

**ROMPETROL RAFINARE SA**

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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

**30 JUNE 2020**

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Prepared in accordance with International Financial Reporting Standards**  
As endorsed by the European Union (EU)  
**as at 30 June 2020**

---

<b>CONTENTS</b>	<b>PAGE</b>
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 - 83

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2020**

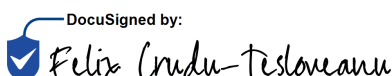
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	Notes	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
		USD	USD	RON	RON
Intangible assets	3	9,994,798	8,524,600	43,210,511	36,854,404
Goodwill	4	82,871,706	82,871,706	358,279,246	358,279,246
Property, plant and equipment	5	1,221,747,897	1,179,954,903	5,281,982,677	5,101,299,028
Right of use assets	7	60,466,305	62,843,821	261,413,975	271,692,690
Available for sale investments	8	18,583	18,583	80,340	80,340
Long-term receivable		3,865,683	667,307	16,712,507	2,884,968
Deferred tax asset	15	26,426,209	25,927,332	114,248,428	112,091,634
<b>Total non current assets</b>		<b>1,405,391,181</b>	<b>1,360,808,252</b>	<b>6,075,927,684</b>	<b>5,883,182,310</b>
Inventories, net	9	178,429,452	261,673,893	771,404,050	1,131,294,742
Trade and other receivables	10	421,600,118	478,076,540	1,822,703,790	2,066,868,305
Derivative financial instruments	32.5	5,532,527	1,171,629	23,918,774	5,065,304
Cash and cash equivalents	11	11,575,131	13,196,424	50,042,764	57,052,100
<b>Total current assets</b>		<b>617,137,228</b>	<b>754,118,486</b>	<b>2,668,069,378</b>	<b>3,260,280,451</b>
<b>TOTAL ASSETS</b>		<b>2,022,528,409</b>	<b>2,114,926,738</b>	<b>8,743,997,062</b>	<b>9,143,462,761</b>
Share capital	12	1,463,323,897	1,463,323,897	6,326,388,204	6,326,388,204
Share premium	12	74,050,518	74,050,518	320,142,604	320,142,604
Revaluation reserve, net	12	126,853,818	130,188,777	548,427,111	562,845,140
Other reserves	12	(6,438,820)	(12,448,820)	(27,836,952)	(53,819,984)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,579,611,142	4,579,611,141
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,580,286,635)	(2,580,286,635)
Accumulated losses		(1,510,929,542)	(1,465,597,442)	(6,532,201,686)	(6,336,217,421)
Current year result		(126,054,266)	(49,174,940)	(544,970,410)	(212,598,018)
<b>Equity attributable to equity holders of the parent</b>		<b>483,258,941</b>	<b>602,795,326</b>	<b>2,089,273,378</b>	<b>2,606,065,031</b>
Non-Controlling interest		16,314,693	16,731,538	70,533,312	72,335,456
<b>Total equity</b>		<b>499,573,634</b>	<b>619,526,864</b>	<b>2,159,806,690</b>	<b>2,678,400,487</b>
Long-term borrowings from banks	13	184,918,672	240,000,000	799,458,895	1,037,592,000
Hybrid loans - interest portion	12	17,009,920	17,009,920	73,538,987	73,538,987
Net obligations under lease agreements	14	59,463,124	62,098,347	257,076,924	268,469,784
Deferred tax liabilities	15	3,947,104	4,012,156	17,064,515	17,345,754
Provisions	19	80,361,840	80,361,840	347,428,343	347,428,343
Other non-current liabilities		199,769	186,288	863,661	805,379
<b>Total non-current liabilities</b>		<b>345,900,429</b>	<b>403,668,551</b>	<b>1,495,431,325</b>	<b>1,745,180,247</b>
Trade and other payables	16	1,122,098,462	1,026,909,009	4,851,168,274	4,439,635,717
Contract liabilities	17	29,206,051	21,448,626	126,266,520	92,728,845
Derivative financial instruments	32.5	13,974	3,704,969	60,414	16,017,692
Net obligations under lease agreements	14	4,790,566	3,977,909	20,711,054	17,197,694
Short-term borrowings from shareholders and related parties	18	12,197,511	24,382,988	52,733,499	105,414,973
Short-term borrowings from banks	18	8,747,782	11,307,822	37,819,286	48,887,106
<b>Total current liabilities</b>		<b>1,177,054,346</b>	<b>1,091,731,323</b>	<b>5,088,759,047</b>	<b>4,719,882,027</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,022,528,409</b>	<b>2,114,926,738</b>	<b>8,743,997,062</b>	<b>9,143,462,761</b>


**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...

**Prepared by,**  
**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 30 June 2020**

(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>June 30, 2020</u> USD	<u>June 30, 2019</u> USD	<u>June 30, 2020</u> RON	<u>June 30, 2019</u> RON
Revenues from contract with customers	20	1,055,899,842	1,888,361,762	4,564,971,787	8,163,954,406
Cost of sales	21	(1,048,962,329)	(1,791,622,150)	(4,534,978,837)	(7,745,720,041)
<b>Gross profit</b>		<b><u>6,937,513</u></b>	<b><u>96,739,612</u></b>	<b><u>29,992,950</u></b>	<b><u>418,234,365</u></b>
Selling, general and administrative expenses, including logistic costs	22	(108,358,457)	(98,667,287)	(468,466,117)	(426,568,282)
Other operating income	23	43,910,759	40,858,445	189,839,384	176,643,316
Other operating expenses	23	(42,565,687)	(31,224,654)	(184,024,235)	(134,993,547)
<b>Operating profit</b>		<b><u>(100,075,872)</u></b>	<b><u>7,706,116</u></b>	<b><u>(432,658,018)</u></b>	<b><u>33,315,852</u></b>
Finance cost	24	(30,048,350)	(33,828,236)	(129,908,032)	(146,249,613)
Finance income	24	6,672,157	8,381,825	28,845,736	36,237,144
Foreign exchange loss, net	24	(3,114,429)	277,287	(13,464,611)	1,198,795
<b>(Loss)/Profit before income tax</b>		<b><u>(126,566,494)</u></b>	<b><u>(17,463,008)</u></b>	<b><u>(547,184,925)</u></b>	<b><u>(75,497,822)</u></b>
Income tax	25	95,383	(1,975,104)	412,369	(8,538,967)
<b>(Loss)/Profit for the year</b>		<b><u>(126,471,111)</u></b>	<b><u>(19,438,112)</u></b>	<b><u>(546,772,556)</u></b>	<b><u>(84,036,789)</u></b>
Attributable to:					
Equity holders of the parent		(126,054,266)	(21,197,205)	(544,970,410)	(91,641,876)
Non-Controlling interests		(416,845)	1,759,093	(1,802,146)	7,605,087
<b>Earnings per share (US cents/share)</b>					
Basic	28	(0.286)	(0.048)	(1.236)	(0.208)


**SADUOKHAS MERALIYEV**  
PRESIDENT of the BOARD of DIRECTORS

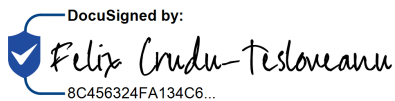
**MIRCEA-STEFAN STANESCU**  
FINANCE MANAGER

**FELIX CRUDU-TESLOVEANU**  
GENERAL MANAGER

DocuSigned by:  
  
6E619FA422D54FF...

Shared by,  
**tina Ana Dica**  
Reporting Manger

DocuSigned by:  
  
31034B34777A45E...

DocuSigned by:  
  
8C456324FA134C6...

DocuSigned by:  
  
2AEF9D62635148C...

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the year ended 30 June 2020**

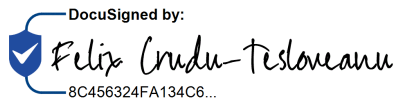
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))


	<u>June 30, 2020</u> USD	<u>June 30, 2019</u> USD	<u>June 30, 2020</u> RON	<u>June 30, 2019</u> RON
<b>Net Gain/ (Loss) for the year</b>	<b>(126,471,111)</b>	<b>(19,438,112)</b>	<b>(546,772,556)</b>	<b>(84,036,789)</b>
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):</i>				
Hedge reserve	6,010,000	-	25,983,033	-
<b>Net other comprehensive income to be reclassified to income/(loss) statement in subsequent periods</b>	<b>6,010,000</b>	<b>-</b>	<b>25,983,033</b>	<b>-</b>
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</i>				
<b>Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other comprehensive income/ (loss) for the year, net of tax</b>	<b>6,010,000</b>	<b>-</b>	<b>25,983,033</b>	<b>-</b>
<b>Total comprehensive result for the year, net of tax</b>	<b>(120,461,111)</b>	<b>(19,438,112)</b>	<b>(520,789,523)</b>	<b>(84,036,789)</b>
<i>Attributable to:</i>				
Equity holders of the parent	(120,044,266)	(21,197,205)	(518,987,377)	(91,641,876)
Non-Controlling interests	(416,845)	1,759,093	(1,802,146)	7,605,087
<b>Total comprehensive result for the year</b>	<b>(120,461,111)</b>	<b>(19,438,112)</b>	<b>(520,789,523)</b>	<b>(84,036,789)</b>

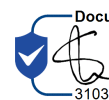
**SADUOKHAS MERALIYEV**  
PRESIDENT of the BOARD of DIRECTORS

**MIRCEA-STEFAN STANESCU**  
FINANCE MANAGER

**FELIX CRUDU-TESLOVEANU**  
GENERAL MANAGER

DocuSigned by:  
  
8C456324FA134C6...

DocuSigned by:  
  
6E619FA422D54FF...  
Signed by,  
**Ana Dica**  
Reporting Manager

DocuSigned by:  
  
31034B34777A45E...

DocuSigned by:  
  
2AEF9D62635148C...

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended 30 June 2020**


(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))

	<b>June 30, 2020</b> <b>USD</b>	<b>June 30, 2019</b> <b>USD</b>	<b>June 30, 2020</b> <b>RON</b>	<b>June 30, 2019</b> <b>RON</b>
<b>Result before income tax</b>	<b>(126,566,494)</b>	<b>(17,463,008)</b>	<b>(547,184,925)</b>	<b>(75,497,822)</b>
<i>Adjustments for:</i>				
Depreciation and impairment of property, plant and equipment and intangibles assets	55,458,908	54,721,611	239,765,497	236,577,940
Depreciation and amortization of right-of-use assets	2,609,116	1,857,670	11,279,991	8,031,265
Provisions for receivables and inventories (incl write-off)	(3,787,501)	(7,884,643)	(16,374,503)	(34,087,678)
Impairment for property, plant and equipment (incl write-off)	8,126	257,237	35,131	1,112,113
Late payment interest	8,038	163,171	34,751	705,437
Other financial income	(1,152,731)	(158,899)	(4,983,602)	(686,968)
Unwinding of discount leasing	2,223,931	1,070,544	9,614,721	4,628,283
Interest income	(5,519,426)	(8,222,926)	(23,862,134)	(35,550,176)
Interest expense and bank charges	26,157,319	31,189,293	113,085,937	134,840,670
Gain on sale or disposal of property, plant and equipment	(93,927)	(1,862,850)	(406,075)	(8,053,659)
Unrealised foreign exchange (gain)/loss	(726,793)	(1,404,262)	(3,142,144)	(6,071,046)
<b>Cash from operations before working capital changes</b>	<b>(51,381,434)</b>	<b>52,262,938</b>	<b>(222,137,355)</b>	<b>225,948,359</b>
<i>Net working capital changes:</i>				
Receivables and prepayments	51,397,182	(31,998,551)	222,205,439	(138,339,335)
Inventories	87,503,535	(24,882,381)	378,304,033	(107,573,998)
Trade and other payables and contract liabilities (including payables variation for capital expenditures)	51,242,799	78,479,642	221,537,995	339,291,038
<b>Change in working capital</b>	<b>190,143,516</b>	<b>21,598,710</b>	<b>822,047,467</b>	<b>93,377,705</b>
<b>Income tax paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash (paid)/received for derivatives, net</b>	<b>(2,041,893)</b>	<b>3,932,376</b>	<b>(8,827,716)</b>	<b>17,000,841</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>136,720,189</b>	<b>77,794,024</b>	<b>591,082,396</b>	<b>336,326,905</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(100,619,132)	(27,611,170)	(435,006,695)	(119,371,373)
Purchase of intangible assets	(895,886)	(292,413)	(3,873,184)	(1,264,189)
Proceeds from sale of property, plant and equipment	2,793,082	20,029,050	12,075,331	86,591,592
<b>Net cash used in investing activities</b>	<b>(98,721,936)</b>	<b>(7,874,533)</b>	<b>(426,804,548)</b>	<b>(34,043,970)</b>
<b>Cash flows from financing activities</b>				
Cash pooling movement	55,182,726	41,037,072	238,571,479	177,415,573
Long - term loans received from banks	8,675,108	23,772,204	37,505,094	102,774,370
Long - term loans repaid to banks	(63,756,436)	(7,875,408)	(275,638,200)	(34,047,751)
Short - term loans (repaid to) / received from related parties	(10,733,359)	(81,541,585)	(46,403,531)	(352,528,734)
Short - term loans (repaid to) / received from banks, net	(2,523,323)	(14,095,500)	(10,909,082)	(60,939,075)
Lease repayments	(4,351,015)	(2,855,460)	(18,810,743)	(12,345,010)
Interest and bank charges paid, net	(22,113,247)	(24,864,126)	(95,602,201)	(107,495,076)
<b>Net cash from/ (used) in financing activities</b>	<b>(39,619,546)</b>	<b>(66,422,803)</b>	<b>(171,287,184)</b>	<b>(287,165,703)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>(1,621,293)</b>	<b>3,496,688</b>	<b>(7,009,336)</b>	<b>15,117,232</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>13,196,424</b>	<b>11,477,183</b>	<b>57,052,100</b>	<b>49,619,304</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>11,575,131</b>	<b>14,973,871</b>	<b>50,042,764</b>	<b>64,736,536</b>


**SADUOKHAS MERALIYEV**  
PRESIDENT of the BOARD of DIRECTORS

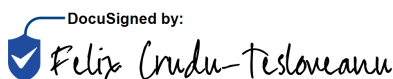
**MIRCEA-STEFAN STANESCU**  
FINANCE MANAGER

**FELIX CRUDU-TESLOVEANU**  
GENERAL MANAGER

DocuSigned by:  
  
6E619FA422D54FF...

red by,  
**ana Ana Dica**  
Reporting Manger

DocuSigned by:  
  
31034B34777A45E...

