Econ. TOADER Sanda	- contract of mandate of 4 years, period 07.11.2018 - 06.11.2022, inclusive of
Deputy Director General 2	Legal expert LUPEA Ioana Mădălina	- as of 15.06.2021 (as per the Director General Decision no. 338/04.06.2021) until 17.02.2024, inclusive of.
	Eng. NECŞULESCU Radu Florentin	- starting with 05.02.2021 (as per the Director General Decision no. 59/05.02.2021) until 14.06.2021(inclusive of) as per the Director General's decision no.232/21.04.2021.
	Eng. TUDORA Dorin	starting 03.02.2020 as per Decision of the Director General no. 41/31.01.2020 up to 04.02.2021, inclusive of.

Heads of Units:

Position	Name and Surname
Head of Transport Operations Unit	Eng. STOICA Narcis Florin
Head of Maintenance Development Unit	Eng. BUZATU Dan
Head of Critical Infrastructures Unit	Eng. NECŞULESCU Radu Florentin
Head of the Commercial Unit*)	Legal expert MANOLACHE Dan (<i>as of 15.06.2021 inclusive of</i>)
Head of the HSE Unit*)	Eng. MARUSSI Mădălina Mihaela (<i>as of 15.06.2021 inclusive of</i>)
Head of Communication and Corporate Governance Department*)	PATRICHİ Bianca Maria (<i>starting with 15.06.2021 inclusive of</i>)

*) organizational structures set up starting with June 15, 2021.

Head Engineer:

Position	Name and Surname
Development-Maintenance Chief Engineer	Eng. CÎRLAN Florentina – Anca
Production Chief Engineer	Eng. BACIU Dan-Silviu (<i>up to 14.06.2021, inclusive of</i>)

5. NON-FINANCIAL STATEMENT FOR THE YEAR 2021

The non-financial statement presents based on which the company's management wishes to communicate transparently to the business partners, employees, investors, the community in general and any other interested parties the actions taken and the progress achieved by CONPET SA in terms of assurance and continuous improvement of quality of the services provided, environmental protection, occupational health and safety, aspects related to staff and social field, prevention of abuses in human rights matters, ethics and integrity in business and corruption prevention and combating.

Company profile

CONPET S.A. is the operator of the crude oil, rich gas, condensate and ethane National Transport System (NTS). As presented at large in the Report of the Administrators, CONPET S.A. provides transport services to its customers through both the National Transport System, leased based on the Oil Concession Agreement and by rails, from the loading ramps to refineries.

The operation of the system is achieved through the local dispatchers coordinated by the central dispatcher of the company. The National Transport System consists of the following components:

- Import Crude Oil Transport System
- Domestic Transport System, which in turn includes:
 - The crude oil and condensate transport subsystem
 - Rich gas transport subsystem
 - Ethane transport subsystem

The powers of each entity within the organizational structure are established by the Rules of Organization and Operation of the company.

Quality, Environment, Occupational Health and Safety Policy

In accordance with the strategic development direction of COPET SA, the Quality, Environment, Occupational Health and Safety Policy aims at satisfying the requirements of the customers and

of other relevant stakeholders, complying with the legal requirements concerning the transport of crude oil, rich gas, ethane and condensate and ensuring a healthy and safe work environment for the entire staff, targeting the following action lines:

- ✓ Ensuring availability and timeliness of crude oil, rich gas and condensate transport services;
- ✓ Efficient solving of interventions on the transport installations without affecting the clients' or other stakeholders' interests;
- ✓ Optimization of technological consumptions of transported product;
- ✓ Compliance with legal and other requirements relating to occupational safety and health;
- ✓ To continuously improve performance in environmental protection activity, in particular by adopting prevention measures for pollution, technological risks and accidents which can have negative repercussions on the environment;
- ✓ Raising awareness of the company's staff and of the staff working on behalf of and of communication in order to ensure active participation in the achievement of the goals;
- ✓ Hazard removal and reduction of risks of occupational illness and injury at work;
- ✓ Consultation of employees regarding any aspect of occupational health and safety;
- ✓ Ensuring the organizational framework appropriate for setting the goals of the integrated management system quality-environment-operational health and safety.
- ✓ To permanently assess the risks/opportunities posed in the context the organization evolves in and of the risks/opportunities related to the processes and determining the actions for their treatment;

The company's management pursues consistently the performance concerning quality, environment, occupational health and safety through the implementation, maintenance and continuous improvement of an Integrated Management System in accordance with the provisions of the reference standards for these areas.

