

Approved by Decision no. 76 within the Board of Directors' meeting of 19.08.2022 and sent for evaluation to OGSM' of 26(27).09.2022

OIL TERMINAL SA Constanta

No.937/17.08.2022

SUBSTANTIATION NOTE

Regarding the approval by the Shareholders General Assembly of The rectified Budget of revenues and expenses for 2022 of OIL TERMINAL SA

The budget of revenues and expenses for 2022 was approved by OGSM by Decision no. 3/23.02.2022, according to the provisions of Government Ordinance no. 26/2013, with subsequent amendments and additions.

The rectification of the approved Budget of Revenues and Expenses for 2022 is substantiated by the following considerations:

- **The results of the budget execution on 30.06.2022** compared to the level approved for this period
- **The assessment of a favorable evolution during the second semester of 2022** of the main budgetary indicators: the increase of the physical program by 20%, which generates additional revenues 22.3% higher compared to the level initially approved due to the conjunctural situation caused by the conflict in Ukraine
- **The increase of the inflation forecasted for 2022** from 6.5 to 12.6 annual average
- **The increase in the number of employees** considering the extension of the operational activity and the provisions of several normative acts applicable to the company

The substantiation of the proposal of the rectified Budget of Revenues and Expenses for 2022 is based on the legislation regarding:

- The reinforcement of the financial discipline at the level of some economic operators in which the state or territorial administrative units are sole or majority shareholders or directly or indirectly hold a majority stake (GO no. 26/2013);
- The approval of the format and structure of the Budget of Revenues and Expenses, as well as its supporting annexes (MPFO no. 3818/2019)
- The increase of salary expenses compared to the level planned in the last budget of revenues and expenses approved according to the legal provisions (art. 48 paragraph (1) letter d) of Law no. 317/2021 of the state budget for 2022)
- Granting meal vouchers (Law no. 187/2022 to amend Law no. 165/2018 on vouchers)
- The distribution of profit to national companies, national and commercial companies with full or majority state capital (GO no. 64/2001)
- The format and structure of the Budget of Revenues and Expenses, as well as its supporting annexes (MPFO no. 3818/2019).
- The application by the companies whose values are admitted to trading on a regulated market of the International Financial Reporting Standards (MPFO no. 2844/2016)
- The application of fiscal provisions - Fiscal Code

After rectification, the values of the main budgetary indicators for 2022 are presented as follows:

Total revenues - 258,580 thousand lei, increasing by 23.2%

Total expenses - 250,580 thousand lei, increasing by 22.5%

Gross profit - 8,000 thousand lei, increasing by 50.9%

Regarding the structure of these indicators, the rectified values are presented below:

I. TOTAL REVENUES

Total revenues increase by 23.2%, from 209,890 thousand lei to **258,580 thousand lei** based on the increase of the physical quantitative program by 20%, from 6,597 thousand tons to 7,880 thousand tons.

The rectified **operating revenues** are as follows:

> **Revenues from sales/turnover**, in the amount of **254,510 thousand lei**, increase by 21.9% (+45,670 thousand lei) from which the following revenues change:

• **revenues from services provided** increase by 22.3% (+45,670 thousand lei), from 205,028 thousand lei to **250,698 thousand lei**, based on the 20% increase (+1,283 thousand tons) of the initial physical program approved by the Board of Directors by Decision no. 112/29.12.2021 regarding the physical program of benefits for 2022.

During the second semester of 2022, **the physical program** will increase by 39% (+1,283 thousand tons), from the initially approved 3,328 thousand tons to the updated 4,610 thousand tons, mainly as a result of the economic and geopolitical context caused by the conflict in Ukraine.

In this context, the activity of the Oil Terminal will be increased, which will generate revenues from additional services supply estimated at *45,670 thousand lei*, of which *the conjunctural revenues are estimated at 39,069 thousand lei*, because the turnover of goods and the revenues from services related to some liquid petroleum products, compared to the initially approved level, changes as follows: for diesel - turnover increasing by 78%, for crude oil - turnover increasing by 3%, and for gasoline - turnover decreasing by 11.6%.

