

ROMPETROL RAFINARE SA

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION (EU)

31 DECEMBER 2019

ROMPETROL RAFINARE SA
CONSOLIDATED FINANCIAL STATEMENTS
Prepared in accordance with International Financial Reporting Standards
As endorsed by the European Union (EU)
as at 31 December 2019

CONTENTS	PAGE
Consolidated Statement of Financial Position	3
Consolidated Income Statement	4
Consolidated Statement of Other Comprehensive Income	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Equity	7 - 8
Notes to Consolidated Financial Statements	9 - 92

RAPORTUL AUDITORULUI INDEPENDENT INDEPENDENT AUDITOR'S REPORT

Catre actionarii Rompetrol Rafinare S.A.
To the Shareholders of Rompetrol Rafinare S.A.

Raport asupra auditului situatiilor financiare consolidate
Report on the Audit of the Consolidated Financial Statements

Opinia Opinion

Am auditat situatiile financiare consolidate ale societatii Rompetrol Rafinare S.A. („Societatea”) cu sediul social in Bulevardul Navodari, nr. 215, Pavilion Administrativ, 907500 – Navodari, Romania, identificata prin codul unic de inregistrare fiscala RO1860712, si ale filialelor sale (impreuna „Grupul”), care cuprind situatia consolidata a pozitiei financiare la data de 31 decembrie 2019, contul de profit si pierdere consolidat, contul de profit si pierdere global consolidat, situatia modificarilor capitalului propriu consolidata si situatia fluxurilor de trezorerie consolidata, pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative, toate sumele fiind exprimate in dolari americani („USD”). De asemenea, am verificat conversia in RON a sumelor prezentate in aceste situatii pe baza descrisa in nota 2e.

We have audited the consolidated financial statements of Rompetrol Rafinare S.A. (the Company) with official head office in 215 Navodari Boulevard, Administrative Pavilion, 907500 – Navodari, Romania, identified by sole fiscal registration number RO1860712, and its subsidiaries (together “the Group”), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in United States Dollar (“USD”). We have also checked the translation into Romanian lei on the basis described in Note 2e.

In opinia noastra, situatiile financiare consolidate anexate ofera o imagine fidela si justa a pozitiei financiare a Grupului la data de 31 decembrie 2019, cat si a performantei financiare si a fluxurilor de trezorerie ale acestuia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standardele Internationale de Raportare Financiara adoptate de Uniunea Europeana.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with International Financial Reporting Standards as adopted by European Union.

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA), Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului din 16 aprilie 2014 („Regulamentul (UE) nr. 537/2014”) si Legii nr. 162 /2017 („Legea 162/2017”). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare consolidate” din raportul nostru. Suntem independenti fata de Grup conform Codului International de etica al profesionistilor contabili (inclusiv standardele internationale de independenta) emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA), conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare consolidate in Romania, inclusiv Regulamentul (UE) nr. 537/2014 si Legea 162/2017, si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

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

Aspecte cheie de audit Key audit matters

Aspectele cheie de audit sunt acele aspecte care, in baza rationamentului nostru profesional, au avut cea mai mare importanta pentru auditul situatiilor financiare consolidate din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare consolidate in ansamblu, si in formarea opiniei noastre asupra acestora, si nu emitem o opinie separata cu privire la aceste aspecte cheie.

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

Pentru fiecare aspect de mai jos, am prezentat in acel context o descriere a modului in care auditul nostru a abordat respectivul aspect.

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

Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare consolidate” din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare consolidate. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare consolidate anexate.

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

Aspecte cheie de audit	Modul in care auditul a abordat aspectul cheie de audit
<p>Testarea pentru depreciere a fondului comercial si a imobilizarilor corporale</p> <p>Informatiile prezentate de grupul Rompetrol Rafinare cu privire la fondul comercial si imobilizarile corporale, inclusiv cu privire la deprecierea aferenta, sunt incluse in nota 4, nota 5 si respectiv nota 6.</p>	
<p>Grupul Rompetrol Rafinare trebuie sa testeze pentru depreciere cel putin anual, si atunci cand exista indicatori de depreciere, valoarea fondului comercial. La 31 decembrie 2019, fondul comercial al Grupului are valoarea de 83 milioane USD si este semnificativ pentru auditul nostru. Testarea pentru depreciere a fondului comercial a fost efectuata la nivelul unei singure unitati generatoare de numerar – Downstream, careia i-a fost alocat acest fond comercial.</p> <p>Imobilizarile corporale sunt de asemenea semnificative pentru auditul nostru, avand in vedere importanta pozitiei bilantiere de 1.180 milioane USD la 31 decembrie 2019. De asemenea, evaluarea conducerii cu privire la indicatorii de depreciere a unitatilor generatoare de numerar si respectiv a activelor individuale implica analiza unor surse de informatii diverse, inclusiv a factorilor cu privire la mediul economic si a factorilor specifici industriei.</p>	<p>Procedurile noastre de audit au inclus, printre altele:</p> <ul style="list-style-type: none"> • am analizat si evaluat judecata conducerii cu privire la existenta indicatorilor de depreciere pentru imobilizari corporale si respectiv fond comercial; • am luat in considerare daca testul de depreciere a acoperit toate unitatile generatoare de numerar/activele individuale semnificative pentru care au existat indicatori de depreciere la sfarsitul perioadei de raportare; • am comparat volumele de productie/vanzari si costurile actuale in 2019 ale fiecarei unitati generatoare de numerar cu volumele de productie/vanzari si costuri estimate in bugetul pregatit pentru 2019; • am comparat preturile viitoare pe termen scurt si lung pentru titei si gaze si marjele produselor folosite in bugetele Grupului cu previziunile analistilor; • am evaluat acuratetea istorica a bugetelor si estimarilor conducerii prin compararea lor cu performanta efectiv realizata si cu cea a anilor anteriori;

<p>Industria de petrol si gaze a trecut prin schimbari semnificative in ultimii ani si perspectivele sunt de asemenea afectate de incertitudinile geopolitice in pietele importante. La 31 decembrie 2019 conducerea a identificat indicatori de depreciere si a efectuat testari pentru depreciere separate cu privire la imobilizarile corporale ale celor trei unitati generatoare de numerar identificate: Downstream, cu o valoare neta contabila a imobilizarilor corporale de 276 milioane USD, Rafinare, cu o valoare contabila neta a imobilizarilor corporale de 934 milioane USD si Petrochimie cu o valoare contabila neta a imobilizarilor corporale de 15 milioane USD.</p> <p>Testarea pentru depreciere a fondului comercial si a imobilizarilor corporale este importanta pentru auditul nostru deoarece procesul de evaluare este complex, implica rationamente semnificative ale conducerii si se bazeaza pe ipoteze care sunt afectate de conditiile de piata viitoare din sud-estul Europei.</p>	<ul style="list-style-type: none"> • am implicat specialistii nostri evaluatori interni pentru a ne asista la evaluarea ipotezelor-cheie si a metodologiilor aplicate de Grupul Rompetrol Rafinare pentru testarea de depreciere a fondului comercial si a imobilizarilor corporale. Evaluarea noastra s-a axat pe estimarea ratei de actualizare folosite, pe analiza privind sensibilitatea valorilor recuperabile ale unitatilor generatoare de numerar la modificarile ipotezelor semnificative, precum si pe ipotezele-cheie aplicate la estimarea fluxurilor de numerar viitoare pentru unitatile generatoare de numerar respective (cum ar fi preturile de vanzare preconizate, volumele de productie / vanzare, marjele produselor, modificarile capitalului de lucru, etc.), analizand conformitatea acestora cu mediul economic general si cel specific industriei, cu informatiile de piata relevante disponibile si cu planurile de afaceri ale Grupului; • am testat acuratetea matematica a modelului si conformitatea acestuia cu cerintele Standardelor Internationale de Raportare Financiara. <p>Am evaluat de asemenea caracterul adecvat al informatiilor prezentate de Grup cu privire la fondul comercial si imobilizarile corporale, incluzand testarea de depreciere aferenta.</p>
<p>Recuperabilitatea creantei privind impozitul pe profit amanat Informatiile prezentate de Grupul Rompetrol Rafinare cu privire la creanta privind impozitul pe profitul amanat sunt incluse in nota 15.</p>	
<p>Dupa cum este prezentat in nota 15 la situatiile financiare, la 31 decembrie 2019, Grupul a recunoscut o creanta de impozit pe profit amanat de 26 milioane USD, rezultand din pierderi fiscale reportate.</p> <p>Creanta privind impozitul pe profit amanat are o importanta semnificativa pentru auditul nostru avand in vedere importanta pozitiei bilantiere la 31 decembrie 2019 si faptului ca, pentru evaluarea recuperabilitatii soldului, procesul de estimare necesita</p>	<p>Procedurile noastre de audit s-au axat pe evaluarea ipotezelor-cheie ale conducerii cu privire la recuperabilitatea creantei privind impozitul pe profit amanat, cum ar fi previziuni care stau la baza recunoasterii activului, inclusiv sumarul datelor de expirare a pierderilor fiscale. Am evaluat conformitatea acestor previziuni cu planurile de afaceri pe termen lung aplicate de conducere pentru gestionarea si monitorizarea performantei activitatii.</p>

<p>rationamente ale conducerii, in special raportat la informatiile privind suficienta veniturilor impozabile previzionate pe baza carora pierderile fiscale pot fi folosite, preconizandu-se ca unele dintre acestea vor fi generate peste mai multi ani in viitor.</p>	<p>Specialistii nostri interni in aspecte fiscale au fost implicati, daca a fost cazul, in procedurile noastre de audit in domeniul impozitarii si efectul oricarei evaluari relevante a fost luat in considerare in cadrul evaluarii noastre cu privire la proiectiile privind profitul impozabil.</p> <p>De asemenea, am evaluat caracterul adecvat al informatiilor prezentate de grup cu privire la creanta privind impozitul pe profit amanat.</p>
<p>Completitudinea si caracterul adecvat al provizioanelor pentru litigii Informatiile prezentate de grupul Rompetrol Rafinare cu privire la litigii sunt incluse in nota 29 si nota 30.</p>	
<p>Grupul este implicat in litigii diferite si semnificative, inclusiv in legatura cu proceduri de reglementare si/sau guvernamentale, precum si investigatii ale autoritatilor fiscale care sunt prezentate la nota 29 si nota 30 din situatiile financiare. Aceste aspecte sunt importante pentru auditul nostru datorita incertitudinilor inerente cu privire la rezultatul final al acestor litigii, complexitatea cazurilor si rationamentul semnificativ aplicat de conducere in estimarea rezultatului final al acestor evaluari si al expunerilor (ex.: daca o datorie ar trebui recunoscuta sau o datorie contingenta ar trebui prezentata si daca o potentiala iesire de numerar poate fi estimata in mod credibil).</p> <p>Datorita importantei si complexitatii acestor litigii, rezultate nefavorabile ar putea avea un potential impact semnificativ asupra performantei financiare si pozitiei financiare raportate ale Grupului.</p>	<p>Procedurile noastre de audit au inclus, printre altele, obtinerea de confirmari de la avocatii externi ai Grupului care ofera asistenta cu privire la aceste cazuri, precum si documentatie suport de la departamentul juridic intern al Grupului, cu privire la stadiul acestor litigii. Am examinat procesele verbale ale Consiliilor de Administratie ale societatilor din grup si am efectuat intalniri periodice cu conducerea pentru a discuta si intelege evolutia acestor actiuni legale, ipotezele si rationamentul conducerii cu privire la aceste aspecte.</p> <p>Am evaluat daca opiniile avocatilor externi si a departamentului juridic intern sunt in concordanta cu ipotezele si estimarile folosite de conducere in ceea ce priveste recunoasterea si evaluarea provizioanelor sau evaluarea si prezentarea datorii contingente cu privire la aceste aspecte, pe baza evenimentelor si circumstantelor existente. Specialistii nostri interni au fost implicati, daca a fost cazul, pentru a ne asista in analiza cazurile legale si estimarile efectuate de conducere.</p> <p>De asemenea, am evaluat caracterul adecvat al informatiilor prezentate cu privire la provizioane si datorii contingente rezultate din aceste actiuni legale.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Impairment testing of goodwill and property, plant and equipment Rompetro Rafinare Group's disclosures about goodwill and property, plant and equipment, including the related impairment, are included in Note 4, Note 5 and Note 6 respectively.</p>	
<p>Rompetro Rafinare Group is required to test, at least annually and when impairment indicators exist, the carrying amount of goodwill for impairment. As at 31 December 2019, the carrying value of goodwill is USD 83 million and is material to our audit. The goodwill impairment testing was performed at the level of one cash-generating unit (CGU) – Downstream, to which the respective goodwill was allocated.</p> <p>Property, plant and equipment (PPE) is also significant to our audit because of the magnitude of the balance sheet position of USD 1,180 million as at 31 December 2019. Furthermore, the management's assessment of impairment indicators for CGUs and individual assets respectively involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.</p> <p>The oil and gas industry went through significant changes in the last few years and its prospects are also affected by the current geopolitical uncertainties in important markets. As of 31 December 2019 the management has identified impairment indicators and has performed separate impairment testing in respect of the three CGUs' identified: Downstream, with a PPE carrying value of USD 276 million, Refining with a PPE carrying value of USD 934 million and Petrochemicals with a PPE carrying value of USD 15 million, resulting in no impairment loss being recognized.</p> <p>The impairment testing of goodwill and property, plant and equipment is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • we analyzed and evaluated the management's assessment of the existence of impairment indicators for property, plant and equipment and goodwill, respectively; • we considered whether the impairment testing covered all significant cash generating units/individual assets for which impairment indicators existed at the end of the reporting period; • we compared the actual production/sales volumes and costs in 2019 of each cash generating unit with the production/sales volumes and costs estimates in the budget prepared for 2019; • we compared the future short and long term oil and gas prices and product margins used in the Group's budgets to consensus analyst's forecasts; • we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance in prior years; • we involved our internal valuation specialists to assist us in evaluating the key assumptions and the methodologies used by Rompetrol Rafinare Group for the impairment testing of goodwill and property, plant and equipment. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows for the respective CGUs (such as expected sale prices, production/sales volumes, product margins, working capital changes, etc.) by analyzing their consistency with the general and industry-specific economic environment,

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

<p>are affected by expected future market conditions in South East Europe.</p>	<p>relevant available market information and the business plans of the Group;</p> <ul style="list-style-type: none"> we tested the mathematical accuracy of the models and its conformity with the requirements of the International Financial Reporting Standards. <p>Furthermore, we assessed the adequacy of the Group's disclosures about goodwill and property, plant and equipment, including the related impairment testing.</p>
<p>Recoverability of deferred tax assets Rompetro Rafinare Group's disclosures about deferred tax assets are included in Note 15.</p>	
<p>As presented in Note 15 to the financial statements, as at 31 December 2019, the Group recognized a net deferred tax asset of USD 26 million, resulting from tax losses carried forward.</p> <p>Deferred tax assets are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2019 and the fact that the estimation process requires management judgement to assess the recoverability of the balance, in particular by reference to evidence for sufficient forecasted taxable income against which tax losses can be utilised, some of which are expected to arise a number of years in the future.</p>	<p>Our audit procedures focused on assessing the key management assumptions for the deferred tax asset recoverability, such as forecasts which underpin the asset recognition, including summaries of tax losses' expiry dates. We evaluated the consistency of these forecasts with the long term business plans used by management to manage and monitor the performance of the business.</p> <p>Our internal tax specialists were involved, as appropriate, in our audit procedures in relation to the taxation area and the effect of any relevant evaluations was taken into consideration in our assessment of the taxable profit projections.</p> <p>Furthermore, we assessed the adequacy of the Group's disclosures regarding deferred tax assets.</p>
<p>Completeness and appropriateness of provisions for litigations Rompetro Rafinare Group's disclosures about litigations are included in Note 29 and Note 30.</p>	
<p>The Group is involved in various and significant litigations, including in relation to regulatory and / or governmental proceedings as well as investigations by tax authorities which are presented in Note 29 and Note 30 to the financial statements. This area is significant to our audit due to the inherent uncertainties over the final outcome of these litigations, complexity of the cases and the significant judgement</p>	<p>Our audit procedures included, among others, obtaining legal confirmations from the Group's external lawyers advising on these matters and also supporting documentation from the Group's internal legal counsel regarding the status of these litigations. We have inspected the minutes of the Board of Directors' meetings and held periodic meetings with management to discuss and understand the developments in</p>

<p>applied by the management in estimating the final outcome of such assessments and exposures (i.e. whether a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated).</p> <p>Due to the significance and complexity of these litigations, adverse outcomes could potentially significantly impact the Group's reported financial performance and financial position.</p>	<p>legal proceedings and the management assumptions and judgement in respect of these matters.</p> <p>We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. Our internal specialists were involved, where appropriate, to assist us to analyze the legal cases and the assumptions made by management.</p> <p>We further evaluated the adequacy of disclosures regarding provisions recognized and contingencies resulting from legal proceedings.</p>
--	---

Alte informatii Other information

Alte informatii includ Raportul administratorilor, dar nu includ situatiile financiare consolidate si raportul nostru de audit cu privire la acestea. Conducerea este responsabila pentru alte informatii.

The other information comprises the Administrators' Report, but does not include the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information.

Opinia noastra de audit asupra situatiilor financiare consolidate nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.

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

In legatura cu auditul efectuat de noi asupra situatiilor financiare consolidate, responsabilitatea noastra este de a cita aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare consolidate sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.

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

Responsabilitatea conducerii si a persoanelor responsabile cu guvernanta pentru situatiile financiare consolidate

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Conducerea Grupului are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare consolidate in conformitate cu Standardele Internationale de Raportare Financiara adoptate de Uniunea Europeana, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare consolidate care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards adopted by European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

La intocmirea situatiilor financiare consolidate, conducerea este responsabila sa evalueze abilitatea Grupului de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze Grupul sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.

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

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a Grupului.

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

Responsabilitatile auditorului pentru auditul situatiilor financiare consolidate Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare consolidate, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra.

Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare consolidate.

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

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:

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

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare consolidate, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Grupului.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii, si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoieli semnificative privind capacitatea Grupului de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare consolidate sau, in cazul in care aceste prezentari sunt neadecvate, sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Grupul sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluam prezentarea, structura si continutul general al situatiilor financiare consolidate, inclusiv al prezentarilor de informatii, si masura in care situatiile financiare consolidate reflecta tranzactiile si evenimentele de baza intr-o maniera care realizeaza prezentarea fidela.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtinem suficiente probe de audit adecvate cu privire la informatiile financiare ale entitatilor sau activitatilor din cadrul Grupului pentru a exprima o opinie asupra situatiilor financiare consolidate. Suntem responsabili pentru indrumarea, supravegherea si efectuarea auditului la nivelul grupului. Suntem singurii responsabili pentru opinia noastra de audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatarile semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam pe parcursul auditului nostru.

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

De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, masurile de siguranta aferente.

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

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare consolidate din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Raport cu privire la alte cerinte legale si de reglementare Report on Other Legal and Regulatory Requirements

Raportare asupra unor informatii, altele decat situatiile financiare consolidate si raportul nostru de audit asupra acestora Reporting on Information Other than the consolidated Financial Statements and Our Auditors' Report Thereon

Pe langa responsabilitatile noastre de raportare conform standardelor ISA si descrise in sectiunea „Alte informatii”, referitor la Raportul administratorilor, noi am citit Raportul administratorilor si raportam urmatoarele:

- a) in Raportul administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare consolidate la data de 31 decembrie 2019, atasate;
- b) Raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 2844/2016 pentru aprobarea Reglementarilor contabile conforme cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare, Anexa 1, punctele 26 - 28;
- c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare consolidate intocmite la data de 31 decembrie 2019 cu privire la Grup si la mediul acesteia, nu am identificat informatii eronate semnificative prezentate in Raportul administratorilor.

In addition to our reporting responsibilities according to ISAs described in section “Other information”, with respect to the Administrators’ Report, we have read the Administrators’ Report and report that:

- a) in the Administrators’ Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at December 31, 2019;
- b) the Administrators’ Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 26 - 28;
- c) based on our knowledge and understanding concerning the Group and its environment gained during our audit of the consolidated financial statements as at December 31, 2019, we have not identified information included in the Administrators’ Report that contains a material misstatement of fact.

Alte cerinte privind cuprinsul raportului de audit conform Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului

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

Numirea si aprobarea auditorului

Appointment and Approval of Auditor

Am fost numiti auditori ai Grupului de catre Adunarea Generala a Actionarilor/ la data de 24 aprilie 2019 pentru a audita situatiile financiare consolidate ale exercitiului financiar incheiat la 31 decembrie 2019. Durata totala de misiune continua, inclusiv reinnoirile (prelungirea perioadei pentru care am fost numiti initial) si renumirile anterioare drept auditori a fost de 12 ani, acoperind exercitiile financiare incheiate de la 31 decembrie 2008 pana la 31 decembrie 2019.

We were appointed as auditors of the Group by the General Meeting of Shareholders on April 24, 2019 to audit the consolidated financial statements for the financial year end December 31, 2019. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 12 years, covering the financial periods ended December 31, 2008 to December 31, 2019.

Consecventa cu raportul suplimentar adresat Comitetului de Audit

Consistency with Additional Report to the Audit Committee

Opinia noastra de audit asupra situatiilor financiare consolidate exprimata in acest raport este in concordanta cu raportul suplimentar adresat Comitetului de Audit al Grupului, pe care l-am emis in aceeasi data in care am emis si acest raport.

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

Servicii non-audit
Provision of Non-audit Services

Nu am furnizat Grupului servicii non-audit interzise mentionate la articolul 5 alineatul (1) din Regulamentul (UE) nr. 537/2014 al Parlamentului European si al Consiliului si ramanem independenti fata de Grup pe durata auditului.

Nu am furnizat Grupului si entitatilor controlate de acesta alte servicii decat cele de audit statutar si cele prezentate in raportul anual si in situatiile financiare consolidate.

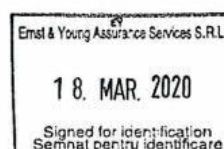
No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the consolidated financial statements, there are no other services which were provided by us to the Group, and its controlled undertakings.

In numele,
On behalf of,

Ernst & Young Assurance Services SRL
Bd. Ion Mihalache 15-17, etaj 21, Bucuresti, Romania
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Inregistrat in Registrul Public electronic cu nr. FA77
Registered in the electronic Public Register under No. FA77



Nume Auditor / Partener: Alexandru Lupea
Name of the Auditor/ Partner: Alexandru Lupea
Inregistrat in Registrul Public electronic cu nr. AF273
Registered in the electronic Public Register under No. AF273

Bucuresti, Romania
Bucharest, Romania
18 martie 2020
18 March 2020

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	Notes	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
		<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Intangible assets	3	8,524,600	7,606,675	36,321,616	32,410,521
Goodwill	4	82,871,706	82,871,706	353,099,765	353,099,765
Property, plant and equipment	5	1,179,954,903	1,235,103,661	5,027,551,845	5,262,529,674
Right of use assets	7	62,843,821	-	267,764,953	-
Available for sale investments	8	18,583	18,583	79,178	79,178
Long-term receivable		667,307	3,250,669	2,843,262	13,850,450
Deferred tax asset	15	<u>25,927,332</u>	<u>37,661,607</u>	<u>110,471,175</u>	<u>160,468,575</u>
Total non current assets		<u>1,360,808,252</u>	<u>1,366,512,901</u>	<u>5,798,131,794</u>	<u>5,822,438,163</u>
Inventories, net	9	261,673,893	292,898,693	1,114,940,123	1,247,982,751
Trade and other receivables	10	478,076,540	409,254,839	2,036,988,522	1,743,753,019
Derivative financial instruments	32.5	1,171,629	2,608,512	4,992,077	11,114,348
Cash and cash equivalents	11	13,196,424	11,477,183	56,227,323	48,901,981
Total current assets		<u>754,118,486</u>	<u>716,239,227</u>	<u>3,213,148,045</u>	<u>3,051,752,099</u>
TOTAL ASSETS		<u>2,114,926,738</u>	<u>2,082,752,128</u>	<u>9,011,279,839</u>	<u>8,874,190,262</u>
Share capital	12	1,463,323,897	1,463,323,897	6,234,930,460	6,234,930,460
Share premium	12	74,050,518	74,050,518	315,514,447	315,514,447
Revaluation reserve, net	12	130,188,777	140,206,556	554,708,341	597,392,094
Other reserves	12	(12,448,820)	(9,156,421)	(53,041,933)	(39,013,679)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,513,405,767	4,513,405,766
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,542,984,593)	(2,542,984,593)
Accumulated losses		(1,465,597,442)	(1,444,804,971)	(6,244,617,580)	(6,156,025,020)
Current year result		(49,174,940)	(27,242,482)	(209,524,584)	(116,074,767)
Equity attributable to equity holders of the parent		<u>602,795,326</u>	<u>658,830,433</u>	<u>2,568,390,325</u>	<u>2,807,144,708</u>
Non-Controlling interest		16,731,538	16,534,151	71,289,736	70,448,709
Total equity		<u>619,526,864</u>	<u>675,364,584</u>	<u>2,639,680,061</u>	<u>2,877,593,417</u>
Long-term borrowings from banks	13	240,000,000	224,103,204	1,022,592,001	954,858,932
Hybrid loans - interest portion	12	17,009,920	17,009,920	72,475,867	72,475,867
Net obligations under lease agreements	14	62,098,347	-	264,588,637	-
Deferred tax liabilities	15	4,012,156	4,149,508	17,094,994	17,680,224
Provisions	19	80,361,840	85,664,505	342,405,728	364,999,323
Other non-current liabilities		186,288	195,757	793,736	834,081
Total non-current liabilities		<u>403,668,551</u>	<u>331,122,894</u>	<u>1,719,950,963</u>	<u>1,410,848,427</u>
Trade and other payables	16	1,026,909,009	916,434,940	4,375,453,898	3,904,745,991
Contract liabilities	17	21,448,626	25,947,213	91,388,306	110,555,885
Derivative financial instruments	32.5	3,704,969	76,580	15,786,132	326,292
Net obligations under lease agreements	14	3,977,909	-	16,949,075	-
Short-term borrowings from shareholders and related parties	18	24,382,988	107,551,244	103,891,036	458,254,340
Short-term borrowings from banks	18	11,307,822	26,254,673	48,180,368	111,865,910
Total current liabilities		<u>1,091,731,323</u>	<u>1,076,264,650</u>	<u>4,651,648,815</u>	<u>4,585,748,418</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,114,926,738</u>	<u>2,082,752,128</u>	<u>9,011,279,839</u>	<u>8,874,190,262</u>


The consolidated financial statements have been approved on 17 March 2020 and submitted for approval by the General Assembly of shareholders on 29 April 2020 by:

SADUOKHAS MERALIYEV
PRESIDENT of the BOARD of DIRECTORS

DocuSigned by:

 6E619FA422D54FF...