In 2021, the company was subject to external audit of surveillance, deployed by the company DNV Business Assurance Romania, according to the standards SR EN ISO 9001:2015, SR EN SR 14001: 2015 and EN ISO 45001:2018. Following this audit, CONPET SA certifications in the areas of quality, environment, health and safety obtained since 2007 shall be maintained.

The quality of transport services

CONPET aims at fully satisfying customers' requirements and expectations, fulfilling the obligations undertaken under the Oil Concession Agreement and complying with the regulations and legal provisions at all times.

The main goals pursued by the company to ensure an adequate level of quality of the transport services are:

- ✓ Ongoing strengthening and development of the National Transport System by implementing the best technologies for the rehabilitation and modernization of the oil transport infrastructure, so as to ensure the present and future conditions of continuity and quality of the transport services;
- ✓ Increased safety in operation and reduced technological consumptions.
- ✓ Continuous improvement of the operational processes to ensure the high level of customer satisfaction through prompt, timely and cost-effective execution of the transport services.
- ✓ Maintenance of the Integrated Management System certifications according to the reference standards.

The main directions of action relating to service quality are the following:

- ✓ Ensuring the availability and timeliness of the transport services;

- ✓ Efficient solving of interventions on the transport installations without affecting customers and other stakeholders' interests;
- ✓ Optimization of technological consumptions of transported product.

The risks identified in this regard are as follows:

- ✓ The degradation of the National Transport System, reduced transport capacity, delays in delivery, decreased customer satisfaction, complaints;
- ✓ Identification of major non-conformities following the certification or surveillance audits and suspension/cancellation of certificates, which could have a negative impact on the image of the organization.

As a result of the measures taken by the company, the risks mentioned have been maintained at a low impact level. Effective control of risks has materialized through:

- ✓ documentation, implementation and procedure compliance measures;
- ✓ reviews and internal audits of the integrated management system;
- ✓ planning and execution of investment and repair works to the National Transport System;
- ✓ ensuring human resources with skills appropriate for conducting the main processes.

No major non-conformities have been identified as a result of the external audits for the surveillance of the integrated management system.

The indicators corresponding to the general quality goals, which refer to the increase of customer satisfaction and responsiveness in providing the transport service are:

- ✓ The achievement of the transport program by framing within the contracted technological consumptions;
- ✓ Observance of the delivery deadline for the transported goods.
- ✓ The number of complaints received from customers in a year with regards to the conformity of the transport service, with zero target value.

In 2021 the indicators have reached the target values laid down as follows:

- ✓ the transport program was made without exceeding the contractual limits of technological consumption;
- ✓ the delivery of transported goods was achieved according to the contract provisions;
- ✓ there were no complaints from customers;

Environment

In the field of environmental protection, the management of CONPET has adopted an environment policy, integrated with the OHS policy specific to the company's activity, size and environmental impact, meant to provide a framework for establishing and analyzing the general and specific environmental goals.

Special emphasis was placed on issues related to the needs and expectations of stakeholders (including the demands of the authority) and local environmental conditions or regional that can affect or be affected by the organization, the way the risks and opportunities are treated related to environmental issues for prevention and limitation of their consequences on human health and the environment.

Being aware that responsibility to the environment and community in which they operate are inextricably linked to the performance they want to achieve in their own activities and in

accordance with sustainable development principles, CONPET has pledged through its environmental policy, for:

- ✓ ensuring compliance with legal and other requirements relating to environmental matters.
- ✓ the continuous improvement of the performance in environmental protection activity, in particular by adopting prevention measures for pollution, technological risks and accidents which can have negative repercussions on the environment.
- ✓ permanent assessment of the risks/opportunities posed in the context the organization evolves in and of the risks/opportunities related to the processes and determining the actions for their treatment.
- ✓ Awareness of the company's staff and of the staff working on behalf of the organization and improvement of communication in order to ensure active participation in the achievement of the goals and the environmental management program.