> **Revenues from the production of assets**, rectified value **915 thousand lei**, representing revenues from the execution of investment works with own forces, which will be completed during the second semester of 2022

> **Revenues from subsidies for investments**, rectified value – **20 thousand lei**

> **Other revenues** increase by 55.6%, rectified value - **420 thousand lei**

Financial revenues increase 5.5 times, from 425 thousand lei to **2,360 thousand lei**, of which:

> **Revenues from exchange rate differences** increase from 400 thousand lei to **2,210 thousand lei**, mainly due to the evolution of the national currency in relation to the USD, considering that the company has foreign currency receipts from external customers and taking into account that during the first 6 months of the year the value of 1 usd increased by 8.9%, from 4.3559 lei on 03.01.2022 to 4.7424 lei on 30.06.2022.

> **Revenues from interests** related to the bank deposits constituted, rectified value – **150 thousand lei**

Other revenues remain at the originally approved level.

II. TOTAL EXPENSES

The volume and structure of the total expenses included in the Budget of Revenues and Expenses rectification proposal for 2022 were established according to the level of revenues achieved on 30.06.2022 and their rectified level for the entire year of 2022. At the same time, the proposals of expert services for the next 6 months regarding the programs for maintenance activities, investments, ensuring security and health at work, security of installations, environmental protection, professional training, etc. were taken into account so that the company's activity is carried out in conditions of economic efficiency and safe operation of the oil terminal.

The following factors determined the rectification of total expenses by increasing them:

i) **the level of total expenses recorded on 30.06.2022** reflects the level of inflation for the first 6 months of the year, respectively, a Consumer Price Index (CPI) in the amount of 109.98%, *being 2 times higher than the estimated annual value for 31.12.2022 (104.7%) through the autumn forecast of 2021.*

ii) **the increase of the inflation forecasted for 2022 from 6.5 to 12.6 annual average.** According to the Framework Letter on the macroeconomic context, the methodology for developing the budget projects for 2022 and the estimates for the years 2023-2025, as well as the spending limits established on the main authorizing officers issued by the General Directorate for the synthesis of budget policies within the Ministry of Finance and communicated to economic operators by notice no. 464142/10.12.2021 for 2022, *on the date of the initial Budget of Revenues and Expenses elaboration, the values of the macroeconomic indicators were as follows:*

Percentage modification compared to the corresponding period of previous year, %

	2020	2021	2022	2023	2024	2025
Consumption price indicator - year's end-	2.06	7.7	4.7	3.4	2.7	2.5
- annual average -	2.63	5.0	6.5	3.7	2.9	2.6
Average exchange rate - lei/EURO	4.8371	4.92	4.98	5.03	5.08	5.13

Source: the National Commission for strategy and Forecasting, **2021 autumn forecast**

In July 2022, the National Commission for Strategy and Forecasting published the Projection of the *main macroeconomic indicators for the period 2022-2026 revised* against the 2021 Autumn Forecast:

	2020	2021	2022	2023	2024	2025
Consumption price indicator - year's end-	2.1	8.2	12.9	6.2	3.7	2.9
- annual average -	2.6	5.1	12.6	8.2	4.4	3.2
Average exchange rate - lei/EURO	4.8371	4.9204	4.95	5.00	5.13	5.18

Source: the National Commission for strategy and Forecasting, **2022 summer forecast**

The increase in the CPI initially forecasted for 2022 (annual average) from 6.5 to **12.6** caused the increase in the prices of gas, energy, consumables, spare parts, fuels, etc.

iii) **the increase in the number of employees** as a result of the extension of the operational activity and the provisions of several normative acts applicable to the company,

Total rectified expenses increase by 22.5%, respectively, by +45,990 thousand lei, from 204,590 thousand lei to **250,580 thousand lei**, of which **operating expenses** increase by 21.9%, in amount of **245,110 thousand lei**

The rectified operating expenses are the following:

> **Expenses on goods and services** increased by 80.3%, from 52,707 thousand lei initially approved to **95,053 thousand lei rectified**. In the structure, the following expenses are changed:

- **expenses related to stocks** increase by 31.6% (+6,397 thousand lei), mainly due to the 2.1 times increase (+4,797 thousand lei) of expenses on consumables, from 4,203 thousand lei to **9,000 thousand lei**, *from which:*

- expenses with spare parts, rectified value **1,500 thousand lei**.
- expenses regarding inventory items, rectified value **2,600 thousand lei**

- **expenses regarding services performed by third parties** increase by 176.9% (+28,250 thousand lei), *from which:*

- **expenses related to commissions and fees** increase from 170 thousand lei to **250 thousand lei**, from which the expenses related to legal assistance increase from 80 thousand to **160 thousand lei**, being necessary for the purchase of legal assistance services for the implementation and completion of the procedure of the company's share capital increase.

- **protocol expenses** increase from 115 thousand to **185 thousand lei** in conjunction with the level of gross profit planned for 2022, taking into account the deductibility limit provided by the Fiscal Code, respectively, a 2% rate applied to the difference between the total taxable revenues and the total expenses related to them, other than the protocol expenses.

- **advertising and publicity expenses** increase from 85 thousand lei to **150 thousand lei**, a level that ensures the expenses regarding the publication of the information provided by law to ensure the correct information of the shareholders and the public according to the Regulations of the Stock Exchange, the Official Gazette and the FSA.

- **sponsorship expenses** increase from 215 thousand lei to **275 thousand lei** because the company receives sponsorship requests from the local community regarding health, education, social and sports fields.

Sponsorship expenses were established based on the provisions of art. 25 para. (4) lit. i) from Law 227/2015 on the Fiscal Code.

Sponsorship expenses are distributed among the domains and within the limits provided by the Government Emergency Ordinance no. 2/2015 for the amendment and completion of some normative acts, as well as other measures, art. XIV.

In case the planned amount will not be used for the allocated field, in the budget execution of 31.12.2022 this amount will represent a saving and will be reflected in the gross profit of 2022.

- **travel, detachment, transfer expenses** increase from 205 thousand lei to **250 thousand lei**
- **expenses for the maintenance and operation of the computer technology** increase from 420 thousand lei to **600 thousand lei**
- **professional training expenses** increase from 200 thousand lei to **300 thousand lei**
- **expenses for the revaluation of tangible and intangible assets** increase from 85 thousand lei to **130 thousand lei**
- **other expenses** increase from 8,034 thousand lei to **15,088 thousand lei**, mainly due to the following expenses:

services for third-party equipment - 150 thousand lei, gas - 9,000 thousand lei, nitrogen - 250 thousand lei, disassembly expenses - 500 thousand lei, desinfestation, disinsection, mowing - 627 thousand lei, management system audit - 90 thousand lei, heating system washing - 400 thousand lei

> **Expenses on taxes, fees and similar payments** increase by 15.8% due to the increase by 22.3% (+1,973 thousand lei) of **oil royalty expenses** in correspondence with the increase in revenues from services during the second semester of 2022, the value rectified with the royalty amounting **10,830 thousand lei**.

> **Personnel expenses**, in amount of **113,523 thousand lei**, increase by 1.2% (respectively, by 1,347 thousand lei) compared to the level in the initially approved budget. In the structure, the following expenses are changed:

• **Salary expenses** increase by 1.4% (+ 1,515 thousand lei), from 106,447 thousand lei initially approved to **107,962 thousand lei** in compliance with the provisions of art. 48 paragraph (1) of the State Budget Law for 2022. In the budget rectification, the proposal to increase salary expenses is based on the provisions of art. 48 paragraph (1) letter d) of Law no. 317/2021 of the state budget for 2022, which provides that:

"Art. 48. - (1) For 2022, [economic operators to whom the provisions of art. 9 para. \(1\) lit. b\) and para. \(3\) from Government Ordinance no. 26/2013 regarding the reinforcement of the financial discipline at the level of economic operators in which the state or administrative-territorial units are the sole or majority shareholders or directly or indirectly hold a majority stake, approved with additions by Law no. 47/2014, with the subsequent amendments and additions, may provide, in the budget of revenues and expenses, the increase of salary expenses compared to the level planned in the previous budget of revenues and expenses approved according to the legal provisions, as follows:](#)

d) with the amounts representing increases in salary expenses determined by the granting, in 2022, of salary increases and bonuses provided for by normative acts or court decisions and/or by the increase in the number of staff, in 2022, as a result of diversification/ the expansion of the activity provided for by normative acts or court decisions".