FELIX CRUDU-TESTLOVEANU
GENERAL MANAGER

DocuSigned by:

 8C456324FA134C6...

MIRCEA-STEFAN STANESCU
FINANCE MANAGER

DocuSigned by:

 P. 31034B34777A45E...

Cristina Ana Dica
Reporting Manger

DocuSigned by:

 2AEF9D62635148C...

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements.
 English translation is for information purposes only. Romanian language text is the official text for submission.


ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	Notes	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Revenues from contract with customers	20	3,844,114,179	3,980,543,368	16,379,001,693	16,960,299,182
Cost of sales	21	(3,624,595,337)	(3,724,419,488)	(15,443,675,811)	(15,869,006,554)
Gross profit		<u>219,518,842</u>	<u>256,123,880</u>	<u>935,325,882</u>	<u>1,091,292,628</u>
Selling, general and administrative expenses, including logistic costs	22	(210,561,860)	(211,912,916)	(897,161,973)	(902,918,553)
Other operating income	23	66,706,333	65,537,105	284,222,345	279,240,496
Other operating expenses	23	(51,429,270)	(84,946,746)	(219,129,834)	(361,941,095)
Operating profit		<u>24,234,045</u>	<u>24,801,323</u>	<u>103,256,420</u>	<u>105,673,476</u>
Finance cost	24	(73,693,728)	(58,924,170)	(313,994,236)	(251,064,104)
Finance income	24	18,122,961	12,486,730	77,218,312	53,203,459
Foreign exchange loss, net	24	(1,338,706)	(6,088,121)	(5,703,959)	(25,940,266)
(Loss)/Profit before income tax		<u>(32,675,428)</u>	<u>(27,724,238)</u>	<u>(139,223,463)</u>	<u>(118,127,435)</u>
Income tax	25	(16,302,125)	49,050	(69,460,094)	208,992
(Loss)/Profit for the year		<u>(48,977,553)</u>	<u>(27,675,188)</u>	<u>(208,683,557)</u>	<u>(117,918,443)</u>
<i>Attributable to:</i>					
Equity holders of the parent		(49,174,940)	(27,242,482)	(209,524,584)	(116,074,767)
Non-Controlling interests		197,387	(432,706)	841,027	(1,843,676)
Earnings per share (US cents/share)					
Basic	28	(0.111)	(0.062)	(0.475)	(0.263)

The consolidated financial statements have been approved on 17 March 2020 and submitted for approval by the General Assembly of shareholders on 29 April 2020 by:

SADUOKHAS MERALIYEV
PRESIDENT of the BOARD of DIRECTORS

DocuSigned by:
 Saduokhas Meraliyev

6E619FA422D54FF...
FELIX CRUDU-TESLOVEANU
GENERAL MANAGER

DocuSigned by:
 Felix Crudu Tesloveanu

MIRCEA-STEFAN STANESCU
FINANCE MANAGER

DocuSigned by:
 Mircea-Stefan Stanescu
Pre
31034B34777A45E...
Cristina Ana Dica
Reporting Manger

DocuSigned by:
 Cristina Ana Dica

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

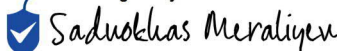
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Net loss for the year	<u>(48,977,553)</u>	<u>(27,675,188)</u>	<u>(208,683,557)</u>	<u>(117,918,443)</u>
Other comprehensive income				
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</i>				
Actuarial losses on retirement benefits	(3,292,399)	(5,002,753)	(14,028,253)	(21,315,732)
Revaluation of buildings category in property plant and equipment	-	3,726,620	-	15,878,382
Deferred income tax related to revaluation, recognised in equity	-	(581,645)	-	(2,478,272)
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods	<u>(3,292,399)</u>	<u>(1,857,778)</u>	<u>(14,028,253)</u>	<u>(7,915,622)</u>
Total other comprehensive income/ (loss) for the year, net of tax	<u>(3,292,399)</u>	<u>(1,857,778)</u>	<u>(14,028,253)</u>	<u>(7,915,622)</u>
Total comprehensive result for the year, net of tax	<u>(52,269,952)</u>	<u>(29,532,966)</u>	<u>(222,711,810)</u>	<u>(125,834,065)</u>
<i>Attributable to:</i>				
Equity holders of the parent	(52,467,339)	(30,132,695)	(223,552,837)	(128,389,389)
Non-Controlling interests	197,387	599,729	841,027	2,555,324
Total comprehensive result for the year	<u>(52,269,952)</u>	<u>(29,532,966)</u>	<u>(222,711,810)</u>	<u>(125,834,065)</u>

The consolidated financial statements have been approved on 17 March 2020 and submitted for approval by the General Assembly of shareholders on 29 April 2020 by:

SADUOKHAS MERALIYEV
PRESIDENT of the BOARD of DIRECTORS

DocuSigned by:



FEL...6E619FA422D54FE...
GENERAL MANAGER

DocuSigned by:



8C456324FA134C6...

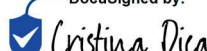
MIRCEA-STEFAN STANESCU
FINANCE MANAGER

DocuSigned by:



Pre...31034B34777A45E...
Cristina Dica
Reporting Manger

DocuSigned by:



2AEF9D62635148C...

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

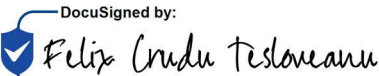
	Notes	2019	2018	2019	2018
		USD	USD	RON	RON
Result before income tax		(32,675,428)	(27,724,238)	(139,223,463)	(118,127,435)
<i>Adjustments for:</i>					
Depreciation and impairment of property, plant and equipment and intangibles assets	21, 22	117,353,307	107,143,081	500,018,971	456,515,240
Depreciation and amortization of right-of-use assets		4,811,795	-	20,502,096	-
Provisions for receivables and inventories (incl write-off)	23	(5,707,368)	18,145,594	(24,317,954)	77,314,747
Impairment for property, plant and equipment (incl write-off)	23	257,638	(8,941,924)	1,097,744	(38,099,749)
Loss on revaluation of tangible assets	23	-	11,174,920	-	47,614,099
Provision for environmental and other liabilities		(8,521,723)	-	(36,309,357)	-
Restructuring and retirement benefit provisions	19	(73,341)	26,692	(312,491)	113,728
Late payment interest	24	193,232	243,565	823,323	1,037,782
Other financial income	24	(819,939)	(355,679)	(3,493,596)	(1,515,477)
Unwinding of discount leasing	24	3,586,989	-	15,283,448	-
Interest income	24	(17,303,022)	(12,131,051)	(73,724,716)	(51,687,982)
Interest expense and bank charges		63,370,763	53,650,765	270,010,147	228,595,180
Gain on sale or disposal of property, plant and equipment	23	(1,495,794)	(347,156)	(6,373,279)	(1,479,162)
Unrealised foreign exchange (gain)/loss		(2,699,142)	(5,308,731)	(11,500,510)	(22,619,441)
Cash from operations before working capital changes		120,277,967	135,575,838	512,480,363	577,661,530
<i>Net working capital changes:</i>					
Receivables and prepayments		(3,465,967)	19,720,843	(14,767,790)	84,026,569
Inventories		37,466,258	35,113,058	159,636,232	149,609,718
Trade and other payables and contract liabilities		(22,924,336)	(11,836,300)	(97,676,013)	(50,432,107)
Change in working capital		11,075,955	42,997,601	47,192,429	183,204,180
Income tax paid		-	-	-	-
Cash (paid)/received for derivatives, net		5,065,272	(2,580,319)	21,582,111	(10,994,223)
Net cash provided by/(used in) operating activities		136,419,194	175,993,120	581,254,903	749,871,487
Cash flows from investing activities					
Purchase of property, plant and equipment		(83,525,666)	(83,039,199)	(355,886,160)	(353,813,421)
Purchase of intangible assets		(1,984,741)	(2,769,207)	(8,456,584)	(11,799,037)
Proceeds from sale of property, plant and equipment		23,347,851	495,677	99,480,524	2,111,981
Net cash used in investing activities		(62,162,556)	(85,312,729)	(264,862,220)	(363,500,477)
Cash flows from financing activities					
Cash pooling movement		63,275,165	(7,897,873)	269,602,822	(33,651,257)
Long - term loans received from banks		23,772,204	-	101,288,607	-
Long - term loans repaid to banks		(7,875,408)	(15,611,376)	(33,555,538)	(66,516,951)
Short - term loans (repaid to) / received from related parties		(81,755,999)	(69,873,201)	(348,345,961)	(297,715,735)
Short - term loans (repaid to) / received from banks, net		(14,978,023)	42,005,210	(63,818,360)	178,975,799
Lease repayments		(7,517,041)	-	(32,028,608)	-
Interest and bank charges paid, net		(47,458,295)	(40,418,161)	(202,210,303)	(172,213,700)
Net cash from/ (used) in financing activities		(72,537,397)	(91,795,401)	(309,067,341)	(391,121,844)
Increase / (Decrease) in cash and cash equivalents		1,719,241	(1,115,010)	7,325,342	(4,750,834)
Cash and cash equivalents at the beginning of period		11,477,183	12,592,193	48,901,981	53,652,815
Cash and cash equivalents at the end of the period		13,196,424	11,477,183	56,227,323	48,901,981

The consolidated financial statements have been approved on 17 March 2020 and submitted for approval by the General Assembly of shareholders on 29 April 2020 by:

SADUOKHAS MERALIYEV
PRESIDENT of the BOARD of DIRECTORS

DocuSigned by:

FEL...6E619FA422D54FF...
GENERAL MANAGER

DocuSigned by:

8C456324FA134C6...

MIRCEA-STEFAN STANESCU
FINANCE MANAGER

DocuSigned by:

P...31034B34777A45E...
Cristina Anca Dica
Reporting Manger

DocuSigned by:

2AEF9D62635148C...

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements.
English translation is for information purposes only. Romanian language text is the official text for submission.

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

Amount in USD

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to holders of the parent	Non-controlling interest	Total equity
December 31, 2017	<u>1,463,323,897</u>	<u>74,050,518</u>	<u>(1,453,694,310)</u>	<u>174,323,544</u>	<u>(27,891,767)</u>	<u>(596,832,659)</u>	<u>1,055,132,327</u>	<u>688,411,550</u>	<u>15,934,422</u>	<u>704,345,972</u>
Effect of applying IFRS 9	-	-	(1,036,370)	-	-	-	-	(1,036,370)	-	(1,036,370)
Restated balance at December 31, 2017	<u>1,463,323,897</u>	<u>74,050,518</u>	<u>(1,454,730,680)</u>	<u>174,323,544</u>	<u>(27,891,767)</u>	<u>(596,832,659)</u>	<u>1,055,132,327</u>	<u>687,375,180</u>	<u>15,934,422</u>	<u>703,309,602</u>
Net loss for 2018	-	-	(27,242,482)	-	-	-	-	(27,242,482)	(432,706)	(27,675,188)
Transfer of realised revaluation reserve to Retained Earnings	-	-	9,925,709	(9,925,709)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	1,587,948	-	(5,002,753)	1,587,948	-	1,587,948
Retirement benefit	-	-	-	-	-	-	-	(5,002,753)	-	(5,002,753)
Revaluation of buildings category in property plant and equipment	-	-	-	2,497,531	-	-	-	2,497,531	1,229,089	3,726,620
Deferred income tax related to revaluation of buildings category in property plant and equipment, recognised in equity	-	-	-	-	(384,991)	-	(5,002,753)	(384,991)	(196,654)	(581,645)
Total other comprehensive income	-	-	-	<u>2,497,531</u>	<u>(384,991)</u>	-	<u>(5,002,753)</u>	<u>(2,890,213)</u>	<u>1,032,435</u>	<u>(1,857,778)</u>
Total comprehensive income	-	-	-	<u>(7,428,178)</u>	<u>1,202,957</u>	-	<u>(5,002,753)</u>	<u>(28,544,747)</u>	<u>599,729</u>	<u>(27,945,018)</u>
31 December 2018	<u>1,463,323,897</u>	<u>74,050,518</u>	<u>(1,472,047,453)</u>	<u>166,895,366</u>	<u>(26,688,810)</u>	<u>(596,832,659)</u>	<u>1,050,129,574</u>	<u>658,830,433</u>	<u>16,534,151</u>	<u>675,364,584</u>
Effect of applying IFRS 16	-	-	(5,137,944)	-	-	-	-	(5,137,944)	-	(5,137,944)
Restated balance at December 31, 2018	<u>1,463,323,897</u>	<u>74,050,518</u>	<u>(1,477,185,397)</u>	<u>166,895,366</u>	<u>(26,688,810)</u>	<u>(596,832,659)</u>	<u>1,050,129,574</u>	<u>653,692,489</u>	<u>16,534,151</u>	<u>670,226,640</u>
Net loss for 2019	-	-	(49,174,940)	-	-	-	-	(49,174,940)	197,387	(48,977,553)
Transfer of realised revaluation reserve to Retained Earnings	-	-	11,587,955	(11,587,955)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	1,570,176	-	(3,292,399)	1,570,176	-	1,570,176
Retirement benefit	-	-	-	-	-	-	-	(3,292,399)	-	(3,292,399)
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	<u>(11,587,955)</u>	<u>(25,118,634)</u>	<u>(596,832,659)</u>	<u>(3,292,399)</u>	<u>(52,467,339)</u>	<u>197,387</u>	<u>(52,269,952)</u>
December 31, 2019	<u>1,463,323,897</u>	<u>74,050,518</u>	<u>(1,514,772,382)</u>	<u>155,307,411</u>	<u>(25,118,634)</u>	<u>(596,832,659)</u>	<u>1,046,837,175</u>	<u>602,795,326</u>	<u>16,731,538</u>	<u>619,528,864</u>

The consolidated financial statements have been approved on 17 March 2020 and submitted for approval by the General Assembly of shareholders on 29 April 2020 by:

SADUOKHAS MERALİYEV
 PRESIDENT of the BOARD of DIRECTORS

DocuSigned by:


Saduokhas Meraliyev

FELI
 GENERAL MANAGER

DocuSigned by:


Felix Andrei Teslovanu

MIRCEA-STEFAN STANESCU
 FINANCE MANAGER

DocuSigned by:


Mircea-Stefan Stanescu
 Reporting Manager

DocuSigned by:


Cristina Dia

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements.
 English translation is for information purposes only. Romanian language text is the official text for submission.

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

Amount in RON

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
December 31, 2017	6,234,930,460	315,514,447	(6,193,900,716)	742,757,756	(118,841,241)	(2,542,984,593)	4,495,707,819	2,933,183,932	67,893,385	3,001,077,317
Effect of applying IFRS 9	-	-	(4,415,765)	-	-	-	-	(4,415,765)	-	(4,415,765)
Restated balance at December 31, 2017	6,234,930,460	315,514,447	(6,198,316,481)	742,757,756	(118,841,241)	(2,542,984,593)	4,495,707,819	2,928,768,167	67,893,385	2,996,661,552
Net loss for 2018	-	-	(116,074,767)	-	-	-	-	(116,074,767)	(1,843,676)	(117,918,443)
Transfer of realised revaluation reserve to Retained Earnings	-	-	42,291,461	(42,291,461)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	6,765,930	-	(21,315,732)	6,765,930	-	6,765,930
Retirement benefit	-	-	-	-	-	-	-	-	-	-
Revaluation of buildings category in property plant and equipment	-	-	-	10,641,480	-	-	-	10,641,480	5,236,902	15,878,382
Deferred income tax related to revaluation of buildings category in property plant and equipment, recognised in equity	-	-	-	-	(1,640,370)	-	-	(1,640,370)	(837,902)	(2,478,272)
Total other comprehensive income	-	-	-	10,641,480	(1,640,370)	-	(21,315,732)	(12,314,622)	4,399,000	(7,915,622)
Total comprehensive income	-	-	(73,783,306)	(31,649,981)	5,125,560	(2,542,984,593)	(21,315,732)	(121,623,459)	2,555,324	(119,068,135)
31 December 2018	6,234,930,460	315,514,447	(6,272,099,787)	711,107,775	(113,715,681)	(2,542,984,593)	4,474,392,087	2,807,144,708	70,448,709	2,877,593,417
Effect of applying IFRS 16	-	-	(21,891,752)	-	-	-	-	(21,891,752)	-	(21,891,752)
Restated balance at December 31, 2018	6,234,930,460	315,514,447	(6,293,991,539)	711,107,775	(113,715,681)	(2,542,984,593)	4,474,392,087	2,785,252,956	70,448,709	2,855,701,665
Net loss for 2019	-	-	(209,624,584)	(49,373,959)	-	-	-	(209,624,584)	841,027	(208,683,557)
Transfer of realised revaluation reserve to Retained Earnings	-	-	49,373,959	(49,373,959)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	6,690,206	-	(14,028,253)	6,690,206	-	6,690,206
Retirement benefit	-	-	-	-	-	-	(14,028,253)	(14,028,253)	-	(14,028,253)
Total other comprehensive income	-	-	-	-	-	-	(14,028,253)	(14,028,253)	-	(14,028,253)
Total comprehensive income	-	-	(160,150,625)	(49,373,959)	(107,025,475)	(2,542,984,593)	(14,028,253)	(223,552,837)	841,027	(222,711,810)
December 31, 2019	6,234,930,460	315,514,447	(6,454,142,164)	661,733,816	(107,025,475)	(2,542,984,593)	4,460,363,834	2,568,390,325	71,289,736	2,639,680,061

The consolidated financial statements have been approved on 17 March 2020 and submitted for approval by the General Assembly of shareholders on 29 April 2020 by:

SADUOKHAS MERALIYEV
 PRESIDENT OF DIRECTORS


 DocuSigned by:
 Saduokhas Meraliyev

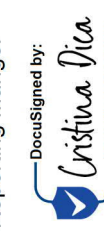
FELI
 GENERAL MANAGER


 DocuSigned by:
 Felix Andrei Teslovanu

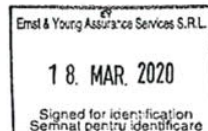
MIRCEA-STEFAN STANESCU
 FINANCIAL MANAGER


 DocuSigned by:
 Mircea-Stefan Stanescu

Cr
 Reporting Manger


 DocuSigned by:
 Cristina Dia

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements.
 English translation is for information purposes only. Romanian language text is the official text for submission.



ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

1. GENERAL

Romp petrol Rafinare SA (hereinafter referred to as “the Parent Company” or “the Company” or “the Parent” or “RRC”) is a company incorporated under Romanian law. The Parent Company operates Petromidia and Vega refineries. Petromidia refinery, located on the Black Sea coast, processes imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975-1977 and was further modernized in the early 1990’s and from 2005 to 2012.

Romp petrol Rafinare SA and its subsidiaries (hereinafter referred to as “the Group”) are involved in refining of oil, production of petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 8). The number of employees of the Group at the end of 2019 and 2018 was 1,898 and 1,900 respectively.

The registered address of Rompetrol Rafinare S.A. is Bd. Navodari no. 215, Navodari, Constanta, Romania. Rompetrol Rafinare S.A. and its subsidiaries are part of KMG International N.V. group with its registered address located at World Trade Centre, Strawinskylaan 807, Tower A, 8th floor, 1077 XX Amsterdam, the Netherlands.

The Group’s ultimate parent company is “National Welfare Fund Samruk Kazyna” JSC, an entity with its headquarters in Kazakhstan.

The Company is a joint stock company listed on the Bucharest Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), effective as of 31 December 2019, as endorsed by the European Union (“EU”).

The consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments and buildings and constructions that have been measured at fair value.

The consolidated financial statements provide comparative information in respect of the previous period.

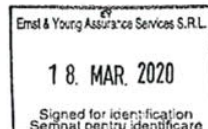
b) Going concern

The financial statements of the Group are prepared on a going concern basis. As at 31 December 2019 and 31 December 2018 the Group reported net assets including non-controlling interest, of USD 619.5 million and 675.4 million respectively. The Group reported for the year ended 31 December 2019 a loss of USD 49.2 million and for the year ended 31 December 2018 reported a loss of USD 27.2 million respectively.

The Group has developed a Long-Term Development Strategy for each area of the business up to the year 2022. This strategy is reaffirming the Group’s commitment to the chosen direction of growth, by maximizing the economic value through access to end consumers of products manufactured by the Group.

Based on the Group’s budget for 2020, its Long-Term Development Strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

In terms of budget 2019 execution, the Group outperformed all key operational drivers budgeted targets:
 - Petromidia feedstock processed reached an historical high level of 6.33 million tons, 7% or +0.4 million tons above 2018 performance and +0.53 million tons above 2019 budget;



ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

- Vega feedstock processed reached 436 k tons, above 30k tons higher performance against 2018 and 2019 budget;
- Record high retail cash sales volumes of Downstream Romania during 2019, 16% above 2018 and 6% above budget, corresponding to an average level of daily cash and non-cash sales per station of 12.3 cubic meters, which is more than 5% above both 2018 and 2019 budget levels;

The 2019 operational coordinated performance alongside proactive measures of expenses optimization have been the key managerial instruments to off-set in large degree 2019 historical low market refining margin environment triggered by one-off market negative reactions to unpredicted events such as U.S. economic sanctions initiated against Venezuela, which is home to the world's largest oil reserves, the chloride pollution incident on Transneft' Druzhba pipeline impacting temporarily sour crude type availability into the market. Such market disruptive events lead to a year-on-year market refining margin negative impact high given the one-off impact size could only partially be off-set by the higher 2019 operational performance measures effect.

The Parent Company, Rompetrol Rafinare SA, net assets (amounting to RON 1,968 million as at 31 December 2019) have decreased to less than a half of the value of share capital (amounting to RON 4,410 as at 31 December 2019) and the Company's executive management and Board of Directors intend to resolve this situation of the relation between Company's net assets and its share capital, within the timeframe stipulated by the law, based on the stipulations of art.153.24 of company Law no.31/1990, as subsequently amended and in accordance with the statutory decisions adopted."

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2019:

• **IFRS 16: Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Group has adopted the new standard on the required effective date using the modified retrospective method and will not restate comparative information.

Consequently, the date of initial application is the first day of the annual reporting period in which the Group first applies the requirements of the new standard.

At the date of initial application of new leases standard, the Group recognized the cumulative effect of initial application as an adjustment to the opening balance of equity as of 1 January 2019.

The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

As of January 1st, 2019, the Group recognised a lease liability and a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019; and the right-of-use asset at its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at 1 January 2019.

The effect (increase/(decrease)) of adopting IFRS 16 as at 1 January 2019 is set out below:

	USD
Assets	
Non-current assets	
Right of use assets	36,021,572
Current assets	
Other receivables	<u>(1,156,502)</u>
Total assets	<u>34,865,070</u>
Liabilities	
Interest-bearing loans and borrowings	
Non-current	25,327,827
Current	<u>14,675,186</u>
Total Liabilities	<u>40,003,013</u>
Total Equity	<u>5,137,943</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	USD
Operating lease commitments disclosed as at 31 December 2018	62,726,534
Average incremental borrowing rate as of January 1st, 2019	8.8%
Discounted using the lessee's	40,003,013
Lease liability recognised as at 1 January 2019	<u>40,003,013</u>

• **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has assessed that there is no material impact at Group level from application of this standard.

• **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. Management has assessed that there is no material impact at Group level from application of this standard.

• **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that there is no material impact at Group level from application of this standard.

• **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management has assessed that there is no material impact at Group level from application of this standard.

• **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. Management has assessed that none of these had a significant effect on the Group's financial statements:

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Standards issued but not yet effective and not early adopted'

The Group has not early adopted the following standards/interpretations:

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Group level from application of this standard.

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020. Management has assessed there is no material impact at Group level from application of this standard.

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Group level from application of this standard.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed there is no material impact at Group level from application of this standard.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has assessed there is no material impact at Group level from application of this amendments.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Group level from application of this amendments.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translation

The group's presentation currency is the US Dollar (or "USD") that is the functional currency of the Parent and is the currency of the industry in which the Group operates.