DocuSigned by:  
  
8C456324FA134C6...

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 30 June 2020**

(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 equity holders of the parent	Non-Controlling interest	Total equity
<b>December 31, 2018</b>	<b>1,463,323,897</b>	<b>74,050,518</b>	<b>(1,472,047,453)</b>	<b>166,895,366</b>	<b>(26,688,810)</b>	<b>(596,832,659)</b>	<b>1,050,129,574</b>	<b>658,830,433</b>	<b>16,534,151</b>	<b>675,364,584</b>
Effect of applying IFRS 16	-	-	(5,061,626)	-	-	-	-	(5,061,626)	-	(5,061,626)
<b>Restated balance at December 31, 2018</b>	<b>1,463,323,897</b>	<b>74,050,518</b>	<b>(1,477,109,079)</b>	<b>166,895,366</b>	<b>(26,688,810)</b>	<b>(596,832,659)</b>	<b>1,050,129,574</b>	<b>653,768,807</b>	<b>16,534,151</b>	<b>670,302,958</b>
Net loss for 2019	-	-	(21,197,205)	-	-	-	-	(21,197,205)	1,759,093	(19,438,112)
Transfer of realised revaluation reserve to Retained Earnings	-	-	5,361,509	(5,361,509)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	792,783	-	-	792,783	-	792,783
Retirement benefit	-	-	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>
<b>Total comprehensive income</b>	<b>=</b>	<b>=</b>	<b>(15,835,696)</b>	<b>(5,361,509)</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>(21,197,205)</b>	<b>1,759,093</b>	<b>(19,438,112)</b>
<b>June 30, 2019</b>	<b>1,463,323,897</b>	<b>74,050,518</b>	<b>(1,492,944,775)</b>	<b>161,533,857</b>	<b>(25,896,027)</b>	<b>(596,832,659)</b>	<b>1,050,129,574</b>	<b>633,364,385</b>	<b>18,293,244</b>	<b>651,657,629</b>
<b>December 31, 2019</b>	<b>1,463,323,897</b>	<b>74,050,518</b>	<b>(1,514,772,382)</b>	<b>155,307,411</b>	<b>(25,118,634)</b>	<b>(596,832,659)</b>	<b>1,046,837,175</b>	<b>602,795,326</b>	<b>16,731,538</b>	<b>619,526,864</b>
Net loss for 2020	-	-	(126,054,266)	-	-	-	-	(126,054,266)	(416,845)	(126,471,111)
Hedging reserves	-	-	-	-	-	-	6,010,000	6,010,000	-	6,010,000
Effect of applying IFRS 16	-	-	(56,048)	-	-	-	-	(56,048)	-	(56,048)
Transfer of realised revaluation reserve to Retained Earnings	-	-	3,898,888	(3,898,888)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	563,929	-	-	563,929	-	563,929
<b>Total other comprehensive income</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>6,010,000</b>	<b>6,010,000</b>	<b>=</b>	<b>6,010,000</b>
<b>Total comprehensive income</b>	<b>=</b>	<b>=</b>	<b>(122,155,378)</b>	<b>(3,898,888)</b>	<b>=</b>	<b>=</b>	<b>6,010,000</b>	<b>(120,044,266)</b>	<b>(416,845)</b>	<b>(120,461,111)</b>
<b>June 30, 2020</b>	<b>1,463,323,897</b>	<b>74,050,518</b>	<b>(1,636,983,808)</b>	<b>151,408,523</b>	<b>(24,554,705)</b>	<b>(596,832,659)</b>	<b>1,052,847,175</b>	<b>483,258,941</b>	<b>16,314,693</b>	<b>499,573,634</b>

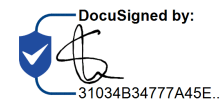
**SADUOKHAS MERALIYEV**  
PRESIDENT of the BOARD of DIRECTORS

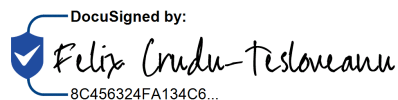
**MIRCEA-STEFAN STANESCU**  
FINANCE MANAGER

**FELIX CRUDU-TESTOVEANU**  
GENERAL MANAGER

DocuSigned by:  
  
6E619FA422D54FF...

DocuSigned by:  
  
ina Ana Dica  
ring Manger

DocuSigned by:  
  
31034B34777A45E...

DocuSigned by:  
  
8C456324FA134C6...

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 30 June 2020**

(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**

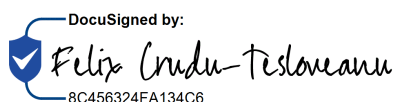
	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
December 31, 2018	<u>6,326,388,204</u>	<u>320,142,604</u>	<u>(6,364,102,754)</u>	<u>721,538,736</u>	<u>(115,383,732)</u>	<u>(2,580,286,635)</u>	<u>4,540,025,187</u>	<u>2,848,321,610</u>	<u>71,482,095</u>	<u>2,919,803,705</u>
Effect of applying IFRS 16	-	-	(21,882,928)	-	-	-	-	(21,882,928)	-	(21,882,928)
Restated balance at December 31, 2018	<u>6,326,388,204</u>	<u>320,142,604</u>	<u>(6,385,985,682)</u>	<u>721,538,736</u>	<u>(115,383,732)</u>	<u>(2,580,286,635)</u>	<u>4,540,025,187</u>	<u>2,826,438,682</u>	<u>71,482,095</u>	<u>2,897,920,777</u>
Net loss for 2019	-	-	(91,641,876)	-	-	-	-	(91,641,876)	7,605,087	(84,036,789)
Transfer of realised revaluation reserve to Retained Earnings	-	-	23,179,412	(23,179,412)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	3,427,440	-	-	3,427,440	-	3,427,440
Total other comprehensive income	=	=	=	=	=	=	=	=	=	=
Total comprehensive income	=	=	<u>(68,462,464)</u>	<u>(23,179,412)</u>	=	=	=	<u>(91,641,876)</u>	<u>7,605,087</u>	<u>(84,036,789)</u>
June 30, 2019	<u>6,326,388,204</u>	<u>320,142,604</u>	<u>(6,454,448,146)</u>	<u>698,359,324</u>	<u>(111,956,292)</u>	<u>(2,580,286,635)</u>	<u>4,540,025,187</u>	<u>2,738,224,246</u>	<u>79,087,182</u>	<u>2,817,311,428</u>
December 31, 2019	<u>6,326,388,204</u>	<u>320,142,604</u>	<u>(6,548,815,439)</u>	<u>671,440,530</u>	<u>(108,595,390)</u>	<u>(2,580,286,635)</u>	<u>4,525,791,159</u>	<u>2,606,065,033</u>	<u>72,335,458</u>	<u>2,678,400,491</u>
Net loss for 2020	-	-	(544,970,408)	-	-	-	-	(544,970,408)	(1,802,146)	(546,772,554)
Hedging reserves	-	-	-	-	-	-	25,983,031	25,983,031	-	25,983,031
Effect of applying IFRS 16	-	-	(242,312)	-	-	-	-	(242,312)	-	(242,312)
Transfer of realised revaluation reserve to Retained Earnings	-	-	16,856,063	(16,856,063)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	2,438,034	-	-	2,438,034	-	2,438,034
Total other comprehensive income	=	=	=	=	=	=	<u>25,983,031</u>	<u>25,983,031</u>	=	<u>25,983,031</u>
Total comprehensive income	=	=	<u>(528,114,345)</u>	<u>(16,856,063)</u>	=	=	<u>25,983,031</u>	<u>(518,987,377)</u>	<u>(1,802,146)</u>	<u>(520,789,523)</u>
June 30, 2020	<u>6,326,388,204</u>	<u>320,142,604</u>	<u>(7,077,172,096)</u>	<u>654,584,467</u>	<u>(106,157,356)</u>	<u>(2,580,286,635)</u>	<u>4,551,774,190</u>	<u>2,089,273,378</u>	<u>70,533,312</u>	<u>2,159,806,690</u>

**SADUOKHAS MERALIYEV**  
PRESIDENT of the BOARD of DIRECTORS

**MIRCEA-STEFAN STANESCU**  
FINANCE MANAGER

**FELIX CRUDU-TESLOVEANU**  
GENERAL MANAGER

igned by,  
na Ana Dica  
rting Manger

DocuSigned by:  
  
8C456324FA134C6...

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**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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**

Rompotrol 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.

Rompotrol 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 June 2020 and December 2019 was 1,884 and 1,898 respectively.

The registered address of Rompotrol Rafinare S.A. is Bd. Navodari no. 215, Navodari, Constanta, Romania. Rompotrol 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 30 June 2020, 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 30 June 2020 and 31 December 2019 the Group reported net assets including non-controlling interest, of USD 499.6 million and 619.5 million respectively. The Group reported for the year ended 30 June 2020 a loss of USD 126 million and for the year ended 30 June 2019 reported a loss of USD 21.2 million respectively.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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 2020:

- **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 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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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:

- **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 30 June 2020**

*(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 30 June 2020 closing exchange rate published by Romanian national Bank of RON 4.3233= USD 1, for both 2020 and 2019 amounts.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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 annually 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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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. 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 30 June 2020**

*(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 30 June 2020.

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 30 June 2020**

*(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 30 June 2020**

*(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 30 June 2020**

*(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 30 June 2020**

*(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 30 June 2020**

*(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 30 June 2020**

*(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 30 June 2020**

*(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 30 June 2020**

*(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)**

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).

**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 30 June 2020**

*(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.

*(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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

**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.

**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 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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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*

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.

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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

**w) Dividends**

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

**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:

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

- 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.

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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

**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.

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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

**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.

**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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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**

**Amounts in USD**

	<b><u>Software</u></b>	<b><u>Other</u></b>	<b><u>Intangibles in progress</u></b>	<b><u>Total</u></b>
<b>Cost</b>				
<b>Opening balance as of January 1, 2019</b>	<b><u>35,703,732</u></b>	<b><u>39,181,468</u></b>	<b><u>4,407,006</u></b>	<b><u>79,292,206</u></b>
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
<b>Closing balance as of December 31, 2019</b>	<b><u>35,864,711</u></b>	<b><u>40,209,168</u></b>	<b><u>5,296,415</u></b>	<b><u>81,370,294</u></b>
Additions	-	88,627	807,259	895,886
Transfers from CIP	1,305,676	1,834,584	(3,140,260)	-
Transfers and reclassifications*	-	-	1,435,559	1,435,559
<b>Closing balance as of June 30, 2020</b>	<b><u>37,170,387</u></b>	<b><u>42,132,379</u></b>	<b><u>4,398,973</u></b>	<b><u>83,701,739</u></b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2019</b>	<b><u>(34,272,992)</u></b>	<b><u>(36,889,159)</u></b>	<b><u>(523,380)</u></b>	<b><u>(71,685,531)</u></b>
Charge for the year	(797,224)	(362,939)	-	(1,160,163)
<b>Closing balance as of December 31, 2019</b>	<b><u>(35,070,216)</u></b>	<b><u>(37,252,098)</u></b>	<b><u>(523,380)</u></b>	<b><u>(72,845,694)</u></b>
Charge for the year	(543,142)	(318,105)	-	(861,247)
<b>Closing balance as of June 30, 2020</b>	<b><u>(35,613,358)</u></b>	<b><u>(37,570,203)</u></b>	<b><u>(523,380)</u></b>	<b><u>(73,706,941)</u></b>
<b>Net book value</b>				
<b>As of December 31, 2019</b>	<b><u>794,495</u></b>	<b><u>2,957,070</u></b>	<b><u>4,773,035</u></b>	<b><u>8,524,600</u></b>
<b>As of June 30, 2020</b>	<b><u>1,557,029</u></b>	<b><u>4,562,176</u></b>	<b><u>3,875,593</u></b>	<b><u>9,994,798</u></b>

