

Approved within the Board of Directors' meeting of 27.07.2021 by Decision no. 62 and sent for assessment to OGSM meeting of 30(31).08.2021

OIL TERMINAL SA Constanta
No.780/23.07.2021

SUBSTANTIATION NOTE
regarding
the rectified Budget of revenues and expenses for 2021

The Budget of revenues and expenses proposal for 2021 was approved by OGSM by Decision no. 6/29.04.2021, according to the provisions of the Government Ordinance no. 23/2013.

The proposal of rectification for the Budget of revenues and expenses for 2021 took into consideration the following:

- the budget implementation results on 30.06.2021, as well as the evolution of the main budgetary indicators during the second semester of 2021.
- the resumption of salary negotiations according to the provisions of the Collective Labour Agreement in force, as well as the request of the main shareholder to assess, within a budgetary rectification, the possibility of granting a salary increase.

The substantiation of the rectified Budget of revenues and expenses draft took into consideration the following:

- the budget implementation results on 30.06.2021;
- the evolution of the main budgetary indicators during the second semester of 2021;
- providing necessary resources in order to carry out activity under normal conditions until the end of 2021;
- the provisions of the Collective Labour Agreement;
- OGSM' Decision no. 6 of 29.04.2021.

The values of the main budgetary indicators for 2021, after rectification, are as follows:

- **Total revenues – 195,440 thousand lei**, increasing by 5.9%, from which:
 - Operation revenues in the amount of 194,975 thousand lei, increasing by 5.8%
 - Financial revenues in the amount of 465 thousand lei, increasing by 93.8%
- **Total expenses – 189,670 thousand lei**, increasing by 5.8%, from which:
 - Operating expenses in the amount of 185,364 thousand lei, increasing by 5.9%
 - Financial expenses in the amount of 4,306 thousand lei, unchanged
- **Gross profit** in the amount of **5,770 thousand lei**, increasing by 10.7%

Within these indicators structure, the rectified values are presented below:

I. TOTAL REVENUES

The **total revenues** increase by 5.9% from 184,480 thousand lei to 195,440 thousand lei based on the increase of 4% of the quantitative physical program, from 6,089 thousand lei to 6,331 thousand lei.

The operating revenues to be rectified are the following:

>**Revenues from sold production/ turnover**, in the amount of 194,324 thousand lei, increase by 6.2%, the following revenues change in the structure of turnover:

- **revenues from the sale of products** such as iron waste and petroleum waste increase by 27.4%, from 1,163 thousand lei to 1,482 thousand lei
- **revenues from services** increased by 6.2%, from 180,113 thousand lei to 191,222 thousand lei, based on the increase by 4% (242 thousand tons) of the initial physical program approved by the Board of Directors by Decision no. 10/05.02 .2021.

During the second semester of 2021, the **physical program** will increase by 242 thousand tons, from 6,089 thousand tons approved to 6,331 thousand tons updated, as a result of the event that occurred on 02.07.2021, when a strong explosion took place at Rompetrol Rafinare, which led to the total shutdown of the refinery for a period of about two months.

The quantitative and value physical program updated for 2021 was approved by the Board of Directors by Decision no. 57/20.07.2021.

> **Revenues from fines and penalties** increase by 18.3%, rectified value - 355 thousand lei

> **Revenues from investment subventions** increase by 14.3%, rectified value - 16 thousand lei

> **Other revenues** decrease by 75%, rectified value - 250 thousand lei

> **The revenues from exchange rate differences** increase from 100 thousand lei to 325 thousand lei, which determines the increase by 93.8% of the **financial revenues**, the rectified value being in the amount of 465 thousand lei.

II. TOTAL EXPENSES

The volume and structure of the total expenses included in the rectification proposal of the Budget of revenues and expenses for 2021 were drawn up according to the level of revenues scheduled in the second semester of 2020 and taking into account the level achieved on 30.06.2021. At the same time, the programs for the next 6 months were considered, at company level, corresponding to the planned activities, such as: maintenance, investments, ensuring the state of safety and health at work, safety of facilities, environmental protection, professional training, etc., so that the company's activity is carried out in conditions of economic efficiency and safe operation of the oil terminal.