We mention that in the Budget of revenues and expenses for 2022 approved by OGSM Decision no. 3/23.02.2022 the salary expenses were established according to the provisions of art. 48, paragraph (1) letter a) of Law no. 317/2021 of the state budget for 2022. Therefore, as of 01.09.2022, the company has foreseen the increase of salary expenses compared to the level planned within the previous budget of revenues and expenses approved according to the legal provisions with the amounts representing increases in salary expenses related to the average index of price increase forecasted for 2022, respectively, 106.5%.

In the Budget of revenues and expenses 2022 rectification project, according to the provisions of art. 48 paragraph (1) letter d) of Law no. 317/2021 of the state budget for 2022, the increase in salary expenses is determined by the increase in the number of employees (+15 employees) starting from 01.09.2022.

The increase in the number of personnel by 15 employees, starting from 01.09.2022, will generate salary expenses in the total amount of 877 thousand lei, from which salary expenses in the amount of 770 thousand lei and bonuses in the amount of 107 thousand lei.

Salary expenses increase by 0.9% (+770 thousand lei), from 88,065 thousand lei to **88,835 thousand lei**.

Bonuses increase by 4.1% (+745 thousand lei), from 18,382 thousand lei to **19,127 thousand lei**, *from which:*

- **expenses on social activities** increase by 37 thousand lei, from 4,227 thousand lei to **4,264 thousand lei**

- **meal vouchers** increase by 17.4% (+729 thousand lei) from 4,190 thousand lei to **4,919 thousand lei** as a result of the application of the provisions of Law no. 187/2022 amending Law no. 165/2018 on the granting of vouchers.

The sum of +729 thousand lei represents the difference to be granted, starting from 01.09.2022, resulted from the maximum value of a meal ticket provided by the joint Order of the Ministry of Finance and the Ministry of Labor and Social Solidarity no. 366/209/2022 (20 lei/meal ticket initially budgeted) and the maximum value provided for by Law no. 187/2022 (30 lei/meal ticket rectified).

- **the expenses regarding the employees' participation in profit** are in the amount of **470 thousand lei** at the level recorded on 30.06.2022 in accordance with art. 2 of the OGSM Decision no. 9/27.04.2022.

- **other expenses according to the collective labor agreement** (r.98) increase by 25 thousand lei, from 9,449 thousand lei to **9,474 thousand lei**

In conclusion, the company may increase the average gross monthly earnings per employee within the limits of the amounts provided for in art. 48 para. (1) letter a) and letter d) of GO no. 26/2013 because they comply with the condition provided by paragraph (3), respectively, the growth index of the average gross monthly earnings per employee does not exceed the growth index of labor productivity calculated in value units.

Therefore, in the budget rectification proposal for 2022, the recalculated average gross earnings index per employee does not increase (98.4%) compared to the level achieved in 2021 (8,236 lei/pers. proposed by rectification in 2022 compared to 8,373 lei/pers. level achieved in 2021), and the recalculated value labor productivity growth index is 109.9% (222 thousand lei/person by rectification in 2022 compared to 202 thousand lei/person achieved in 2021).

- **The expenses related to the mandate contract** decrease by 6%, from 3,353 thousand lei to **3,152 thousand lei**, as follows: for directors with a mandate contract the expenses decrease from 1,514 thousand lei to **1,454 thousand lei**, and for non-executive managers the expenses decrease from 1,839 thousand lei to **1,698 thousand lei**, as a result of updating the method of calculating the fixed monthly gross allowance based on the data communicated by the National Institute of Statistics prior to the appointment of the managers and interim directors.