\*) 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 30 June 2020**

(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**

	<b><u>Software</u></b>	<b><u>Other</u></b>	<b><u>Intangibles in progress</u></b>	<b><u>Total</u></b>
<b>Cost</b>				
<b>Opening balance as of January 1, 2019</b>	<b><u>154,357,945</u></b>	<b><u>169,393,241</u></b>	<b><u>19,052,809</u></b>	<b><u>342,803,995</u></b>
Additions	29,973	621,544	7,929,114	8,580,631
Transfers from CIP	665,987	3,821,512	(4,487,499)	-
Transfers and reclassifications*	-	-	403,567	403,567
<b>Closing balance as of December 31, 2019</b>	<b><u>155,053,905</u></b>	<b><u>173,836,297</u></b>	<b><u>22,897,991</u></b>	<b><u>351,788,193</u></b>
Additions	-	383,161	3,490,023	3,873,184
Transfers from CIP	5,644,829	7,931,457	(13,576,286)	-
Transfers and reclassifications*	-	-	6,206,352	6,206,352
<b>Closing balance as of June 30, 2020</b>	<b><u>160,698,734</u></b>	<b><u>182,150,915</u></b>	<b><u>19,018,080</u></b>	<b><u>361,867,729</u></b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2019</b>	<b><u>(148,172,426)</u></b>	<b><u>(159,482,901)</u></b>	<b><u>(2,262,729)</u></b>	<b><u>(309,918,056)</u></b>
Charge for the year	(3,446,639)	(1,569,094)	-	(5,015,733)
<b>Closing balance as of December 31, 2019</b>	<b><u>(151,619,065)</u></b>	<b><u>(161,051,995)</u></b>	<b><u>(2,262,729)</u></b>	<b><u>(314,933,789)</u></b>
Charge for the year	(2,348,166)	(1,375,263)	-	(3,723,429)
<b>Closing balance as of June 30, 2020</b>	<b><u>(153,967,231)</u></b>	<b><u>(162,427,258)</u></b>	<b><u>(2,262,729)</u></b>	<b><u>(318,657,218)</u></b>
<b>Net book value</b>				
<b>As of December 31, 2019</b>	<b><u>3,434,840</u></b>	<b><u>12,784,302</u></b>	<b><u>20,635,262</u></b>	<b><u>36,854,404</u></b>
<b>As of June 30, 2020</b>	<b><u>6,731,503</u></b>	<b><u>19,723,657</u></b>	<b><u>16,755,351</u></b>	<b><u>43,210,511</u></b>

**4. GOODWILL**

The carrying value of goodwill as of 30 June 2020 and 31 December 2019 was USD 82,871,706 (RON: 358,279,246).

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 30 June 2020**

(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**

<b>Cost</b>	<b><u>Land</u></b>	<b><u>Buildings</u></b>	<b><u>Plant and equipment</u></b>	<b><u>Vehicles and others</u></b>	<b><u>Construction in progress</u></b>	<b><u>Total</u></b>
<b>As of January 1, 2019</b>	<b><u>69,868,536</u></b>	<b><u>674,752,362</u></b>	<b><u>1,279,531,631</u></b>	<b><u>124,682,802</u></b>	<b><u>125,891,610</u></b>	<b><u>2,274,726,941</u></b>
Acquisitions	-	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)
<b>As of December 31, 2019</b>	<b><u>69,198,085</u></b>	<b><u>686,315,654</u></b>	<b><u>1,286,858,834</u></b>	<b><u>131,776,943</u></b>	<b><u>151,573,371</u></b>	<b><u>2,325,722,887</u></b>
Additions	-	421,710	316,615	87,932	99,792,875	100,619,132
Transfers from CIP	-	13,921,631	19,343,540	3,898,222	(37,163,393)	-
Disposals	-	(1,896,051)	(13,027,346)	(582,608)	(47,535)	(15,553,540)
Transfers and reclassifications*	-	-	1,315	-	(1,521,196)	(1,519,881)
<b>As of June 30, 2020</b>	<b><u>69,198,085</u></b>	<b><u>698,762,944</u></b>	<b><u>1,293,492,958</u></b>	<b><u>135,180,489</u></b>	<b><u>212,634,122</u></b>	<b><u>2,409,268,598</u></b>
<b>Accumulated depreciation &amp; Impairment</b>						
<b>As of January 1, 2019</b>	<b><u>(78,373)</u></b>	<b><u>(143,468,375)</u></b>	<b><u>(769,243,876)</u></b>	<b><u>(97,336,247)</u></b>	<b><u>(29,496,409)</u></b>	<b><u>(1,039,623,280)</u></b>
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)	-	-	-
<b>As of December 31, 2019</b>	<b><u>(78,373)</u></b>	<b><u>(182,861,249)</u></b>	<b><u>(830,162,192)</u></b>	<b><u>(103,169,761)</u></b>	<b><u>(29,496,409)</u></b>	<b><u>(1,145,767,984)</u></b>
Charge for the year	-	(18,376,992)	(32,008,978)	(4,211,691)	-	(54,597,661)
Accumulated depreciation of disposals	-	68,699	12,634,601	138,988	-	12,842,288
Impairment	-	-	-	-	3,971	3,971
Transfers and reclassifications*	-	-	(1,315)	-	-	(1,315)
<b>As of June 30, 2020</b>	<b><u>(78,373)</u></b>	<b><u>(201,169,542)</u></b>	<b><u>(849,537,884)</u></b>	<b><u>(107,242,464)</u></b>	<b><u>(29,492,438)</u></b>	<b><u>(1,187,520,701)</u></b>
<b>Net book value as of December 31, 2019</b>	<b><u>69,119,712</u></b>	<b><u>503,454,405</u></b>	<b><u>456,696,642</u></b>	<b><u>28,607,182</u></b>	<b><u>122,076,962</u></b>	<b><u>1,179,954,903</u></b>
<b>Net book value as of June 30, 2020</b>	<b><u>69,119,712</u></b>	<b><u>497,593,402</u></b>	<b><u>443,955,074</u></b>	<b><u>27,938,025</u></b>	<b><u>183,141,684</u></b>	<b><u>1,221,747,897</u></b>

\*) 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 30 June 2020**

(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>
<b>Cost</b>						
<b>As of January 1, 2019</b>	<b><u>302,062,642</u></b>	<b><u>2,917,156,887</u></b>	<b><u>5,531,799,100</u></b>	<b><u>539,041,158</u></b>	<b><u>544,267,198</u></b>	<b><u>9,834,326,985</u></b>
Acquisitions	-	2,805,173	2,836,115	1,028,911	354,436,313	361,106,512
Transfers from CIP	56,916	115,635,833	71,736,046	53,675,006	(241,103,801)	-
Disposals	(2,955,477)	(67,935,191)	(43,408,699)	(24,033,817)	(696,082)	(139,029,266)
Transfers and reclassifications*	-	(514,235)	514,235	-	(1,606,477)	(1,606,477)
<b>As of December 31, 2019</b>	<b><u>299,164,081</u></b>	<b><u>2,967,148,467</u></b>	<b><u>5,563,476,797</u></b>	<b><u>569,711,258</u></b>	<b><u>655,297,151</u></b>	<b><u>10,054,797,754</u></b>
Additions	-	1,823,179	1,368,822	380,156	431,434,536	435,006,693
Transfers from CIP	-	60,187,387	83,627,926	16,853,183	(160,668,496)	-
Disposals	-	(8,197,197)	(56,321,125)	(2,518,789)	(205,508)	(67,242,619)
Transfers and reclassifications*	-	-	5,685	-	(6,576,588)	(6,570,903)
<b>As of June 30, 2020</b>	<b><u>299,164,081</u></b>	<b><u>3,020,961,836</u></b>	<b><u>5,592,158,105</u></b>	<b><u>584,425,808</u></b>	<b><u>919,281,095</u></b>	<b><u>10,415,990,925</u></b>
<b>Accumulated depreciation &amp; impairment</b>						
<b>As of January 1, 2019</b>	<b><u>(338,830)</u></b>	<b><u>(620,256,826)</u></b>	<b><u>(3,325,672,049)</u></b>	<b><u>(420,813,797)</u></b>	<b><u>(127,521,825)</u></b>	<b><u>(4,494,603,327)</u></b>
Charge for the year	-	(176,236,104)	(292,030,740)	(34,070,976)	-	(502,337,820)
Accumulated depreciation of disposals	-	5,817,476	28,774,000	8,850,945	-	43,442,421
Transfers and reclassifications*	-	111,416	(111,416)	-	-	-
<b>As of December 31, 2019</b>	<b><u>(338,830)</u></b>	<b><u>(790,564,038)</u></b>	<b><u>(3,589,040,205)</u></b>	<b><u>(446,033,828)</u></b>	<b><u>(127,521,825)</u></b>	<b><u>(4,953,498,726)</u></b>
Charge for the year	-	(79,449,250)	(138,384,415)	(18,208,404)	-	(236,042,069)
Accumulated depreciation of disposals	-	297,006	54,623,171	600,887	-	55,521,064
Impairment	-	-	-	-	17,168	17,168
Transfers and reclassifications*	-	-	(5,685)	-	-	(5,685)
<b>As of June 30, 2020</b>	<b><u>(338,830)</u></b>	<b><u>(869,716,282)</u></b>	<b><u>(3,672,807,134)</u></b>	<b><u>(463,641,345)</u></b>	<b><u>(127,504,657)</u></b>	<b><u>(5,134,008,248)</u></b>
<b>Net book value as of December 31, 2019</b>	<b><u>298,825,251</u></b>	<b><u>2,176,584,429</u></b>	<b><u>1,974,436,592</u></b>	<b><u>123,677,430</u></b>	<b><u>527,775,326</u></b>	<b><u>5,101,299,028</u></b>
<b>Net book value as of June 30, 2020</b>	<b><u>298,825,251</u></b>	<b><u>2,151,245,554</u></b>	<b><u>1,919,350,971</u></b>	<b><u>120,784,463</u></b>	<b><u>791,776,438</u></b>	<b><u>5,281,982,677</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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 2020 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 Catalyst amounting to USD 13.5 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 20.6 million, Tank rehabilitation amounting to USD 2.6 million, 2020 General Turnaround PEM & PET USD 40 million. Part of these projects have been transferred to the other property, plant and equipment categories.

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.

- *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 2020, Downstream continued the process of expanding the network by opening new stations and rebranding the existing ones. The value of investment was USD 3.43 million (2019: USD 15.74 million).

The remaining balance as of June 30, 2020, USD 16.52 million represent assets in course of construction in regard to the retail network development (2019: USD 25.46 million).

- *Disposals*

In 2020, out of the total USD 15.53 million disposed assets, USD 12.58 million refers to catalysts replacement in units in Rompetrol Rafinare SA, and USD 2.65 million for Rompetrol Downstream referring to sales of 2 gas stations to Rompetrol Development as part of Kazakh – Romanian Energy Investment Found.

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.

- *Borrowing costs capitalized*

The 2020 capital projects were financed from Groups' operating cash flow, therefore no borrowing cost was capitalized during 2020 (2019: USD nil).

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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)**

- 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>
<b>Carrying amount as at December 31, 2017</b>	<b><u>541.26</u></b>	<b><u>2,340.03</u></b>
Revaluation gain recognised due to change in accounting policy to revaluation model	3.73	16.13
Revaluation loss recognised	(11.17)	(48.29)
Depreciation for the year	(36.98)	(159.88)
Additions/Disposals/Transfers and reclassifications	25.51	110.29
Impairment	8.94	38.65
<b>Carrying amount and fair value as at 31 December 2018</b>	<b><u>531.29</u></b>	<b><u>2,296.93</u></b>
Depreciation for the year	(40.76)	(176.22)
Additions/Disposals/Transfers and reclassifications	12.93	55.90
<b>Carrying amount and fair value as at 31 December 2019</b>	<b><u>503.46</u></b>	<b><u>2,176.61</u></b>
Depreciation for the year	(18.38)	(79.46)
Additions/Disposals/Transfers and reclassifications	12.52	54.13
<b>Carrying amount and fair value as at 30 June 2020</b>	<b><u>497.60</u></b>	<b><u>2,151.28</u></b>

\*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.

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

	<u>Buildings</u>		<u>Buildings</u>	
	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	<u>mUSD</u>	<u>mRON</u>	<u>mUSD</u>	<u>mRON</u>
Cost	973.66	4,209.42	961.22	4,155.64
Accumulated depreciation and impairment	(584.92)	(2,528.78)	(569.73)	(2,463.11)
<b>Net carrying amount</b>	<b><u>388.74</u></b>	<b><u>1,680.64</u></b>	<b><u>391.49</u></b>	<b><u>1,692.53</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment with a carrying value of USD 391 million (2019: USD 405 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 10<sup>th</sup>, 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. On May 25, the Bucharest Court rejected the request of Faber for settlement of the stamp fee that Faber should pay for its claim (for the time being is \$530,000). On July 8, Bucharest Court annulled Faber's claim as unstamped.