Transactions and balances not already measured in USD, and that are measured in RON or other currencies, have been re-measured in USD as follows:

Monetary assets and liabilities

Cash and cash equivalents, receivables, payables and short-term loans have been translated into USD at the year-end exchange rate. Gain or loss on translation of these assets and liabilities is recorded in the income statement.

Non-monetary assets and liabilities

Non-monetary assets and liabilities are translated from their historical cost or valuation by applying the exchange rate USD/RON from the date of acquisition, valuation or contribution to the statement of financial position.

Consolidated statement of income

Consolidated statement of income items has been translated applying the exchange rate from the month when the items were initially recorded to the consolidated income statement.

Exchange gains and losses arising on the re-measurement that are not denominated in USD are credited/charged to the consolidated Income Statement for the year.

Other matters

In Romania, the official exchange rates are published by the National Bank of Romania ("Central Bank" or "National Bank"), and are considered to be a reasonable approximation of market exchange rates.

The translation of RON denominated assets and liabilities into USD for the purpose of these consolidated financial statements does not indicate that the Group could realize or settle in US dollars the reported values of these assets and liabilities. Likewise, it does not indicate that the Group could retain or distribute the reported USD values of equity to its shareholders.

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 31 December 2019 closing exchange rate published by Romanian national Bank of RON 4.2608= USD 1, for both 2019 and 2018 amounts.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the assets or liabilities affected in the future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The matters presented below are considered to be the most important in understanding the judgments that are involved in preparing these consolidated financial statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cash flows.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that can lead to material adjustments to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- Impairment of Goodwill on acquisitions

The Group's impairment test for goodwill is based on fair value less costs to sell calculations that use a discounted cash flow model for the CGU to which Goodwill has been allocated. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to undertake. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes (Note 4).

- Impairment of non- financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are tested for impairment. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Estimates of future cash flows are based on management estimates of future commodity prices, market supply and demand and product margins. Other factors that can lead to changes in estimates include restructuring plans and variation in regulatory environments. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 6.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Provision for environmental liability

The Group is involved in refining and petrochemicals, wholesale and retail and other related services. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the relevant regulations, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Group together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognized as a provision in the Group's financial statements. When the final determination of such obligation amounts differs from the recognized provisions, the Group's income statement is impacted.

Further details on provision for environmental liability are provided in Note 19.

- Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized and for environmental provision. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred tax assets and for those losses carried forward for which deferred tax assets has not been recognized are provided in Notes 15 and 25.

- Carrying value of trade and other receivables

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group assesses the requirement for an allowance for impairment in trade and other receivables when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

- Carrying value of inventories

The Group considers on a regular basis the carrying value of inventories in comparison to expected use of items, impact of damaged or obsolete items, technical losses and a comparison to estimated net realizable value compared to cost, based on latest available information and market conditions. As applicable a reserve against the carrying value of inventories is made.

- Provision for litigations

The Group analyses its legal exposure regularly in order to determine whether provisions are required. In determining the amount of the provision, assumptions and estimates are made in relation to the probability of losing the case, the expected claim to be paid and the expected timing of the payments. Changes to these assumptions could have a significant impact on the amount of the provision.

Further details on the provisions relating to litigations are provided in Notes 19, 23 and 30.

- *Leases*

The Group has several lease contracts that include yearly extension period. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew. These agreements are mainly related to the plot rental for the gas stations. In this cases, the lease period is estimated at the level of the asset (gas station) useful life.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The incremental borrowing rates used for discounting is established based on the data obtained from the banks by taking into consideration the asset type, lease agreement currency and the lease term.

g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If a Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

h) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquired a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group analyses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (r) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Loans and borrowings at amortized cost

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

j) Property, plant and equipment

Property, plant and equipment of the Company are stated at cost less cumulative depreciation, except for buildings that are periodically (not later than 5 years) revalued and measured at fair value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been commissioned, such as repairs and maintenance are charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Starting 31 December 2017, the Group changed its accounting policy regarding the recognition and measurement for buildings category, from cost model to the revalued one. The Group has changed its accounting policy to measure buildings category at the revalued amount in accordance with IAS 16. IAS 16.37 defines a class of property, plant and equipment as a grouping of assets of similar nature and use in an entity's operations. The Group determined that the buildings category constitute separate class of property, plant and equipment, based on their nature, characteristics and risks.

Buildings category are measured at fair value less accumulated depreciation and impairment losses recognized after the date of revaluation. Valuations need to be performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes cost of construction and other direct costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation for property, plant and equipment except land and construction in progress is computed using the straight-line method over the following estimated useful lives.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	<u>Years</u>
Buildings and other constructions	10 to 100
Storage tanks	20 to 30
Tank cars	25
Machinery and other equipment	3 to 20
Gas pumps	8 to 12
Vehicles	5
Furniture and office equipment	3 to 10
Computers	3

Following the change in the accounting policy regarding recognition of buildings category from cost to revaluation method, also the economic remaining life utilization of the buildings were revaluated as at 31 December 2017. The remaining life utilization were estimated by the authorized appraiser based on ANEVAR's Assessment Guide GEV 500 (in accordance with normative act P135/2000 issued by INCERC). According to GEV 500 life utilization of buildings are up to 100 years. The depreciation of buildings category based on the revaluated remaining life utilization applies starting 1 January 2018. Before this date (i.e 1 January 2018) the buildings category was stated at cost. The change from cost to revaluation provide a more transparent and up to date picture of the value of the Group assets.

When assets are sold or derecognized, their cumulative costs and depreciation are eliminated and any income or loss resulting from their disposal is included in the income statement.

Assets held under finance leases are recorded in the statement of financial position and depreciated over their expected useful lives on the same basis as owned assets, or where shorter the term of the relevant lease.

k) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

Intangible assets consist of software and licenses and are amortized on a straight-line basis over 3 to 5 years.

Development costs for specific projects which are reasonably anticipated to be recovered through commercial activity as well as expenditure on acquired computer software licenses are capitalized and amortized using the straight-line method over their useful lives, generally 3 years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. External and internal costs specifically associated with the maintenance of already existing computer software programs are expensed as incurred.

l) Impairment of non-financial assets

At each reporting date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is property, plant and equipment stated at revalued amount in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicated that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

m) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense related to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Additional comments on the following specific liabilities are:

- *Environmental liabilities*

Environmental expenditure that relates to current or future revenues is expensed or capitalized as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is expensed.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has an environmental policy which complies with existing legislation and any obligations resulting from its environmental and operational licenses. In order to comply with all rules and regulations the Group has set up a monitoring system in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements.

The above-mentioned expenses are estimated based on the relevant environmental studies.

Liabilities for environmental remediation costs are recognized when environmental assessments or clean-ups are probable, and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

n) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The most significant category in right-of-used-assets refers to gas station buildings and equipment, land (on which the gas station is located) or rent for road utilization (for access to the gas station), for which the depreciation period is the lease contract term, from 25 up to 30 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section I) Impairment of non-financial assets.

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Lease (see Note 14).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

o) Inventories

Inventories of raw material, petroleum products, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, minus the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

p) Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

q) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

r) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The normal credit term is 30 to 90 days upon delivery.

In recognizing revenue, the Group applies the five-step model based on the requirements of IFRS 15:

- a) identifying the contract with the customer;
- b) identifying performance obligations under the contract;
- c) determining the transaction price;
- d) allocating the transaction price to performance obligations;
- e) recognizing revenue at (or during) performance of obligation.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of petroleum products provide customers volume rebates. The volume rebates give rise to variable consideration.

ii) Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be less than one year.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section i) Financial instruments – initial recognition and subsequent measurement and section p) Trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

s) Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well through the amortization process.

t) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All the other costs are expensed in the period they occur.

Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Retirement benefit costs

Payments made to state - managed retirement benefit plans are dealt with as defined contribution plans where the Group pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered.

Under collective labor agreements in certain of the Group's entities, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the reporting date based on the following information: applicable benefits provided in the agreement; the number of employees with the relevant Group entities; and actuarial assumptions on future liabilities. The defined benefit liability as of reporting date comprises the present value of the defined benefit obligation with the related service cost charged to the income statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 4.65% (2018: 4.73%) for Romanian subsidiaries with an expected rate of long-term salary increase 2.97% (2018: 2.99%).

The Group has no other liabilities with respect to future pension, health and other costs for its employees.

v) Taxes

- *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

- *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

- *Sales tax*

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

w) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Foreign Currency Transactions

The Group translates its foreign currency transactions and balances into functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of transaction. Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the consolidated income statement in the period they arise.

y) Derivative Financial Instruments

The Group enters into contracts to purchase and sell crude oil and oil products at future delivery dates. These contracts expose the Group primarily to commodity risks of changes in fair value of crude oil and related oil products. The Group also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with fair value fluctuation relating to certain firm commitments and forecasted transactions.

The use of financial derivatives is governed by the Group's policies approved by board of directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedge

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). The company hedges priced inventories (both raw materials and finished products) above BOS (basis operating stock) using futures instruments for a period that approximately matches the operating cycle.

Hedge accounting is applied for the futures instruments. The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognized in the statement of profit or loss as Cost of Sales. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss (see note 21).

Cash Flow Hedge

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). Throughout a given period, the volatility associated with the oil market, both in crudes and in finished products, is transmitted to the Group's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). To reduce this volatility, the Group hedges the margin with a swap on a hedged basket as relevant for the period.

Hedge accounting is applied for the refinery margin Swap instruments. The effective portion of the gain or loss on the hedging instrument is recognized in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see note 21).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in period profit or loss as they arise.

z) Emission Rights

CO2 emission rights quota are allocated to the Group's refining and petrochemicals operations. For the period 2013-2020 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. The Group accounts for the liability resulting from generating of these emissions using the net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective group companies. Income is recognized only when excess certificates are sold on the market.

aa) Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

ab) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ac) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. INTANGIBLE ASSETS

Amounts in USD

	<u>Software</u>	<u>Other</u>	<u>Intangibles in progress</u>	<u>Total</u>
Cost				
Opening balance as of January 1, 2018	<u>34,673,242</u>	<u>39,176,314</u>	<u>4,762,537</u>	<u>78,612,093</u>
Additions	159,437	3,241	2,606,529	2,769,207
Transfers from CIP	871,053	1,913	(872,966)	-
Transfers and reclassifications*	-	-	(2,089,094)	(2,089,094)
Closing balance as of December 31, 2018	<u>35,703,732</u>	<u>39,181,468</u>	<u>4,407,006</u>	<u>79,292,206</u>
Additions	6,933	143,766	1,834,042	1,984,741
Transfers from CIP	154,046	883,934	(1,037,980)	-
Transfers and reclassifications*	-	-	93,347	93,347
Closing balance as of December 31, 2019	<u>35,864,711</u>	<u>40,209,168</u>	<u>5,296,415</u>	<u>81,370,294</u>
Accumulated amortization				
Opening balance as of January 1, 2018	<u>(33,524,760)</u>	<u>(36,311,498)</u>	<u>(523,380)</u>	<u>(70,359,638)</u>
Charge for the year	(748,232)	(577,661)	-	(1,325,893)
Closing balance as of December 31, 2018	<u>(34,272,992)</u>	<u>(36,889,159)</u>	<u>(523,380)</u>	<u>(71,685,531)</u>
Charge for the year	(797,224)	(362,939)	-	(1,160,163)
Closing balance as of December 31, 2019	<u>(35,070,216)</u>	<u>(37,252,098)</u>	<u>(523,380)</u>	<u>(72,845,694)</u>
Net book value				
As of December 31, 2018	<u>1,430,740</u>	<u>2,292,309</u>	<u>3,883,626</u>	<u>7,606,675</u>
As of December 31, 2019	<u>794,495</u>	<u>2,957,070</u>	<u>4,773,035</u>	<u>8,524,600</u>

*) Includes, transfer to property, plant and equipment, reclassifications between categories and other adjustments;

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

3. INTANGIBLE ASSETS (continued)

Major part of "Other" (Intangible Assets) relates to licenses.

Amounts in RON

	<u>Software</u>	<u>Other</u>	<u>Intangibles in progress</u>	<u>Total</u>
Cost				
Opening balance as of January 1, 2018	<u>147,735,750</u>	<u>166,922,439</u>	<u>20,292,218</u>	<u>334,950,407</u>
Additions	679,329	13,809	11,105,899	11,799,037
Transfers from CIP	3,711,383	8,151	(3,719,534)	-
Transfers and reclassifications*	-	-	(8,901,212)	(8,901,212)
Closing balance as of December 31, 2018	<u>152,126,462</u>	<u>166,944,399</u>	<u>18,777,371</u>	<u>337,848,232</u>
Additions	29,540	612,558	7,814,486	8,456,584
Transfers from CIP	656,359	3,766,266	(4,422,625)	-
Transfers and reclassifications*	-	-	397,733	397,733
Closing balance as of December 31, 2019	<u>152,812,361</u>	<u>171,323,223</u>	<u>22,566,965</u>	<u>346,702,549</u>
Accumulated amortization				
Opening balance as of January 1, 2018	<u>(142,842,297)</u>	<u>(154,716,031)</u>	<u>(2,230,018)</u>	<u>(299,788,346)</u>
Charge for the year	(3,188,067)	(2,461,298)	-	(5,649,365)
Closing balance as of December 31, 2018	<u>(146,030,364)</u>	<u>(157,177,329)</u>	<u>(2,230,018)</u>	<u>(305,437,711)</u>
Charge for the year	(3,396,812)	(1,546,410)	-	(4,943,222)
Closing balance as of December 31, 2019	<u>(149,427,176)</u>	<u>(158,723,739)</u>	<u>(2,230,018)</u>	<u>(310,380,933)</u>
Net book value				
As of December 31, 2018	<u>6,096,098</u>	<u>9,767,070</u>	<u>16,547,353</u>	<u>32,410,521</u>
As of December 31, 2019	<u>3,385,185</u>	<u>12,599,484</u>	<u>20,336,947</u>	<u>36,321,616</u>

4. GOODWILL

The carrying value of goodwill as of 31 December 2019 and 2018 was USD 82,871,706 (RON: 353,099,765).

The whole carrying amount of goodwill has been allocated to Downstream Romania Cash Generating Unit ("Downstream Romania CGU"). Two other cash generating units in the Group are: Refineries and Petrochemicals.

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil S.A.

Impairment test

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2019 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Construction in progress</u>	<u>Total</u>
Cost						
As of January 1, 2018	70,158,567	671,288,163	1,230,892,081	118,374,156	122,643,786	2,213,356,753
Acquisitions	(154,045)	31,625	229,795	131,222	82,800,602	83,039,199
Transfers from CIP	-	16,830,735	58,046,082	6,653,328	(81,530,145)	-
Revaluation adjustment	-	(7,448,300)	-	-	-	(7,448,300)
Disposals	(135,986)	(5,850)	(957,049)	(512,576)	-	(1,611,461)
Transfers due to revaluation adjustment	-	(14,589,987)	-	-	-	(14,589,987)
Transfers and reclassifications*	-	8,645,976	(8,679,278)	36,672	1,977,367	1,980,737
As of December 31, 2018	69,868,536	674,752,362	1,279,531,631	124,682,802	125,891,610	2,274,726,941
Additions	-	648,850	656,007	237,992	81,982,817	83,525,666
Transfers from CIP	13,165	26,747,122	16,592,891	12,415,286	(55,768,464)	-
Disposals	(683,616)	(15,713,735)	(10,040,640)	(5,559,137)	(161,007)	(32,158,135)
Transfers and reclassifications*	-	(118,945)	118,945	-	(371,585)	(371,585)
As of December 31, 2019	69,198,085	686,315,654	1,286,858,834	131,776,943	151,573,371	2,325,722,887
Accumulated depreciation & Impairment						
As of January 1, 2018	(78,373)	(130,030,333)	(707,572,527)	(91,619,933)	(29,496,409)	(958,797,575)
Charge for the year	-	(36,976,889)	(62,645,721)	(6,194,578)	-	(105,817,188)
Accumulated depreciation of disposals	-	5,850	955,220	500,261	-	1,461,331
Impairment	-	8,943,533	-	-	-	8,943,533
Transfers do to revaluation adjustment	-	14,589,987	-	-	-	14,589,987
Transfers and reclassifications*	-	(523)	19,152	(21,997)	-	(3,368)
As of December 31, 2018	(78,373)	(143,468,375)	(769,243,876)	(97,336,247)	(29,496,409)	(1,039,623,280)
Charge for the year	-	(40,764,255)	(67,548,109)	(7,880,780)	-	(116,193,144)
Accumulated depreciation of disposals	-	1,345,610	6,655,564	2,047,266	-	10,048,440
Transfers and reclassifications*	-	25,771	(25,771)	-	-	-
As of December 31, 2019	(78,373)	(182,861,249)	(830,162,192)	(103,169,761)	(29,496,409)	(1,145,767,984)
Net book value as of December 31, 2018	69,790,163	531,283,987	510,287,755	27,346,555	96,395,201	1,235,103,661
Net book value as of December 31, 2019	69,119,712	503,454,405	456,696,642	28,607,182	122,076,962	1,179,954,903

*) Includes, transfer to property, plant and equipment, reclassifications between categories and other adjustments;

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts in RON

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Construction in progress</u>	<u>Total</u>
Cost						
As of January 1, 2018	<u>298,931,622</u>	<u>2,860,224,605</u>	<u>5,244,584,979</u>	<u>504,368,604</u>	<u>522,560,643</u>	<u>9,430,670,453</u>
Acquisitions	(656,355)	134,748	979,111	559,111	352,796,805	353,813,420
Transfers from CIP	-	71,712,396	247,322,746	28,348,500	(347,383,642)	-
Revaluation adjustment	-	(31,735,717)	-	-	-	(31,735,717)
Disposals	(579,409)	(24,926)	(4,077,794)	(2,183,984)	-	(6,866,113)
Transfers do to revaluation adjustment	-	(62,165,017)	-	-	-	(62,165,017)
Transfers and reclassifications*	-	36,838,775	(36,980,668)	156,252	8,425,161	8,439,520
As of December 31, 2018	<u>297,695,858</u>	<u>2,874,984,864</u>	<u>5,451,828,374</u>	<u>531,248,483</u>	<u>536,398,967</u>	<u>9,692,156,546</u>
Additions	-	2,764,620	2,795,115	1,014,036	349,312,387	355,886,158
Transfers from CIP	56,093	113,964,137	70,698,990	52,899,051	(237,618,271)	-
Disposals	(2,912,751)	(66,953,082)	(42,781,159)	(23,686,371)	(686,019)	(137,019,382)
Transfers and reclassifications*	-	(506,801)	506,801	-	(1,583,250)	(1,583,250)
As of December 31, 2019	<u>294,839,200</u>	<u>2,924,253,738</u>	<u>5,483,048,121</u>	<u>561,475,199</u>	<u>645,823,814</u>	<u>9,909,440,072</u>
Accumulated depreciation & Impairment						
As of January 1, 2018	<u>(333,932)</u>	<u>(554,033,243)</u>	<u>(3,014,825,023)</u>	<u>(390,374,211)</u>	<u>(125,678,299)</u>	<u>(4,085,244,708)</u>
Charge for the year	-	(157,551,129)	(266,920,888)	(26,393,858)	-	(450,865,875)
Accumulated depreciation of disposals	-	24,926	4,070,001	2,131,512	-	6,226,439
Impairment	-	38,106,605	-	-	-	38,106,605
Transfers due to revaluation adjustment	-	62,165,017	-	-	-	62,165,017
Transfers and reclassifications*	-	(2,228)	81,603	(93,725)	-	(14,350)
As of December 31, 2018	<u>(333,932)</u>	<u>(611,290,052)</u>	<u>(3,277,594,307)</u>	<u>(414,730,282)</u>	<u>(125,678,299)</u>	<u>(4,429,626,872)</u>
Charge for the year	-	(173,688,338)	(287,808,983)	(33,578,427)	-	(495,075,748)
Accumulated depreciation of disposals	-	5,733,375	28,358,027	8,722,991	-	42,814,393
Transfers and reclassifications*	-	109,805	(109,805)	-	-	-
As of December 31, 2019	<u>(333,932)</u>	<u>(779,135,210)</u>	<u>(3,537,155,068)</u>	<u>(439,585,718)</u>	<u>(125,678,299)</u>	<u>(4,881,888,227)</u>
Net book value as of December 31, 2018	<u>297,361,926</u>	<u>2,263,694,812</u>	<u>2,174,234,067</u>	<u>116,518,201</u>	<u>410,720,668</u>	<u>5,262,529,674</u>
Net book value as of December 31, 2019	<u>294,505,268</u>	<u>2,145,118,528</u>	<u>1,945,893,053</u>	<u>121,889,481</u>	<u>520,145,515</u>	<u>5,027,551,845</u>

In 2018, Transfers and Reclassifications of USD 1.98 million (RON 8.4 million), represent transfer to intangibles, reclassifications between categories and other adjustments. Also, an additional transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset in amount of USD 14.6 million.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

In 2019 out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: Replacement of HPM Reactor Catalyst amounting to USD 1.6 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 7.3 million, Tank rehabilitation amounting to USD 7.1 million, Revamp fuel oil ramp, increase railway diesel loading capacity and rehabilitation of fuel oil ramp facilities amounting to USD 2.8 million, LPG recovery from Delayed Coker Unit gases amounting to USD 4.5 million, Modernization of the In Line Blending Unit and Rehabilitation and reconfiguration equipment for Line Blending System amounting to USD 2.5 million, General Turnaround of Refinery and Petrochemicals amounting to USD 5.3 million. Part of these projects have been transferred to the other property, plant and equipment categories.

In 2018 out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: Refinery and Petrochemicals annual overhaul amounting to USD 18.3 million and State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 9.5 million, Tank rehabilitation amounting to USD 4.6 million, Replacement of Convective System for CO Boiler 3.6 million. Part of these projects have been transferred to the other property, plant and equipment categories.

- *Construction in progress*

At the end of 2019 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 5.5 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 13 million, Revamp fuel oil ramp, increase railway diesel loading capacity and rehabilitation of fuel oil ramp facilities amounting to USD 3.9 million, LPG recovery from Delayed Coker Unit gases amounting to USD 5.3 million, Modernization of the In Line Blending Unit and Rehabilitation and reconfiguration equipment for Line Blending System amounting to USD 3.4 million, General Turnaround of Refinery and Petrochemicals amounting to USD 5.3 million,

During 2019, Downstream continued the process of expanding the network by opening new stations and rebranding the existing ones. The value of investment was USD 15.74 million (2018: USD 7.69 million).

The remaining balance as of December 31, 2019, USD 25.46 million represent assets in course of construction in regard to the retail network development.

At the end of 2018 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 5.4 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 5.4 million and Refinery specific optimization programs amounting to USD 26.13 million and USD 26.19 million in respect of retail network development (out of witch new COCO & DODO station USD 8.9 million, rebranding the existing stations USD 7.5 million, fill & go project and loyalty program USD 2.5 million).

- *Disposals*

In 2019, out of the total USD 32 million disposed assets, USD 5.7 million refers to catalysts replacement in 122 DHT (Disel HydroTreater), CR (Catalytic Reforming) and MTBE (Methyl Tertiary Butyl Ether) units in Rompetrol Rafinare SA, and USD 26.2 million for Rompetrol Downstream referring to sales of 18 gas stations to Rompetrol Development as part of Kazakh – Romanian Energy Investment Found.

In 2018, out of the total USD 1.6 million disposed assets, USD 0.79 million refers to write-offs for Rompetrol Gas.

- *Borrowing costs capitalized*

The 2019 capital projects were financed from Groups' operating cash flow, therefore no borrowing cost was capitalized during 2019 (2018: USD nil).

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Impairment*

The Group completes an annual assessment for any indication of impairment for all entities based on specific asset considerations, as applicable, and taking into consideration expectations on future estimated cash flows. Impairment tests have been performed by the Group for the carrying value of goodwill and property plant and equipment as of 31 December 2019 on the cash generating units ("CGUs") listed below in Note 6.

- Revaluation of buildings category

Starting December 31, 2017, the Group changed its accounting policies regarding the recognition and measurement of its non-current assets, for buildings category, from cost model to the revaluation model. The Group has changed its accounting policy to measure buildings category at the revalued amount in accordance with IAS 16. IAS 16.37 defines a class of property, plant and equipment as a grouping of assets of similar nature and use in an entity's operations. The Group determined that the buildings category constitute separate class of property, plant and equipment, based on their nature, characteristics and risks.

The change from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Group's assets. Fair value of the buildings category was determined using the market comparable method. The valuations were performed by an independent appraiser and are based on proprietary databases of prices for properties of similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value was classified as a Level 3 measurement. A gain (net of deferred tax) from the revaluation of the Group buildings category of USD 146.4 million in 2017 was recognized in OCI and a loss of USD 45 million was recognized in the income statement.

In 2018 it was recognized a gain (net of deferred tax) from the revaluation of the Group buildings category (of Rompetrol Logistics) of USD 3 million that was recognized in OCI, together with a loss of USD 2.4 million recognized in the income statement. Additionally, for Rompetrol Petrochemicals SRL the negative impact of USD 8.9 million that resulted from the revaluation of buildings category was fully offset by the reversal of impairment, leading to a nil impact at income statement level.