In terms of environmental protection and water management, CONPET activity is authorized in accordance with the provisions of GEO 195/2005 on environmental protection, as supplemented and amended and Water Law no.107/2005, with subsequent amendments and additions.

According to the Ministry of Environment Order 1798/2007 approving the procedure for issuance of the environmental permit, the activity carried out by CONPET is an activity with significant environmental impact. The environment permits issued to CONPET remain valid all along the period the company has been issued annual visa permit - amendment brought by Order 1150/2020.

The identification of the environment aspects and assessment of the associated impact within the company is being achieved for:

- ✓ All the activities performed, included in the area of application of the environment management system;
- ✓ materials, goods and services that can generate environmental impacts that are supplied/manufactured by suppliers/providers;
- ✓ new projects and developments/upgrades;
- ✓ facilities/equipment from a workstation whose operation has been partially or permanently stopped as a result of preservation, respectively of dissolution of work site and that generated or generate impacts on the environment.

Following the identification of environmental aspects for activities, products and services of the company significant environmental aspects have been retained, which are input and environmental management program.

The update of the environment lists and their related impact, as well as their centralization is being made whenever changes occur, for example:

- ✓ Technology changes;
- ✓ upgrading or introducing new plant, equipment, use of other raw materials;
- ✓ occurrence of new requirements, environmental regulations or amendment of the existing ones;
- ✓ decommissioning of installations and equipment;
- ✓ preservation/restarting, dismantling of workstations after completion of actions to deal with significant environmental aspects.

During 2021 were reviewed environmental issues at the sites, significant environmental aspects being included in the "List of significant environmental aspects and associated impacts".

Given the significant environmental aspects identified at company level, the measures of inspection reports/minutes - authorities, concerning compliance with legal and other requirements, etc., during 2021 have been reviewed:

- ✓ The Environment Management Program
- ✓ The Action Plan for the fulfillment of the environment objectives at company level.

The status of achievement of the objectives and targets set and the stage of the implementation of the actions set for the achievement of the environmental objectives are analyzed annually by the executive management, in the framework of the analysis carried out by the management.

Occupational Health and Safety

Safety and health at work is today the joint concerns of technical and engineering disciplines, interested in finding the most appropriate ways and means of optimizing the human integration into the professional applications system. The final goal of work safety and health at work is:

- ✓ protecting the life, integrity and health of workers against the risks of accidents and professional diseases that can occur in the workplace;
- ✓ creating working conditions to provide them stable physically, mentally and socially comfort;

The main directions of action relating to service quality are the following:

- ✓ Prevention and reduction of occupational diseases and accidents at work;
- ✓ Consultation and participation of workers on any aspect of health and safety at work;
- ✓ Ensuring the organizational framework appropriate for setting the goals of the integrated management system quality- environment- operational health and safety.
- ✓ Permanent assessment of the risks/opportunities posed in the context the organization evolves in and of the risks/opportunities related to the processes and determining the actions for their treatment.

From the perspective of the obligations and responsibilities arising from the Law no. 319/2006 on safety and health at work and GD no. 1425/2006 approving the Methodological norms for the application of the provisions of the Law on safety and health at work no. 319/2006, the conditions for health and safety at work and occupational accident and diseases prevention are ensured:

- ✓ prevention and protection activities are organized internally through the Prevention and Protection Department;
- ✓ the duties and responsibilities for safety and health at work are set out incumbent upon the workers, corresponding to the functions exercised, which are specified in the job description;
- ✓ the areas requiring occupational safety and health signaling and the necessary signaling type according to GD no. 971/2006 concerning the minimum requirements for the provision of safety and/or health signaling at work are determined;
- ✓ -occupational health and safety clauses are established upon the conclusion of the service contracts with other employers, including those concluded with foreign employers;
- ✓ authorization is organized for the exercise of trades and professions provided for by the specific legislation;
- ✓ the health of the workers is monitored through in-house medical practices and by contracting occupational medicine services;