The total rectified expenses increase by 5.8%, from 179,270 thousand lei to 189,670 thousand lei, **the rectified operating expenses** are in the amount of 185,364 thousand lei, and **the financial expenses** do not change compared to the initially approved level, namely, 4,306 thousand lei.

Operating expenses increase by 5.9%, being established in the amount of 185,364 thousand lei. The operating expenses that are rectified are the following:

> **Expenses on goods and services** increase by 15.1%, namely, by 6,886 thousand lei, from 45,515 thousand lei initially approved to 52,401 thousand lei rectified.

In the structure, the following expenses change:

- **expenses regarding stocks** increased by 31.4% (by 3,290 thousand lei), mainly due to the increase by 63.4% (2,715 thousand lei) of expenses with consumables and by 47.9% (575 thousand lei) of expenses regarding inventory materials.
- **the expenses regarding services performed by third parties** increase by 18.6% (3,596 thousand lei) on account of the increase by 22.8% of the expenses with maintenance and repairs.
- **expenses with other services performed by third parties** do not change.

> **Expenses with taxes, fees and assimilated payments** increase by 4.2% due to the increase by 6.2% (namely, 467 thousand lei) **of the expenses with the oil royalty** in correspondence with the increase of revenues from services during the second semester of 2021, the rectified value of the expenses with the royalty being in the amount of 8,050 thousand lei.

> **Staff expenses**, in the amount of 104,640 thousand lei, increase by 2.9% (namely, by 2,998 thousand lei) compared to the level from the initially approved budget.

In the structure, the following expenses change:

- **Salary expenses**, in the amount of 99,998 thousand lei, increase by 3% (2,942 thousand lei) compared to the initially approved level, of which: salary expenses increase by 3% (2,394 thousand lei), and bonuses increase by 3,1% (548 thousand lei).

The proposal to increase salary expenses is based on the following:

a) *The Minutes of 22.03.2021 of the Salary Negotiation Commission*, where it is mentioned that "The parties agree that the negotiations will be concluded by law on the date of the Budget of revenues and expenses for 2021 approval by the GMS in the proposed form, and if otherwise, the resumption of negotiations."

b) *the request of the majority shareholder that the company "analyzes the possibility of rectifying the Budget of revenues and expenses for 2021 regarding the granting of a salary increase within the limits of the provisions of art. 48 paragraph (4) of Law no. 15/2021 of the state budget for 2021, related to the increase of labor productivity provided in the budget."*

In the budget rectification proposal for 2021, the average gross earnings per employee increases by 2.7% compared to the level achieved in 2020 starting with 01.09.2021.

The company complies with the provisions of art. 48 paragraph (4) of Law no. 15/2021 of the state budget for 2021:

- the average monthly gross earnings growth rate is 102.7% and does not exceed the labor productivity growth rate of 108.5%,

- the company achieved profit in 2020, not having and not scheduling overdue payments for 2020 or 2021.

The average monthly gross earnings per employee, recalculated, is determined taking into account the reinstated salaries for the entire year 2021 as a result of salary increases in 2020, in the amount of 5,476 thousand lei, based on art. 48 paragraph (5) letter b).

The recalculated labor productivity is established in compliance with the provisions of art. 48 paragraph (6) letter a), namely, taking into account the short-term revenues achieved in 2020 (26,003 thousand lei) and the short-term revenues estimated for 2021 (8,400 thousand lei) .

- **The expenses related to the mandate contract** do not change.
- **The expenses with the contributions due by the employer**, rectified value in the amount of 2,193 thousand lei, increase by 2.6% (namely, by 56 thousand lei) in correspondence with the increase of the salary expenses proposed by rectification.