On the other hand, Faber resumed one of the older files by which Faber challenged the increasing of the RRC share capital back in 2003-2005. The hearing is scheduled for April 14 but the case has been suspended due to the emergency enforced since March 16. The next hearing was settled for August 18, 2020.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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.

**7. RIGHT OF USE ASSETS**

**Amounts in USD**

	<u>Land, buildings and special constructions</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Total</u>
<b>Cost:</b>				
<b><u>As of January 1, 2019</u></b>	<b><u>35,582,926</u></b>	<b><u>24,817</u></b>	<b><u>413,829</u></b>	<b><u>36,021,572</u></b>
Additions	31,634,044	-	-	31,634,044
<b><u>As of December 31, 2019</u></b>	<b><u>67,216,970</u></b>	<b><u>24,817</u></b>	<b><u>413,829</u></b>	<b><u>67,655,616</u></b>
Additions	-	-	-	-
Reclassifications and other transfers	-	124,777	(124,777)	-
Re-measurement	19,206	194,921	17,473	231,600
<b><u>As of June 30, 2020</u></b>	<b><u>67,236,176</u></b>	<b><u>344,515</u></b>	<b><u>306,525</u></b>	<b><u>67,887,216</u></b>
<b><u>Depreciation and Impairment:</u></b>				
<b><u>As of January 1, 2019</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Depreciation and amortization	(4,607,506)	(10,707)	(193,582)	(4,811,795)
<b><u>As of December 31, 2019</u></b>	<b><u>(4,607,506)</u></b>	<b><u>(10,707)</u></b>	<b><u>(193,582)</u></b>	<b><u>(4,811,795)</u></b>
Depreciation and amortization	(2,508,839)	(50,867)	(49,410)	(2,609,116)
Reclassifications and other transfers	-	(86,090)	86,090	-
<b><u>As of June 30, 2020</u></b>	<b><u>(7,116,345)</u></b>	<b><u>(147,664)</u></b>	<b><u>(156,902)</u></b>	<b><u>(7,420,911)</u></b>
<b>Net Book value at December 31, 2019</b>	<b><u>62,609,464</u></b>	<b><u>14,110</u></b>	<b><u>220,247</u></b>	<b><u>62,843,821</u></b>
<b>Net Book value at June 30, 2020</b>	<b><u>60,119,831</u></b>	<b><u>196,851</u></b>	<b><u>149,623</u></b>	<b><u>60,466,305</u></b>

**Amounts in RON**

	<u>Land, buildings and special constructions</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Total</u>
<b>Cost:</b>				
<b><u>As of January 1, 2019</u></b>	<b><u>153,835,664</u></b>	<b><u>107,291</u></b>	<b><u>1,789,107</u></b>	<b><u>155,732,062</u></b>
Additions	136,763,462	-	-	136,763,462
<b><u>As of December 31, 2019</u></b>	<b><u>290,599,126</u></b>	<b><u>107,291</u></b>	<b><u>1,789,107</u></b>	<b><u>292,495,524</u></b>
Additions	-	-	-	-
Reclassifications and other transfers	-	539,448	(539,448)	-
Re-measurement	83,033	842,702	75,541	1,001,276
<b><u>As of June 30, 2020</u></b>	<b><u>290,682,159</u></b>	<b><u>1,489,441</u></b>	<b><u>1,325,200</u></b>	<b><u>293,496,800</u></b>
<b><u>Depreciation and Impairment:</u></b>				
<b><u>As of January 1, 2019</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Depreciation and amortization	(19,919,631)	(46,290)	(836,913)	(20,802,834)
<b><u>As of December 31, 2019</u></b>	<b><u>(19,919,631)</u></b>	<b><u>(46,290)</u></b>	<b><u>(836,913)</u></b>	<b><u>(20,802,834)</u></b>
Depreciation and amortization	(10,846,464)	(219,913)	(213,614)	(11,279,991)
Reclassifications and other transfers	-	(372,193)	372,193	-
<b><u>As of June 30, 2020</u></b>	<b><u>(30,766,095)</u></b>	<b><u>(638,396)</u></b>	<b><u>(678,334)</u></b>	<b><u>(32,082,825)</u></b>
<b>Net Book value at December 31, 2019</b>	<b><u>270,679,495</u></b>	<b><u>61,001</u></b>	<b><u>952,194</u></b>	<b><u>271,692,690</u></b>
<b>Net Book value at June 30, 2020</b>	<b><u>259,916,064</u></b>	<b><u>851,045</u></b>	<b><u>646,866</u></b>	<b><u>261,413,975</u></b>

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 30 June 2020**

(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 30 June 2020 and 31 December 2019 are as follows:

Company name	Country of incorporation	Range of activity	Effective ownership	Control	Effective ownership	Control
			30 June 2020	30 June 2020	31 December 2019	31 December 2019
			%	%	%	%
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 2020 and 2019 there was no disposal of companies.

**9. INVENTORIES, NET**

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
	USD	USD	RON	RON
Crude oil and other feedstock materials	60,893,792	85,028,488	263,262,132	367,603,662
Petroleum and petrochemical products	83,117,066	124,722,388	359,340,011	539,212,300
Work in progress	14,968,838	34,980,679	64,714,777	151,231,970
Spare parts	15,743,495	15,958,288	68,063,852	68,992,467
Consumables and other raw materials	5,570,684	6,329,556	24,083,738	27,364,569
Merchandises	12,524,962	12,660,052	54,149,168	54,733,203
Other inventories	7,773,538	8,403,407	33,607,337	36,330,449
Inventories provision	(22,162,923)	(26,408,965)	(95,816,965)	(114,173,878)
	<u>178,429,452</u>	<u>261,673,893</u>	<u>771,404,050</u>	<u>1,131,294,742</u>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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 2020 and 2019 is provided below:

**Movements in inventories reserve:**

	<u>June 30, 2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30, 2020</u>	<u>December 31,</u> <u>2019</u>
	USD	USD	RON	RON
<b>Reserve as of January 1</b>	<b>(26,408,965)</b>	<b>(32,490,635)</b>	<b>(114,173,878)</b>	<b>(140,466,762)</b>
Accrued provision	(35,541,713)	(17,242,503)	(153,657,488)	(74,544,513)
Write off	10,889	9,609	47,076	41,543
Reversal of provision	39,776,866	23,314,564	171,967,325	100,795,854
<b>Reserve as of June 30</b>	<b>(22,162,923)</b>	<b>(26,408,965)</b>	<b>(95,816,965)</b>	<b>(114,173,878)</b>

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 142 million (2019: USD 99 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>June 30, 2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30, 2020</u>	<u>December 31,</u> <u>2019</u>
	USD	USD	RON	RON
Trade receivables	179,577,623	220,398,812	776,367,938	952,850,184
Advances to suppliers	5,665,123	17,234,926	24,492,026	74,511,756
Sundry debtors	78,930,365	80,059,187	341,239,647	346,119,883
VAT to be recovered	8,591	75,159	37,141	324,935
Other receivables	203,572,521	207,290,815	880,105,080	896,180,380
Provision for expected credit losses	(46,154,105)	(46,982,359)	(199,538,042)	(203,118,833)
	<b><u>421,600,118</u></b>	<b><u>478,076,540</u></b>	<b><u>1,822,703,790</u></b>	<b><u>2,066,868,305</u></b>

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

Included in Sundry debtors in 2020 is an amount of USD 5.9 million (2019: USD 6.7 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2007-2010 and 2011-2015 period, USD 0.9 million related to interest VAT schedule decision paid to ANAF (decision no 32481/12.06.20) and an additional USD 3.17 million (2019: USD 3.22 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 66 million (2019: USD 67 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 30 June 2020**

(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 2020 out of the total amount of USD 5.7 million (2019: 17.2 million) representing advances to suppliers, USD 2.9 million (2019: 14.2 million) are in respect of other raw materials, investment projects and management fees services in Rompetrol Rafinare SA and USD 2.27 million (2019: 2.8 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 203.6 million (2019: 207.3 million), an amount of USD 173.9 million (2019: USD 177.5) million relates to cash pooling receivables for: Rompetrol Downstream USD 130.3 million (2019: USD 143.7 million), Rompetrol Gas USD 29 million (2019: USD 32.4 million), Rompetrol Rafinare SA USD 14.5 million (2019: USD 1.2 million) and Rompetrol Quality Control USD 0.1 million (2019: USD 0.2 million). Also, in other receivables an amount of USD 11.2 million (2019: USD 12.2 million) refers to excise receivables in Rompetrol Rafinare.

	<u>June 30,</u> <u>2020</u> USD	<u>December 31,</u> <u>2019</u> USD	<u>June 30,</u> <u>2020</u> RON	<u>December 31,</u> <u>2019</u> RON
Sundry debtors	78,930,365	80,059,187	341,239,647	346,119,883
Other receivables	203,572,521	207,290,815	880,105,080	896,180,380
Provision for sundry debtors and other receivables	(5,208,704)	(5,285,315)	(22,518,790)	(22,850,002)

Out of the total amount of other receivables and sundry debtors of USD 282.5 million (2019: USD 287.4 million) an amount of USD 5.2 million (2019: USD 5.3 million) is provisioned.

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

	<u>June 30, 2020</u> USD	<u>December 31, 2019</u> USD	<u>June 30, 2020</u> RON	<u>December 31, 2019</u> RON
Balance at the beginning of the year	<u>(46,982,359)</u>	<u>(50,077,194)</u>	<u>(203,118,833)</u>	<u>(216,498,733)</u>
Charge for the year	(1,188,355)	(2,145,763)	(5,137,615)	(9,276,777)
Utilised	1,055,294	2,792,591	4,562,353	12,073,209
Unused amounts reversed	285,038	252,989	1,232,305	1,093,747
Exchange rate differences	676,277	2,195,018	2,923,748	9,489,721
Balance at the end of the year	<u>(46,154,105)</u>	<u>(46,982,359)</u>	<u>(199,538,042)</u>	<u>(203,118,833)</u>

Trade receivables totaling USD 108.3 million as at 30 June 2020 and USD 140.3 million as at 31 December 2019 are pledged to obtain credit facilities (see Notes 12 and 18).

**11. CASH AND CASH EQUIVALENTS**

	<u>June 30,</u> <u>2020</u> USD	<u>December 31,</u> <u>2019</u> USD	<u>June 30,</u> <u>2020</u> RON	<u>December 31,</u> <u>2019</u> RON
Cash at bank	10,205,726	11,436,334	44,122,415	49,442,703
Cash on hand	1,148,066	1,364,325	4,963,434	5,898,386
Cash equivalents	221,339	395,765	956,915	1,711,011
	<u>11,575,131</u>	<u>13,196,424</u>	<u>50,042,764</u>	<u>57,052,100</u>

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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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**

As of 30 June 2020 and 31 December 2019 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 30 June 2020 is as follows:

<b>Shareholders</b>	<b>Ownership</b>	<b>Amount per statutory documents [RON]</b>	<b>Amount under IFRS [USD]</b>	<b>Amount under IFRS [RON]</b>
KMG International NV	48.11%	2,122,250,643	704,057,130	3,043,850,191
Romanian State represented by Ministry of Economy, Energy and Business Environment	44.70%	1,971,500,905	654,045,871	2,827,636,514
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	409,348,509
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	3,152,537
Others (not State or KMGI Group)	0.67%	29,562,687	9,807,428	42,400,453
<b>Total</b>	<b>100%</b>	<b>4,410,920,573</b>	<b>1,463,323,897</b>	<b>6,326,388,204</b>

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

<b>Shareholders</b>	<b>Ownership</b>	<b>Amount per statutory documents [RON]</b>	<b>Amount under IFRS [USD]</b>	<b>Amount under IFRS [RON]</b>
KMG International NV	48.11%	2,122,250,643	704,057,130	3,043,850,191
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,827,636,514
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	409,348,509
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	3,152,537
Others (not State or KMGI Group)	0.67%	29,562,687	9,807,428	42,400,453
<b>Total</b>	<b>100%</b>	<b>4,410,920,573</b>	<b>1,463,323,897</b>	<b>6,326,388,204</b>

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2020 and 2019.

*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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

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.

*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 30 June 2020, the revaluation surplus transferred to retained earnings was USD 3.9 million (2019: USD 11.6 million).

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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**

	<u>June 30, 2020</u> USD	<u>December 31,</u> <u>2019</u> USD	<u>June 30, 2020</u> RON	<u>December</u> <u>31, 2019</u> RON
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank</b> Rompotrol 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, 2023 and (II) USD 120 million uncommitted, maturity date is April, 23, 2021. The facility is secured by: inventories receivables, depots and stations.	96,094,720	96,111,222	415,446,303	415,517,647
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank</b> Rompotrol 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, 2023 and (II) USD 120 million uncommitted, maturity date is April 23, 2021. The facility is secured by: inventories, receivables, depots and stations.	88,851,228	143,952,771	384,130,514	622,351,014
<b>Amount payable within one year principal</b>	<b>(27,276)</b>	<b>(63,993)</b>	<b>(117,922)</b>	<b>(276,661)</b>
<b>Total</b>	<b><u>184,918,672</u></b>	<b><u>240,000,000</u></b>	<b><u>799,458,895</u></b>	<b><u>1,037,592,000</u></b>

	<u>June 30,</u> <u>2020</u> USD	<u>December</u> <u>31, 2019</u> USD	<u>June 30,</u> <u>2020</u> RON	<u>December</u> <u>31, 2019</u> RON
One year or less - principal	27,276	63,993	117,922	276,661
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	<u>184,918,672</u>	<u>240,000,000</u>	<u>799,458,895</u>	<u>1,037,592,000</u>
<b>Total</b>	<b><u>184,945,948</u></b>	<b><u>240,063,993</u></b>	<b><u>799,576,817</u></b>	<b><u>1,037,868,661</u></b>

The loans are secured with pledges on property plant and equipment of USD 391 million (2019: USD 405), inventories of USD 142 million (2019: USD 99 million) and trade receivables of USD: 108 million (2019: USD 140 million).