In 2021, external checks were carried out by labor inspectors in Olt and Braila counties, without being identified irregularities at the level of the checked work sites. In the framework of the scheduled internal controls, all the locations established by the approved control schedule were checked, no serious deviations were found, possibly causing injury and/or occupational illness of

workers; the non-conformities found were remedied by carrying out the corrective measures ordered at no additional cost.

The starting point for optimization of efforts to prevent accidents and occupational disease at work is "Risk Assessment".

In 2021, the commission established at company level analyzed and reevaluated the risks for each job/workstation and drafted the Prevention and Protection Plan. By implementing the technical measures, organizational and sanitary related thereof, the level of risk within the company is 2.90%, the maximum permitted limit being 3.5%.

CONPET S.A. implemented, ever since 2007, an occupational health and safety management, integrated with the other implemented management systems and the compliance with the requirements of standard ISO 45001 being certified by DNVGL body, following the annual external audits performed.

In the light of the obligations and responsibilities arising from fire defense and civil protection legislation with implications for the safety and health at work of workers, prevention and intervention measures shall be ensured by meeting/complying with the applicable legal requirements and fire defense activity shall be organized at company level:

- ✓ is established the Emergency Situations Office - structure with responsibilities in emergencies, specialized in risk prevention of occurrence of emergencies through guidance and control activities;
- ✓ is organized defense against fire for all work places;
- ✓ is organized the intervention of firefighting for all work places;
- ✓ is organized the rescue and evacuation of employees and material goods;
- ✓ Private service for Emergency Situations is set, in accordance with the law;
- ✓ are identified, monitored and evaluated specific risk factors, generators of hazardous events; are identified types of risks generating natural and technological disasters; is provided assessment and analysis of potential risks on the possibility of their occurrence and consequences on people's lives, the environment and property;
- ✓ is established the Cell for Emergency Situations.
- ✓ are provided informing and training activities on the means of knowledge, compliance and enforcement of the norms, of the technical regulations and provisions concerning fire safety and civil protection for all company personnel;
- ✓ is ensured the organization of training of employees and emergency teams within SPSU in emergency situations; participation in exercises and applications alarm, evacuation, intervention, limitation and elimination of consequences of fires or other disasters.

From the point of view of the obligations and responsibilities arising from Law no. 59/2016 on the control of major accident hazards involving dangerous substances are provided prevention/action measures by performance/compliance with the applicable legal requirements:

- ✓ are established and provided measures to prevent major accidents involving dangerous substances and limit their consequences on human health and the environment.
- ✓ are developed "Safety Reports" and "internal emergency plans" for each location of the company classified as "upper-tier site" or "prevention policy" for locations classified as "lower-tier site".
- ✓ the staff employed in these locations is periodically trained on the relevant parts of that documentation.
- ✓ at the site level a responsible in charge with security management was appointed, by decision of the Director General.

In order to maintain and continuously improve the safety and health of workers in every aspect related to work, CONPET SA has developed and established the following plan on short, medium and long term:

1. Achievement of all necessary lines regarding Occupational Health and Safety contained in the Programs of measures resulting from checks/internal and external audits.
2. Permanent compliance with OHS legislation and other requirements/regulations to which the company subscribes, by implementing innovations in the field.
3. Creating an OHS culture through training and raising awareness of employees about the need to respect the rules of safety and health at work, by:
 - ✓ the use of interactive teaching methods, accompanied by practical demonstrations.
 - ✓ empowering all staff in identifying, reporting and eliminating/reducing the dangers of accidents and professional diseases.
 - ✓ supporting and promoting preventive thinking and behavior.
 - ✓ involving all staff in adopting measures to continuously improve the working environment.
4. Continuous improvement of occupational health and safety by:
 - ✓ eliminating/reducing ongoing risks of accidents and occupational diseases;
 - ✓ conclusion of an occupational medicine contract with a specialized clinic;
 - ✓ integrating new employees in all the prevention and protection actions specific to the workplace;
 - ✓ developing programs to educate employees on occupational health, by adopting a healthy lifestyle;
 - ✓ improving internal communication and consultation on issues of safety and health at work;
 - ✓ implementation of thematic programs of information on health and safety risks, use of modern methods, efficient and effective training.