- **Expenses on contributions owed by the employer**, rectified value in the amount of **2,409 thousand lei**, increase by 1.4% (respectively, by 33 thousand lei) in correlation with the increase in salary expenses proposed by rectification.

> **Other operating expenses** decrease by 7.1% (-1,680 thousand lei), from 23,729 thousand lei to **22,049 thousand lei**, mainly due to the cancellation of provisions related to the mandate contract (variable component for 2022) taking into account that the selection procedure for managers and directors for a 4-year term is ongoing.

Financial expenses increase by 57.8% (+2,004 thousand lei), from 3,466 thousand lei to **5,470 thousand lei**, from which:

- **interest expenses** related to contracted investment loans increase by 43.1% (+1,205 thousand lei) due to the 2.7 times increase in the value of the 3M ROBOR indicator (on 01.08.2022 3M ROBOR value=8.01 compared to the 3M ROBOR value 3M= 3.01 on 03.01.2022). The value of these expenses increases from 2,795 thousand lei to **4,000 thousand lei**.

- **other expenses from exchange rate differences** increase 3.4 times (+775 thousand lei), from 325 thousand lei to **1,100 thousand lei**, mainly due to the evolution of the national currency in relation to USD/EURO, considering that the value of 1 USD increased by 10.2%, from 4.3559 lei on 01.03.2022 to 4.8019 lei on 01.08.2022. The other expenses remain at the originally approved level.

III. GROSS RESULT

Gross profit increases by 50.9% from 5,300 thousand lei to **8,000 thousand lei**.

The estimation of non-deductible expenses and non-taxable revenues for the calculation of the profit tax was carried out based on the achievements recorded on June 30, 2022 and the estimates for the second semester of 2022.

The non-taxable revenues are estimated in the rectified Budget of revenues and expenses for 2022 in the amount of **8,863 thousand lei**, representing revenues from the cancellation of provisions for which no deduction is granted, according to the provisions of Law no. 227/2015 on the Fiscal Code.

The non-deductible expenses are estimated in the rectified Budget of revenues and expenses for 2022 in the amount of **10,583 thousand lei**.

Tax on profit. Profit tax expenses in the amount of **1,100 thousand lei** were determined according to the provisions of Law no. 227/2015 on the Fiscal Code, being established as follows:

No.	Elements	Value (thousand lei)
1	Gross profit	8.000
2	Tax exempt reinvested profit (including related legal reserve)	971
3	Legal reserve fund (gross profit+employees participation to profit *5%)	431
4	Non-taxable revenues	8.863
5	Non-deductible expenses, <i>from which:</i>	10.583
5.1	<i>Employees participation to profit</i>	616
6	Sponsorships	275
7	Taxable basis (1+5+6-2-3-4)	8.593
8	Tax on profit 16% (7x16%)	1.375
9	Expenses on sponsorship	275
10	Remaining tax due (8-9)	1.100
11	Net profit (1-10)	6.900

IV. ACCOUNTING PROFIT REMAINED AFTER PROFIT TAX DEDUCTION

The proposal for the distribution of the rectified net profit in the amount of **6,900 thousand lei for 2022** (after establishing a provision for the participation of employees in the profit in the amount of 616 thousand lei) was carried out in accordance with the provisions of GO no. 64/2001 regarding the distribution of profit to national companies, national and commercial companies with full or majority state capital, as well as autonomous administrations, approved with amendments by Law no. 769/2001.