All the financial covenants applicable were complied with as of 30 June 2020.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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**

	<b>2020 USD</b>	<b>2019 USD</b>	<b>2020 RON</b>	<b>2019 RON</b>
<b>As at 1 January</b>	<b><u>66,076,256</u></b>	<b>-</b>	<b><u>285,667,478</u></b>	<b>-</b>
Restatement as of result of IFRS 16 adoption	-	41,159,515	-	177,944,931
Additions	140,014	31,634,044	605,323	136,763,462
Remeasurment	203,201	(1,156,502)	878,499	(4,999,905)
Payments	(4,351,015)	(7,517,041)	(18,810,744)	(32,498,423)
Interest accrued	2,223,931	3,586,988	9,614,721	15,507,625
Exchange rate impact	(52,604)	(1,630,749)	(227,423)	(7,050,217)
Other changes	<u>13,907</u>	<u>-</u>	<u>60,124</u>	<u>-</u>
<b>As at 30 June/31 December</b>	<b><u>64,253,690</u></b>	<b><u>66,076,256</u></b>	<b><u>277,787,978</u></b>	<b><u>285,667,478</u></b>
Non-current	59,463,124	62,098,347	257,076,924	268,469,784
Current	4,790,566	3,977,909	20,711,054	17,197,694

**15. DEFERRED TAX ASSETS AND LIABILITIES**

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

	<b><u>June 30, 2020 USD</u></b>	<b><u>December 31, 2019 USD</u></b>	<b><u>June 30, 2020 RON</u></b>	<b><u>December 31, 2019 RON</u></b>
Deferred tax assets	(26,426,209)	(25,927,332)	(114,248,428)	(112,091,634)
Deferred tax liabilities	<u>3,947,104</u>	<u>4,012,156</u>	<u>17,064,515</u>	<u>17,345,754</u>
<b>Deferred tax (asset) / liability, net</b>	<b><u>(22,479,105)</u></b>	<b><u>(21,915,176)</u></b>	<b><u>(97,183,913)</u></b>	<b><u>(94,745,880)</u></b>

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

**USD**

	<b><u>Opening balance</u></b>	<b><u>Charged/(Credited) to income</u></b>	<b><u>Charged/(Credited) to equity</u></b>	<b><u>Closing balance</u></b>
<b>2020</b>				
<b>Temporary differences</b>				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	307,638,714	-	(3,524,556)	304,114,158
Inventories	82,619	-	-	82,619
Provisions	(63,788,275)	-	-	(63,788,275)
Tax losses	(380,951,481)	-	-	(380,951,481)
Other	(663)	-	-	(663)
<b>Total temporary differences (asset)/liability</b>	<b><u>(136,969,848)</u></b>	<b>-</b>	<b><u>(3,524,556)</u></b>	<b><u>(140,494,404)</u></b>
<b>Deferred tax effect</b>				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	49,222,194	-	(563,929)	48,658,265
Inventories	13,219	-	-	13,219
Provisions	(10,206,124)	-	-	(10,206,124)
Tax losses	(60,952,237)	-	-	(60,952,237)
Other	(106)	-	-	(106)
<b>Deferred tax (asset)/liability recognized</b>	<b><u>(21,915,176)</u></b>	<b>-</b>	<b><u>(563,929)</u></b>	<b><u>(22,479,105)</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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)**

**RON**

<u>2020</u>	<u>Opening balance</u>	<u>Charged /(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
<b>Temporary differences</b>				
Intangible assets	212,871	-	-	212,871
Property, plant and equipment	1,330,014,452	-	(15,237,713)	1,314,776,739
Inventories	357,187	-	-	357,187
Provisions	(275,775,849)	-	-	(275,775,849)
Tax losses	(1,646,967,538)	-	-	(1,646,967,538)
Other	(2,866)	-	-	(2,866)
<b>Total temporary differences (asset)/liability</b>	<b><u>(592,161,743)</u></b>	<b>-</b>	<b><u>(15,237,713)</u></b>	<b><u>(607,399,456)</u></b>
<b>Deferred tax effect</b>				
Intangible assets	34,059	-	-	34,059
Property, plant and equipment	212,802,311	-	(2,438,033)	210,364,278
Inventories	57,150	-	-	57,150
Provisions	(44,124,136)	-	-	(44,124,136)
Tax losses	(263,514,806)	-	-	(263,514,806)
Other	(458)	-	-	(458)
<b>Deferred tax (asset)/liability recognized</b>	<b><u>(94,745,880)</u></b>	<b>-</b>	<b><u>(2,438,033)</u></b>	<b><u>(97,183,913)</u></b>

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

**USD**

<b>Deferred tax (asset)/liability recognized</b>	<u>Opening balance</u>	<u>Charged/(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
Rompotrol Rafinare SA	(25,927,332)	-	(498,877)	(26,426,209)
Rompotrol Downstream S.R.L.	1,613,508	-	(65,052)	1,548,456
Rom Oil S.A.	1,474,011	-	-	1,474,011
Rompotrol Gas S.R.L.	342,992	-	-	342,992
Rompotrol Logistics S.R.L.	581,645	-	-	581,645
<b>Deferred tax (asset)/liability recognized</b>	<b><u>(21,915,176)</u></b>	<b>-</b>	<b><u>(563,929)</u></b>	<b><u>(22,479,105)</u></b>

**RON**

<b>Deferred tax (asset)/liability recognized</b>	<u>Opening balance</u>	<u>Charged/(Credited) to income</u>	<u>Charged/(Credited) to equity</u>	<u>Closing balance</u>
Rompotrol Rafinare SA	(112,091,634)	-	(2,156,794)	(114,248,428)
Rompotrol Downstream S.R.L.	6,975,679	-	(281,239)	6,694,440
Rom Oil S.A.	6,372,592	-	-	6,372,592
Rompotrol Gas S.R.L.	1,482,857	-	-	1,482,857
Rompotrol Logistics S.R.L.	2,514,626	-	-	2,514,626
<b>Deferred tax (asset)/liability recognized</b>	<b><u>(94,745,880)</u></b>	<b>-</b>	<b><u>(2,438,033)</u></b>	<b><u>(97,183,913)</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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**

<b>2019</b>	<b><u>Opening balance</u></b>	<b><u>Charged/(Credited) to income</u></b>	<b><u>Charged/(Credited) to equity</u></b>	<b><u>Closing balance</u></b>
<b>Temporary differences</b>				
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)
<b>Total temporary differences (asset)/liability</b>	<b><u>(209,450,618)</u></b>	<b><u>82,294,369</u></b>	<b><u>(9,813,600)</u></b>	<b><u>(136,969,848)</u></b>
<b>Deferred tax effect</b>				
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)
<b>Deferred tax (asset)/liability recognized</b>	<b><u>(33,512,099)</u></b>	<b><u>13,167,099</u></b>	<b><u>(1,570,176)</u></b>	<b><u>(21,915,176)</u></b>

**RON**

<b>2019</b>	<b><u>Opening balance</u></b>	<b><u>Charged/(Credited) to income</u></b>	<b><u>Charged/(Credited) to equity</u></b>	<b><u>Closing balance</u></b>
<b>Temporary differences</b>				
Intangible assets	212,871	-	-	212,871
Property, plant and equipment	1,388,101,550	(15,659,961)	(42,427,137)	1,330,014,452
Inventories	357,187	-	-	357,187
Provisions	(312,617,823)	36,841,974	-	(275,775,849)
Tax losses	(1,981,568,775)	334,601,237	-	(1,646,967,538)
Other	(2,866)	-	-	(2,866)
<b>Total temporary differences (asset)/liability</b>	<b><u>(905,517,856)</u></b>	<b><u>355,783,250</u></b>	<b><u>(42,427,137)</u></b>	<b><u>(592,161,743)</u></b>
<b>Deferred tax effect</b>				
Intangible assets	34,059	-	-	34,059
Property, plant and equipment	222,096,248	(2,505,595)	(6,788,342)	212,802,311
Inventories	57,150	-	-	57,150
Provisions	(50,018,852)	5,894,716	-	(44,124,136)
Tax losses	(317,051,004)	53,536,198	-	(263,514,806)
Other	(458)	-	-	(458)
<b>Deferred tax (asset)/liability recognized</b>	<b><u>(144,882,857)</u></b>	<b><u>56,925,319</u></b>	<b><u>(6,788,342)</u></b>	<b><u>(94,745,880)</u></b>

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 30 June 2020**

*(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**

	<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
Trade payables	717,610,953	723,801,302	3,102,447,428	3,129,210,169
Excise taxes	750	1,447	3,242	6,255
Special fund tax for oil products	6,373,993	6,467,700	27,556,684	27,961,807
VAT payable	81,307,473	31,752,428	351,516,598	137,275,272
Profit tax payable	591,173	504,720	2,555,818	2,182,056
Other taxes payable	(14,401)	(19,086)	(62,260)	(82,515)
Employees and social obligations	3,829,627	3,863,345	16,556,626	16,702,399
Deferred revenues	4,781,856	4,831,608	20,673,398	20,888,491
Other liabilities	307,617,038	255,705,545	1,329,920,740	1,105,491,783
<b>Total</b>	<b><u>1,122,098,462</u></b>	<b><u>1,026,909,009</u></b>	<b><u>4,851,168,274</u></b>	<b><u>4,439,635,717</u></b>

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL ("Master Company"). The amounts in balance as of 30 June 2020 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 282.5, Romoil USD 13.9 million and Rompetrol Gas USD 6.4 million.

Also in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 3.79 million (2019: USD 4.07 million).

**17. CONTRACT LIABILITIES**

	<b><u>June 30,</u></b> <b><u>2020</u></b> <b>USD</b>	<b><u>December 31,</u></b> <b><u>2019</u></b> <b>USD</b>	<b><u>June 30,</u></b> <b><u>2020</u></b> <b>RON</b>	<b><u>December 31,</u></b> <b><u>2019</u></b> <b>RON</b>
Short-term advances from wholesale customers	14,097,705	17,617,090	60,948,608	76,163,965
Short-term advances from other customers	<u>15,108,346</u>	<u>3,831,536</u>	<u>65,317,912</u>	<u>16,564,880</u>
<b>Total short-term advances</b>	<b><u>29,206,051</u></b>	<b><u>21,448,626</u></b>	<b><u>126,266,520</u></b>	<b><u>92,728,845</u></b>

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 30 June 2020**

*(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>June 30, 2020</u>	<u>December</u>	<u>June 30,</u>	<u>December</u>
	<u>USD</u>	<u>31, 2019</u>	<u>2020</u>	<u>31, 2019</u>
		<u>USD</u>	<u>RON</u>	<u>RON</u>
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank</b>	1,320,901	1,924,345	5,710,652	8,319,520
Rompetrol Rafinare: Overdraft facility of up to EUR 1.75 million, for current activity.				
<b>Banca Transilvania</b>	7,399,605	9,319,484	31,990,712	40,290,925
Rompetrol 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.				
<b>Current portion of long-term debt</b>	<b>27,276</b>	<b>63,993</b>	<b>117,922</b>	<b>276,661</b>
	<b>8,747,782</b>	<b>11,307,822</b>	<b>37,819,286</b>	<b>48,887,106</b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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>June 30, 2020</u> USD	<u>December 31,</u> <u>2019</u> USD	<u>June 30, 2020</u> RON	<u>December 31,</u> <u>2019</u> RON
<b><u>Borrowings from shareholders and related parties</u></b>				
<b>KMG International N.V.</b> Romp petrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - December 31, 2020, 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 June 30, 2020 is in amount of USD 239.34 million.	10,655,716	12,655,715	46,067,857	54,714,453
<b>Romp petrol Financial Group</b> Romp petrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 29.5 million, maturity date - December 31, 2019. The facility has been fully repaid.	-	2,346,977	-	10,146,686
<b>Midia Marine Terminal</b> Romp petrol 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 repaid.	-	6,386,383	-	27,610,250
<b>Accrued interest</b>	<b>1,541,795</b>	<b>2,993,913</b>	<b>6,665,642</b>	<b>12,943,584</b>
	<b>12,197,511</b>	<b>24,382,988</b>	<b>52,733,499</b>	<b>105,414,973</b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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 30 June 2020.

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 391 million (2019: USD 405), inventories of USD 142 million (2019: USD 99) and trade receivables of USD: 108 million (2019: USD 140 million).