Energy Policy

Energy policy of CONPET SA promotes the goals of continuous improvement of energy performance by the energy management system, by ensuring compliance with the legal provisions and other applicable requirements regarding energy consumption and energy efficiency, minimizing the loss of electricity and fuel to produce heat, reducing the costs related to energy and by the acquisition and use of energy-effective products and services.

The company carries out actions to raise staff awareness and improve communication in order to ensure active participation in the achievement of the energy goals and targets. In order to achieve the goals of this policy, the company is fully committed to maintaining and improving the energy management system in accordance with the provisions of the SR EN ISO 50001:2019 standard. As such, the energy management system has been implemented, aimed at continuously improving the energy performance of the organization and complying with the legal requirements regarding energy efficiency, a system certificated by the company DNV Business Assurance Romania. Following the audit that took place in 2021, the certification of the energy management system implemented in CONPET S.A. is being maintained.

Railway Safety Policy

Starting 2010, within CONPET SA the Railway safety management system is implemented and maintained. The field of application of this system includes the railway ramps where CONPET carries out railway shunting.

Through the railway safety policy, CONPET SA has undertaken to act in order to achieve the common safety goals and the compliance with the safety requirements set out in the technical specifications for interoperability and the safety regulations of the European Union. The main lines of action are:

- ✓ Compliance with existing legal requirements and other relevant stakeholder requirements relating to the development of railway shunting operations;
- ✓ Ensuring the appropriate organizational framework for setting objectives and assessing the performance of the safety management system;
- ✓ Identification of hazards, assessment and evaluation of risks associated with railway operations, including those arising from external factors;
- ✓ Establishing appropriate safety measures to be implemented to mitigate these risks, with a view to preventing accidents/incidents by rail and cooperate with relevant stakeholders on the implementation of appropriate safety measures in case of common risk identification;
- ✓ Assuming the coordination of the safety management system activities at the level of the management and delegation of responsibilities within the organization;
- ✓ Provision of programs to train staff and maintain their competence in performing tasks, both for staff in charge of management, training and control tasks and for staff performing railway safety-related activities.

The Romanian Railway Authority (RRA) (Ro. AFER) granted the company the license for carrying rail services (railway shunting) and the Safety Certificate for the railway safety management system implemented in CONPET SA.

Social and Personnel Policy

The company's management develops and implements internal regulations used to establish the organization of the activity within the company by which the necessary resources are allocated effectively. The risks associated with the social and staff field are identified and their potential adverse effects are kept to an acceptable level through appropriate measures for cancellation or mitigation.

The legal requirements in the HR and OHS areas at the level of the company are also complied with by the implementation and certification of the integrated management system. In addition, certain requirements are included in the Internal Regulations and the Code of Ethics.

Competent, motivated and honest employees represent the essential element for the successful completion of the company's goals, being the most important resource for the proper conduct of the business.

The main actions taken with respect to these issues are materialized by:

- ✓ the provision of optimal work conditions;
- ✓ transparent processes for recruitment based on professional competence and experience;
- ✓ promotion of employees that behave ethically and have proved integrity;
- ✓ assessment of professional performance based on professional and personal skills criteria;
- ✓ allocation of sufficient resources for the training and continuous improvement of the staff;
- ✓ health care (regular medical checks and assessments, monitoring the health status of the employees, insurance contracts for medical services for the benefit of the employees);

- ✓ providing additional wage benefits in the form of voluntary health insurance, as regulated in art. 222 al.9 of the Collective Labor Agreement, the ultimate goal being to prevent loss of working capacity of employees;
- ✓ social facilities provided for in the Collective Labor Agreement (meal vouchers, covering part of the cost of tickets for rest and treatment, facilities for the practice of physical activities in the sports base of the company, financial support to the employees and, in exceptional circumstances, to the members of their families (husband, wife, children supported by them), who have special medical problems, as well as to the employees who suffered significant damage from earthquakes, landslides or floods or other natural phenomena, fires, etc.);
- ✓ supporting trade union activity, communication and ongoing consultation with the trade union organization.