> **Other operating expenses** increase by 0.3%, mainly due to the increase by 10.7% of the provision regarding the profit participation of employees in correspondence with the increase of the gross profit initially approved, from 5,210 thousand lei to 5,770 thousand lei.

III. GROSS RESULT

The gross profit increases by 10.7% from 5,210 thousand lei to 5.770 thousand lei.

The taxation of profit. The expenses with the profit tax in the amount of 903 thousand lei were determined in accordance with the provisions of Law no. 227/2015 regarding the Fiscal Code.

The estimation of the fiscally non-deductible expenses and of the non-taxable revenues at the calculation of the profit tax for 2021 was made based on the achievements registered on June 30, 2021 and of the estimates for the second semester of 2021.

The rectified fiscally non-deductible expenses consist of expenses with adjustments and provisions, including the provision of employees' participation in the rectified profit of 2021 (506 thousand lei) and other non-deductible expenses, and the non-taxable revenues do not change compared to the initially approved level.

As a result of the changes in the structure of non-deductible expenses, the profit tax increases from 812 thousand lei to 903 thousand lei.

No.	Elements	Value -thousand lei
1	Gross profit	5,770
2	Legal reserve fund (5%)	314
3	Non-taxable revenues	10,275
4	Fiscally non-deductible expenses	11,903
5	Sponsorships	215
6	Taxable basis (1+4+5-2-3)	7,299
7	Tax on profit 16% (6x16%)	1,168
8	Expenses on sponsorship	215
9	Expenses on early education	50
10	Remaining tax due (7-8-9)	903
11	Net profit (1-10)	4,867

IV. ACCOUNTING PROFIT REMAINED AFTER PROFIT TAX DEDUCTION

The net profit planned in the Budget of revenues and expenses for 2021 (4,867 thousand lei), rounded with the value of the provision established for the employees participation in profit fund in the amount of 506 thousand lei, is proposed for distribution according to the provisions of GO no. 64/2001 regarding profit distribution to national companies and commercial companies with full or majority state capital, as well as to autonomous companies, approved with alterations by Law no. 769/2001, as follows:

- a. Legal reserves - 314 thousand lei
- b. Other reserves representing fiscal facilities provided by law - 0 thousand lei
- c. Coverage of accounting losses from previous years - not applicable;
- c'. Establishment of own financing sources for projects co-financed from external loans - not applicable;
- d. Other distributions provided by law - not applicable;
- e. Employees participation in profit - 506 thousand lei
- f. Dividends due to shareholders - 2,529 thousand lei
- g. Own financing source - 2,024 thousand lei

VI. INVESTMENTS FINANCING SOURCE

The investments financing source for 2021 in the amount of 34,439 thousand lei does not change, of which: 18,152 thousand lei source constituted at the depreciation level established for 2021, 1,287 thousand lei representing amounts distributed from the net profit of 2020 according to the provisions of GO no.64/2011 and 15,000 thousand lei source of financing from the bank credit contracted in 2020.

Investment expenses for 2021 are planned at the level of the financing source, respectively, 34,439 thousand lei, of which: reimbursements of installments in the amount of 6,970 thousand lei related to investment credits contracted in the previous period and investment expenses in the total amount of 27,469 thousand lei.

VII. SUBSTANTIATION DATA

The number of staff forecasted at the end of 2021 does not change – 990 people.

The average number of employees forecasted for 2021 does not change – 970 employees.

The average monthly earnings per employee (lei/person) determined based on salary expenses, recalculated according to Government Ordinance no. 26/2013 and the annual Law on the state budget for 2021 is in the amount of 7,741 lei/person increasing by 102.7% compared to the level achieved in 2020.

Labor productivity in value units per total average staff for 2021 recalculated according to the Annual Law of the state budget is in the amount of 192 thousand lei/person, increasing by 108.5% compared to the level achieved in 2020.