Reconciliation of carrying amount

	<u>Buildings</u>	
	<u>mUSD</u>	<u>mRON</u>
<i>Carrying amount as at December 31, 2017</i>	<u>541.26</u>	<u>2,306.20</u>
Revaluation gain recognised due to change in accounting policy to revaluation model	3.73	15.89
Revaluation loss recognised	(11.17)	(47.59)
Depreciation for the year	(36.98)	(157.56)
Additions/Disposals/Transfers and reclassifications	25.51	108.69
Impairment	8.94	38.09
<u>Carrying amount and fair value as at 31 December 2018</u>	<u>531.29</u>	<u>2,263.72</u>
Depreciation for the year	(40.76)	(173.67)
Additions/Disposals/Transfers and reclassifications	12.93	55.09
<u>Carrying amount and fair value as at 31 December 2019</u>	<u>503.46</u>	<u>2,145.14</u>

*The Group changed the accounting policy with respect to the measurement of buildings category as at 31 December 2017 on a prospective basis. Therefore, the fair value of the buildings category was not measured at 31 December 2016.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

If the buildings category would have been measured using the cost model, the carrying amounts would be, as follows:

	<u>Buildings</u> 2019		<u>Buildings</u> 2018	
	<u>mUSD</u>	<u>mRON</u>	<u>mUSD</u>	<u>mRON</u>
Cost	961.22	4,095.57	949.56	4,045.89
Accumulated depreciation and impairment	(569.73)	(2,427.51)	(539.87)	(2,300.28)
<u>Net carrying amount</u>	<u>391.49</u>	<u>1,668.06</u>	<u>409.69</u>	<u>1,745.61</u>

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment with a carrying value of USD 405 million (2018: USD 418 million) net, for securing banking facilities granted to Group entities.

In 2010 for Rompetrol Rafinare SA (the "Company") it was established by ANAF an asset freeze on all fixed assets and investments and on the equity as well as on the shares, amounting to RON 1,595,020,055 in favor of the Romanian state (represented by ANAF). On these titles there was set up a rank 2 guarantee in favor of KMG International N.V.

On the guarantees in favor of ANAF, on September 10th, 2010, ANAF has established an asset freeze on the investments held by the Company in its subsidiaries and on the movable and immovable assets of the Company, except inventories. The asset freeze is based on article 129 of the Fiscal Procedure Code and the main result is that the Company cannot sell / transfer the assets under freeze.

According with the Memorandum of Understanding signed with the Romanian State and approved by Government Decision no. 35/2014, ANAF should remove and revoke the asset freeze established on 10 September 2010. To date ANAF has not applied the requirements of the MoU and has not lifted the asset freeze.

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (See Note 30). Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to an asset freeze.

On 22 April 2019 DIICOT issued an ordinance whereby all participations held by the company to its subsidiaries, as well as part of the movable and immovable property of Rompetrol Rafinare S.A. were released from the criminal seizure.

On December 5, 2019 DIICOT issued another Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period.

The seizure is lifted entirely but to protect the civil parties, namely Faber and State Authority which manages the State assets, a temporary seizure is kept up to \$106m over four RRC' installations for a limited period of 30 days. If the said civil parties will not fill in a civil claim to the civil courts against Group companies, this temporary seizure is also null and void. If they still do, then it is up to the civil court to assess the grounds for keeping such a seizure in place until the civil claim will be settled.

The ordinance is subject of challenge within 20 days. Both Faber and AAAS and the Group challenged it. The Group challenge filled in on December 27, 2019 concerns the relevant criminal charges to be dismissed on merits and not because of passing the status of limitation.

Faber submitted a civil claim to the Bucharest court against both the Group companies and defendants. For the time being, no subpoena has been received from the Court.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

6. IMPAIRMENT TEST

Impairment tests have been performed by the Group for the carrying value of goodwill and property plant and equipment as of 31 December 2019 on the cash generating units (“CGUs”) Refining, Petrochemicals and Downstream Romania. Based on the impairment tests performed, no impairment has been identified.

As of 31 December 2019, the net book value of property plant and equipment including Goodwill for the cash generating units is the following: Refining USD 934 million, Petrochemicals USD 15 million, Downstream USD 275.88 million (of which USD 82.87 million represents Goodwill).

Refining

Refining CGU includes the operations of Petromidia Refinery, Polypropylene Installations, Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 9.4% (2018: 9.7%) and cash flows beyond the 5-year period are extrapolated using a 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.5% (2018: 7.8%).

Petrochemicals

Petrochemicals CGU includes the petrochemical business of the group, mainly Low Density Polyethylene Unit, which is included within the Rompetrol Rafinare, legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 9.4% (2018:9.7%) and cash flows beyond the 5-year period are extrapolated using a 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.5% (2018: 7.8%).

Downstream Romania

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil S.A.

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 9.4% (2018 9.7%) and cash flows beyond the 5-year period are extrapolated using a 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.5% (2018: 7.8%).

Key assumptions used in fair value less costs to sell calculations

The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs are:

- Operating profit;
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period.

Following Operating profit margin on the basis of Net revenues were applied for the relevant Cash Generating Units:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Rompetrol Refinery	2.1%	3.4%	3.6%	3.4%	3.0%
Petrochemicals	(5.4%)	(3.7%)	3.0%	5.2%	5.4%
Downstream Romania	1.1%	1.6%	2.0%	2.2%	2.5%

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

6. IMPAIRMENT TEST (continued)

Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

Growth rate estimates - Rates are based on published industry research.

Sensitivity to changes in assumptions

With regard to the assessment of the fair value less costs to sell for cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, other than as disclosed below:

Rompetrol Refinery

The break-even point for the current model is achieved under a decrease of 31.5% of Operating profit, reaching the following Operating profit margins:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating profit margin	1.4%	2.4%	2.5%	2.4%	2.1%

Petrochemicals

The break-even point for the current model is achieved under a decrease of 61.8% of Operating profit, reaching the following Operating profit margins:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating profit margin	(2.1%)	(1.4%)	1.1%	2.0%	2.1%

Downstream Romania

The break-even point for the current model is achieved under a decrease of Operating profit of 42.8% reaching the following Operating profit margins:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating profit margin	0.6%	0.9%	1.2%	1.3%	1.4%

*Operating profit margins were computed based on net revenue.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

7. RIGHT OF USE ASSETS

Amounts in USD

	<u>Land, buildings and special constructions</u>	<u>Plant and equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Total</u>
Cost:					
December 31, 2018	-	-	-	-	-
Impact of IFRS 16	35,582,926	24,817	413,829	-	36,021,572
December 31, 2018 (restated)	<u>35,582,926</u>	<u>24,817</u>	<u>413,829</u>	-	<u>36,021,572</u>
Additions	31,634,044	-	-	-	31,634,044
Closing balance at December 31, 2019	<u>67,216,970</u>	<u>24,817</u>	<u>413,829</u>	-	<u>67,655,616</u>
Depreciation and Impairment:					
Closing balance at December 31, 2018	-	-	-	-	-
Depreciation and amortization	(4,607,506)	(10,707)	(193,582)	-	(4,811,795)
Closing balance at December 31, 2019	<u>(4,607,506)</u>	<u>(10,707)</u>	<u>(193,582)</u>	-	<u>(4,811,795)</u>
Net Book value at December 31, 2019	<u>62,609,464</u>	<u>14,110</u>	<u>220,247</u>	-	<u>62,843,821</u>

Amounts in RON

	<u>Land, buildings and special constructions</u>	<u>Plant and equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Total</u>
Cost:					
December 31, 2018	-	-	-	-	-
Restatement from the impact of IFRS 16	151,611,731	105,740	1,763,243	-	153,480,714
December 31, 2018 (restated)	<u>151,611,731</u>	<u>105,740</u>	<u>1,763,243</u>	-	<u>153,480,714</u>
Additions	134,786,335	-	-	-	134,786,335
Closing balance at December 31, 2019	<u>286,398,066</u>	<u>105,740</u>	<u>1,763,243</u>	-	<u>288,267,049</u>
Depreciation and Impairment:					
Closing balance at December 31, 2018	-	-	-	-	-
Depreciation and amortization	(19,631,662)	(45,620)	(824,814)	-	(20,502,096)
Closing balance at December 31, 2019	<u>(19,631,662)</u>	<u>(45,620)</u>	<u>(824,814)</u>	-	<u>(20,502,096)</u>
Net Book value at December 31, 2019	<u>266,766,404</u>	<u>60,120</u>	<u>938,429</u>	-	<u>267,764,953</u>

The additions during the year represent mainly contracts concluded by Rompetrol Downstream for the rental of gas stations from Rompetrol Development.

The Group recognized right of use assets for the following main categories of operational lease.

- Rent agreements for gas stations - in Rompetrol Downstream, in this category are included rent agreements for gas station buildings and equipment, land (on which the gas station is located) or rent for road utilization (for access to the gas station);
- Rental of administrative buildings;
- Rent for usage of maritime port - berths of Midia Port used by Rompetrol Rafinare
- Depots rent – used for storage of petroleum products

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

8. INVESTMENTS

Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at 31 December 2019 and and 31 December 2018 are as follows:

Company name	Country of incorporation	Range of activity	Effective ownership	Control	Effective ownership	Control
			31 December 2019	31 December 2019	31 December 2018	31 December 2018
			%	%	%	%
Rompetrol Downstream SRL	Romania	Retail Trade of Fuels and Lubricants	100	100	100	100
Rom Oil S.A.	Romania	Wholesale of Fuels; fuel storage	100	100	100	100
Rompetrol Logistics SRL	Romania	Logistics operations	66.19	100	66.19	100
Rompetrol Petrochemicals SRL	Romania	Petrochemicals	100	100	100	100
Rompetrol Quality Control SRL	Romania	Quality Control Services	100	100	100	100
Rompetrol Gas SRL	Romania	LPG Sales	66.19	100	66.19	100

Effective ownership interests for the Group takes into consideration indirect shareholding weighted with corresponding Group ownership in the intermediate shareholder and this percentage is used for consolidation, while the control percent takes into consideration the total interest controlled directly and indirectly.

- *Disposals through sales of subsidiaries and liquidations*

During 2019 and 2018 there was no disposal of companies.

9. INVENTORIES, NET

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	USD	USD	RON	RON
Crude oil and other feedstock materials	85,028,488	100,825,829	362,289,380	429,598,692
Petroleum and petrochemical products	124,722,388	153,153,760	531,417,151	652,557,541
Work in progress	34,980,679	28,075,835	149,045,677	119,625,518
Spare parts	15,958,288	16,145,767	67,995,074	68,793,884
Consumables and other raw materials	6,329,556	6,558,378	26,968,972	27,943,937
Merchandises	12,660,052	11,749,096	53,941,950	50,060,548
Other inventories	8,403,407	8,880,663	35,805,237	37,838,729
Inventories provision	(26,408,965)	(32,490,635)	(112,523,318)	(138,436,098)
	<u>261,673,893</u>	<u>292,898,693</u>	<u>1,114,940,123</u>	<u>1,247,982,751</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

9. INVENTORIES, NET (continued)

The inventories provision movement in 2019 and 2018 is provided below:

Movements in inventories reserve:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	USD	USD	RON	RON
Reserve as of January 1	(32,490,635)	(17,970,943)	(138,436,098)	(76,570,594)
Accrued provision	(17,242,503)	(29,330,246)	(73,466,857)	(124,970,312)
Write off	9,609	1,398	40,942	5,957
Reversal of provision	23,314,564	14,809,156	99,338,695	63,098,851
Reserve as of December 31	(26,408,965)	(32,490,635)	(112,523,318)	(138,436,098)

The inventories provisions mainly represent the provision for net realizable value in relation to refineries and petrochemical plant inventories (such as petroleum and petrochemicals products from production and trading, raw materials) and provision of old spare parts.

The Group has pledged inventories in gross amount of USD 99 million (2018: USD 260 million) to secure banking facilities.

10. TRADE AND OTHER RECEIVABLES

As mentioned in Note 1 the Parent company and its subsidiaries are part of KMG International Group. The balances with related parties are disclosed in Note 27.

	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	USD	USD	RON	RON
Trade receivables	220,398,812	211,035,171	939,075,258	899,178,657
Advances to suppliers	17,234,926	9,623,399	73,434,573	41,003,378
Sundry debtors	80,059,187	83,444,550	341,116,184	355,540,539
VAT to be recovered	75,159	33,164	320,237	141,305
Other receivables	207,290,815	155,195,749	883,224,705	661,258,048
Provision for expected credit losses	(46,982,359)	(50,077,194)	(200,182,435)	(213,368,908)
	<u>478,076,540</u>	<u>409,245,839</u>	<u>2,036,988,522</u>	<u>1,743,753,019</u>

Movement in the above provision is disclosed below and in Note 23.

Included in Sundry debtors in 2019 is an amount of USD 6.7 million (2018: USD 7.01 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2007-2010 and 2011-2015 period, and an additional USD 3.22 million (2018: USD 3.37 million) for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) (see Note 30). Also, included in Sundry debtors category is an amount of USD 67 million (2018: USD 70.08 million) relating to Rompetrol Petrochemicals SRL receivables against KMGI as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts (see note 12).

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

In 2019 out of the total amount of USD 17.2 million (2018: 9.6 million) representing advances to suppliers, USD 14.2 million (2018: 4.3 million) are in respect of other raw materials, investment projects and management fees services in Rompetrol Rafinare and USD 2.8 million (2018: 3.1 million) are in respect of investment projects related to the construction of new stations, rebranding process and petroleum product in Rompetrol Downstream.

Out of the total balance for other receivables of USD 207.3 million (2018: USD 155.4 million), an amount of USD 177.5 million (2018: USD 115.2) million relates to cash pooling receivables for: Rompetrol Downstream USD 143.7 million (2018: USD 72.5 million), Rompetrol Gas USD 32.4 million (2018: USD 32.6 million), and Rompetrol Quality Control USD 0.2 million (2018: USD 0.13 million). Also, in other receivables an amount of USD 12.19 million (2018: USD 18.66 million) refers to excise receivables in Rompetrol Rafinare.

	<u>December 31,</u> <u>2019</u> <u>USD</u>	<u>December 31,</u> <u>2018</u> <u>USD</u>	<u>December 31,</u> <u>2019</u> <u>RON</u>	<u>December 31,</u> <u>2018</u> <u>RON</u>
Sundry debtors	80,059,187	83,444,550	341,116,184	355,540,539
Other receivables	207,290,815	155,195,749	883,224,705	661,258,048
Provision for sundry debtors and other receivables	(5,285,315)	(5,528,576)	(22,519,670)	(23,556,156)

Out of the total amount of other receivables and sundry debtors of USD 287.4 million (2018: USD 238.8 million) an amount of USD 5.3 million (2018: USD 5.5 million) is provisioned.

The movement in provision for expected credit losses for trade and other receivables is as follows:

	<u>December</u> <u>31, 2019</u> <u>USD</u>	<u>December</u> <u>31, 2018</u> <u>USD</u>	<u>December</u> <u>31, 2019</u> <u>RON</u>	<u>December 31,</u> <u>2018</u> <u>RON</u>
Balance at the beginning of the year	<u>(50,077,194)</u>	<u>(105,245,948)</u>	<u>(213,368,908)</u>	<u>(448,431,935)</u>
Charge for the year	(2,145,763)	(8,039,681)	(9,142,667)	(34,255,473)
Utilised	2,792,591	63,327,625	11,898,672	269,826,345
Unused amounts reversed	252,989	188,534	1,077,936	803,306
Reclassification between categories trade receivables and other receivables	-	(4,578,595)	-	(19,508,478)
IFRS 9 impact (RE adjustment)	-	(1,036,370)	-	(4,415,765)
Exchange rate differences	2,195,018	5,307,241	9,352,532	22,613,092
Balance at the end of the year	<u>(46,982,359)</u>	<u>(50,077,194)</u>	<u>(200,182,435)</u>	<u>(213,368,908)</u>

In 2018, the Group wrote off trade and other receivables in amount of USD 63.3 million for which all collection and legal actions were finalized and in accordance with statutory regulations can be derecognized. These receivables had been previously provided.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December, the ageing analysis of trade receivables is as follows:

	Trade receivables						
	Current	Days past due					Total
		<30 days	30-60 days	61-90 days	90-120 days	>120 days	
2019							
USD							
Expected credit loss rate	0.35%	0.50%	7.77%	7.53%	19.82%	90.38%	
Estimated total gross carrying amount at default	78,076,127	91,137,101	5,002,203	871,124	629,386	44,682,871	220,398,812
Expected credit loss	275,625	459,288	388,818	65,556	124,759	40,382,998	41,697,044
2019							
RON							
Expected credit loss rate	0.35%	0.50%	7.77%	7.53%	19.82%	90.38%	
Estimated total gross carrying amount at default	332,666,762	388,316,960	21,313,387	3,711,685	2,681,688	190,384,777	939,075,259
Expected credit loss	1,174,383	1,956,934	1,656,676	279,321	531,573	172,063,878	177,662,765
2018							
USD							
Expected credit loss rate	0.52%	0.58%	3.08%	9.34%	15.76%	80.83%	-
Estimated total gross carrying amount at default	57,466,817	89,201,662	6,484,846	3,069,804	1,621,433	53,190,611	211,035,173
Expected credit loss	298,393	514,782	199,902	286,768	255,503	42,993,268	44,548,616
2018							
RON							
Expected credit loss rate	0.52%	0.58%	3.08%	9.34%	15.76%	80.83%	
Estimated total gross carrying amount at default	244,854,614	380,070,441	27,630,632	13,079,821	6,908,602	226,634,555	899,178,665
Expected credit loss	1,271,393	2,193,383	851,742	1,221,861	1,088,647	183,185,716	189,812,742

As at 31 December 2019, trade receivables at initial value of USD 41.7 million (2018: USD 44.5 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

	<u>Individually</u> <u>impaired</u> <u>USD</u>	<u>Collectively</u> <u>impaired</u> <u>USD</u>	<u>Total</u> <u>USD</u>
At 1 January 2018	54,975,570	17,498,258	72,473,828
Charge for the year	1,540,408	6,499,623	8,040,031
Utilised	(2,023,890)	(31,654,894)	(33,678,784)
Unused amounts reversed	3,738	(192,272)	(188,534)
Reclassification between categories trade receivables and other receivables	-	(4,977)	(4,977)
IFRS 9 impact (RE adjustment)	-	1,036,370	1,036,370
Exchange rate differences	(2,237,884)	(891,432)	(3,129,316)
At 31 December 2018	52,257,942	(7,709,324)	44,548,618
Charge for the year	1,221,498	924,213	2,145,711
Utilised	(1,013,989)	(1,778,602)	(2,792,591)
Unused amounts reversed	(3,277)	(249,249)	(252,526)
Reclassification between individually and collectively	(15,157,391)	15,157,391	-
Exchange rate differences	(1,342,921)	(609,247)	(1,952,168)
At 31 December 2019	35,961,862	5,735,182	41,697,044

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

	<u>Individually impaired</u>	<u>Collectively impaired</u>	<u>Total</u>
	<u>RON</u>	<u>RON</u>	<u>RON</u>
At 1 January 2018	234,239,909	74,556,578	308,796,487
Charge for the year	6,563,370	27,693,594	34,256,964
Utilised	(8,623,391)	(134,875,172)	(143,498,563)
Unused amounts reversed	15,927	(819,233)	(803,306)
Reclassification between categories trade receivables and other receivables	-	(21,206)	(21,206)
IFRS 9 impact (RE adjustment)	-	4,415,765	4,415,765
Exchange rate differences	(9,535,176)	(3,798,213)	(13,333,389)
At 31 December 2018	222,660,639	(32,847,887)	189,812,752
Charge for the year	5,204,559	3,937,887	9,142,446
Utilised	(4,320,404)	(7,578,267)	(11,898,671)
Unused amounts reversed	(13,963)	(1,062,000)	(1,075,963)
Reclassification between individually and collectively	(64,582,612)	64,582,612	-
Exchange rate differences	(5,721,919)	(2,595,880)	(8,317,799)
At 31 December 2019	153,226,300	24,436,465	177,662,765

Trade receivables totaling USD 140.3 million as at 31 December 2019 and USD 113.98 million as at 31 December 2018 are pledged to obtain credit facilities (see Notes 12 and 18).

11. CASH AND CASH EQUIVALENTS

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Cash at bank	11,436,334	10,079,541	48,727,931	42,946,908
Cash on hand	1,364,325	1,150,039	5,813,116	4,900,086
Cash equivalents	395,765	247,603	1,686,276	1,054,987
	<u>13,196,424</u>	<u>11,477,183</u>	<u>56,227,323</u>	<u>48,901,981</u>

Cash equivalents represent mainly cheques in the course of being cashed.

12. EQUITY

As of 31 December 2019 and 31 December 2018 the share capital consisted of 44,109,205,726, authorized, issued and fully paid ordinary shares with a face value of RON 0.1 each.

Shareholders' structure as at 31 December 2019 is as follows:

<u>31 December 2019</u>	<u>Ownership</u>	<u>Amount per statutory documents</u>	<u>Amount under IFRS</u>	<u>Amount under IFRS</u>
	<u>%</u>	<u>RON</u>	<u>USD</u>	<u>RON</u>
Shareholders				
KMG International NV	48.11	2,122,250,643	704,057,130	2,999,846,619
Romanian State represented by Ministry of Energy	44.70	1,971,500,905	654,045,871	2,786,758,647
Rompetrol Financial Group SRL	6.47	285,408,308	94,684,271	403,430,742
Rompetrol Well Services S.A.	0.05	2,198,030	729,197	3,106,963
Others (not State or KMG Group)	0.67	29,562,687	9,807,428	41,787,489
Total	<u>100</u>	<u>4,410,920,573</u>	<u>1,463,323,897</u>	<u>6,234,930,460</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

12. EQUITY (continued)

Shareholders' structure as at 31 December 2018 was as follows:

31 December 2018	Ownership %	Amount per statutory documents	Amount under IFRS	Amount under IFRS
		RON	USD	RON
Shareholders				
KMG International NV	48.11	2,122,250,643	704,057,130	2,999,846,619
Romanian State represented by Ministry of Energy	44.70	1,971,500,905	654,045,871	2,786,758,647
Romp petrol Financial Group SRL	6.47	285,408,308	94,684,271	403,430,742
Romp petrol Well Services S.A.	0.05	2,198,030	729,197	3,106,963
Others (not State or KMG I Group)	0.67	29,562,687	9,807,428	41,787,489
Total	100	4,410,920,573	1,463,323,897	6,234,930,460

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2019 and 2018.

Share premium and effect of transfers with equity holders

Share premium and effect of transfers with equity holders are the result of conversion of bonds into ordinary shares as at 30 September 2010 in favor of the Romanian State represented by the Ministry of Finance, based on the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

The transactions resulted in an impact on the Effect of transfer with equity holders reserve amounting USD 596.83 million and share premium of USD 74 million.

Hybrid Loan

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into an unsecured hybrid loan, repayable after 51 years. During 2013, an additional USD 200 million were converted (USD 150 million related to Rompetrol Rafinare and USD 50 million to Rompetrol Downstream), the hybrid loan amounting to USD 1,000 million. The loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- ✓ the company records net profit after tax in the year;
- ✓ the company will be able to distribute dividends as per the Romanian law requirements.

In 2017 an additional USD 72.2 million related to Rompetrol Rafinare SA were converted to hybrid loan repayable after 51 years. As of 31 December 2017, the total value of the hybrid loan is amounting USD 1,072 million. The additional loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 2% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- ✓ the company records net profit after tax in the year;
- ✓ the company will be able to distribute dividends as per the Romanian law requirements.

Also, in 2017 management carried out an assessment on the potential hybrid loan interest liability and recorded an amount of USD 14.6 million, based on the projected profitability of the business for the upcoming period. This liability was updated in 2018 to USD 17 million. On annual basis, a reassessment of the future interest is performed with direct impact in the current year result, no additional interest resulted to be recognized for the year ended 31 December 2019.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

12. EQUITY (continued)

Revaluation reserve

Starting 31 December 2017, the Group changed its accounting policies regarding the recognition and measurement of its non-current assets, in respect of buildings category, from cost model to the revalued one. The Group has changed its accounting policy to measure buildings category at the revalued amount in accordance with IAS 16. IAS 16.37 defines a class of property, plant and equipment as a grouping of assets of similar nature and use in an entity's operations. The Group determined that the buildings category constitute separate class of property, plant and equipment, based on their nature, characteristics and risks.

The change from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Group's assets. Fair value of the buildings category was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices for properties of similar nature, location and condition. A gain (net of deferred tax) from the revaluation of the Group buildings category of USD 146,4 million in 2017 was recognized in OCI.

As of 31 December 2019, the balance of the revaluation reserves is affected by the transfer in retained earnings of the difference between depreciation based on revalued carrying amount and depreciation based on the initial cost of assets in the buildings category. Under the accounting policy adopted by the Group as of 31 December 2017, the revaluation surplus included in the revaluation reserve is capitalized by the transfer in retained earnings as a result of the use of the asset or disposal, insofar as that transfer has not already been made during the use of the asset reassessed. Thus, as of 31 December 2019, the revaluation surplus transferred to retained earnings was USD 11.6 million (2018: USD 9.9 million).