The main risks in the social and staff field relate to:

- ✓ high personnel fluctuation, decreased rate of retention of newly hired personnel or occupying key positions;
- ✓ insufficient financial resources allocated for maintaining and improving working conditions or for preventive medical actions and measures;
- ✓ constraints and budget limitations that can restrict the initiation/development of projects in the field of human resources;
- ✓ improperly managed communication;
- ✓ lack of qualified personnel in order to ensure the continuity of certain activities (e.g. staff with responsibilities in traffic safety) in the case of departures from the system.

The effects of these potential risks may consist in the increase of the medical leave expenses incurred by the company, increased absenteeism, decreased quality of the transport services, decreased efficiency, increased recruitment costs, adverse incentive of the employees or trade union conflicts. The company has managed, through the measures taken, to maintain the social and staff risks at a low level.

To manage the risks in this field, the company has taken the necessary measures to ensure the security and protection of the employees' health, to prevent occupational risks, to inform and train the employees and to ensure the organizational framework and the necessary means for occupational health and safety, including for specific risk-sensitive groups.

Therefore, in-house instructions have been developed for the application of the regulations concerning the safety and health at work, taking account of the particularities of the activities and of the jobs in the company. Furthermore, labor protection measures have been taken, specific for certain occupations or activities.

In drawing up the measures for the safety and health at work, the company's management advises with the Trade Union or, as appropriate, with the representatives of the employees and with the Occupational Health and Safety Committee.

The staff is informed and trained about the risks to the safety and health of the employees and to the protection and prevention measures specific to the workplace..

In terms of gender equality, each employee of the company is free to develop their own skills and to express their choices without being influenced by the peculiarities of their gender.

The different behaviors, aspirations and needs of women and men enjoy equal appreciation and promotion within CONPET S.A..

The Internal Regulations of the company include provision for the prohibition of all forms of discrimination.

From the percentage of 37.52% of the total personnel with higher education, 14.06% is represented by women. At the same time, women represent a percentage of 37.41% from the total personnel with management and/or coordination positions in the company, significantly higher than the previous year (29.44%). Achieving this weight ensures women's participation in decision-making and management at all levels and in key areas of activity of the company.

Thus, according to the organization chart in force at 31.12.2021, the entities Deputy Director General, Deputy Director General 2, the Economic Directorate and Maintenance Development Chief Engineer are led by women. Promoting equality at work is synonymous with significant economic benefits.

By elimination of all forms of discrimination within the company, women are free in the choice of their occupation upon their employment on any vacant job and at all levels of the professional hierarchy. This creates non-discriminatory conditions for career advancement, for work remuneration in relation to the professional skills and the quality of the work carried out and for the participation in professional qualification / re-qualification, improvement and specialization programs.

The company guarantees for all employees, regardless of gender, the application of the payroll equality principle and of the right to other benefits paid by the employer to the employees, directly or indirectly, in cash or in kind, in accordance with their job.

The Conventions of the International Labor Organization (ILO), considered as fundamental labor principles and rights, relate to trade union freedom and trade union right protection, the effective recognition of the right of collective organization and bargaining, the elimination of all forms of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in respect of employment and occupation, and represent guidelines and useful tools for the preparation of the internal policies of the company concerning employment, work, social dialogue, etc.

The company informs employees consistently and permanently on the provisions of the Collective Labor Agreement, the Code of Ethics and Integrity and the Internal Regulations, a document containing special chapters on the rights they have in connection with the compliance with the equality of opportunities and treatment between men and women in labor relations.