The distribution of the rectified net profit related to 2022 in the amount of **7,516 thousand lei** (6,900 thousand lei + 616 thousand lei), completed with the value of the provision established for the employee participation to profit fund, in the amount of 616 thousand lei, was made for:

a) Legal reserves - 431 thousand lei

b) Other reserves representing fiscal facilities provided by law: 923 thousand lei represent tax-exempt invested profit distributed to other reserves

c) Coverage of accounting losses from previous years - not applicable

c') Establishing own sources of financing for projects co-financed from external loans – not applicable

d) Other distributions provided by law - not applicable

e) Participation of employees to profit - 616 thousand lei. According to MPF Order 418/06.04.2005 regarding some accounting clarifications applicable to economic agents, the participation of employees to profit is reflected in the accounting by establishing a provision for risks and expenses at the level of gross amounts due to employees. Therefore, in the rectified Budget of revenues and expenses for 2022, a provision for risks and expenses was made in the amount of 616 thousand lei.

f) Dividends due to shareholders - 3,081 thousand lei, in a minimum share of 50% according to the provisions of GO no. 64/2001.

g) Own source of financing - 2,465 thousand lei, representing undistributed profit provided for in letters a-f, is distributed to other reserves and constitutes the own source of financing.

V. INVESTMENTS FINANCING SOURCE

The rectified investment financing source for 2022 amounts to **51,943 thousand lei**, *from which:*
- 21,009 thousand lei own source constituted at the level of depreciation for 2022

- **923 thousand lei** own source representing tax-exempt invested profit distributed to other reserves used as own source of investments during the year in which it is registered
- **30,011 thousand lei** financing sources from bank credits, from which: **5,011 thousand lei remaining to be used** from the loan contracted in 2020 and **25,000 thousand lei the level planned for 2022** from the loan contracted during the current year.

The rectified investment expenses for 2022 are planned at the level of the financing source, respectively, **51,943 thousand lei**, from which:

- **6,216 thousand lei** represent installment reimbursements related to contracted investment credits
- **45,727 thousand lei** total expenses for investments of which: ongoing investments 10,463 thousand lei, new investments 30,917 thousand lei, modernizations 500 thousand lei, equipment (other purchases of tangible assets) 3,847 thousand lei

VI. SUBSTANTIATION DATA

The number of staff forecasted at the end of 2022 increases by 2% (+15 people) from 1,005 employees to **1,020 employees**.

By OGSM Decision no. 3/23.02.2022, the Budget of revenues and expenses for 2022 was approved, providing a number of staff of 1,005 employees at the end of the year and an average number of employees of 975 persons. Considering the increased operating activity during the second semester of 2022 and taking into account the provisions of some normative acts applicable to the company, it is necessary to increase the budgeted number of employees for 2022, for the following operational activities:

- *The commercial activity provided by the Commercial Marketing Dept.* Following the request made by the Commercial Marketing Dept., as well as in order to comply with the provisions of Regulation (EU) No. 952/2013 of the European Parliament and of the Council establishing the Union Customs Code, it was necessary to increase the number of personnel to ensure the conduct of the activity required for the application of customs seals and drawing up the necessary documents for the issuance of customs documents for means of transport (car tanks, railway tanks) that leave the Oil Terminal warehouses in the context of the increase in the volume of goods transiting the terminal because the Company is authorized as a "Customs Warehouse".
- *The truck loading activity within the South Storage Area.* Following the request made by the South Section Dept., it was necessary to increase the number of personnel to ensure the activity of loading trucks efficiently and safely for the completion of the investment work "South Storehouse Pergola".

We mention that this investment objective was included in the Investment Strategy of the Oil Terminal for the period 2020-2025, being approved by OGSM Decision no. 14/12.06.2020. Subsequently, the investment work was started in 2021, carried out from own sources (7,283 thousand lei), approved by the Decision of the Board of Directors no. 9/24.11.2021 and included in the "Program of investments, endowments and sources of financing for the period 2021-2022".

- *Firefighting and fire prevention activity provided by Work Safety and Emergency Situations Dept.* Following the request made by the Work Safety and Emergency Situations Dept. (SMSU), as well as in order to comply with the provisions of Law no. 307/2006 regarding fire protection, of the Ministry of Internal Affairs Order no. 163/ 2007 for the approval of the General Fire Protection Rules (art. 19, letter i) and letter a) and the Ministry of Internal Affairs Order no. 75/2019 for the approval of the Performance Criteria regarding the establishment, assignment and endowment of voluntary services and private services for emergency situations (art. 17, letter e), it was necessary to increase the number of personnel to ensure the activity of firefighting and fire prevention.