13. LONG-TERM BORROWINGS FROM BANKS

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank	96,111,222	103,977,541	409,510,695	443,027,508
Romp petrol Downstream: General corporate purposes and working capital facility of USD 360 million. The facility consists of two parts: (I) USD 240 million committed line, the maturity date is April 23, 2022 and (II) USD 120 million uncommitted, maturity date is April, 23, 2020. The facility is secured by: inventories receivables, depots and stations.				
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank	143,952,771	120,158,484	613,353,967	511,971,268
Romp petrol Rafinare: General corporate purposes and working capital facility of USD 360 million. The facility consists of two parts: (I) USD 240 million committed line, the maturity date is April 23, 2022 and (II) USD 120 million uncommitted, maturity date is April 23, 2020. The facility is secured by: inventories, receivables, depots and stations.				
Amount payable within one year principal	(63,993)	(32,821)	(272,661)	(139,844)
Total	<u>240,000,000</u>	<u>224,103,204</u>	<u>1,022,592,001</u>	<u>954,858,932</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

13. LONG-TERM BORROWINGS FROM BANKS (continued)

	<u>2019</u> <u>USD</u>	<u>2018</u> <u>USD</u>	<u>2019</u> <u>RON</u>	<u>2018</u> <u>RON</u>
One year or less - principal	63,993	32,821	272,661	139,844
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	<u>240,000,000</u>	<u>224,103,204</u>	<u>1,022,592,001</u>	<u>954,858,932</u>
Total	<u>240,063,993</u>	<u>224,136,025</u>	<u>1,022,864,662</u>	<u>954,998,776</u>

The loans are secured with pledges on property plant and equipment of USD 405 million (2018: USD 418), inventories of USD 99 million (2018: USD 260 million) and trade receivables of USD: 140 million (2018: USD 114 million).

All the financial covenants applicable were complied with as of 31 December 2019.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

14. NET OBLIGATIONS UNDER LEASE AGREEMENTS

	2019 USD	2019 RON
As at 1 January	-	-
Impact of IFRS 16 adoption	41,159,515	175,372,462
Additions	31,634,044	134,786,335
Remeasurment	(1,156,502)	(4,927,624)
Payments	(7,517,041)	(32,028,608)
Interest accrued	3,586,989	15,283,443
Exchange rate impact	(1,630,749)	(6,948,296)
As at 31 December	<u>66,076,256</u>	<u>281,537,712</u>
Non-current	62,098,347	264,588,637
Current	3,977,909	16,949,075

The following amounts were recognised in profit or loss:

	2019 USD	2019 RON
Depreciation expense of right-of-use assets	4,811,794	20,502,092
Interest expense on lease liabilities	3,586,989	15,283,443
Expense relating to short-term leases (included in cost of sales)	438,247	1,867,283
Expense relating to short-term leases (included in General and administrative expenses)	412,113	1,755,931
Variable lease payments (included in selling and distribution)	<u>3,446,456</u>	<u>14,684,660</u>
Total amount recognised in profit or loss	<u>12,695,599</u>	<u>54,093,409</u>

The Group has lease contracts for gas stations that contains a fixed payment plus a variable payment based on of petroleum quantities sold:

	Fixed payments	Variable payments
Fixed rent	6,844,734	-
Variable rent with minimum payment	672,307	4,296,816
Variable rent only	-	-
Total	<u>7,517,041</u>	<u>4,296,816</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax, net balances are presented in the statement of financial position as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Deferred tax assets	(25,927,332)	(37,661,607)	(110,471,175)	(160,468,575)
Deferred tax liabilities	4,012,156	4,149,508	17,094,994	17,680,224
Deferred tax (asset) / liability, net	(21,915,176)	(33,512,099)	(93,376,181)	(142,788,351)

The deferred tax (assets) / liabilities are comprised of the tax effect of the temporary differences related to:

USD

<u>2019</u>	<u>Opening</u> <u>balance</u>	<u>Charged/(Credited)</u> <u>to income</u>	<u>Charged/(Credited)</u> <u>to equity</u>	<u>Closing</u> <u>balance</u>
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	321,074,538	(3,622,224)	(9,813,600)	307,638,714
Inventories	82,619	-	-	82,619
Provisions	(72,310,000)	8,521,725	-	(63,788,275)
Tax losses	(458,346,350)	77,394,870	-	(380,951,481)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	(209,450,618)	82,294,369	(9,813,600)	(136,969,848)
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	51,371,926	(579,556)	(1,570,176)	49,222,194
Inventories	13,219	-	-	13,219
Provisions	(11,569,600)	1,363,476	-	(10,206,124)
Tax losses	(73,335,416)	12,383,179	-	(60,952,237)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	(33,512,099)	13,167,099	(1,570,176)	(21,915,176)

RON

<u>2019</u>	<u>Opening</u> <u>balance</u>	<u>Charged/(Credited)</u> <u>to income</u>	<u>Charged/(Credited)</u> <u>to equity</u>	<u>Closing</u> <u>balance</u>
Temporary differences				
Intangible assets	209,793	-	-	209,793
Property, plant and equipment	1,368,034,392	(15,433,572)	(41,813,787)	1,310,787,033
Inventories	352,023	-	-	352,023
Provisions	(308,098,448)	36,309,366	-	(271,789,082)
Tax losses	(1,952,922,132)	329,764,058	-	(1,623,158,074)
Other	(2,825)	-	-	(2,825)
Total temporary differences (asset)/liability	(892,427,197)	350,639,852	(41,813,787)	(583,601,132)
Deferred tax effect				
Intangible assets	33,567	-	-	33,567
Property, plant and equipment	218,885,502	(2,469,373)	(6,690,205)	209,725,924
Inventories	56,324	-	-	56,324
Provisions	(49,295,752)	5,809,499	-	(43,486,253)
Tax losses	(312,467,540)	52,762,249	-	(259,705,291)
Other	(452)	-	-	(452)
Deferred tax (asset)/liability recognized	(142,788,351)	56,102,375	(6,690,205)	(93,376,181)

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The deferred tax (assets) / liabilities recognized at each company level is presented below:

USD

	<u>Opening balance</u>	<u>Charged/(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
Deferred tax (asset)/liability recognized				
Romp petrol Rafinare SA	(37,661,607)	13,167,099	(1,432,824)	(25,927,332)
Romp petrol Downstream S.R.L.	1,750,860	-	(137,352)	1,613,508
Rom Oil S.A.	1,474,011	-	-	1,474,011
Romp petrol Gas S.R.L.	342,992	-	-	342,992
Romp petrol Logistics S.R.L.	<u>581,645</u>	-	-	<u>581,645</u>
Deferred tax (asset)/liability recognized	<u>(33,512,099)</u>	<u>13,167,099</u>	<u>(1,570,176)</u>	<u>(21,915,176)</u>

RON

	<u>Opening balance</u>	<u>Charged/(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
Deferred tax (asset)/liability recognized				
Romp petrol Rafinare SA	(160,468,574)	56,102,375	(6,104,976)	(110,471,175)
Romp petrol Downstream S.R.L.	7,460,064	-	(585,229)	6,874,835
Rom Oil S.A.	6,280,466	-	-	6,280,466
Romp petrol Gas S.R.L.	1,461,420	-	-	1,461,420
Romp petrol Logistics S.R.L.	<u>2,478,273</u>	-	-	<u>2,478,273</u>
Deferred tax (asset)/liability recognized	<u>(142,788,351)</u>	<u>56,102,375</u>	<u>(6,690,205)</u>	<u>(93,376,181)</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

<u>2018</u>	<u>Opening balance</u>	<u>Charged/(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	320,133,706	7,230,225	(6,289,394)	321,074,537
Inventories	82,619	-	-	82,619
Provisions	(72,310,000)	-	-	(72,310,000)
Tax losses	(451,116,125)	(7,230,225)	-	(458,346,350)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	(203,161,225)	-	(6,289,394)	(209,450,619)
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	51,221,393	1,156,836	(1,006,303)	51,371,926
Inventories	13,219	-	-	13,219
Provisions	(11,569,600)	-	-	(11,569,600)
Tax losses	(72,178,580)	(1,156,836)	-	(73,335,416)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	(32,505,796)	-	(1,006,303)	(33,512,099)

RON

<u>2018</u>	<u>Opening balance</u>	<u>Charged/(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
Temporary differences				
Intangible assets	209,793	-	-	209,793
Property, plant and equipment	1,364,025,695	30,806,547	(26,797,850)	1,368,034,392
Inventories	352,023	-	-	352,023
Provisions	(308,098,448)	-	-	(308,098,448)
Tax losses	(1,922,115,585)	(30,806,547)	-	(1,952,922,132)
Other	(2,825)	-	-	(2,825)
Total temporary differences (asset)/liability	(865,629,347)	-	(26,797,850)	(892,427,193)
Deferred tax effect				
Intangible assets	33,567	-	-	33,567
Property, plant and equipment	218,244,111	4,929,047	(4,287,656)	218,885,502
Inventories	56,324	-	-	56,324
Provisions	(49,295,752)	-	-	(49,295,752)
Tax losses	(307,538,493)	(4,929,047)	-	(312,467,540)
Other	(452)	-	-	(452)
Deferred tax (asset)/liability recognized	(138,500,695)	-	(4,287,656)	(142,788,351)

The ability of the Group to obtain recovery of its deferred tax asset depends on the entities ability, where tax losses have arisen to generate sufficient taxable income to cover the applicable tax losses available. Management considers that future taxable income will be generated for recovery of the available tax losses where it has recognized a corresponding deferred tax asset.

The Deferred tax asset was also recognized for the provision related to Vega Environmental project. The reversal of the provision during 2019, lead to a decrease of USD 1.36 million of related deferred tax asset.

See also note 25 for details for the income tax rate and other related matters.

Deferred tax assets and liabilities cannot be offset between the companies from Romania. The local fiscal law does not define the concept of "Fiscal Group", therefore the fiscal losses cannot be offset between companies within the same country either.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

16. TRADE AND OTHER PAYABLES

	<u>December 31,</u> <u>2019</u> <u>USD</u>	<u>December 31,</u> <u>2018</u> <u>USD</u>	<u>December 31,</u> <u>2019</u> <u>RON</u>	<u>December 31,</u> <u>2018</u> <u>RON</u>
Trade payables	723,801,302	739,249,357	3,083,972,582	3,149,793,659
Excise taxes	1,447	(207,674)	6,165	(884,857)
Special fund tax for oil products	6,467,700	6,764,803	27,557,576	28,823,473
VAT payable	31,752,428	30,748,391	135,290,745	131,012,744
Profit tax payable	504,720	-	2,150,511	-
Other taxes payable	(19,086)	(18,009)	(81,322)	(76,733)
Employees and social obligations	3,863,345	3,577,379	16,460,940	15,242,496
Deferred revenues	4,831,608	4,707,097	20,586,515	20,055,999
Other liabilities	255,705,545	131,613,596	1,089,510,186	560,779,210
Total	<u>1,026,909,009</u>	<u>916,434,940</u>	<u>4,375,453,898</u>	<u>3,904,745,991</u>

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL ("Master Company"). The amounts in balance as of 31 December 2019 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 233.8 million, Romoil USD 16 million and Rompetrol Gas USD 1.4 million

Also in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 4.07 million (2018: USD 4.09 million).

17. CONTRACT LIABILITIES

	<u>December 31,</u> <u>2019</u> <u>USD</u>	<u>December 31,</u> <u>2018</u> <u>USD</u>	<u>December 31,</u> <u>2019</u> <u>RON</u>	<u>December 31,</u> <u>2018</u> <u>RON</u>
Short-term advances from wholesale customers	17,617,090	20,393,936	75,062,897	86,894,483
Short-term advances from other customers	<u>3,831,536</u>	<u>5,553,277</u>	<u>16,325,409</u>	<u>23,661,403</u>
Total short-term advances	<u>21,448,626</u>	<u>25,947,213</u>	<u>91,388,306</u>	<u>110,555,886</u>

Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Group performs under the contract.

The disclosed amounts refers to advances from customers is in respect of petroleum products sales and excises.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

18. SHORT-TERM DEBT

	<u>2019</u> <u>USD</u>	<u>2018</u> <u>USD</u>	<u>2019</u> <u>RON</u>	<u>2018</u> <u>RON</u>
Bancpost Romp petrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2019. Drawings in USD/EUR/RON.	-	14,125,350	-	60,185,291
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Romp petrol Rafinare: Overdraft facility of up to EUR 2 million, for current activity.	1,924,345	1,136,247	8,199,250	4,841,320
Banca Transilvania Romp petrol Rafinare S.A.: Two revolving credit ceiling on short term credit facility, one up to EUR 30 million and the second up to EUR 27.96 million, for issue of letters of credit and letters of guarantee. Maturity date is July 31, 2020. Drawings in USD/EUR/RON.	9,319,484	10,960,255	39,708,457	46,699,455
Current portion of long-term debt	63,993	32,821	272,661	139,844
	<u>11,307,822</u>	<u>26,254,673</u>	<u>48,180,368</u>	<u>111,865,910</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

18. SHORT-TERM DEBT (continued)

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Borrowings from shareholders and related parties				
KMG International N.V.				
Rompetro Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - December 31, 2019, assignment of receivables; real movable security interest over the investments in Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. The undrawn amounts as of December 31, 2020 is in amount of USD 237.34 million.	12,655,715	59,815,349	53,923,470	254,861,239
Rompetrol Financial Group				
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 29.5 million, maturity date - December 31, 2019. The undrawn amounts as of December 31, 2019 is in amount of RON 105 million.	2,346,977	28,230,057	10,000,000	120,282,627
Midia Marine Terminal				
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of USD 7 million, maturity date December 31, 2019. The facility has been fully used.	6,386,383	6,679,746	27,211,101	28,461,062
Rompetrol Well Services S.A				
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - January 10, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully repaid on May 10, 2019.	-	3,191,131	-	13,596,771
Rompetrol Well Services S.A				
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - February 28, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully repaid on May 28, 2019.	-	2,749,411	-	11,714,690
Rompetrol Well Services S.A				
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - January 14, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully repaid on May 14, 2019.	-	1,718,382	-	7,321,682
Rompetrol Well Services S.A				
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date - January 3, 2019. The loan is secured with a promissory note covering the debt. The facility has been fully repaid on May 3, 2019.	-	760,998	-	3,242,460
Accrued interest	2,993,913	4,406,170	12,756,465	18,773,809
	24,382,988	107,551,244	103,891,036	458,254,340

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

18. SHORT-TERM DEBT (continued)

All the financial covenants applicable were complied with as of 31 December 2019.

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 405 million (2018: USD 418), inventories of USD 99 million (2018: USD 260) and trade receivables of USD: 140 million (2018: USD 114 million).

The movement in loans is presented below:

	<u>At 1</u> <u>January</u> <u>2019</u>	<u>Drawings</u>	<u>Repayment</u>	<u>Interest accrual</u>	<u>Reclassification</u> <u>between ST and</u> <u>LT</u>	<u>Exchange</u> <u>rate</u> <u>impact</u>	<u>At 31</u> <u>December</u> <u>2019</u>
USD							
Long-term borrowings from banks	224,103,204	23,772,203	(7,875,407)	-	-	-	240,000,000
Short-term borrowings from banks	26,221,852	101,012,090	(114,223,534)	-	-	(1,766,579)	11,243,829
Short term borrowings from related parties	103,145,074	-	(83,791,067)	-	-	2,035,068	21,389,075
Interest Long-term borrowings banks	-	-	(12,085,743)	12,116,915	(31,172)	-	-
Interest Short term borrowings from related parties	4,406,170	-	(3,051,899)	1,690,953	-	(51,311)	2,993,913
Interest Short-term borrowings from banks	32,821	-	(892,571)	892,571	31,172	-	63,993
Total	<u>357,909,121</u>	<u>124,784,293</u>	<u>(221,920,221)</u>	<u>14,700,439</u>	<u>-</u>	<u>217,178</u>	<u>275,690,810</u>
RON							
Long-term borrowings from banks	954,858,931	101,288,603	(33,555,534)	-	-	-	1,022,592,000
Short-term borrowings from banks	111,726,067	430,392,315	(486,683,635)	-	-	(7,527,040)	47,907,707
Short term borrowings from related parties	439,480,531	-	(357,016,978)	-	-	8,671,018	91,134,571
Interest Long-term borrowings banks	-	-	(51,494,934)	51,627,752	(132,818)	-	-
Interest Short term borrowings from related parties	18,773,809	-	(13,003,529)	7,204,813	-	(218,627)	12,756,466
Interest Short-term borrowings from banks	139,844	-	(3,803,068)	3,803,067	132,818	-	272,661
Total	<u>1,524,979,182</u>	<u>531,680,918</u>	<u>(945,557,678)</u>	<u>62,635,632</u>	<u>-</u>	<u>925,351</u>	<u>1,174,663,405</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

19. PROVISIONS

Provisions comprise the following:

	<u>2019</u> <u>USD</u>	<u>2018</u> <u>USD</u>	<u>2019</u> <u>RON</u>	<u>2018</u> <u>RON</u>
Non-current provisions	80,361,840	85,664,505	342,405,728	364,999,323
Total Provisions	<u>80,361,840</u>	<u>85,664,505</u>	<u>342,405,728</u>	<u>364,999,323</u>

The movement in provisions is presented below:

<u>USD</u>	<u>At 1</u> <u>January</u> <u>2019</u>	<u>Charged to</u> <u>equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>Unwinding</u> <u>of discount</u>	<u>At 31</u> <u>December</u> <u>2019</u>
Provision for retirement benefit	13,266,544	3,292,399	(73,341)	-	16,485,602
Provision for restructuring	13,486	-	-	-	13,486
Environmental provisions	72,384,475	-	(11,725,582)	3,203,859	63,862,752
Total	<u>85,664,505</u>	<u>3,292,399</u>	<u>(11,798,923)</u>	<u>3,203,859</u>	<u>80,361,840</u>

<u>RON</u>	<u>At 1</u> <u>January</u> <u>2019</u>	<u>Charged to</u> <u>equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>Unwinding</u> <u>of discount</u>	<u>At 31</u> <u>December</u> <u>2019</u>
Provision for retirement benefit	56,526,091	14,028,254	(312,492)	-	70,241,853
Provision for restructuring	57,461	-	-	-	57,461
Environmental provisions	308,415,771	-	(49,960,360)	13,651,003	272,106,414
Total	<u>364,999,323</u>	<u>14,028,254</u>	<u>(50,272,852)</u>	<u>13,651,003</u>	<u>342,405,728</u>

<u>USD</u>	<u>At 1</u> <u>January</u> <u>2018</u>	<u>Charged</u> <u>to equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>Reclassification</u> <u>between</u> <u>balance sheet</u> <u>items</u>	<u>At 31</u> <u>December</u> <u>2018</u>
Provision for retirement benefit	8,237,099	5,002,753	26,692	-	13,266,544
Provision for restructuring	13,486	-	-	-	13,486
Environmental provisions	72,384,475	-	-	-	72,384,475
Other provisions	4,365,982	-	-	(4,365,982)	-
Total	<u>85,001,042</u>	<u>5,002,753</u>	<u>26,692</u>	<u>(4,365,982)</u>	<u>85,664,505</u>

<u>RON</u>	<u>At 1</u> <u>January</u> <u>2018</u>	<u>Charged</u> <u>to equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>Reclassification</u> <u>between balance</u> <u>sheet items</u>	<u>At 31</u> <u>December</u> <u>2018</u>
Provision for retirement benefit	35,096,631	21,315,730	113,730	-	56,526,091
Provision for restructuring	57,461	-	-	-	57,461
Environmental provisions	308,415,771	-	-	-	308,415,771
Other provisions	18,602,576	-	-	(18,602,576)	-
Total	<u>362,172,439</u>	<u>21,315,730</u>	<u>113,730</u>	<u>(18,602,576)</u>	<u>364,999,323</u>

The movement in other provisions from 2018 is related mainly to the provision booked in relation to Competition Council case in Rompetrol Downstream (USD 0.9 million - according to the Decision 1049073/24 from April 2013 issued by the General Directorate of Public Finance, in April 2018 the last installment was paid according to the mentioned decision, thus the provision created for this purpose was reversed) and also a provision that was booked in relation to fiscal controls for the period 2011 - 2015 in relation to Rompetrol Rafinare in amount of USD 3.5 million (see note 30), which was reclassified as a provision for sundry debtors as of 31 December 2018 (see notes 10 and 30).

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

19. PROVISIONS (continued)

Environmental provision

During 2019, the Rompetrol Rafinare started the clean-up of one lagoon (total costs incurred during 2019: USD 3.7 million) and finalized the tender for additional two the lagoons. At the end of 2019, a re-assessment of the site restauration provision was performed by considering the work done during the year, the updated variable indicators (e.g. exchange rate and discount rate) and the services prices according to the new concluded agreement. The results of the reassessment lead to a reversal of provision in amount of USD 8.5 million (out of which USD 3.2 million representing the unwinding of discount).

Retirement benefit provision

Under the collective labor agreements that certain of the Group's entities have in force, employees are entitled to specific retirement benefits that are payable upon retirement, if the employees are employed with Group entities at the date of their retirement. A corresponding provision has been recognized based on: the specific benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions regarding mortality, staff turnover etc. For the computation an actuarial valuation is involved making various assumptions that may differ from actual developments in the future. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 4.65% (2018: 4.73%) for Romanian subsidiaries with an expected rate of long-term salary increase 2.97% (2018: 2.99%).

Amounts recognized in the salaries, interest expenses in respect of this obligation are as follows:

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Interest on obligation	222,733	143,725	949,021	612,383
Service cost	620,438	390,918	2,643,562	1,665,623
Costs related to benefits granted	(916,512)	(507,951)	(3,905,074)	(2,164,278)
Total	<u>(73,341)</u>	<u>26,692</u>	<u>(312,491)</u>	<u>113,728</u>

The amounts included in the statement of financial position arising from the retirement benefit obligation are as follows:

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Opening balance	13,266,544	8,237,099	56,526,091	35,096,631
Amounts recognized in income statement	(73,341)	26,692	(312,491)	113,728
Actuarial losses / (gains) recorded in the year (amounts recognized in "Other comprehensive income")	<u>3,292,399</u>	<u>5,002,753</u>	<u>14,028,253</u>	<u>21,315,732</u>
Closing balance	<u>16,485,602</u>	<u>13,266,544</u>	<u>70,241,853</u>	<u>56,526,091</u>

The charge for the year is included in the salaries expenses in the income statement for 2019.

It is estimated that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2020.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2019

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	4,393,908,666	-	-	356,867,976	4,750,776,642
Less sales taxes from petroleum products production	(1,112,696,843)	-	-	1,083,512,570	(29,184,271)
Net revenues from petroleum products production	3,281,211,823	-	-	1,440,380,546	4,721,592,371
Gross revenues from petroleum products trading	17,004,773	-	2,962,037,988	(2,831,491,991)	147,550,770
Less sales taxes petroleum products trading	-	-	(1,157,977,806)	4,003,549	(1,153,974,257)
Less commercial discounts petroleum products trading	-	-	(166,296,140)	7,444,626	(158,851,514)
Net revenues from petroleum products trading	17,004,773	-	1,637,764,042	(2,820,043,816)	(1,165,275,000)
Revenues from petrochemicals production	-	172,833,070	-	-	172,833,070
Revenues from petrochemicals trading	-	613,345	-	-	613,345
Revenues from merchandise sales	965,758	-	96,898,638	(2,118)	97,862,278
Revenues from utilities sold	2,203,570	-	-	(118,278)	2,085,292
Revenues from transportation fees	-	-	2,723,845	-	2,723,845
Revenues from rents and other services	3,226,139	-	16,356,778	(7,903,936)	11,678,981
Total Net Revenues	3,304,612,063	173,446,415	1,753,743,303	(1,387,687,602)	3,844,114,179

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	18,721,566,044	-	-	1,520,543,072	20,242,109,116
Less sales taxes from petroleum products production	(4,740,978,709)	-	-	4,616,630,358	(124,348,351)
Net revenues from petroleum products production	13,980,587,335	-	-	6,137,173,430	20,117,760,765
Gross revenues from petroleum products trading	72,453,937	-	12,620,651,459	(12,064,421,075)	628,684,321
Less sales taxes petroleum products trading	-	-	(4,933,911,836)	17,058,322	(4,916,853,514)
Less commercial discounts petroleum products trading	-	-	(708,554,593)	31,720,062	(676,834,531)
Net revenues from petroleum products trading	72,453,937	-	6,978,185,030	(12,015,642,691)	(4,965,003,724)
Revenues from petrochemicals production	-	736,407,145	-	-	736,407,145
Revenues from petrochemicals trading	-	2,613,340	-	-	2,613,340
Revenues from merchandise sales	4,114,902	-	412,865,717	(9,024)	416,971,595
Revenues from utilities sold	9,388,971	-	-	(503,959)	8,885,012
Revenues from transportation fees	-	-	11,605,759	-	11,605,759
Revenues from rents and other services	13,745,933	-	69,692,959	(33,677,091)	49,761,801
Total Net Revenues	14,080,291,078	739,020,485	7,472,349,465	(5,912,659,335)	16,379,001,693

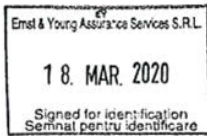
2018

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	4,443,025,862	-	-	307,612,293	4,750,638,155
Less sales taxes from petroleum products production	(1,063,239,257)	-	-	1,058,954,693	(4,284,564)
Net revenues from petroleum products production	3,379,786,605	-	-	1,366,566,986	4,746,353,591
Gross revenues from petroleum products trading	15,188,740	-	2,987,891,529	(2,794,806,230)	208,274,039
Less sales taxes petroleum products trading	-	-	(1,139,760,544)	2,955,745	(1,136,804,799)
Less commercial discounts petroleum products trading	-	-	(143,219,177)	5,685,403	(137,533,774)
Net revenues from petroleum products trading	15,188,740	-	1,704,911,808	(2,786,165,082)	(1,066,064,534)
Revenues from petrochemicals production	-	198,598,935	-	-	198,598,935
Revenues from petrochemicals trading	-	4,104,761	-	-	4,104,761
Revenues from merchandise sales	566,328	-	82,063,173	(669)	82,628,832
Revenues from utilities sold	2,140,912	-	-	(112,159)	2,028,753
Revenues from transportation fees	-	-	2,405,063	-	2,405,063
Revenues from rents and other services	3,293,939	-	14,922,662	(7,728,634)	10,487,967
Total Net Revenues	3,400,976,524	202,703,696	1,804,302,706	(1,427,439,558)	3,980,543,368

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	18,930,844,593	-	-	1,310,674,458	20,241,519,051
Less sales taxes from petroleum products production	(4,530,249,826)	-	-	4,511,994,156	(18,255,670)
Net revenues from petroleum products production	14,400,594,767	-	-	5,822,668,614	20,223,263,381
Gross revenues from petroleum products trading	64,716,183	-	12,730,808,226	(11,908,110,384)	887,414,025
Less sales taxes petroleum products trading	-	-	(4,856,291,725)	12,593,838	(4,843,697,887)
Less commercial discounts petroleum products trading	-	-	(610,228,269)	24,224,365	(586,003,904)
Net revenues from petroleum products trading	64,716,183	-	7,264,288,232	(11,871,292,181)	(4,542,287,766)
Revenues from petrochemicals production	-	846,190,342	-	-	846,190,342
Revenues from petrochemicals trading	-	17,489,566	-	-	17,489,566
Revenues from merchandise sales	2,413,010	-	349,654,768	(2,851)	352,064,927
Revenues from utilities sold	9,121,998	-	-	(477,887)	8,644,111
Revenues from transportation fees	-	-	10,247,492	-	10,247,492
Revenues from rents and other services	14,034,815	-	63,582,478	(32,930,164)	44,687,129
Total Net Revenues	14,490,880,773	863,679,908	7,687,772,970	(6,082,034,469)	16,960,299,182

Total Revenues decreased mainly due to the volatility of oil and gas market environment resulting in a lower year average price for crude oil despite the slight increase level of sales volume of products sold

English translation is for information purposes only. Romanian language text is the official text for submission.



ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

compared to last year. The decrease price of crude oil resulted in decreased prices of refined products and corresponding revenues.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

21. COST OF SALES

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Crude oil and other raw materials	3,133,295,444	3,231,482,948	13,350,345,228	13,768,702,546
Consumables and other materials	13,763,289	13,847,622	58,642,622	59,001,948
Utilities	95,842,136	83,492,409	408,364,173	355,744,456
Staff costs	29,199,856	27,999,889	124,414,746	119,301,927
Transportation	199,334	219,602	849,322	935,680
Maintenance and repairs	22,005,936	25,353,259	93,762,892	108,025,166
Insurance	1,548,638	1,586,385	6,598,437	6,759,269
Environmental expenses	9,648,874	288,384	41,111,922	1,228,747
Other	9,486,886	10,373,487	40,421,724	44,199,353
Cash production cost	3,314,990,393	3,394,643,985	14,124,511,066	14,463,899,092
Depreciation and amortization	84,190,679	72,121,085	358,719,645	307,293,519
Production costs	3,399,181,072	3,466,765,070	14,483,230,711	14,771,192,611
Plus: Change in inventories	13,301,972	12,099,270	56,677,042	51,552,570
Less: Own production of property, plant & equipment	(1,340,970)	(3,094,711)	(5,713,605)	(13,185,945)
Cost of petroleum products trading	133,534,072	179,708,264	568,961,974	765,700,971
Cost of petrochemicals trading	692,774	3,927,558	2,951,771	16,734,539
Cost of merchandise sold	75,272,021	63,200,131	320,719,027	269,283,118
Cost of utilities resold	1,223,711	931,060	5,213,988	3,967,060
Realised (gains)/losses on derivatives	2,730,685	882,846	11,634,903	3,761,630
Total	<u>3,624,595,337</u>	<u>3,724,419,488</u>	<u>15,443,675,811</u>	<u>15,869,006,554</u>

The increase in environmental expenses in 2019 is due to Rompetrol Rafinare SA acquisition of 355 thousands CO2 certificates (approximately USD 9.6 million) for the purpose of compliance with CO2 emissions regulation.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, INCLUDING LOGISTIC COSTS

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Staff costs	19,998,048	18,874,914	85,207,683	80,422,234
Utilities	5,502,543	4,936,688	23,445,235	21,034,240
Transportation	55,768,728	48,560,596	237,619,396	206,906,987
Professional and consulting fees	45,374,421	50,520,323	193,331,333	215,256,992
Royalties and rents	1,837,592	6,274,100	7,829,612	26,732,685
Consumables	545,388	240,378	2,323,789	1,024,203
Marketing	3,210,677	4,441,724	13,680,053	18,925,298
Taxes	2,524,104	2,406,139	10,754,702	10,252,077
Communications	1,020,506	992,526	4,348,172	4,228,955
Insurance	1,050,072	1,039,276	4,474,147	4,428,147
IT related expenditures	8,863,941	9,083,270	37,767,480	38,701,997
Environmental expenses	2,688,499	3,776,254	11,455,157	16,089,863
Maintenance and repairs	8,935,508	9,586,991	38,072,412	40,848,251
Other expenses	15,267,410	16,157,741	65,051,380	68,844,903
Costs before depreciation	172,587,437	176,890,920	735,360,551	753,696,832
Depreciation and amortisation	37,974,423	35,021,996	161,801,422	149,221,721
Total	<u>210,561,860</u>	<u>211,912,916</u>	<u>897,161,973</u>	<u>902,918,553</u>

23. OTHER OPERATING INCOME / (EXPENSES), NET

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Net gain /(loss) on disposal of assets	1,495,794	347,156	6,373,279	1,479,162
Reverse for impairment of tangible assets, net	-	8,943,533	-	38,106,605
Provision for receivables and write-off, net	(255,852)	(3,421,795)	(1,090,134)	(14,579,584)
Provision for inventories and write-off, net	6,081,670	(14,519,692)	25,912,780	(61,865,504)
Tangible and intangible assets write-off	(257,638)	(1,609)	(1,097,744)	(6,856)
Loss from revaluation of non-current assets	-	(11,174,920)	-	(47,614,099)
Inventories write-off	(118,450)	(204,107)	(504,692)	(869,659)
Other provisions, net	7,948,672	-	33,867,702	-
Other, net	382,867	621,793	1,631,320	2,649,336
Total	<u>15,277,063</u>	<u>(19,409,641)</u>	<u>65,092,511</u>	<u>(82,700,599)</u>

The movement in provisions is presented in Notes 5, 9 and 10.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

24. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Finance cost				
Late payment interest	(193,232)	(243,565)	(823,323)	(1,037,782)
Interest expense	(31,807,739)	(25,434,697)	(135,526,414)	(108,372,157)
Interest expense shareholders	(2,820,822)	(7,451,149)	(12,018,958)	(31,747,856)
Unwinding of discount - hybrid instrument	-	(2,322,717)	-	(9,896,633)
Unwinding of discount - lease	(3,586,989)	-	(15,283,443)	-
Unwinding of discount - environmental provision	(3,203,858)	-	(13,650,998)	-
Other financial expense	(32,081,437)	(23,472,042)	(136,692,587)	(100,009,676)
Collection discounts expenses	349	-	1,487	-
	(73,693,728)	(58,924,170)	(313,994,236)	(251,064,104)
Finance income				
Interest income	17,303,022	12,131,051	73,724,716	51,687,982
Other financial income	819,939	355,679	<u>3,493,596</u>	<u>1,515,477</u>
	18,122,961	12,486,730	77,218,312	53,203,459
Finance income/(cost) net	(55,570,767)	(46,437,440)	(236,775,924)	(197,860,645)
Unrealized net foreign exchange (losses)/gains	(236,872)	10,282,494	(1,009,264)	43,811,650
Realized net foreign exchange (losses)/gains	(1,101,834)	(16,370,615)	(4,694,695)	(69,751,916)
Foreign exchange gain/(loss), net	(1,338,706)	(6,088,121)	(5,703,959)	(25,940,266)
Total	(56,909,473)	(52,525,561)	(242,479,883)	(223,800,911)

In 2019 out of the total of USD 32 million (2018: 23.5) representing other financial expenses an amount of approximately USD 28 million (2018: USD 20 million) represents interest and other financial expenses owed to KMG Trading for financing activities.

25. INCOME TAX

a. The current income tax rate in 2019 was 16%, the same as in 2018.

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Tax expense comprises:				
Current tax expense	3,135,026	(49,050)	13,357,719	(208,992)
Deferred tax credit relating to the origination and reversal of temporary differences	13,167,099	-	56,102,375	-
Total tax expense/(income)	16,302,125	(49,050)	69,460,094	(208,992)

The net effect of deferred tax in 2019 was in amount of USD 13.17 million, out of which USD 9 million relates to the fiscal loss expired in 2019 (RON 319 million).

As of 31 December 2019, the Group had the following total unused fiscal losses:

<u>Entity</u>	<u>Carried forward fiscal losses 2019</u> USD million	<u>Recognised Deferred Tax Asset 2019</u>	<u>Carry forward fiscal losses 2018</u> USD million	<u>Deferred Tax Asset 2018</u>
Romp petrol Rafinare SA	412.0	381	466.8	458.3
Romp petrol Petrochemicals SRL	14.1	-	30.1	-
Romp petrol Logistics SRL	4.1	-	4.6	-
Rom Oil SA	2.0	-	3.0	-

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

As at December 31 2018 **432.2** **381** **504.5** **458.3**

25. INCOME TAX (continued)

As at 31 December 2019, deferred tax asset was recognized for USD 381 million (2018: USD 458) million of the losses carried forward, based on the future fiscal profits estimated to be registered, in Rompetrol Rafinare. Management through the measures implemented in the last few years by increasing efficiencies of cost and production, and external consultants projections for the crude oil quotations, have forecasted future fiscal profits for the next few years.

No deferred tax asset has been recognized for USD 51 million (2018: USD 46 million) in relation to the tax losses for the above entities, on the basis of the assessment made.

Entity		Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
Rompetrol Rafinare SA	2013	91.9	391.6	2020
	2014	169.1	720.7	2021
	2015	89.9	383.0	2022
	2016	2.9	12.2	2023
	2018	17.6	75.0	2025
	2019	40.6	173.2	2026
			412.0	1,755.7
Rompetrol Petrochemicals SRL	2014	10.8	46.0	2021
	2015	0.4	1.8	2022
	2016	0.3	1.2	2023
	2018	2.5	10.6	2025
	2019	0.1	0.3	2026
			14.1	59.9
Rom Oil SA	2013	0.9	3.7	2020
	2014	0.7	3.0	2021
	2017	0.4	1.7	2024
			2.0	8.4
Rompetrol Logistics SRL	2013	0.6	2.6	2020
	2014	0.6	2.4	2021
	2015	0.3	1.2	2022
	2016	0.3	1.2	2023
	2017	1.6	6.7	2024
	2018	0.4	1.5	2025
	2019	0.3	1.4	2026
			4.1	17.0
		432.2	1,841.0	

The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements.

b) The deferred tax assets and liabilities details are disclosed in Note 15.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

25. INCOME TAX (continued)

c) The prima facie tax charge to the statements of income calculated based on regulatory accounts is reconciled to the profit tax expense calculated based on tax rules as follows, taking into account temporary differences and non-deductible items:

	<u>2019</u> <u>USD</u>	<u>2018</u> <u>USD</u>	<u>2019</u> <u>RON</u>	<u>2018</u> <u>RON</u>
Result before tax	(32,675,428)	(27,724,238)	(139,223,463)	(118,127,435)
<i>of which</i>				
Companies which recorded profit	22,406,683	23,247,757	95,470,395	99,054,043
Companies which recorded loss	(55,082,111)	(50,971,995)	(234,693,859)	(217,181,476)
Tax at prevailing tax rate (16%)	3,585,069	3,719,641	15,275,262	15,848,646
Effect of losses carried forward	(6,310,469)	(5,873,453)	(26,887,646)	(25,025,609)
Effect of statutory items non deductible / (not taxable) for tax purposes	5,860,426	2,104,762	24,970,103	8,967,971
Non-deductible expenses	(5,580,092)	8,551,034	(23,775,656)	36,434,247
Not - taxable income	11,440,518	(6,446,272)	48,745,759	(27,466,276)
Utilisation of previously unrecognised tax losses	13,167,099		56,102,375	
Income tax expense recognised in profit or loss	<u>16,302,125</u>	<u>(49,050)</u>	<u>69,460,094</u>	<u>(208,992)</u>

26. OPERATING SEGMENT INFORMATION

a. Operating Segments

For management purposes the Group is currently organized in 3 segments – refining, petrochemicals and marketing. Refining comprises Petromidia and Vega refineries, Petrochemicals comprises petrochemical division of Rompetrol Rafinare SA and Rompetrol Petrochemicals operations and Marketing comprises the operations of Rompetrol Downstream, Rom Oil, Rompetrol Logistics, Rompetrol Gas and Rompetrol Quality Control SRL.

For the income statement, management analysis is made separately for the 3 segments: Refining, Petrochemicals and Marketing. The balance sheet is analyzed by management at cumulated level for Refining and Petrochemicals segments. As a result, the balance sheet information for segments Refining and Petrochemicals are presented together.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

2019 Income Statement information

<u>USD</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining & Petrochemicals segments</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues "external customers"	1,924,274,906	173,446,415	-	1,746,392,858	-	3,844,114,179
Net revenues "Inter segment"	1,380,337,157	-	-	7,350,445	(1,387,687,602)	-
Cost of sales	(3,215,899,022)	(206,375,437)	-	(1,618,416,291)	1,416,095,413	(3,624,595,337)
Gross margin	88,713,041	(32,929,022)	-	135,327,012	28,407,811	219,518,842
Selling, general and administrative expenses	(62,256,008)	(12,229,190)	-	(107,985,429)	(28,091,233)	(210,561,860)
Other operating income/(expenses), net	16,342,036	(64,506)	-	1,346,665	(2,347,132)	15,277,063
Operating margin (EBIT)	42,799,069	(45,222,718)	-	28,688,248	(2,030,554)	24,234,045
Financial expenses, net	-	-	(50,942,793)	(4,256,745)	(371,229)	(55,570,767)
Net foreign exchange result	-	-	1,295,350	(2,634,056)	-	(1,338,706)
Profit/(loss) before income tax	42,799,069	(45,222,718)	(49,647,443)	21,797,447	(2,401,783)	(32,675,428)
Income tax	-	-	(13,167,099)	(3,135,026)	-	(16,302,125)
Net Profit/(Loss)	42,799,069	(45,222,718)	(62,814,542)	18,662,421	(2,401,783)	(48,977,553)
Depreciation and amortisation	81,388,532	16,073,024	-	24,523,663	179,883	122,165,102

<u>RON</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining & Petrochemicals segments</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues "external customers"	8,198,950,519	739,020,485	-	7,441,030,689	-	16,379,001,693
Net revenues "Inter segment"	5,881,340,559	-	-	31,318,776	(5,912,659,335)	-
Cost of sales	(13,702,302,552)	(879,324,462)	-	(6,895,748,133)	6,033,699,336	(15,443,675,811)
Gross margin	377,988,526	(140,303,977)	-	576,601,332	121,040,001	935,325,882
Selling, general and administrative expenses	(265,260,399)	(52,106,133)	-	(460,104,316)	(119,691,125)	(897,161,973)
Other operating income/(expenses), net	69,630,147	(274,847)	-	5,737,870	(10,000,659)	65,092,511
Operating margin (EBIT)	182,358,274	(192,684,957)	-	122,234,886	(8,651,783)	103,256,420
Financial expenses, net	-	-	(217,057,053)	(18,137,139)	(1,581,732)	(236,775,924)
Net foreign exchange result	-	-	5,519,227	(11,223,186)	-	(5,703,959)
Profit/(loss) before income tax	182,358,274	(192,684,957)	(211,537,826)	92,874,561	(10,233,515)	(139,223,463)
Income tax	-	-	(56,102,375)	(13,357,719)	-	(69,460,094)
Net Profit/(Loss)	182,358,274	(192,684,957)	(267,640,201)	79,516,842	(10,233,515)	(208,683,557)
Depreciation and amortisation	346,780,257	68,483,941	-	104,490,423	766,445	520,521,066

For additional information regarding operating segments and streams please also see Note 20 Revenues from contract with customers.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

2019 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,669,592,869	287,968,722	(596,753,339)	1,360,808,252
Total current assets	513,170,273	394,771,996	(153,823,783)	754,118,486
TOTAL ASSETS	<u>2,182,763,142</u>	<u>682,740,718</u>	<u>(750,577,122)</u>	<u>2,114,926,738</u>
Total equity	970,120,331	259,804,825	(610,398,292)	619,526,864
Total non-current liabilities	227,637,949	162,473,830	13,556,772	403,668,551
Total current liabilities	985,004,862	260,462,063	(153,735,602)	<u>1,091,731,323</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,182,763,142</u>	<u>682,740,718</u>	<u>(750,577,122)</u>	<u>2,114,926,738</u>
Capital expenditure	61,076,272	24,439,088	(4,953)	85,510,407

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,113,801,296	1,226,977,132	(2,542,646,634)	5,798,131,794
Total current assets	2,186,515,899	1,682,044,520	(655,412,374)	3,213,148,045
TOTAL ASSETS	<u>9,300,317,195</u>	<u>2,909,021,652</u>	<u>(3,198,059,008)</u>	<u>9,011,279,839</u>
Total equity	4,133,488,706	1,106,976,398	(2,600,785,043)	2,639,680,061
Total non-current liabilities	969,919,773	692,268,495	57,762,695	1,719,950,963
Total current liabilities	4,196,908,716	1,109,776,759	(655,036,660)	<u>4,651,648,815</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>9,300,317,195</u>	<u>2,909,021,652</u>	<u>(3,198,059,008)</u>	<u>9,011,279,839</u>
Capital expenditure	260,233,780	104,130,066	(21,104)	364,342,742

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

2018 Income Statement information

<u>USD</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining & Petrochemicals segments</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues "external customers"	1,980,726,646	202,703,696	-	1,797,113,026	-	3,980,543,368
Net revenues "Inter segment"	1,420,249,878	-	-	7,189,680	(1,427,439,558)	-
Cost of sales	<u>(3,258,180,255)</u>	<u>(226,333,386)</u>	-	<u>(1,672,737,220)</u>	<u>1,432,831,373</u>	<u>(3,724,419,488)</u>
Gross margin	142,796,269	(23,629,690)	-	131,565,486	5,391,815	256,123,880
Selling, general and administrative expenses	(68,126,136)	(10,543,857)	-	(110,992,366)	(22,250,557)	(211,912,916)
Other operating income/(expenses), net	(16,623,257)	117,827	-	(5,338,539)	2,434,328	(19,409,641)
Operating margin (EBIT)	58,046,876	(34,055,720)	-	15,234,581	(14,424,414)	24,801,323
Financial expenses, net	-	-	(40,300,865)	(2,069,970)	(4,066,605)	(46,437,440)
Net foreign exchange result	-	-	(4,083,610)	(2,004,511)	-	(6,088,121)
Profit/(loss) before income tax	58,046,876	(34,055,720)	(44,384,475)	11,160,100	(18,491,019)	(27,724,238)
Income tax	-	-	-	49,050	-	49,050
Net Profit/(Loss)	58,046,876	(34,055,720)	(44,384,475)	11,209,150	(18,491,019)	(27,675,188)
Depreciation and amortisation	71,337,124	16,102,827	-	20,277,806	(574,676)	107,143,081
<u>RON</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining & Petrochemicals segments</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues "external customers"	8,439,480,093	863,679,908	-	7,657,139,181	-	16,960,299,182
Net revenues "Inter segment"	6,051,400,680	-	-	30,633,789	(6,082,034,469)	-
Cost of sales	<u>(13,882,454,431)</u>	<u>(964,361,291)</u>	-	<u>(7,127,198,747)</u>	<u>6,105,007,915</u>	<u>(15,869,006,554)</u>
Gross margin	608,426,342	(100,681,383)	-	560,574,223	22,973,446	1,091,292,628
Selling, general and administrative expenses	(290,271,840)	(44,925,266)	-	(472,916,273)	(94,805,174)	(902,918,553)
Other operating income/(expenses), net	(70,828,373)	502,037	-	(22,746,447)	10,372,184	(82,700,599)
Operating margin (EBIT)	247,326,129	(145,104,612)	-	64,911,503	(61,459,544)	105,673,476
Financial expenses, net	-	-	(171,713,926)	(8,819,728)	(17,326,991)	(197,860,645)
Net foreign exchange result	-	-	(17,399,446)	(8,540,820)	-	(25,940,266)
Profit/(loss) before income tax	247,326,129	(145,104,612)	(189,113,372)	47,550,955	(78,786,535)	(118,127,435)
Income tax	-	-	-	208,992	-	208,992
Net Profit/(Loss)	247,326,129	(145,104,612)	(189,113,372)	47,759,947	(78,786,535)	(117,918,443)
Depreciation and amortisation	303,953,218	68,610,925	-	86,399,676	(2,448,579)	456,515,240

English translation is for information purposes only. Romanian language text is the official text for submission.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

In total net revenues are included customers that own more than 10% of total sales (i.e. KazMunayGas Trading AG), their value amounting USD 975 million in 2019 and USD 1,174 million in 2018.