Trade union freedom and collective bargaining ensures a good cooperation and consultation between the workers and the employer, leading to a decrease in the number of labor conflicts and a higher social stability.

The employees of CONPET SA receive adequate protection against any discriminatory acts that might infringe trade union freedom.

The practice of collective bargaining in CONPET SA guarantees that the worker and the employer have an equal share in the negotiations and that the decisions made will be fair and equitable. Starting from the premise that social dialogue is an important factor for socio-economic progress, considered as one of the pillars of the European social model, essential for: the promotion of decent working conditions, transparent regulations regarding working rules, respect for employees and performance, productivity and profit for employers, collective bargaining has allowed the social partners to negotiate a fair employment relationship and to prevent labor disputes.

The activities and actions for entertainment and networking for employees have been conducted between the trade union and employees, between the employees and family members, activities in partnership with public educational institutions, culture, various events at which personalities have been invited, etc.

CONPET SA promotes a transparent business climate, communication and cooperation with all the parties involved in the conduct of its business, with respect to community and environment. The company has supported, through sponsorship actions, projects of tradition or bearing a significant and lasting impact on the community, but also smaller requests targeting individual ideas, actions or individual performance.

Ethics and Integrity in Business, fighting corruption

CONPET SA promotes fair business relationships and pursues legal compliance in all commercial transactions and activities carried out, acting for the deterrence, prevention and combating of corruption deeds.

The Code of Ethics and Integrity established the rules of conduct governing corporate values, responsibilities, obligations and business conduct, mandatory rules, applicable to all employees, from all organizational structures of CONPET SA.

The Code of Ethics and Integrity defines conduct and conduct of integrity, prohibits the participation of employees in decision-making in situations where there is a conflict of interest, imposes restrictions on the offering/acceptance of gifts, favors or services, sets out the obligations of employees with regard to the protection of company assets and resources, specifies how to relate to the authorities on the basis of the principles of fairness, transparency and good cooperation, and mentions the rules of conduct during internal and external trips. Furthermore, clear rules for dealing with shareholders in what concerns equal treatment and inside information, as well as the use of honest and lawful practices in dealing with business partners, are also specified.

At the level of CONPET SA, the Integrity Plan was approved, having 27 measures to implement in applying the National Anti-Corruption Strategy (NAS) 2016 – 2020.

In order to implement the measures of the integrity Plan scheduled for 2021, each of the 27 existing measures was analyzed in turn and compared to the planned and necessary measures for 2020, the measures in question were identified and qualified to be addressed from measure to measure.

There were 26 measures to be carried out by the end of 2021, measure 27 consisting in implementing the ISO 3700 Standard –anti-bribery, with a deadline for implementation in 2022.

The implementation of the ISO 3700 standard - Anti-bribery has an implementation program with actions achieved in 2021, out of which:

- ✓ Training of the personnel with relevant duties and functions in the anti-bribery management system;
- ✓ Settlement of the Anti-bribery policy and provision of the availability thereof to the stakeholders;
- ✓ Awarding responsibility and authority for the anti-bribery observance function (requirement 5.3.2 of SR ISO 37001:2017);
- ✓ Analysis of the organizational internal and external context: understanding the needs and expectations of the stakeholders regarding the anti-bribery management system;
- ✓ Setting the scope of the anti-bribery management system.

According to EGO no. 109/30.11.2011 on the corporate governance of public enterprises and within the Development Program of the Internal Control Management System elaborated in accordance with OSGG 600/2018, considering the need to build an integrity culture within CONPET, a new Code of Ethics and Integrity was drafted and an ethics counselor within the Integrity Office was appointed.

The entire personnel of CONPET S.A. has been trained with regards to the company's institutional strategy, related to the expectations in conduct matters as per the Code of Ethics and Integrity, as well as related to the rights and obligations of the personnel in ethics and compliance matters. The Ethics Advisor monitored the compliance, by the organization's staff with the principles and rules of conduct and provided advice and assistance in the field of ethics in accordance with CONPET S.A. Ethics Advisor's Work Regulation in force.