We mention that Oil Terminal S.A. has established a private service for P3 type emergency situations that operates according to several specialized approvals obtained in 2019. Non-compliance with the number provided by these normative acts may lead to the loss of the operating approvals of the railway transport Dept.

- *The railway shunting activity provided by the railway transport Dept.* Following the request made by the railway transport Dept., as well as in order to comply with the provisions of GEO no. 73/2019 regarding railway safety,

approved by Law no. 71/2020 and the Order of the Minister of Transport no. 2262/2005 regarding the authorization of personnel with traffic safety responsibilities conducting on their own responsibility activities specific to railway transport, it was necessary to increase personnel to ensure the railway shunting activity due to the increase of the operating activity.

We mention that the employer has the obligation "to take all the necessary organizational and technological measures to ensure the safe development of the activity at each workplace, considering the fact that Oil Terminal S.A. Constanta has installations with a high degree of danger in operation" and "to ensure the necessary number of personnel with appropriate training and professional competence for all activities and workplaces, providing a rational use of the workforce", according to the provisions of the Internal Regulation of the Oil Terminal S.A.

The staff increase was approved by the Board of Directors by Decision no. 75/19.08.2022.

The average number of employees forecasted for 2022 increases from 975 employees to **979 employees**.

The average monthly earnings per employee determined base on salary expenses, recalculated according to GO no. 26/2013 and the annual State Budget Law for 2022 (calculated according to art. 48, paragraph (4), letter a)) is in the amount of 8,236 lei/person, increasing by 1.2% compared to the initially approved level for 2022.

Labor productivity in value units per total average staff recalculated according to the annual State Budget Law (calculated according to art. 48, paragraph (5), letter a)) is in the amount of **222 thousand lei/person**, increasing by 3, 3% compared to the initially approved level for 2022.

Overdue payments. The planned level of overdue payments for 2022 is equal to **zero lei**.

Overdue receivables as of 31.12.2022 are set at **4,200 thousand lei**, considering that there is a major risk of non-payment at the contracted due date of the amounts owed by external customers due to the restrictions imposed by EU Regulation no. 833/2014 for some goods and products from the Russian Federation.

According to the provisions of the Order of the Ministry of Public Finances no. 3818/2019, Annex no. 6, the Project for the Rectification of the Budget of Revenues and Expenses for 2022 was submitted to the approval of the financial management control according to the Government Decision no. 1151/2012 for the approval of methodological norms regarding the mean of organizing and exercising financial management control.

The company sent the Budget of revenues and expenses 2022 rectification project to the representative union by notice no. 928/16.08.2022 according the provisions of art. 6 paragraph (1) of Government Ordinance no. 26/2013 regarding the consultation of the Budget of revenues and expenses 2022 project by the representative union within the company.

In addition to the above-mentioned, the projection regarding the budget rectification includes the following indicators for 2022:

1	Total revenues	258,580	thousand lei
2	Total expenses	250,580	thousand lei
3	Gross profit	8,000	thousand lei
4	Salary expenses	107,962	thousand lei
5	Umber of employees forecasted at the end of 2022	1,020	pers.
6	Monthly average earnings per employee (lei/oers.) determined acc. to salary expenses	9,190	lei/pers.
7	Monthly average earnings per employee (lei/oers.) determined acc. to salary expenses acc. to GO no. 26/2013	8,787	lei/pers.
8	Monthly average earnings per employee (lei/oers.) determined acc. to salary expenses, <u>recalculated acc. to GO no. 26/2013 and Law no.15/2021 os state budget</u>	8,236	lei/pers.
9	Labor productivity in value units	262	thousand lei /pers.
10	Labor productivity in value units <u>recalculated acc. to the annual state budget Law</u>	222	thousand lei /pers.

The budget rectification project for 2022 was approved by the Board of Directors by Decision no. 76/19.08.2022 and is subject to the vote of the shareholders within the OGSM convened for 26(27).09.2022 in compliance with art. 10 of GO no. 26/2013, which provides: *"The correction of the budgets of revenues and expenses provided for in para. (2) is approved, under the conditions of art. 4 para. (1) - (3), until October 31 of the current year, except for the situations provided for in para. (2) lit. f), which is approved until the end of the financial year of the current year"*.