2018 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,717,025,658	245,075,428	(595,588,185)	1,366,512,901
Total current assets	506,590,540	367,171,510	(157,522,823)	716,239,227
TOTAL ASSETS	<u>2,223,616,198</u>	<u>612,246,938</u>	<u>(753,111,008)</u>	<u>2,082,752,128</u>
Total equity	1,034,607,805	245,606,533	(604,849,754)	675,364,584
Total non-current liabilities	211,409,783	108,391,272	11,321,839	331,122,894
Total current liabilities	977,598,610	258,249,133	(159,583,093)	1,076,264,650
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,223,616,198</u>	<u>612,246,938</u>	<u>(753,111,008)</u>	<u>2,082,752,128</u>
Capital expenditure	66,321,027	19,533,825	(46,446)	85,808,406

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,315,902,923	1,044,217,384	(2,537,682,144)	5,822,438,163
Total current assets	<u>2,158,480,973</u>	<u>1,564,444,370</u>	<u>(671,173,245)</u>	3,051,752,098
TOTAL ASSETS	<u>9,474,383,896</u>	<u>2,608,661,754</u>	<u>(3,208,855,389)</u>	<u>8,874,190,261</u>
Total equity	4,408,256,936	1,046,480,316	(2,577,143,835)	2,877,593,417
Total non-current liabilities	900,774,803	461,833,532	48,240,092	1,410,848,427
Total current liabilities	<u>4,165,352,157</u>	<u>1,100,347,906</u>	<u>(679,951,645)</u>	4,585,748,417
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>9,474,383,896</u>	<u>608,661,754</u>	<u>(3,208,855,388)</u>	<u>8,874,190,261</u>
Capital expenditure	282,580,635	83,229,718	(197,896)	365,612,457

- Inter - segment revenues are eliminated on consolidation.
- Transfer pricing between operating segments is determined based on market rules agreed between the segments. These transfer prices take in to account the latest Crude/Refined products prices on markets adjusted by various margins / discounts taking into account quantity, quality, payment terms, transportation costs etc.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

b. Geographical segments

All the Group's production facilities are located in Romania. The following table provides an analysis of the Group's net revenues by geographical market (based on customers' location):

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Romania	2,464,429,751	2,414,901,767	10,500,442,283	10,289,413,449
Export	1,379,684,428	1,565,641,601	5,878,559,410	6,670,885,733
<i>out of which</i>				
Petroleum products	1,306,661,708	1,464,023,531	5,567,424,205	6,237,911,460
Petrochemical products	73,022,720	101,618,070	311,135,205	432,974,273
Total	<u>3,844,114,179</u>	<u>3,980,543,368</u>	<u>16,379,001,693</u>	<u>16,960,299,182</u>

27. RELATED PARTIES

The ultimate parent of the Group is the "National Welfare Fund Samruk Kazyna" JSC, an entity with its headquarters in Kazakhstan, fully owned by State of Kazakhstan. The related parties and the nature of relationship is presented below:

Name of related party	Nature of relationship
KMG International N.V.	Majority Shareholder
Byron Shipping SRL	Company owned by KMG International Group
Byron Shipping LTD	Company owned by KMG International Group
Global Security Systems S.A.	Company owned by KMG International Group
KazMunayGas Engineering B.V.	Company owned by KMG International Group
KazMunayGas –Engineering LLP	Company owned by KMG International Group
KazMunayGas Trading AG	Company owned by KMG International Group
KMG Rompetrol S.R.L	Company owned by KMG International Group
KMG Rompetrol Services Center	Company owned by KMG International Group
KMG Rompetrol Development S.R.L.	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Oilfield Exploration Business Solutions S.A.	Company owned by KMG International Group
Palplast S.A.	Company owned by KMG International Group
Rominserv S.R.L	Company owned by KMG International Group
Rominserv Valves Iaifo SRL	Company owned by KMG International Group
Rompetrol Bulgaria JSC	Company owned by KMG International Group
Rompetrol Energy S.A.	Company owned by KMG International Group
Rompetrol Financial Group S.R.L.	Company owned by KMG International Group
Rompetrol Georgia LTD	Company owned by KMG International Group
Rompetrol Moldova SA	Company owned by KMG International Group
Rompetrol Well Services S.A.	Company owned by KMG International Group
TRG Petrol Anonim Sirketi	Company owned by KMG International Group
Rompetrol Ukraine LTD	Company owned by KMG International Group
Fondul de Investitii in Energie Kazah - Roman S.A.	Company owned by KMG International Group
Dyneff SAS	Company owned by KMG International Group
Agat LTD	Company owned by KMG International Group
Rompetrol Drilling	Company owned by KMG International Group
Benon Rompetrol LLC	Company owned by KMG International Group
The Romanian State and the Romanian Authorities	Significant shareholder
Tengizchevroil LLP	Company affiliated to KMG International Group
Uzina Termoelectrica Midia S.A.	Associate of KMG International Group

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

27. RELATED PARTIES (continued)

Name of related party	Receivables and other assets			
	31-Dec-19 USD	31-Dec-18 USD	31-Dec-19 RON	31-Dec-18 RON
KazMunayGas Trading AG	10,197,947	3,350,943	43,451,413	14,277,698
Rominserv S.A.	3,439,274	3,859,140	14,654,059	16,443,024
KMG International N.V.	70,145,211	72,433,050	298,874,715	308,622,739
KMG Rompetrol S.R.L	869,819	1,184,681	3,706,125	5,047,689
KMG Rompetrol SRL - cash pooling	177,516,122	115,219,727	756,360,693	490,928,213
Oilfield Exploration Business Solutions S.A.	1,084,268	995,514	4,619,849	4,241,686
Rompetrol Well Services S.A.	74,723	117,393	318,380	500,188
KMG Rompetrol Services Center	16,725	15,074	71,262	64,227
Palplast S.A.	822,163	1,204,332	3,503,072	5,131,418
Rompetrol Bulgaria JSC	5,833,446	2,930,937	24,855,147	12,488,136
Rompetrol Moldova SA	161,149	66,006	686,624	281,238
Rompetrol Financial Group S.R.L.	2,518	-	10,729	-
KazMunayGas Engineering B.V.	3,573	3,573	15,224	15,224
Rompetrol Energy S.A.	-	589	-	2,510
Byron Shipping SRL	1,815	2,498	7,733	10,643
Rompetrol Albania Wholesale Sh.A.	16,716	17,076	71,224	72,757
Midia Marine Terminal S.R.L.	229,954	264,041	979,788	1,125,026
Rominserv Valves Iaifo SRL	4,907	40,742	20,908	173,594
KazMunayGas –Engineering LLP	168,167	168,167	716,526	716,526
Rompetrol Georgia LLC	50	-	213	-
Uzina Termoelectrica Midia S.A.	3,063,208	3,165,953	13,051,717	13,489,493
Global Security Systems S.A.	267,600	190,430	1,140,190	811,384
TRG Petrol Anonim Sirketi	-	3,770,408	-	16,064,954
Total	<u>273,919,355</u>	<u>209,000,274</u>	<u>1,167,115,591</u>	<u>890,508,367</u>

Name of related party	Payables, loans and other liabilities			
	31-Dec-19 USD	31-Dec-18 USD	31-Dec-19 RON	31-Dec-18 RON
KazMunayGas Trading AG	568,613,877	530,647,483	2,422,750,007	2,260,982,796
Rominserv S.A.	25,850,339	47,087,456	110,143,124	200,630,233
KMG International N.V.	27,349,698	23,740,294	116,531,593	101,152,645
KMG International N.V.- Short term debt - principal	12,655,710	59,815,343	53,923,449	254,861,213
KMG International N.V.- Short term debt - interest	1,330,945	2,067,004	5,670,890	8,807,091
KMG Rompetrol S.R.L	16,647,903	15,299,210	70,933,385	65,186,874
KMG Rompetrol SRL - cash pooling	251,208,922	125,704,051	1,070,350,975	535,599,821
Oilfield Exploration Business Solutions S.A.	222,175	241,107	946,643	1,027,309
Rompetrol Well Services S.A.	53,178	97,936	226,581	417,286
Rompetrol Well Services S.A. - Short term debt - principal	-	8,419,965	-	35,875,787
KMG Rompetrol Services Center	1,003,018	1,562,076	4,273,659	6,655,693
Rompetrol Bulgaria JSC	126,855	114,708	540,504	488,748
Rompetrol Moldova SA	1,818,256	1,681,652	7,747,225	7,165,183
Rompetrol Financial Group SRL - Short term debt - principal	2,347,000	28,230,200	10,000,098	120,283,236
Rompetrol Financial Group SRL - Short term debt - interest	1,420,051	674,156	6,050,553	2,872,444
Byron Shipping SRL	2,174	2,219	9,263	9,455
Midia Marine Terminal S.R.L.	3,470,424	37,262,031	14,786,783	158,766,062
Midia Marine Terminal S.R.L.- Short term debt - principal	6,386,444	6,679,780	27,211,361	28,461,207
Midia Marine Terminal S.R.L. - Short term debt - interest	242,954	1,665,039	1,035,178	7,094,398
Rominserv Valves Iaifo SRL	16,972	23,759	72,314	101,232
Rompetrol Georgia LLC	50	-	213	-
Uzina Termoelectrica Midia S.A.	7,357,882	7,808,396	31,350,464	33,270,014
Rompetrol Georgia LLC	16	16	68	68
KMG Rompetrol Development S.R.L.	1,525,669	-	6,500,570	-
Global Security Systems S.A.	562,367	402,278	2,396,133	1,714,026
Tengizchevroil LLP	-	17,235	-	73,435
TRG Petrol Anonim Sirketi	2,538	2,702	10,814	11,513
Total	<u>930,215,417</u>	<u>899,246,096</u>	<u>3,963,461,847</u>	<u>3,831,507,769</u>

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

27. RELATED PARTIES (continued)

During 2019 and 2018, Rompetrol Rafinare Group entered into the following transactions with related parties:

Name of related party	<u>Sales and other revenues</u>			
	<u>31-Dec-19</u>	<u>31-Dec-18</u>	<u>31-Dec-19</u>	<u>31-Dec-18</u>
	USD	USD	RON	RON
KazMunayGas Trading AG	974,749,604	1,173,841,219	4,153,213,113	5,001,502,666
Rominserv S.A.	853,763	857,812	3,637,713	3,654,965
KMG Rompetrol S.R.L.	146,148	172,845	622,707	736,458
Oilfield Exploration Business Solutions S.A.	3,787	3,571	16,136	15,215
Rompetrol Well Services S.A.	919,936	1,045,155	3,919,663	4,453,196
Palplast S.A.	12,970	14,774	55,263	62,949
Rompetrol Bulgaria JSC	49,421,499	47,495,572	210,575,123	202,369,133
Rompetrol Moldova SA	231,549,355	225,993,001	986,585,492	962,910,979
KMG Rompetrol Services Center	132,751	134,717	565,625	574,002
Midia Marine Terminal S.R.L.	575,792	576,399	2,453,335	2,455,921
Byron Shipping SRL	22,545	24,584	96,060	104,748
Rominserv Valves Iaifo SRL	13,540	16,546	57,691	70,499
Uzina Termoelectrica Midia S.A.	20,532,851	18,125,456	87,486,372	77,228,943
Rompetrol Energy S.A.	17	-	72	-
Global Security Systems S.A.	96,380	105,309	410,656	448,701
KMG Rompetrol Development S.R.L.	22,720,344	-	96,806,842	-
TRG Petrol Anonim Sirketi	7,913	17,839,452	33,716	76,010,337
Total	<u>1,301,759,195</u>	<u>1,486,246,412</u>	<u>5,546,535,579</u>	<u>6,332,598,712</u>

Name of related party	Nature of transaction	<u>Purchases and other costs</u>			
		<u>31-Dec-19</u>	<u>31-Dec-18</u>	<u>31-Dec-19</u>	<u>31-Dec-18</u>
		USD	USD	RON	RON
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	2,919,326,004	2,960,839,109	12,438,664,238	12,615,543,276
Rominserv S.A.	Acquisition and maintenance of fixed assets	85,664,538	93,943,324	364,999,464	400,273,715
KMG International N.V.	Management services	9,627,141	11,857,854	41,019,322	50,523,944
KMG Rompetrol S.R.L.	Management services	43,822,106	48,767,585	186,717,229	207,788,926
Oilfield Exploration Business Solutions S.A.	Management services	37,278	34,680	158,834	147,765
Rompetrol Financial Group S.R.L.	Environmental services	781,594	1,695,697	3,330,216	7,225,026
Rompetrol Well Services S.A.	Interest on loan	191,230	510,526	814,793	2,175,249
KMG Rompetrol Services Center	Shared services	7,052,975	7,508,052	30,051,316	31,990,308
Midia Marine Terminal S.R.L.	Handling services/Transit	15,665,032	15,708,962	66,745,568	66,932,745
Rominserv Valves Iaifo SRL	Valves	94,371	94,315	402,096	401,857
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	31,698,176	33,147,428	135,059,588	141,234,561
KMG Rompetrol Development S.R.L.	Retail	2,471,894	-	10,532,246	-
Global Security Systems S.A.	Security and protection services	3,895,443	3,805,717	16,597,704	16,215,399
Tengizchevroil LLP	Liquefied Petroleum Gas	-	554,883	-	2,364,245
Total		<u>3,120,327,782</u>	<u>3,178,468,132</u>	<u>13,295,092,614</u>	<u>13,542,817,016</u>

The nature of sale transactions consists in sale of petroleum products. Sales to related parties include sales taxes.

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, through a Government Ordinance, the shareholder became Ministry of Economy Trade and Business Environment ("MECMA") until May 2013, when following MECMA reorganization the new holder became Ministry of Economy ("ME"). Later it was renamed the Ministry of Energy, Small and Medium Enterprises and Business Environment. As at December 31, 2019 it is named the Ministry of Energy, and starting February 2020 it was renamed Ministry of Economy, Energy and Business Environment.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

27. RELATED PARTIES (continued)

As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. No entities in the Group have had any transactions during the period since MPFR, MECMA and ME became a related party or had balances as of period end, other than those arising from Romanian fiscal and legislative requirements, with MFPR, MECMA, ME and Other Authorities in Romania.

The amount of remuneration for key management personnel for 2019 was of USD 0.97 million (2018: USD 0.97 million), representing short term benefits and bonuses.

28. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	<u>2019</u> USD	<u>2018</u> USD	<u>2019</u> RON	<u>2018</u> RON
Earnings				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	(49,174,940)	(27,242,482)	(209,524,584)	(116,074,767)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
Earnings per share (US cents/share)				
Basis	(0.111)	(0.062)	(0.475)	(0.263)

29. CONTINGENCIES

a) Related to the Parent's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 11.08 million) to be paid by the Parent based on an inspection carried out in 2003. A suspension of the tax audit has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.). Also, the settlement of the administrative appeal has been suspended until the final sentence regarding the related criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see first case in note 30). The management is confident that the Parent is able to defend itself and the likelihood of a negative outcome is considered remote.

b) In 2001, the Parent processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Parent were challenged in front of the court by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Parent cancelled such invoices. The Parent is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Parent liable for paying such excises; the Parent appealed the tax audit, which is now being suspended as for the same reason described in the paragraph above. The amount noted in the minutes issued by D.G.F.P Constanta is RON 9.5 Million (USD 2.3 million). The management is confident that the likelihood of reversal of the earlier court decision is very low. No changes were incurred in 2019.

c) Rompetrol Rafinare SA- Distressed Assets - Hybrid Conversion

Emergency Ordinance ("EGO") 118/2003 approved by Law 89/2005 and the Issuing Convention of December 5, 2003 ("Issuing Convention"), regulated the conversion of RON 2,177.7 million of state budget liabilities, including penalties, into 22,812,098 Euro- denominated long-term reverse-convertible bonds with a face value EUR 25 each. (i.e. a total of EUR 570.3 million at the RON/EUR exchange rate as of September 30,2003 or 3.8185 RON/EUR or USD 719.4 million at the same date), hereinafter referred to as "Hybrid instruments" or "Bonds". The Bonds carried interest and were redeemable on or before maturity, whereas EGO specifically provided that bonds not redeemed by September 30, 2010

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

29. CONTINGENCIES (continued)

should be convertible, at a fixed conversion rate, into ordinary shares of Rompetrol Rafinare S.A., at the option of the Company (KMG I).

In accordance with the requirements of EGO 118/2003 and the Issuing Convention, Rompetrol Rafinare S.A. undertook the following transactions in relations to bonds:

- 1) the Extraordinary General Meeting of the Shareholders as of June 30, 2010 approved, the increase of the Company's share capital by USD 100.2 million
- 2) On August 9, 2010, RRC redeemed 2,160,000 Bonds in aggregate amount of EUR 54 million;
- 3) On September 30, 2010, the Extraordinary General Meeting of the Shareholders of Rompetrol Rafinare S.A. approved conversion of the unredeemed Bonds into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian Ministry of Public Finance for the Bonds it held. The number of shares was calculated based on the conversion rate of the bonds into shares indicated by the EGO 118/2003 and the Issuing Convention.

The Ministry of Public Finance publicly took an adverse position against such course of action and challenged it in various court procedures.

On September 10, 2010 the National Agency of Fiscal Administration ("ANAF") issued a decision for establishment of a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. and its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except inventories. This measure is still in force and it is challenged by the Group. By now the seizure has not produced direct effects on the Company's recurring operations.

On February 15, 2013 the Group and the Office of the State Ownership and Privatisation in Industry ("OPSPI"), representing the Romanian State, concluded a memorandum of understanding aiming at the amicable settlement of the Litigations. As a result of the Memorandum, the parties agreed the suspension of the court proceedings, in order to allow the time to implement the Memorandum, which was acknowledged by the court on February 18, 2013.

On 22 January 2014, the Memorandum of Understanding was approved by Government Decision no.35/2014 pursuant to which the Ministry of Public Finances has been authorized and mandated to pursue all procedural actions required for the withdrawal of the claims and the termination of all Litigations, including the Main Claim, without hearing of the merits thereof. The Memorandum of Understanding includes the following aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of RRC's share capital for a cash consideration of 200 million USD;
- The KMG I Group will invest in energy project related to its core activities an amount estimated at 1 USD billion over 7 years
- The Ministry of Finance will all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

Following the hearing on March 24, 2014 it is confirmed that the court case is closed following the Ministry of Finance renouncing all the court actions that were in progress that are mentioned above.

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of Petromidia and therefore there is no amount payable by the Refinery to the state, there is no object for the seizure. Besides all of these, the seizure is still in place.

The Shareholders agreement for the set-up the Kazakh Romanian Investment Fund ("KRF") was signed on 26 October 2018, and soon after KRF was registered as a joint stock company. All its managing bodies were organized and are functional.

Following the sign off of the association agreement for the establishment of The Kazakh - Romanian Energy Investment Fund (between KazMunayGas International (KMG I) and Societatea de Administrare a

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

Participațiilor în Energie (SAPE), in accordance with the provisions of the Memorandum of Understanding, in October 2018, the investment period of 7 years is established between 2019-2025.

30. LEGAL MATTERS

Litigation with the State involving criminal charges

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain former shareholders directors, managers and external censors of Rompetrol Rafinare S.A. and other individuals; these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized judicial expertise), currently undergoing the criminal prosecution phase. At the present date, only one of the directors of the Company who is involved in the investigation, still works for KMG International Group.

The charges brought against the defendants upon the initiation of the criminal investigations were:

- a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Parent;
- b) unlawful statement of excises and other debts to the state budget;
- c) incorrect keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
- d) adoption of GEO no. 118/2003.

Considering the above-mentioned charges, a freezing order were issued by DIICOT and received on 9-10 May 2016 (the "Orders"), whereby it was decided to impose a distraint (freezing of the assets) on the movable and immovable assets of KMG International N.V., Rompetrol Rafinare SA and Oilfield Exploration Business Solutions SA (former Rompetrol SA) as well as over the shares these companies held in their Romanian subsidiaries.

The freezing of the assets does not impact the inventories, receivables and the bank account of Rompetrol Rafinare and this allows to the company to continue normally the day by day operations.

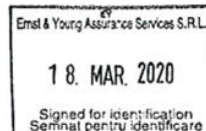
Rompetrol Rafinare challenged the asset freeze in Court. After two hearings in front of the Constanta Court, the case was assigned to be settled by the High Court of Justice and Cassation, who rejected in full the challenging submitted by Group's subsidiaries on 17 June 2016.

Meanwhile, the companies also challenged on 30 May 2016 the Orders to the superior prosecutor. The submission was rejected in December 2016.

Considering the nature of the allegations submitted by DIICOT, the KMGI companies applied for a motion of disjoining (*cerere de disjungere* in Romanian) in order to have two different cases which shall settle the allegations for RRC' privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by RRC (OUG 118/2003). No reply received yet from DIICOT on this topic.

Since the KMGI companies had no capacity in the file till 2016 and it seems the entire process (with minor exceptions) of gathering the evidences by DIICOT have been performed before May 2016, the Companies submitted on April 7, 2017 their own application for, on the one hand, evidences to be attached to the file in order to defend and on the other hand to be redone some evidences (such as expertise report) performed before 2016. No reply received yet from DIICOT on this topic.

On April 12, 2017, the companies submitted also their application by which they asked the dismissals of the allegations regarding the OUG 248/200 (regarding the privatization of RRC) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which the Court settled that the legislative process, as well as the aspects regarding the opportunity and/or lawfulness of a deed issued either by the Parliament and Government cannot be subject of a



ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

criminal inquiry and the Constitution provides other leverages assigned to other public authorities to control such kind of things. No reply received yet from DIICOT on this topic.

30. LEGAL MATTERS (continued)

On May 10 and June 28, 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, RRC privatization and post-privatization period, privatization of Vega refinery and the issuance of bonds (OUG 118/2003), intra-companies transactions and budgetary taxes and duties.

On July 17, 2017 DIICOT issued an Ordinance which generally keeps the approach of the Orders issued in 2016 but let the civil parties namely, Ministry of Energy and Ministry of Finance, to provide the figures for the alleged damage they incurred as well as the evidences for supporting any alleged damage. The only alleged damage party which requested the alleged damage is Faber Invest & Trade, by its legal representative, for an amount of USD 96.6 million.

A statement of defense against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.

On April 12, 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated July 17, 2017, September 18, 2017 and December 6, 2017 issued by the in-charge prosecutor of the file by which it was an extension of the inquiry to various individuals and/or some of the criminal offences have been approached in a worse manner for some of the defendants. Considering that those 3 ordinances cancelled have as background the April 2016 Ordinance issued by in-charge prosecutor by which the freezing orders were imposed over the assets of KMGI, the Group companies KMG International N.V., RRC, OEBS have submitted on April 20, 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the asset freeze. On May 22, 2018 the Court rejected again the challenges submitted by the Group. An appeal against this court resolution was submitted to assess from constitutional point of view if a legal provision based on which the challenges were rejected match with the Constitution principles. The first hearing of the appeal was scheduled for October 8, 2018. The court postponed the issuance of a resolution for October 22, 2018 when the Court rejected the forwarding of the case to the Constitutional Court as well.

A similar challenge was submitted on November 23, 2018. On December 4, 2018 the prosecutor agreed in principle with a partial release of the seizure provided that an expertise will be performed, and the final report will show that the value of the assets frozen exceed the alleged claims. The report was submitted to DIICOT on March 15, 2019. A new request for partial release of seizure was filled in on April 8, 2019.

A new ordinance was issued by DIICOT on November 9, 2018 which changes the legal framework for all deeds investigated in the case.

On July 22, 2016 NC KMG and KMGI submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty.

The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. Should a settlement between KMGI and Romania fail to be reached, the case will be referred to and settled by the International Centre for Settlement of Investment Disputes under World Bank, headquartered in Washington, D.C or to the Arbitration Institute of the Stockholm Chamber of Commerce, in line with the provisions of the treaties and with KMG companies' envisaged reliefs and measures to be obtained.

On April 22, 2019 DIICOT issued an ordinance whereby all the participations owned by the company to its subsidiaries, as well as part of the movable and immovable property of the company were released

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

from the criminal seizure. Also by ordinance was lifted the previously established seizure on property and participations owned by KMGI and OEBS.

30. LEGAL MATTERS (continued)

On December 5, 2019 DIICOT issued another Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period.

The distraint is lifted entirely but to protect the civil parties, namely Faber and State Authority which manages the State assets, a temporary seizure is kept up to USD 106 million over 4 RRC' installations for a limited period of 30 days. If the said civil parties will not fill in a civil claim to the civil courts against Group companies, this temporary seizure is also null and void. If they still do, then it is up to the civil court to assess the grounds for keeping such a seizure in place until the civil claim will be settled.

The ordinance is subject of challenge within 20 days. Both Faber and AAAS and the Group challenged it. The Group challenge filled in on December 27, 2019 concerns the relevant criminal charges to be dismissed on merits and not because of passing the status of limitation.

On January 15, 2020 Faber filled in a civil claim to Bucharest Court against all the parties of the case (both individuals and Group companies). As of the date of these financial statements, the Group did not receive any communication from the court.

On the other hand, the Group challenged the Ordinance on December 27, 2019, requiring having the relevant criminal charges dismissed on merits and not because of passing the status of limitation. On February 7, 2020 DIICOT rejected the Group challenge against December 5, 2019 Ordinance. The group submitted to Supreme Court challenge against the DIICOT rejection and the first hearing is scheduled for April 8, 2020.

Litigation on Tax Assessments received by Rompetrol Rafinare S.A. in 2012

In March 2012, the National Agency for Tax Administration issued to Rompetrol Rafinare SA a General Tax Audit Report covering the period 2007-2010 and an Assessment Decision for Payment of RON 48 million (equivalent of USD 15 million at historical rate), out of which half represents additional principal tax liabilities and the other half represents late payment interest and penalties.

On October 27, 2014 Constanta Court of Appeal held liable the National Agency for Tax Administration for paying back Rompetrol Rafinare approximately RON 21 million (equivalent of USD 6.2 million at the historical rate) out of which approximately RON 19 million have been refunded to Rompetrol Rafinare in August 2013 and to pursue to audit again for RON 4.6 million VAT and related interest and penalties up to March 2012 of approximately RON 5.3 million, resulting to a total of RON 9.7 million (equivalent of USD 2.8 million) to be further assessed. This Decision was appealed by both parties but on October 12, 2017, the Supreme Court rejected both appeals, so the decision of the first instance remained unchanged.

The re-audit for approximately RON 4.6 million (equivalent of USD 2.8 million) initiated in February 2018 was completed in March 22, 2018 by another tax inspection team maintaining the initial decision of National Agency for Tax Administration for the main VAT amount of RON 4.48 million, assessing a total of RON 8.6 million as related interest and penalties up to April 2018.

The company challenged tax decision for the amount of RON 13.1 million on May 18, 2018. The challenge submitted by the company was admitted and amount paid was reimbursed to the company.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

30. LEGAL MATTERS (continued)

Litigation on Tax Assessments received by Rompetrol Rafinare S.A. in 2017

In December 2017, the National Agency for Tax Administration finalized the tax inspection in Rompetrol Rafinare (covering the period 2011-2015) for: VAT fiscal group (all entities from fiscal group were under fiscal control), income tax, withholding tax and excise.

Through the Assessment Decision (received in January 2018), there were imposed the following additional taxes: RON 26.1 million representing VAT (of which RON 13.1 million related to VAT of Rompetrol Rafinare SA the rest belonging to the VAT group companies), RON 6.5 million representing Rompetrol Rafinare SA withholding tax and decrease of Rafinare's fiscal loss with RON 144.4 million. The related penalties assessed are in amount of RON 16.3 million for all VAT group companies. The principal additional taxes and related penalties were partially paid and partially compensated with receivable taxes and the remaining, the difference being paid in cash.

The tax assessment on VAT group and RRC was challenged on February 26, 2018. On January 23, 2019 the fiscal authority D.G.S.C. – A.N.A.F. issued the settling decision upon Company's administrative appeal by which the fiscal authority decided the followings:

- i. out of RON 20 million representing VAT (out of which RON 12.8 million related to VAT of Rompetrol Rafinare SA) the fiscal authority rejects the appeal for the amount of RON 11.6 million (RON 11.07 million related to Rompetrol Rafinare SA) and cancels the imposing decision for the amount of RON 8.4 million (RON 1.75 million related to Rompetrol Rafinare SA).
- ii. rejects the appeal for the amount of RON 6.5 million representing Rompetrol Rafinare SA withholding tax and the related accessories in amount of 0.2 million RON.
- iii. out of RON 16.3 million representing penalties related to VAT (out of which RON 12 million related to Rompetrol Rafinare SA) the fiscal authority rejects the appeal for the amount of RON 11.05 million (RON 10.6 million related to Rompetrol Rafinare SA) and cancels the imposing decision for the amount of RON 5.3 million (RON 1.4 million related to Rompetrol Rafinare SA).
- iv. rejects the appeal against the decrease of The Company's fiscal loss with the amount of RON 140 million.