The movement in loans is presented below:

<b>USD</b>	<b><u>At 1 January</u></b> <b><u>2020</u></b>	<b><u>Drawings</u></b>	<b><u>Repayment</u></b>	<b><u>Interest</u></b> <b><u>accrual</u></b>	<b><u>Reclassification</u></b> <b><u>between ST and LT</u></b>	<b><u>Exchange rate</u></b> <b><u>impact</u></b>	<b><u>At 30 June</u></b> <b><u>2020</u></b>
Long-term borrowings from banks	240,000,000	8,675,108	(63,756,436)	-	-	-	184,918,672
Short-term borrowings from banks	11,243,829	4,801,808	(7,478,528)	-	-	153,397	8,720,506
Short term borrowings from related parties	21,389,075	-	(11,531,600)	-	-	798,241	10,655,716
Interest Long-term borrowings banks	-	-	(4,499,827)	4,499,827	-	-	-
Interest Short term borrowings from related parties	2,993,913	-	(1,761,543)	272,190	-	37,235	1,541,795
Interest Short-term borrowings from banks	63,993	-	(332,634)	295,917	-	-	27,276
<b>Total</b>	<b><u>275,690,810</u></b>	<b><u>13,476,916</u></b>	<b><u>(89,360,568)</u></b>	<b><u>5,067,934</u></b>	<b><u>-</u></b>	<b><u>988,873</u></b>	<b><u>205,863,965</u></b>

<b>RON</b>	<b><u>At 1 January</u></b> <b><u>2020</u></b>	<b><u>Drawings</u></b>	<b><u>Repayment</u></b>	<b><u>Interest</u></b> <b><u>accrual</u></b>	<b><u>Reclassification</u></b> <b><u>between ST and</u></b> <b><u>LT</u></b>	<b><u>Exchange rate</u></b> <b><u>impact</u></b>	<b><u>At 30 June</u></b> <b><u>2020</u></b>
Long-term borrowings from banks	1,037,592,000	37,505,094	(275,638,199)	-	-	-	799,458,895
Short-term borrowings from banks	48,610,446	20,759,657	(32,331,920)	-	-	663,181	37,701,364
Short term borrowings from related parties	92,471,388	-	(49,854,566)	-	-	3,451,035	46,067,857
Interest Long-term borrowings banks	-	-	(19,454,102)	19,454,102	-	-	-
Interest Short term borrowings from related parties	12,943,584	-	(7,615,678)	1,176,759	-	160,977	6,665,642
Interest Short-term borrowings from banks	276,661	-	(1,438,077)	1,279,338	-	-	117,922
<b>Total</b>	<b><u>1,191,894,079</u></b>	<b><u>58,264,751</u></b>	<b><u>(386,332,542)</u></b>	<b><u>21,910,199</u></b>	<b><u>-</u></b>	<b><u>4,275,193</u></b>	<b><u>890,011,680</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
	USD	USD	RON	RON
Non-current provisions	80,361,840	80,361,840	347,428,343	347,428,343
<b>Total Provisions</b>	<b><u>80,361,840</u></b>	<b><u>80,361,840</u></b>	<b><u>347,428,343</u></b>	<b><u>347,428,343</u></b>

The movement in provisions is presented below:

<b>USD</b>	<u>At 1 January 2020</u>	<u>At 30 June 2020</u>
Provision for retirement benefit	16,485,602	16,485,602
Provision for restructuring	13,486	13,486
Environmental provisions	63,862,752	63,862,752
<b>Total</b>	<b><u>80,361,840</u></b>	<b><u>80,361,840</u></b>

<b>RON</b>	<u>At 1 January 2020</u>	<u>At 30 June 2020</u>
Provision for retirement benefit	71,272,203	71,272,203
Provision for restructuring	58,304	58,304
Environmental provisions	276,097,836	276,097,836
<b>Total</b>	<b><u>347,428,343</u></b>	<b><u>347,428,343</u></b>

<b>USD</b>	<u>At 1 January 2019</u>	<u>Charged to equity</u>	<u>Arising during the year</u>	<u>Unwinding of discount</u>	<u>At 31 December 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
<b>Total</b>	<b><u>85,664,505</u></b>	<b><u>3,292,399</u></b>	<b><u>(11,798,923)</u></b>	<b><u>3,203,859</u></b>	<b><u>80,361,840</u></b>

<b>RON</b>	<u>At 1 January 2019</u>	<u>Charged to equity</u>	<u>Arising during the year</u>	<u>Unwinding of discount</u>	<u>At 31 December 2019</u>
Provision for retirement benefit	57,355,250	14,234,028	(317,075)	-	71,272,203
Provision for restructuring	58,304	-	-	-	58,304
Environmental provisions	312,939,801	-	(50,693,209)	13,851,244	276,097,836
<b>Total</b>	<b><u>370,353,355</u></b>	<b><u>14,234,028</u></b>	<b><u>(51,010,284)</u></b>	<b><u>13,851,244</u></b>	<b><u>347,428,343</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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). At the balance sheet date, the new contracted company took over the afferent location and started the execution works for the rehabilitation of the two lagoons.

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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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**

**2020**

<b>USD</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Gross revenues from petroleum products production	1,192,857,592	-	-	159,787,579	1,352,645,171
Gross revenues from petroleum products trading	6,714,666	-	987,051,193	(940,275,724)	53,490,135
Revenues from petrochemicals production	-	62,543,841	-	-	62,543,841
Revenues from petrochemicals trading	-	12,337	-	-	12,337
Revenues from merchandise sales	152,955	-	49,060,752	-	49,213,707
Revenues from utilities sold	1,016,162	-	-	(57,087)	959,075
Revenues from transportation fees	-	-	1,307,204	-	1,307,204
Revenues from rents and other services	1,743,446	-	7,575,751	(4,036,170)	5,283,027
<b>Gross Revenues</b>	<b>1,202,484,821</b>	<b>62,556,178</b>	<b>1,044,994,900</b>	<b>(784,581,402)</b>	<b>1,525,454,497</b>
Less sales taxes from petroleum products production	(372,249,822)	-	-	371,718,210	(531,612)
Less sales taxes petroleum products trading	-	-	(397,476,241)	1,406,276	(396,069,965)
Less commercial discounts petroleum products trading	-	-	(75,466,517)	2,513,439	(72,953,078)
<b>Total Net Revenues</b>	<b>830,234,999</b>	<b>62,556,178</b>	<b>572,052,142</b>	<b>(408,943,477)</b>	<b>1,055,899,842</b>

<b>RON</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Gross revenues from petroleum products production	5,157,081,227	-	-	690,809,640	5,847,890,867
Gross revenues from petroleum products trading	29,029,516	-	4,267,318,423	(4,065,094,038)	231,253,901
Revenues from petrochemicals production	-	270,395,788	-	-	270,395,788
Revenues from petrochemicals trading	-	53,337	-	-	53,337
Revenues from merchandise sales	661,270	-	212,104,349	-	212,765,619
Revenues from utilities sold	4,393,173	-	-	(246,804)	4,146,369
Revenues from transportation fees	-	-	5,651,435	-	5,651,435
Revenues from rents and other services	7,537,440	-	32,752,243	(17,449,574)	22,840,109
<b>Gross Revenues</b>	<b>5,198,702,626</b>	<b>270,449,125</b>	<b>4,517,826,450</b>	<b>(3,391,980,776)</b>	<b>6,594,997,425</b>
Less sales taxes from petroleum products production	(1,609,347,655)	-	-	1,607,049,337	(2,298,318)
Less sales taxes petroleum products trading	-	-	(1,718,409,033)	6,079,753	(1,712,329,280)
Less commercial discounts petroleum products trading	-	-	(326,264,393)	10,866,351	(315,398,042)
<b>Total Net Revenues</b>	<b>3,589,354,971</b>	<b>270,449,125</b>	<b>2,473,153,024</b>	<b>(1,767,985,335)</b>	<b>4,564,971,785</b>

**2019**

<b>USD</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Gross revenues from petroleum products production	2,142,714,479	-	-	158,758,543	2,301,473,022
Gross revenues from petroleum products trading	9,048,568	-	1,372,076,440	(1,320,506,710)	60,618,298
Revenues from petrochemicals production	-	90,054,990	-	-	90,054,990
Revenues from petrochemicals trading	-	595,365	-	-	595,365
Revenues from merchandise sales	214,678	-	41,334,608	-	41,549,286
Revenues from utilities sold	1,127,541	-	-	(62,694)	1,064,847
Revenues from transportation fees	-	-	1,191,484	-	1,191,484
Revenues from rents and other services	1,545,146	-	7,319,391	(4,024,037)	4,840,500
<b>Gross Revenues</b>	<b>2,154,650,412</b>	<b>90,650,355</b>	<b>1,421,921,923</b>	<b>(1,165,834,898)</b>	<b>2,501,387,792</b>
Less sales taxes from petroleum products production	(520,320,904)	-	-	507,328,471	(12,992,433)
Less sales taxes petroleum products trading	-	-	(531,227,701)	1,866,428	(529,361,273)
Less commercial discounts petroleum products trading	-	-	(74,135,355)	3,463,031	(70,672,324)
<b>Total Net Revenues</b>	<b>1,634,329,508</b>	<b>90,650,355</b>	<b>816,558,867</b>	<b>(653,176,968)</b>	<b>1,888,361,762</b>

<b>RON</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Gross revenues from petroleum products production	9,263,597,507	-	-	686,360,809	9,949,958,316
Gross revenues from petroleum products trading	39,119,674	-	5,931,898,073	(5,708,946,658)	262,071,089
Revenues from petrochemicals production	-	389,334,738	-	-	389,334,738
Revenues from petrochemicals trading	-	2,573,942	-	-	2,573,942
Revenues from merchandise sales	928,117	-	178,701,919	-	179,630,036
Revenues from utilities sold	4,874,698	-	-	(271,045)	4,603,653
Revenues from transportation fees	-	-	5,151,143	-	5,151,143
Revenues from rents and other services	6,680,130	-	31,643,923	(17,397,129)	20,926,924
<b>Gross Revenues</b>	<b>9,315,200,126</b>	<b>391,908,680</b>	<b>6,147,395,058</b>	<b>(5,040,254,023)</b>	<b>10,814,249,841</b>
Less sales taxes from petroleum products production	(2,249,503,364)	-	-	2,193,333,179	(56,170,185)
Less sales taxes petroleum products trading	-	-	(2,296,656,720)	8,069,128	(2,288,587,592)
Less commercial discounts petroleum products trading	-	-	(320,509,380)	14,971,722	(305,537,658)
<b>Total Net Revenues</b>	<b>7,065,696,762</b>	<b>391,908,680</b>	<b>3,530,228,958</b>	<b>(2,823,879,994)</b>	<b>8,163,954,406</b>

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 30 June 2020**

*(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 (continued)**

The sales volume of petroleum products from production decreased mainly during the second half of March until June following the start of Refinery cyclical 4 years turnaround activities and the global COVID - 19 pandemic.

Also the decrease of about 40% vs H1 2019 in international market quotations of crude oil and petroleum products, driven by both OPEC level tensions related to the crude production limitations and to COVID-19 global pandemic triggered a sharp decrease in demand/crude oil prices in total revenues of 2020 compared with the same period 2019.