We here-by attach Annex no.1.

General Director,
Sorin Viorel CIUTUREANU

Financial Director,
Adriana Frangu

Chief of Financial Dept.,
Daniela Moldoveanu

RECTIFIED BUDGET OF REVENUES AND EXPENSES FOR 2022

				No. row	thousand lei Rectification proposals current year 2022
0	1	INDICATORS		3	4
I.		TOTAL REVENUES (Row.1=R.2+R.5)		1	258 580
	1	Total revenues from operation, from which:		2	256 220
		a)	subventions, acc. to legal provisions in force	3	
		b)	transfers, acc. to legal provisions in force	4	
	2	Financial revenues		5	2 360
II.		TOTAL EXPENSES (R.6=R.7+R.19)		6	250 580
	1	Operating expenses, (R.7=R.8+R.9+R.10+R.18) from which:		7	245 110
		A.	expenses on goods and services	8	95 053
		B.	expenses on taxes, fees and assimilated instalments	9	14 485
		C.	staff expenses, (R.10=R.11+R.14+R.16+R.17) from which:	10	113 523
		C0	Salary expenses(R.11=R.12+R.13)	11	107 962
		C1	Expenses on salaries	12	88 835
		C2	bonuses	13	19 127
		C3	other staff expenses, from which:	14	0
			expenses on compensations related to redundancies	15	
		C4	Expenses related to mandate contract and other management and control bodies, committees	16	3 152
		C5	Expenses on contributions due by employer	17	2 409
		D.	other operating expenses	18	22 049
	2	Financial expenses		19	5 470
III		GROSS RESULT (profit/loss) (R.20= R.1-r.6)		20	8 000
IV	1	TAX ON CURRET PROFIT		21	1 100
	2	TAX ON DEFERRED PROFIT		22	
	3	REVENUES FROM TAX ON DEFERRED PROFIT		23	
	4	TAX REGARDING SPECIFIC ACTIVITIES		24	
	5	OTHER TAX NON-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	6 900
	1	Legal reserves		27	431
	2	Other reserves representing fiscal facilities provided by law prevăzute de lege		28	923
	3	Coverage 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	5 546

		INDICATORS	No. row	Rectification proposals current year 2022
0	1	2	3	4
	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	616
	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	3 081
	a)	- dividends due to state budget	35	1 837
	b)	- dividends due to local budget	36	
	c)	- dividends due to other shareholders	37	1 244
	9	Profit undistributed to destinations provided in R.33 - R.34 are distributed to other reserves and constitute own financing source	38	2 465
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	51 943
	1	Budget allowances	47	
		budget allowances related to the payment of previous years undertakings	48	
IX		EXPENSES FOR INVESTMENTS	49	51 943
X		SUBSTANTIATION DATA		
	1	No. of employees forecasted at the end of the year	50	1 020
	2	Total average employees no.	51	979
	3	Monthly average earning per employee (lei/person) determined based on salary expenses *)	52	8 787
	4	Monthly average earning per employee (lei/person) determined based on salary expenses, recalculated acc. to annual law of state budget **)	53	8 236
	5	Labor productivity in value units per total average staff (thousand lei/person) (R.2/R.51)(Rd.2/Rd.51)	54	262
	6	Labor productivity in value units per total average staff recalculated acc. to annual law of state budget	55	222
	7	Labor productivity in physical units per total average staff (quantity final products/ person)	56	
	8	Total expenses at 1000 lei total revenues (R.57=(R.6/R.1)x1000)	57	969
	9	Overdue payments	58	0
	10	Overdue receivables	59	4 200

GENERAL DIRECTOR,
SORIN VIOREL CIUTUREANU

FINANCIAL DIRECTOR,
ADRIANA FRANGU

CHIEF OF FINANCIAL DEPT.,
DANIELA MOLDOVEANU