Outstanding payments. The planned level of outstanding payments for 2021 is equal to zero lei.

Outstanding receivables on 31.12.2021 are set in the amount of 350 thousand lei.

Credits for financing current activity are in the amount of 10,000 thousand lei.

According to the provisions of the Order of the Ministry of Public Finance no. 3818/2019, Annex no. 6, the Draft Budget of Revenues and Expenditures rectified for 2021 was submitted for approval of the financial management control according to Government Decision no. 1151/2012 for approving the norms methodological guidelines on how to organize and exercise financial management control.

The draft budget rectification for 2021 was submitted to the Board of Directors for approval and will subsequently be submitted to the vote of the shareholders at the OGSM meeting of 30(31).08.2021.

We attach to this Annex no.1.

General Director,
Sorin Viorel Ciutoreanu

Financial Director,
Adriana Frangu

Chief of Financing Budgets Dept.,
Daniela Moldoveanu

RECTIFIED BUDGET OF REVENUES AND EXPENSES FOR 2021

thousand lei

0	1	INDICATORS	No. row	Approved current year 2021	Proposals for rectificatio n current	% 6=5/4 x100	Provisions		%	
							2022	2023	9=7/5 x 100	10=8/7 x 100
2	3	4	5	6	7	8	9	10		
I.		TOTAL REVENUES (Row.1=R.2+R.5)	1	184 480	195 440	105.9	187 010	187 970	95.7	100.5
	1	Total revenues from operating, from which:	2	184 240	194 975	105.8	186 545	187 505	95.7	100.5
		a) subventions, acc. to legal provisions in force	3							
		b) transfers, acc. to legal provisions in force	4							
	2	Financial revenues	5	240	465	193.8	465	465	100.0	100.0
II		TOTAL EXPENSES (R.6=R.7+R.19)	6	179 270	189 670	105.8	181 466	182 256	95.7	100.4
	1	Operating expenses, (R.7=R.8+R.9+R.10+R.18) from which:	7	174 964	185 364	105.9	177 756	178 896	95.9	100.6
		A. expenses on goods and services	8	45 515	52 401	115.1	41 925	40 439	80.0	96.5
		B. expenses on taxes, fees ad assimilated instalments	9	11 103	11 570	104.2	11 306	11 435	97.7	101.1
		C. staff expenses, (R.10=R.11+R.14+R.16+R.17) from which:	10	101 642	104 640	102.9	107 937	110 438	103.2	102.3
		C0 Salary expenses(R.11=R.12+R.13)	11	97 056	99 998	103.0	103 140	105 607	103.1	102.4
		C1 Salaries expenses	12	79 606	82 000	103.0	84 542	86 656	103.1	102.5
		C2 bonuses	13	17 450	17 998	103.1	18 598	18 951	103.3	101.9
		C3 other staff expenses, from which:	14	0	0		0	0		
		expenses on compensations related to redundancies	15							
		C4 Expenses related to mandate contract and other management and control bodies, committees	16	2 449	2 449	100.0	2 525	2 505	103.1	99.2
		C5 Expenses on contributions due by employer	17	2 137	2 193	102.6	2 272	2 326	103.6	102.4
		D. other operating expenses	18	16 704	16 753	100.3	16 588	16 584	99.0	100.0
	2	Financial expenses	19	4 306	4 306	100.0	3 710	3 360	86.2	90.6
III		GROSS RESULT (profit/loss) (R.20= R.1-r.6)	20	5 210	5 770	110.7	5 544	5 714	96.1	103.1
IV	1	TAX ON CURRET PROFIT	21	812	903	111.2	817	842	90.5	103.1
	2	TAX ON DEFERRED PROFIT	22							
	3	REVENUES FROM TAX ON DEFERRED PROFIT	23							
	4	TAX REGARDING SOME ACTIVITIES	24							
	5	OTHER TAX UN-SUBMITTED IN ELEMENTS ABOVE	25							
V		NET PROFIT/LOSS OF REPORTING PERIOD (R.26=R.20-R.21-R.22+R.23-R.24-R.25), from which:	26	4 398	4 867	110.7	4 727	4 872	97.1	103.1
	1	Legal reserves	27	283	314	111.0	302	311	96.2	103.0
	2	Other reserves representing fiscal facilities provided by law	28							
	3	Cover of accounting losses from previous years	29							
	4	Establishment of own financing sources for projects co-financed from external loans and establishment of sources required for reimbursement of capital ratios, payment of interests, commissions and other costs related to these loans	30							
	5	Other distributions provided by law	31							
	6	Accounting profit remaining after deduction of amounts from R. 27, 28, 29, 30, 31 (R.32= R.26-(R.27 to R.31)>=0	32	4 115	4 553	110.6	4 425	4 561	97.2	103.1
	7	Employees participation in profit within 10% of net profit, but not exceeding the monthly average basic salary achieved at the level of the economic operator in the reference financial year	33	457	506	110.7	492	507	97.2	103.0
	8	Minimum 50% instalments in state or local budget for autonomous companies, or dividends due to shareholders, for national companies and companies with full or majority state capital, from which:	34	2 286	2 529	110.6	2 459	2 534	97.2	103.1
	a)	- dividends due to state budget	35	1 363	1 508	110.7	1 466	1 511	97.2	103.1