The petrochemical products sales decreased by 31% (28 mUSD), due to the decrease in polymers volumes sales following lower production as a result of Refinery cyclical 4 years turnaround activities starting in the second half of March 2020 until 1st of May 2020, but also due to the volatility of petrochemicals market, with decreasing margins.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
	<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
Crude oil and other raw materials	844,170,938	1,577,735,934	3,649,604,216	6,821,025,764
Consumables and other materials	5,104,885	7,114,225	22,069,949	30,756,929
Utilities	38,862,130	47,608,067	168,012,647	205,823,956
Staff costs	13,322,945	14,307,481	57,599,088	61,855,533
Transportation	87,405	100,419	377,878	434,141
Maintenance and repairs	9,847,736	11,277,883	42,574,717	48,757,672
Insurance	685,229	771,095	2,962,451	3,333,675
Environmental expenses	4,698,302	3,691,550	20,312,169	15,959,678
Other	4,481,928	4,564,600	19,376,719	19,734,135
<b>Cash production cost</b>	<b>921,261,498</b>	<b>1,667,171,254</b>	<b>3,982,889,834</b>	<b>7,207,681,483</b>
Depreciation and amortization	31,347,084	38,438,247	135,522,848	166,180,073
<b>Production costs</b>	<b>952,608,582</b>	<b>1,705,609,501</b>	<b>4,118,412,682</b>	<b>7,373,861,556</b>
Plus: Change in inventories	64,475,050	912,068	278,744,984	3,943,144
Less: Own production of property, plant & equipment	(4,705,016)	(278,808)	(20,341,196)	(1,205,371)
Cost of petroleum products trading	48,816,170	54,121,491	211,046,948	233,983,442
Cost of petrochemicals trading	12,306	696,729	53,203	3,012,168
Cost of merchandise sold	38,840,193	32,180,500	167,917,806	139,125,956
Cost of utilities resold	526,740	584,279	2,277,255	2,526,013
Realised (gains)/losses on derivatives	(51,611,696)	(2,203,610)	(223,132,845)	(9,526,867)
<b>Total</b>	<b><u>1,048,962,329</u></b>	<b><u>1,791,622,150</u></b>	<b><u>4,534,978,837</u></b>	<b><u>7,745,720,041</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
	USD	USD	RON	RON
Staff costs	13,282,407	10,776,681	57,423,830	46,590,825
Utilities	3,418,491	2,889,466	14,779,162	12,492,028
Transportation	23,383,029	24,101,960	101,091,850	104,200,005
Professional and consulting fees	17,991,061	18,562,181	77,780,754	80,249,877
Royalties and rents	1,642,817	1,080,167	7,102,391	4,669,886
Consumables	478,711	165,734	2,069,611	716,518
Marketing	1,377,903	1,636,555	5,957,088	7,075,318
Taxes	1,048,236	1,198,195	4,531,839	5,180,156
Communications	456,970	539,756	1,975,618	2,333,527
Insurance	700,754	562,125	3,029,570	2,430,235
IT related expenditures	4,270,782	4,743,780	18,463,872	20,508,784
Environmental expenses	(519,953)	1,965,514	(2,247,913)	8,497,507
Maintenance and repairs	5,285,510	4,792,103	22,850,845	20,717,699
Other expenses	8,820,799	7,512,036	38,134,960	32,476,785
<b>Costs before depreciation</b>	<b>81,637,517</b>	<b>80,526,253</b>	<b>352,943,477</b>	<b>348,139,150</b>
Depreciation and amortisation	26,720,940	18,141,034	115,522,640	78,429,132
<b>Total</b>	<b><u>108,358,457</u></b>	<b><u>98,667,287</u></b>	<b><u>468,466,117</u></b>	<b><u>426,568,282</u></b>

**23. OTHER OPERATING INCOME / (EXPENSES), NET**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
	USD	USD	RON	RON
Net gain /(loss) on disposal of assets	93,927	1,862,850	406,075	8,053,659
Impairment of tangible assets, net	(8,126)	(257,237)	(35,131)	(1,112,113)
Provision for receivables and write-off, net	(385,956)	147,896	(1,668,604)	639,399
Provision for inventories and write-off, net	4,173,457	7,736,747	18,043,107	33,448,279
Other provisions, net	(2,660,882)	-	(11,503,791)	-
Other, net	<u>132,652</u>	<u>143,535</u>	<u>573,493</u>	<u>620,545</u>
<b>Total</b>	<b><u>1,345,072</u></b>	<b><u>9,633,791</u></b>	<b><u>5,815,149</u></b>	<b><u>41,649,769</u></b>

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 30 June 2020**

*(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>June 30,</u> <u>2020</u> USD	<u>June 30,</u> <u>2019</u> USD	<u>June 30,</u> <u>2020</u> RON	<u>June 30,</u> <u>2019</u> RON
<b>Finance cost</b>				
Late payment interest	(8,038)	(163,171)	(34,751)	(705,437)
Interest expense	(13,496,335)	(15,544,832)	(58,348,705)	(67,204,972)
Interest expense shareholders	(272,190)	(2,223,473)	(1,176,759)	(9,612,741)
Unwinding of discount - lease	(2,223,275)	(1,070,544)	(9,611,885)	(4,628,283)
Other financial expense	(14,048,512)	(14,826,216)	(60,735,932)	(64,098,180)
	<b>(30,048,350)</b>	<b>(33,828,236)</b>	<b>(129,908,032)</b>	<b>(146,249,613)</b>
<b>Finance income</b>				
Interest income	5,519,426	8,222,926	23,862,134	35,550,176
Other financial income	1,152,731	158,899	4,983,602	686,968
	<b>6,672,157</b>	<b>8,381,825</b>	<b>28,845,736</b>	<b>36,237,144</b>
<b>Finance income/(cost) net</b>	<b>(23,376,193)</b>	<b>(25,446,411)</b>	<b>(101,062,296)</b>	<b>(110,012,469)</b>
Unrealized net foreign exchange (losses)/gains	(3,540,707)	(3,091,594)	(15,307,539)	(13,365,888)
Realized net foreign exchange (losses)/gains	426,278	3,368,881	1,842,928	14,564,683
<b>Foreign exchange gain/(loss), net</b>	<b>(3,114,429)</b>	<b>277,287</b>	<b>(13,464,611)</b>	<b>1,198,795</b>
<b>Total</b>	<b><u>(26,490,622)</u></b>	<b><u>(25,169,124)</u></b>	<b><u>(114,526,907)</u></b>	<b><u>(108,813,674)</u></b>

**25. INCOME TAX**

a. The current income tax rate in 2020 was 16%, the same as in 2019.

	<u>June 30, 2020</u> USD	<u>June 30, 2019</u> USD	<u>June 30, 2020</u> RON	<u>June 30, 2019</u> RON
Tax expense comprises:				
Current tax expense	(95,383)	1,975,104	(412,369)	8,538,967
<b>Total tax expense/(income)</b>	<b><u>(95,383)</u></b>	<b><u>1,975,104</u></b>	<b><u>(412,369)</u></b>	<b><u>8,538,967</u></b>

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 30 June 2020**

*(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**

**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 30 June 2020**

(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)**

**2020 Income Statement information**

<u>USD</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining &amp; Petrochemicals segments</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues "external customers"	424,627,877	62,556,178	-	568,715,787	-	1,055,899,842
Net revenues "Inter segment"	405,607,122	-	-	3,336,355	(408,943,477)	-
Cost of sales	(883,630,839)	(78,774,901)	-	(509,051,812)	422,495,223	(1,048,962,329)
<b>Gross margin</b>	<b>(53,395,840)</b>	<b>(16,218,723)</b>	-	<b>63,000,330</b>	<b>13,551,746</b>	<b>6,937,513</b>
Selling, general and administrative expenses	(35,129,714)	(6,965,225)	-	(55,220,531)	(11,042,987)	(108,358,457)
Other operating income/(expenses), net	1,635,175	(1,322)	-	(288,781)	-	1,345,072
<b>Operating margin (EBIT)</b>	<b>(86,890,379)</b>	<b>(23,185,270)</b>	-	<b>7,491,018</b>	<b>2,508,759</b>	<b>(100,075,872)</b>
Financial expenses, net	-	-	(21,056,430)	(2,317,909)	(1,854)	(23,376,193)
Net foreign exchange result	-	-	(3,359,485)	245,056	-	(3,114,429)
<b>Profit/(loss) before income tax</b>	<b>(86,890,379)</b>	<b>(23,185,270)</b>	<b>(24,415,915)</b>	<b>5,418,165</b>	<b>2,506,905</b>	<b>(126,566,494)</b>
Income tax	-	-	-	95,383	-	95,383
<b>Net Profit/(Loss)</b>	<b>(86,890,379)</b>	<b>(23,185,270)</b>	<b>(24,415,915)</b>	<b>5,513,548</b>	<b>2,506,905</b>	<b>(126,471,111)</b>
Depreciation and amortisation	38,281,792	7,508,029	-	12,176,823	101,380	58,068,024

<u>RON</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining &amp; Petrochemicals segments</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues "external customers"	1,835,793,701	270,449,124	-	2,458,728,962	-	4,564,971,787
Net revenues "Inter segment"	1,753,561,271	-	-	14,424,064	(1,767,985,335)	-
Cost of sales	(3,820,201,205)	(340,567,529)	-	(2,200,783,699)	1,826,573,596	(4,534,978,837)
<b>Gross margin</b>	<b>(230,846,233)</b>	<b>(70,118,405)</b>	-	<b>272,369,327</b>	<b>58,588,261</b>	<b>29,992,950</b>
Selling, general and administrative expenses	(151,876,293)	(30,112,757)	-	(238,734,922)	(47,742,145)	(468,466,117)
Other operating income/(expenses), net	7,069,351	(5,715)	-	(1,248,487)	-	5,815,149
<b>Operating margin (EBIT)</b>	<b>(375,653,175)</b>	<b>(100,236,877)</b>	-	<b>32,385,918</b>	<b>10,846,116</b>	<b>(432,658,018)</b>
Financial expenses, net	-	-	(91,033,264)	(10,021,016)	(8,016)	(101,062,296)
Net foreign exchange result	-	-	(14,524,062)	1,059,451	-	(13,464,611)
<b>Profit/(loss) before income tax</b>	<b>(375,653,175)</b>	<b>(100,236,877)</b>	<b>(105,557,326)</b>	<b>23,424,353</b>	<b>10,838,100</b>	<b>(547,184,925)</b>
Income tax	-	-	-	412,369	-	412,369
<b>Net Profit/(Loss)</b>	<b>(375,653,175)</b>	<b>(100,236,877)</b>	<b>(105,557,326)</b>	<b>23,836,722</b>	<b>10,838,100</b>	<b>(546,772,556)</b>
Depreciation and amortisation	165,503,671	32,459,462	-	52,644,059	438,297	251,045,489

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 30 June 2020**

*(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)**

**2020 Statement of financial position information**

<b>USD</b>	<b><u>Refining &amp; Petrochemicals</u></b>	<b><u>Marketing</u></b>	<b><u>Consolidation adjustments</u></b>	<b><u>Consolidated</u></b>
Total non current assets	1,723,202,185	279,058,342	(596,869,346)	1,405,391,181
Total current assets	377,716,603	343,372,237	(103,951,612)	617,137,228
<b>TOTAL ASSETS</b>	<b><u>2,100,918,788</u></b>	<b><u>622,430,579</u></b>	<b><u>(700,820,958)</u></b>	<b><u>2,022,528,409</u></b>
Total equity	842,139,602	265,327,377	(607,893,345)	499,573,634
Total non-current liabilities	172,269,675	160,073,393	13,557,361	345,900,429
Total current liabilities	1,086,509,511	197,029,809	(106,484,974)	1,177,054,346
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>2,100,918,788</u></b>	<b><u>622,430,579</u></b>	<b><u>(700,820,958)</u></b>	<b><u>2,022,528,409</u></b>
Capital expenditure	95,541,487	5,974,283	(752)	101,515,018

<b>RON</b>	<b><u>Refining &amp; Petrochemicals</u></b>	<b><u>Marketing</u></b>	<b><u>Consolidation adjustments</u></b>	<b><u>Consolidated</u></b>
Total non current assets	7,449,920,002	1,206,452,932	(2,580,445,250)	6,075,927,684
Total current assets	1,632,982,190	1,484,501,191	(449,414,003)	2,668,069,378
<b>TOTAL ASSETS</b>	<b><u>9,082,902,192</u></b>	<b><u>2,690,954,123</u></b>	<b><u>(3,029,859,253)</u></b>	<b><u>8,743,997,062</u></b>
Total equity	3,640,822,137	1,147,089,849	(2,628,105,296)	2,159,806,690
Total non-current liabilities	744,773,485	692,045,300	58,612,540	1,495,431,325
Total current liabilities	4,697,306,570	851,818,974	(460,366,497)	5,088,759,047
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>9,082,902,192</u></b>	<b><u>2,690,954,123</u></b>	<b><u>(3,029,859,253)</u></b>	<b><u>8,743,997,062</u></b>
Capital expenditure	413,054,510	25,828,618	(3,251)	438,879,877

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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 &amp; Petrochemicals segments</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues "external customers"	984,892,715	90,650,355	-	812,818,692	-	1,888,361,762
Net revenues "Inter segment"	649,436,793	-	-	3,740,177	(653,176,970)	-
Cost of sales	(1,604,216,079)	(102,486,825)	-	(749,729,236)	664,809,990	(1,791,622,150)
<b>Gross margin</b>	<b>30,113,429</b>	<b>(11,836,470)</b>	-	<b>66,829,633</b>	<b>11,633,020</b>	<b>96,739,612</b>
Selling, general and administrative expenses	(29,591,990)	(6,259,503)	-	(51,645,283)	(11,170,511)	(98,667,287)
Other operating income/(expenses), net	10,363,034	(13,413)	-	1,634,517	(2,350,347)	9,633,791
<b>Operating margin (EBIT)</b>	<b>10,884,473</b>	<b>(18,109,386)</b>	-	<b>16,818,867</b>	<b>(1,887,838)</b>	<b>7,706,116</b>
Financial expenses, net	-	-	(23,083,029)	(2,216,689)	(146,693)	(25,446,411)
Net foreign exchange result	-	-	1,606,463	(1,329,176)	-	277,287
<b>Profit/(loss) before income tax</b>	<b>10,884,473</b>	<b>(18,109,386)</b>	<b>(21,476,566)</b>	<b>13,273,002</b>	<b>(2,034,531)</b>	<b>(17,463,008)</b>
Income tax	-	-	-	(1,975,104)	-	(1,975,104)
<b>Net Profit/(Loss)</b>	<b>10,884,473</b>	<b>(18,109,386)</b>	<b>(21,476,566)</b>	<b>11,297,898</b>	<b>(2,034,531)</b>	<b>(19,438,112)</b>
Depreciation and amortisation	37,143,742	8,015,753	-	11,560,883	(141,097)	56,579,281