The Company submitted to Constanta Court of Appeal a claim by which it challenged the amounts rejected by ANAF - DGSC in the Decision regarding the Company's administrative appeal.

The amounts for which ANAF - DGSC annulled the Decision and ordered a re-verification are not subject of the court claim.

The claim submitted by Rompetrol Rafinare S.A. was registered on 25.07.2019 at the Constanta Court of Appeal, forming Case file no. 393/36/2019, the Court set the first hearing for November 13, 2019. On December 11, 2019 the Court approved RRC's request to carry out a financial – accounting expertise in the Case file and set the next term for January 15, 2020 when the Court will nominate three experts to perform the expertise and will set the term for the Expertise Report to be filled. On 15 January 2020 the Court nominated the experts and set the next term for April 8, 2020 for the expertise to be initiated.

Litigation regarding CO2 emission allowances

On 28 February 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2.577.938 CO2 emission certificates for the entire period 2008-2012 (Decision 69/CA/2011). This first decision issued by the Constanta Court of Appeal was challenged by the Ministry of Environment and The Romanian Government, but the appeals were rejected by the High Court of Cassation and Justice of Justice on October 30, 2012 and the first court decision became final.

According to the current Romanian and European legislation, the certificates obtained for 2008 – 2012 period may be owned and used also for the next period of 2013 – 2020.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

30. LEGAL MATTERS (continued)

Considering that the Ministry of Environment and the Romanian Government did not fulfil the Court decision according to the deadline, Rompetrol Rafinare SA started a court claim against them, having as object damages in amount of EUR 36 million. – File no. 917/36/2013*.

The last hearing was on February 25, 2019 and a decision was released on March 19, 2019. The court admitted Rompetrol Rafinare S.A claim and found liable both the Romanian Government and Ministry of Environmental for damages in amount of EUR 31,806,598.74 in RON at the payment date for failure to observe the final Supreme Court decision issued in October 2012.

Taking in consideration that according with the decision the court awarded a lower amount than the one requested, a final appeal was formulated within the legal time limit. The defendants also submitted final appeals against the same decision of the Court of Appeal Constanta. The Supreme Court set the first hearing for November 11, 2021, but the Company submitted an application at the beginning of October to ask for an earlier hearing considering that already passed 7 years since the Supreme Court decision issued in the favour of the company. It is expected the Supreme Court decision on this topic. The Supreme Court admitted the Company's request for an earlier hearing and set the next term on June 4, 2020.

Litigation between Rompetrol Downstream SRL and RATB (Bucharest public transport company)

In 2011, following a public tender organized by RATB, the biggest public transport company in Romania serving Bucharest metropolitan area, Rompetrol Downstream was awarded with a 4 year frame Agreement (divided in 4 years contracts 2011-2015) for delivery of fuel for RATB fleet through an integrated system.

Even if Rompetrol Downstream has complied in full and in time with the obligations to supply to RATB the requested quantities of fuel in these 4 years, the related IT system was gradually implemented until September 16, 2015, leading to 4 legal court cases (one per each agreement) initiated by RATB. The amounts requested by RATB concerns the enforcement of penalty clause in amount of 15% of frame contract turnover for not observing the contractual obligations relating to the implementation of the IT system:

- a) Case 1 - On 16 October 2015 RATB submitted to Court the claim for damages in amount of RON 62.4 million (about USD 15 million) (based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-2617/25.10.2011). On 27 October 2015, based on the tender book terms and conditions, RATB executed the bank letter guarantee provided by DWS for the amount of RON 5.7 million. Initially, Downstream managed to win the case at the first court, based on a legal procedural exception. However, both parties challenged afterwards the first court rule by way of a second appeal. The appeal was admitted by the higher court (Bucharest Court of Appeal) and the file was re-sent in 2017 for a proper judgment on the merits of the case. On 25 January 2018, the court has rejected the RATB's claim and admitted partially Downstream claim for reimbursement for the illegally enforcement by RATB of the LBG in amount of RON 5.7 million as well as the indemnity of RON 0.28 million as interests for delay payments by RATB of the fuel supplied RATB filled in an appeal to be settled by the Bucharest Court of Appeal. Next hearing was scheduled for 27 February 2019 and the appeal was rejected. Case closed.
- b) Case 2 - RATB claimed for RON 65.5 million (as damages conventionally assessed based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-2907/17.10.2012). On 1 November 2016, the court decided to reject the RATB' s claim on the grounds of the inadmissibility exception of the summons pursuant to the non-performance of the previous procedure by RATB. By way of a final Decision no. 321/30 January 2017, the Bucharest Court of Appeal rejected the second appeal filed by RATB as unsubstantiated and the legal case was closed.
- c) Case 3 - RATB claimed for RON 65.1 million (as damages conventionally assessed based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-3126/18.10.2013).

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

30. LEGAL MATTERS (continued)

On 14 November 2016, the court decided to reject the RATB' s claim on the grounds of the inadmissibility exception of the summons pursuant to the non-performance of the previous procedure by RATB. By way of a final Decision on 20 April 2017, the Bucharest Court of Appeal rejected the second appeal filed by RATB as groundless and the legal case was closed.

- d) Case 4 - RATB claimed for RON 5.7 million (as damages conventionally assessed based on the framework agreement no. 47-365/2011 and subsequent agreement no. 46-3241/17.10.2014). First hearing was scheduled for 25 October 2016. At that hearing term, the court suspended the case' judgement until Case 1 will be definitively settled. Considering the case 1 was finally settled, this 4th one case was resumed, and the next hearing was scheduled for June 18, 2019 when the Court rejected the claim of RATB. The solution was appealed, and the first hearing is set for March 13, 2020.

Litigation between Rompetrol Rafinare and Navodari City Hall

On November 19, 2015, it was finalized the local taxes fiscal audit of the local taxes, performed by Navodari City Hall, for the period of 2012-2014. The only non-compliant finding refers to revaluation of buildings made by the company on 31 December 2009 and 31 December 2011, namely that not all fixed assets accounted for in the account 212 "Construction" were revalued, and therefore it was not in accordance with the accounting regulations stipulated by OMFP 3055/2009. As a result, the inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and related penalties in total amount of RON 20.4 million, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report)

- a) Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by RRC was dismissed as being lack of object, without any judgment pronounced on the merits of the case. Rompetrol Rafinare submitted in court the challenge against this decision. This judicial procedure was under court investigation proceedings with Constanta Court of Appeal who has completed judicial investigation into the case and delivered a sentence on March 16, 2017, when the challenge submitted by Rompetrol Rafinare was rejected. The solution has been appealed by Rompetrol Rafinare. The appeal is in currently pending court investigation proceedings, and the first hearing term before the High Court of Cassation and Justice is established for 30 January 2020. At the request of the legal representative of Navodari City Hall, the Court set a new trial term for 7 May 2020.
- b) Because the decision issued by Navodari City Hall of rejection the administrative complaint as being lack of object is based on Navodari Local Council Decision no.435/21 December 2015, under which Rompetrol Rafinare has obtain the annulment of 73% of penalties, Rompetrol Rafinare submitted a second action for partial annulment of Navodari Local Council Decision no. 435/21 December 2015. This action was admitted by Constanta Tribunal. This solution has been appealed by Navodari Local Council on Constanta Court of Appeal, where the first hearing term was set on 16 January 2017, when the appeal was rejected. The solution is final.
- c) Rompetrol Rafinare also filed the request for suspension the enforceable effects of the imposing decision, pursuant to the Law 554/2004 and Government Ordinance 92/2003, file no.788/36/2015. The statement of defense was submitted by Navodari City Hall and the first hearing term was established for 22 February 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on 19 November 2015. The solution was appealed by Navodari City Hall. On November 2, 2018, the case has been suspended. On January 10, 2020, by Decision 73/2020, the High Court of Cassation and Justice found the appeal filed by the Navodari City Hall outdated. The solution is final.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

30. LEGAL MATTERS (continued)

Litigations between Rompetrol Rafinare and National Company – Constanta Maritime Port Administration S.A.

In consideration of the violation by Compania Nationala Administratia Porturilor Maritime Constanta (*National Company of Constanta Maritime Ports Administration*) of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the assurance of safe access and operation, the company initiated several legal remedies against it, as follows:

- a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint leads to an investigation launched in April 2016 by the Competition Council. Competition Council is entitled to acknowledge the violation by Administrația Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, the obligations resting upon it as administrator of port areas and supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. By Decision 21/2018, the Competition Council rejected the complaints formulated by Rompetrol Rafinare SA and Midia Marine Terminal SRL. Both companies challenged this decision at Bucharest Court of Appeal, first term being scheduled for May 13, 2019, in order to communicate to the parties the statement of defense issued by National Company "Administratia Porturilor Maritime" SA. Next term was established October 21, 2019, when the court dismissed the complaints filed by the plaintiffs.
- b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 mil USD) and for restitution of dredging expenses (USD 1.7 million). On 19 May 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff:
- The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
 - The amount of RON 0.079 million representing legal costs.
- Both parties filed for appeal against the solution pronounced by first court. On 27 December 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal. The decision has been communicated and the recourse has been filled by Rompetrol Rafinare SA on 6 August 2018. The case is in filter proceedings, and the first hearing term will be established later. During the filter proceedings, National Company "Administratia Porturilor Maritime" SA has raised the exception of inadmissibility of our recourse, motivated by the fact that, according to art. 483 paragraph 2 of the Civil Procedure Code, the decisions regarding the civil navigation and port activity processes are exempted from the right of recourse. Rompetrol Rafinare SA has raised the exception of unconstitutionality regarding the art. 483 paragraph 2 of the Civil Procedure Code. From this reason, The High Court of Cassation and Justice has suspended the procedure until the Constitutional Court solves the exception submitted by Rompetrol Rafinare.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

30. LEGAL MATTERS (continued)

Procedure in which is involved Rompetrol Rafinare SA, Rominserv SRL, and employees of the two companies, following of a technical incident occurred in of Petromidia refinery on 22 August 2016

On 22 August 2016 a technical incident occurred within the DAV plant. Following the event, two employees of a Group' subsidiary Rominserv SRL suffered burns and other two employees passed away.

The competent authorities have initiated investigations in order to establish the circumstances and the causes that generated the technical incident. In respect of the work accident, the Prosecutor's Office of the Constanta Court of Appeal office, was notified ex officio and being open file no. 586 /P/ 2016, within which have been questioned employees of the 2 companies and was administered technical expertise.

Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and four employees were put on trial for: the non-observance of the legal labor health and safety measures, bodily harm by negligence, manslaughter and accidental pollution. At the same time Rompetrol Rafinare S.A. has quality as civilly liable party.

By the final conclusion of Preliminary Chamber procedure, communicated to Rompetrol Rafinare and Rominserv on 27 March 2017 the court ordered, considering the fact that the prosecutor did not reply within procedural five days, to return the case to the Prosecutor's Office Court Appeal Constanta, finding relative nullity of the Ordinance no. 586 /P/2016, irregularity of the indictment, prosecutor failure to respond within procedural terms. The Prosecutor's Office Court Appeal Constanta made appeal.

On 21 June 2017 the Constanta County Court admitted the prosecutor's appeal and ordered the retrial of the case by Constanta Court with the observance of the legal dispositions on the summoning of the parties, namely the aggrieved persons and prosecutor. According with court decision of 29 September 2017, the file shall be sent back to the prosecutor office whereas it has been ascertained that ordinance no. 586/P/2016 and the subsequent Act of Indictment of the Prosecutor's Office by Constanta Court of Appeal are subject to relative nullity and that the object and limits of judgment cannot be established. The solution has been challenged by Prosecutor's Office, the contestation was reject and the criminal file shall be sent back to the prosecutor's office of Constanta in order to resume the criminal prosecution activities within the limits of the legality provisions. Rompetrol Rafinare SA received a subpoena, as a defendant, for 26 June 2018, when the charges were brought to light, being the same, with changes in the legal framing of the facts.

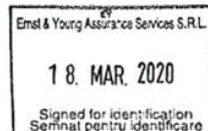
As a result of the completion of the prosecutor activities according to the judge decision in the preliminary chamber, on 14 January 2019 the company received the prosecutor indictment from the Constanta Court (Judecatorie). Taking in consideration that the court has been notified with a new indictment, the preliminary chamber procedure is to be carried out.

According with prosecutor second indictment, the following offenses were retained for ROMPETROL RAFINARE, ROMINSERV, STANCIU DANIEL, MARGINEAN ION and CARAMAN VASILE:

- the non-observance by negligence of the legal labor health and safety measures, as per art 349 alin.2 of Criminal code;
- bodily harm by negligence as per art. 196 alin. 1 and 4 of Criminal code;
- manslaughter as per art. 192 alin. 1,2 and 3 of Criminal code;
- accidental pollution, as per art. 98 alin.1 lit.b of EGO no 195/2005.

As a result of the preliminary chamber proceedings, the requests and the exceptions invoked by the defendants were admitted in part, the relative nullity of the indictment of the Prosecutor's Office attached to the Constanta Court of Appeal was found, as well as the irregularity which leads to the impossibility of establishing the object and limits of the indictment judgment.

On October 15, 2019 the court decided again to send back the indictment to the prosecutorial office due to the irregularities mentioned therein. The decision of the court was appealed by Prosecutor's Office and by



ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

both companies. The appeals were rejected, the court's solution was maintained, and the file was sent back to the Prosecutor's Office of Constanta Court of Appeal.

30. LEGAL MATTERS (continued)

Relating RRC employees, Andrei Felicia and Oancea Cornel, the file has been disposed.

On the other hand, it was admitted the request filed by Rominserv for the plea of unconstitutionality of certain provisions to be settled further by the Constitutional Court. The respective provisions concern the possibility to rectify the document instituting court proceedings during the preliminary chamber procedure.

Considering the allegations, each company is facing, a maximum exposure of approximately RON 3.6 million.

Also, on 25 May 2017 Rompetrol Rafinare and Rominserv received a reply to its challenge submitted against the Constanta Labor Inspectorate Reports by which the Labor authority maintains the same considerations challenged by the companies. On 16 August 2017 both Rompetrol Rafinare and Rominserv have received fines set by the Constanta Territorial Labor Inspectorate (in cumulated amount of RON 0.028 million). The minutes of the fine have been appealed by both parties involved. On 14 December 2017, the court has requested to Rompetrol Rafinare and to the Territorial Labour Inspectorate to send written specifications regarding optional suspension of the case, pending resolution of the criminal file. The court suspended the case until the criminal file will be solved.

31. COMMITMENTS

Environmental commitments

The principal activity of Rompetrol Rafinare SA (including Vega Refinery) of refinery petroleum products and Rompetrol Petrochemicals has inherent effects on the environment in terms of effluents into land, water and air. The environmental effects of the Group's activities are monitored by specialized authorities and the management of the Group.

The Company has recognized a provision for restoration cost at its Vega location, see Note 19.

As of 31 December 2019, and 31 December 2018 Rompetrol Rafinare S.A. has no specific environmental commitments to conform to the Integrated Environmental Authorization, except for Vega obligations, which have been provisioned.

Other commitments

As of 31 December 2019, Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards at the Petromidia refinery of USD 70.84 million (2018: USD 28.63 million). As of 31 December 2019, Rompetrol Downstream S.R.L has contracted capital commitments of USD 2.4 million (2018: USD 0.89 million).

Sale and purchase commitments

As of 31 December 2019, the Group's main commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 1,328.72 million (2018: USD 2,318.35 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 2,053.80 million (2018: USD 1,703.47 million).

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank debt and shareholder loans (see Note 18), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the "Consolidated Statement of Changes in the Shareholders' Equity".

32.2. Gearing ratio

The gearing ratio at the year-end was as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Debt (excluding shareholder loans and related parties)	334,393,998	267,367,797
Cash and cash equivalents	<u>(13,196,424)</u>	<u>(11,477,183)</u>
Net debt	321,197,574	255,890,614
Equity (including shareholder loans and related parties)	643,909,852	782,915,828
Net debt to equity ratio	0.50	0.33

32.3. Categories of financial instruments and fair values

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets		
Trade and other receivables	446,277,806	378,663,943
Long-term receivables	667,307	3,250,669
Available for sale investments	18,583	18,583
Derivative financial instruments	1,171,629	2,608,512
Cash and cash equivalents	<u>13,196,424</u>	<u>11,477,183</u>
TOTAL FINANCIAL ASSETS	461,331,749	396,018,890
Financial liabilities		
Long-term borrowings	240,000,000	224,103,204
Derivative financial instruments	3,704,969	76,580
Short term borrowings from shareholders	24,382,988	107,551,244
Other non-current liabilities	186,288	195,757
Net obligations under lease agreements	66,076,256	-
Trade and other payables	979,506,847	870,862,953
Short-term borrowings banks	<u>11,307,822</u>	<u>26,254,673</u>
TOTAL FINANCIAL LIABILITIES	1,325,165,170	1,229,044,411

The estimated fair values of the instruments presented above approximate their carrying amounts except for derivative which are presented at fair value.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Trade and other receivables are at net recoverable value the following are not considered as financial assets:

- Advances to suppliers
- VAT to be recovered
- Profit tax receivables
- Other taxes receivables

Similarly, for trade and other payables the following are not considered as financial liabilities:

- Advances from customers
- Excises taxes
- Special found tax for oil products
- VAT payable
- Profit tax payable
- Salary taxes payable
- Other taxes
- Deferred revenues;

The estimated fair values of these instruments approximate their carrying amounts.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties. As at 31 December 2019, the marked to market value of derivative position is for financial instruments recognized at fair value.

32.4. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Trade and other receivables	446,277,806	446,277,806	-	-
Long-term receivables	667,307	667,307	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	1,171,629	-	1,171,629	-
Cash and cash equivalents	13,196,424	13,196,424	-	-
TOTAL FINANCIAL ASSETS	<u>461,331,749</u>	<u>460,160,120</u>	<u>1,171,629</u>	<u>=</u>
Financial liabilities				
Long-term borrowings	265,474,400	265,474,400	-	-
Derivative financial instruments	3,704,969	-	3,704,969	-
Short term borrowings from shareholders	24,382,988	24,382,988	-	-
Other non-current liabilities	186,288	186,288	-	-
Net obligations under lease agreements	66,076,256	66,076,256	-	-
Trade and other payables	979,506,847	979,506,847	-	-
Short-term borrowings banks	11,307,822	11,307,822	-	-
TOTAL FINANCIAL LIABILITIES	<u>1,350,639,570</u>	<u>1,346,934,601</u>	<u>3,704,969</u>	<u>=</u>

	<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Trade and other receivables	378,663,943	378,663,943	-	-
Long-term receivables	3,250,669	3,250,669	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	2,608,512	-	2,608,512	-
Cash and cash equivalents	11,477,183	11,477,183	-	-
TOTAL FINANCIAL ASSETS	<u>396,018,890</u>	<u>393,410,378</u>	<u>2,608,512</u>	<u>=</u>
Financial liabilities				
Long-term borrowings	224,103,204	224,103,204	-	-
Derivative financial instruments	76,580	-	76,580	-
Short term borrowings from shareholders	107,551,244	107,551,244	-	-
Other non-current liabilities	195,757	195,757	-	-
Trade and other payables	870,862,953	870,862,953	-	-
Short-term borrowings banks	26,254,673	26,254,673	-	-
TOTAL FINANCIAL LIABILITIES	<u>1,229,044,411</u>	<u>1,228,967,831</u>	<u>76,580</u>	<u>=</u>

During the reporting period ending 31 December 2019 and 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.5 Derivative financial instruments

The Group uses different commodity derivatives as part of price risk management in trading of crude oil and products.

Balance Sheet:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Derivative financial asset	1,171,629	2,608,512
Derivative financial liability	(3,704,969)	(76,580)
Net position - asset/(liability)	(2,533,340)	2,531,932

Income Statement:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unrealised (gains)	-	-
Net position - (gain)/loss - in Cost of sales	-	-
Realised gains/(losses) - net	2,730,685	882,846
Total position - loss/(gain) - in Cost of sales	2,730,685	882,846

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Derivative asset/(liability) 2018	2,531,932	(48,387)
Forex unrealized (hedging of forex)	-	-
Cash payments	(5,065,272)	2,580,319
Reserves	-	-
Derivative asset/(liability) 2019	(2,533,340)	2,531,932

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

32.6 Market risk

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies.

32.7. Foreign currency risk management

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products sales are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in other currencies, which are translated at the prevailing exchange rate at each balance sheet date. The unrealized differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.8. Foreign currency sensitivity analysis

The Group is mainly exposed to the RON and EUR currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity here the USD strengthens 5% against the relevant currency. For a 5% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

USD	USD	RON		EUR	
		2019	2018	2019	2018
Profit/ (loss)	5%	(2,780,797)	(165,782)	(721,293)	789,023
	-5%	2,780,797	165,782	721,293	(789,023)

32.9. Interest rate risk management

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Group's borrowings, are provided in Notes 13 and 18.

The sensitivity analyses below have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's: profit for the year ended 31 December 2019 would decrease / increase by USD 3,502 thousand (2018: decrease / increase by USD 623 thousand).

32.10. Liquidity risk management

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2019 and 31 December 2018 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Year ended December 31, 2019	<u>Less than 1 month or on demand</u>	<u><3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>
Long-term debt	-	2,729,400	8,188,200	254,556,800	-	265,474,400
Long-term net obligations under lease agreements	-	-	-	61,959,650	138,697	62,098,347
Trade and other payables	470,708,331	487,903,735	20,894,781	-	-	979,506,847
Derivative financial instruments	-	3,704,969	-	-	-	3,704,969
Short-term net obligations under lease agreements	-	-	3,977,909	-	-	3,977,909
Short-term borrowings from related parties	-	136,017	24,791,040	-	-	24,927,057
Short-term debt	-	127,084	11,403,999	63,993	-	11,595,076
Other non-current liabilities	16,931	-	-	169,357	-	186,288
	470,725,262	494,601,205	69,255,929	316,749,800	138,697	1,351,470,893

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Year ended December 31, 2018	<u>Less than 1 month or on demand</u>	<u>≤3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>≥5 years</u>	<u>Total</u>
Long-term debt	-	2,953,080	8,859,239	239,852,962	-	251,665,281
Trade and other payables	857,873,871	12,516,009	472,668	406	-	870,862,954
Derivative financial instruments	-	76,580	-	-	-	76,580
Short-term borrowings from related parties	5,670,511	4,128,006	103,184,351	-	-	112,982,868
Short-term debt	-	417,888	25,794,330	1,244,818	-	27,457,036
Other non-current liabilities	195,757	-	-	-	-	195,757
	863,740,139	20,091,563	138,310,588	241,098,186	-	1,263,240,476

32.11. Commodity price risk

The Group is affected by the volatility of prices of crude oil, oil products and by refinery margins. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil prices, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical (purchase from third parties and KazmunayGas Group, and sales to third parties and Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

The net impact of the commodity hedges was USD -6.85 million (2018: total net loss of USD -1.2 million).

32.12 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 25% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

Financial instruments and bank deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy.

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

33. SUBSEQUENT EVENTS

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Financial Group S.R.L. in amount of USD 29.5 million has been fully repaid on February 6, 2020. The facility has not been extended.

Facility granted to Rompetrol Rafinare S.A. by Midia Marine Terminal S.R.L. in amount of USD 7 million has been fully repaid on February 10, 2020. The facility has not been extended.

Coronavirus is the most severe shock to hit the world economy since 2008's financial crisis. Containment measures to limit the spread of the outbreak have shut down factories, schools and events around the world, driving travel & freight transport restrictions by land, sea and air. The result has been a plunge in oil demand.

The OPEC+ group of countries has compounded the problems by Saudi Arabia and Russia failing to agree a cut in output. On Monday 9th March 2020, the oil price saw its biggest fall in 30 years. Mtd March 13th Brent Dated level is at 43.2\$/bbl, -26.1\$/bbl or -38% below December 31th 2019 level.

On the short term the Group, similar to all companies operating within downstream sector – refining, trading and retail operations – is impacted by the cumulative effect of 1) low market margins environment determined by the abnormally low global demand and 2) inventory holding losses triggered by the decreasing trend of quotations. On the medium and long term, similar to other episodes of price war between largest oil producers carried in recent past (2014-2016), it is estimated the crude oil price curve to be reversed and first quarter 2020 impact to be off-set by gradual inventory holding gains and an increasing trend of market refining margins towards the multi-annual historical average levels.

With respect to 31 December 2019 financial statements, the financial reporting impact arising from the outbreak of Covid-19 is limited to non-adjusting subsequent events under International Reporting Standards given that the changes in business activities and economic conditions occurred after the reporting period.


The consolidated financial statements have been approved on 17 March 2020 and submitted for approval by the General Assembly of shareholders on 29 April 2020 by:

SADUOKHAS MERALIYEV
PRESIDENT of the BOARD of DIRECTORS

DocuSigned by:

 6E619FA422D54FF...

FELIX CRUDU-TESLOVEANU
GENERAL MANAGER

DocuSigned by:

 8C456324FA134C6...

MIRCEA-STEFAN STANESCU
FINANCE MANAGER

DocuSigned by:

 31034B34777A45E...
Proprietar,
Cristina Ana Dica
Reporting Manger

DocuSigned by:

 2AEF9D62635148C...