0	1	INDICATORS	No. row	Approved current year 2021	Proposals for rectification current	% 6=5/4 x100	Provisions		%	
							2022	2023	9=7/5 x 100	10=8/7 x 100
0	1	2	3	4	5	6	7	8	9	10
	b)	- dividends due to local budget	36							
	c)	- dividends due to other shareholders	37	923	1 021	142.0	993	1 023	97.2	103.1
	9	Profit undistributed to destinations provided in R.33 - R.34 are distributed to other reserves and constitute own financing source	38	1 829	2 024	110.6	1 966	2 027	97.1	103.1
VI		REVENUES FROM EUROPEAN FUNDS	39							
VII		ELIGIBLE EXPENSES FROM EUROPEAN FUNDS, from which:	40							
	a)	material expenses	41							
	b)	salaries expenses	42							
	c)	expenses regarding services supplies	43							
	d)	advertising and publicity expenses	44							
	e)	other expenses	45							
VIII		INVESTMENT FINANCING SOURCES, from which:	46	34 439	34 439	100.0	23 856	20 118	69.3	84.3
	1	Budget allowances	47							
		budget allowances related to the payment of previous years undertakings	48							
IX		EXPENSES FOR INVESTMENTS	49	34 439	34 439	100.0	23 856	20 118	69.3	84.3
X		SUBSTANTIATION DATA								
	1	No. of employees forecasted at the end of the year	50	990	990	100.0	990	990	100.0	100.0
	2	Total average employees no.	51	970	970	100.0	970	970	100.0	100.0
	3	Monthly average earning per employee (lei/person) determined based on salary expenses *)	52	7 969	8 211	103.0	8 454	8 658	103.0	102.4
	4	Monthly average earning per employee (lei/person) determined based on salary expenses, recalculated acc. to annual law of state budget **)	53	7 498	7 741	103.2	7 750	7 954	100.1	102.6
	5	Labor productivity in value units per total average staff (thousand lei/person) (R.2/R.51)	54	190	201	105.8	192	193	95.5	100.5
	6	Labor productivity in value units per total average staff recalculated acc. to annual law of state budget	55	190	192	101.1	192	193	100.0	100.5
	7	Labor productivity in value units per total average staff recalculated acc. to annual law of state budget	56							
	8	Total expenses at 1000 lei total revenues (R.57= (R.6/R.1)x1000)	57	972	970	100.0	970	970	100.0	100.0
	9	Outstanding payments	58	0	0		0	0		
	10	Outstanding receivables	59	350	350	100.0	350	350	100.0	100.0

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