In 2021 was revised the Ethics Advisor's Work Regulation from CONPETS.A." and got approved by the Director General, being disseminated to all organizational entities.

No cases of conflicts of interest, incidents or integrity alerts have been recorded in 2020.

The Anti-Bribery Policy

For CONPET S.A., doing business and process deployment by the observance of the highest standards of ethics and integrity stands for a constant preoccupation.

Acting as an operator of the crude oil, rich gas, condensate and ethane national transport system, CONPET S.A. acceded to the anti-bribery national strategy and implemented proper integrity plans.

By the anti-bribery policy, CONPET S.A. commits not to tolerate any bribery act, not to manifest any type of sanction or retaliation against any relevant employee or third party for the refuse to be part of a bribery act and to observe the anti-bribery legislation applicable to the organization.

Issues related to the Diversity Policy in terms of Administrative and Managerial Bodies

CONPET SA is a company listed on Bucharest Stock Exchange and, according to the capital market legislation, the decision for the appointment of the members of the Board of Directors belongs to the shareholders. For this reason, the company is not in a position where it can influence issues of diversity and could not adopt a policy on diversity in terms of administrative and management bodies.

However, the proposals for candidates and the result of the vote in elections have been provided each time an appropriate degree of diversity in terms of profile of administrators, coverage of professional expertise areas or age thereof.

The current Board of Directors includes a woman and six men with professional experience in economics, engineering and law.

6. PROPOSAL OF THE BOARD OF DIRECTORS

6.1 Approval of the financial statements concluded at 31.12.2021

6.2. Approval of the allocation of the net profit related to 2021 financial year

Proposal to distribute the accounting profit left following the deduction of the income tax on December 31, 2021

All along 2021, have not been distributed dividends based on the interim financial statements.

The accounting profit left after the deduction of the income tax, on December 31, 2021 is in amount of 51,928,770 Ron.

The proposal to allocate by legal destinations, the accounting profit left after the deduction of the income tax to be distributed, reinstated with the provision for the employees' share of profit in total amount of 57,447,153 RON, is the following:

- RON-			
Crt.no.	Element	GD provision no. 64/2001	Amount
1	The net profit of the financial year 2021, reported based on the audited annual financial statements	-	51,928,770
2	Employees profit sharing schemes within the limit of 10% of the net profit but not more than the monthly average base salary achieved at the level of the economic operator reported in the reference year, acknowledged in the provisions account	-	5,518,383
3	Total profit to be allocated (1+2), o/w allocated to:	-	57,447,153
a)	Other allocations stipulated by law - exemption from the payment of the reinvested income tax (account 1068), Art 22 of Law no. 227/2015 of the fiscal code	art. 1, para. (1), letter b)	1,484,680
b.	Employees profit sharing schemes within the limit of 10% of the net profit but no more than the monthly average base salary achieved at the level of the economic operator reported in the Reference year	art. 1, para. (1), letter e)	5,518,383
C	Dividends due to shareholders	art. 1, para. (1), letter f)	50,444,090

The retained earnings which can be allocated, in amount of 7,130,819 RON, is proposed to be allocated for the distribution as dividends due to shareholders.

Other reserves in amount of 5,482,940 RON, representing prescribed dividends, unclaimed within three years from the due date (prescribed dividends), in amount of 5,482,940 RON is proposed to be allocated for the distribution as dividends due to shareholders.

Chairman of Board of Directors

GHEORGHE Cristian-Florin

Director General,

Tudora Dorin

Electronic Signature

Deputy Director General

Jurist DUMITRACHE Mihaela Anamaria

Electronic Signature

Economic Director

Econ. TOADER Sanda

Electronic Signature

ANNEXES

- 1) The Articles of Incorporation in force, updated at the date of 18.12.2018;
- 2) C.V.- s of the current administrators;
- 3) Objectives and financial and non-financial key performance indicators for Directors with mandate contracts achieved between 01.01.2021-31.12.2021;
- 4) Report on the internal control management system at 31.12.2021;
- 5) List of the important contracts concluded by the company in 2021;
- 6) List of litigations at 14.03.2022.