<u>RON</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining &amp; Petrochemicals segments</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues "external customers"	4,257,986,675	391,908,680	-	3,514,059,051	-	8,163,954,406
Net revenues "Inter segment"	2,807,710,087	-	-	16,169,907	(2,823,879,994)	-
Cost of sales	(6,935,507,374)	(443,081,291)	-	(3,241,304,406)	2,874,173,030	(7,745,720,041)
<b>Gross margin</b>	<b>130,189,388</b>	<b>(51,172,611)</b>	-	<b>288,924,552</b>	<b>50,293,036</b>	<b>418,234,365</b>
Selling, general and administrative expenses	(127,935,050)	(27,061,709)	-	(223,278,052)	(48,293,471)	(426,568,282)
Other operating income/(expenses), net	44,802,505	(57,988)	-	7,066,507	(10,161,255)	41,649,769
<b>Operating margin (EBIT)</b>	<b>47,056,843</b>	<b>(78,292,308)</b>	-	<b>72,713,007</b>	<b>(8,161,690)</b>	<b>33,315,852</b>
Financial expenses, net	-	-	(99,794,859)	(9,583,412)	(634,198)	(110,012,469)
Net foreign exchange result	-	-	6,945,222	(5,746,427)	-	1,198,795
<b>Profit/(loss) before income tax</b>	<b>47,056,843</b>	<b>(78,292,308)</b>	<b>(92,849,637)</b>	<b>57,383,168</b>	<b>(8,795,888)</b>	<b>(75,497,822)</b>
Income tax	-	-	-	(8,538,967)	-	(8,538,967)
<b>Net Profit/(Loss)</b>	<b>47,056,843</b>	<b>(78,292,308)</b>	<b>(92,849,637)</b>	<b>48,844,201</b>	<b>(8,795,888)</b>	<b>(84,036,789)</b>
Depreciation and amortisation	160,583,540	34,654,505	-	49,981,165	(610,004)	244,609,206

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 30 June 2020**

(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 174 million in 2020 and USD 528 million in 2019. The sales of petroleum products decreased mainly during the second half of March until June following the start of Refinery cyclical 4 years turnaround activities and the global COVID - 19 pandemic, negatively impacting international market quotations.

**2019 Statement of financial position information**

<b>USD</b>	<b><u>Refining &amp; Petrochemicals</u></b>	<b><u>Marketing</u></b>	<b><u>Consolidation adjustments</u></b>	<b><u>Consolidated</u></b>
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
<b>TOTAL ASSETS</b>	<b><u>2,182,763,142</u></b>	<b><u>682,740,718</u></b>	<b><u>(750,577,122)</u></b>	<b><u>2,114,926,738</u></b>
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)	1,091,731,323
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>2,182,763,142</u></b>	<b><u>682,740,718</u></b>	<b><u>(750,577,122)</u></b>	<b><u>2,114,926,738</u></b>
Capital expenditure	61,076,272	24,439,088	(4,953)	85,510,407

<b>RON</b>	<b><u>Refining &amp; Petrochemicals</u></b>	<b><u>Marketing</u></b>	<b><u>Consolidation adjustments</u></b>	<b><u>Consolidated</u></b>
Total non current assets	7,218,150,851	1,244,975,176	(2,579,943,717)	5,883,182,310
Total current assets	2,218,589,041	1,706,717,770	(665,026,360)	3,260,280,451
<b>TOTAL ASSETS</b>	<b><u>9,436,739,892</u></b>	<b><u>2,951,692,946</u></b>	<b><u>(3,244,970,077)</u></b>	<b><u>9,143,462,761</u></b>
Total equity	4,194,121,227	1,123,214,200	(2,638,934,940)	2,678,400,487
Total non-current liabilities	984,147,145	702,423,109	58,609,993	1,745,180,247
Total current liabilities	4,258,471,520	1,126,055,637	(664,645,130)	4,719,882,027
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>9,436,739,892</u></b>	<b><u>2,951,692,946</u></b>	<b><u>(3,244,970,077)</u></b>	<b><u>9,143,462,761</u></b>
Capital expenditure	264,051,050	105,657,505	(21,412)	369,687,143

- 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 30 June 2020**

(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>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
	USD	USD	RON	RON
<b>Romania</b>	<b>783,719,064</b>	<b>1,168,081,154</b>	<b>3,388,252,628</b>	<b>5,049,965,255</b>
<b>Export</b>	<b>272,180,778</b>	<b>720,280,608</b>	<b>1,176,719,159</b>	<b>3,113,989,151</b>
<i>out of which</i>				
Petroleum products	247,213,436	684,106,880	1,068,777,849	2,957,599,273
Petrochemical products	24,967,342	36,173,728	107,941,310	156,389,878
<b>Total</b>	<b><u>1,055,899,842</u></b>	<b><u>1,888,361,762</u></b>	<b><u>4,564,971,787</u></b>	<b><u>8,163,954,406</u></b>

**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:

<b>Name of related party</b>	<b>Nature of relationship</b>
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
Rominerv S.R.L	Company owned by KMG International Group
Rominerv 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 30 June 2020**

(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			
	30-June-20	31-Dec-19	30-June-20	31-Dec-19
	USD	USD	RON	RON
KazMunayGas Trading AG	6,484,449	10,197,947	28,034,218	44,088,784
Rominerv S.A.	3,473,413	3,439,274	15,016,606	14,869,013
KMG International N.V.	68,318,899	70,145,211	295,363,096	303,258,791
KMG Rompetrol S.R.L.	1,184,686	869,819	5,121,753	3,760,488
KMG Rompetrol SRL - cash pooling	173,977,186	177,516,122	752,155,568	767,455,450
Oilfield Exploration Business Solutions S.A.	1,069,267	1,084,268	4,622,762	4,687,616
Rompetrol Well Services S.A.	51,573	74,723	222,966	323,050
KMG Rompetrol Services Center	34,612	16,725	149,638	72,307
Palplast S.A.	787,314	822,163	3,403,795	3,554,457
Rompetrol Bulgaria JSC	1,042,047	5,833,446	4,505,082	25,219,737
Rompetrol Moldova SA	643,943	161,149	2,783,959	696,695
Rompetrol Financial Group S.R.L.	2,515	2,518	10,873	10,886
KazMunayGas Engineering B.V.	3,573	3,573	15,447	15,447
Rompetrol Energy S.A.	1,180	-	5,101	-
Byron Shipping SRL	1,186	1,815	5,127	7,847
Rompetrol Albania Wholesale Sh.A.	16,684	16,716	72,130	72,268
Midia Marine Terminal S.R.L.	209,452	229,954	905,524	994,160
Rominerv Valves Iaifo SRL	182	4,907	787	21,214
KazMunayGas –Engineering LLP	168,167	168,167	727,036	727,036
Rompetrol Georgia LLC	50	50	216	216
Uzina Termoelectrica Midia S.A.	3,266,105	3,063,208	14,120,352	13,243,167
KMG Rompetrol Development S.R.L.	57,335	-	247,876	-
Global Security Systems S.A.	176,404	267,600	762,647	1,156,915
<b>Total</b>	<b><u>260,970,222</u></b>	<b><u>273,919,355</u></b>	<b><u>1,128,252,559</u></b>	<b><u>1,184,235,544</u></b>

Name of related party	Payables, loans and other liabilities			
	30-June-20	31-Dec-19	30-June-20	31-Dec-19
	USD	USD	RON	RON
KazMunayGas Trading AG	524,529,191	568,613,877	2,267,697,051	2,458,288,374
Rominerv S.A.	73,426,541	25,850,339	317,444,965	111,758,771
KMG International N.V.	26,298,433	27,349,698	113,696,015	118,240,949
KMG International N.V.- Short term debt - principal	10,655,710	12,655,710	46,067,831	54,714,431
KMG International N.V.- Short term debt - interest	1,541,819	1,330,945	6,665,746	5,754,075
KMG Rompetrol S.R.L.	10,832,080	16,647,903	46,830,331	71,973,879
KMG Rompetrol SRL - cash pooling	302,852,712	251,208,922	1,309,323,130	1,086,051,532
Oilfield Exploration Business Solutions S.A.	222,144	222,175	960,395	960,529
Rompetrol Well Services S.A.	99,803	53,178	431,478	229,904
KMG Rompetrol Services Center	1,173,776	1,003,018	5,074,586	4,336,348
Rompetrol Bulgaria JSC	144,183	126,855	623,346	548,432
Rompetrol Moldova SA	12,494,744	1,818,256	54,018,527	7,860,866
Rompetrol Financial Group SRL - Short term debt - principal	-	2,347,000	-	10,146,785
Rompetrol Financial Group SRL - Short term debt - interest	-	1,420,051	-	6,139,306
Byron Shipping SRL	2,171	2,174	9,386	9,399
Midia Marine Terminal S.R.L.	5,401,246	3,470,424	23,351,207	15,003,684
Midia Marine Terminal S.R.L.- Short term debt - principal	-	6,386,444	-	27,610,513
Midia Marine Terminal S.R.L. - Short term debt - interest	-	242,954	-	1,050,363
Rominerv Valves Iaifo SRL	16,993	16,972	73,466	73,375
Rompetrol Georgia LLC	50	50	216	216
Uzina Termoelectrica Midia S.A.	7,816,823	7,357,882	33,794,471	31,810,331
Rompetrol Georgia LLC	15	16	65	69
KMG Rompetrol Development S.R.L.	1,476,008	1,525,669	6,381,225	6,595,925
Global Security Systems S.A.	324,668	562,367	1,403,637	2,431,281
TRG Petrol Anonim Sirketi	<u>2,538</u>	<u>2,538</u>	<u>10,973</u>	<u>10,973</u>
<b>Total</b>	<b><u>979,311,648</u></b>	<b><u>930,215,417</u></b>	<b><u>4,233,858,047</u></b>	<b><u>4,021,600,310</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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 2020 and 2019, Rompetrol Rafinare Group entered into the following transactions with related parties:

Name of related party	<b>Sales and other revenues</b>			
	<b>30-June-20</b>	<b>30-Jun-19</b>	<b>30-June-20</b>	<b>30-Jun-19</b>
	<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
KazMunayGas Trading AG	173,927,382	528,263,427	751,940,251	2,283,841,274
Rominerv S.A.	416,677	436,812	1,801,420	1,888,469
KMG Rompetrol S.R.L.	39,656	71,854	171,445	310,646
Oilfield Exploration Business Solutions S.A.	1,323	1,670	5,720	7,220
Rompetrol Well Services S.A.	182,321	548,760	788,228	2,372,454
Palplast S.A.	5,070	7,096	21,919	30,678
Rompetrol Bulgaria JSC	14,670,742	25,005,493	63,426,019	108,106,248
Rompetrol Moldova SA	50,669,358	112,135,639	219,058,835	484,796,008
KMG Rompetrol Services Center	65,892	66,992	284,871	289,627
Midia Marine Terminal S.R.L.	139,084	239,964	601,302	1,037,436
Byron Shipping SRL	6,971	12,158	30,138	52,563
Rominerv Valves Iaifo SRL	4,090	8,992	17,682	38,875
Uzina Termoelectrica Midia S.A.	8,595,410	10,597,740	37,160,536	45,817,209
Rompetrol Energy S.A.	444	17	1,920	73
Global Security Systems S.A.	34,891	50,159	150,844	216,852
KMG Rompetrol Development S.R.L.	2,627,252	19,678,649	11,358,399	85,076,703
TRG Petrol Anonim Sirketi	-	7,913	-	34,210
<b>Total</b>	<b><u>251,386,563</u></b>	<b><u>697,133,335</u></b>	<b><u>1,086,819,529</u></b>	<b><u>3,013,916,545</u></b>

Name of related party	Nature of transaction	<b>Purchases and other costs</b>			
		<b>30-June-20</b>	<b>30-Jun-19</b>	<b>30-June-20</b>	<b>30-Jun-19</b>
		<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	744,498,277	1,505,572,530	3,218,689,401	6,509,041,719
Rominerv S.A.	Acquisition and maintenance of fixed assets	92,807,980	36,292,722	401,236,740	156,904,325
KMG International N.V.	Management services	6,797,954	7,155,916	29,389,595	30,937,172
KMG Rompetrol S.R.L.	Management services	16,112,487	17,734,583	69,659,115	76,671,923
Oilfield Exploration Business Solutions S.A.	Management services	20,524	17,407	88,731	75,256
Rompetrol Financial Group S.R.L.	Environmental services	14,629	709,337	63,246	3,066,677
Rompetrol Well Services S.A.	Interest on loan	53	191,087	229	826,126
KMG Rompetrol Services Center	Shared services	3,450,193	3,652,020	14,916,219	15,788,778
Midia Marine Terminal S.R.L.	Handling services/Transit	7,480,007	7,915,352	32,338,314	34,220,441
Rominerv Valves Iaifo SRL	Valves	47,457	47,228	205,171	204,181
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	12,637,815	13,503,236	54,637,066	58,378,540
KMG Rompetrol Development S.R.L.	Retail	2,578,033	234,688	11,145,610	1,014,627
Global Security Systems S.A.	Security and protection services	1,502,663	1,797,651	6,496,463	7,771,785
<b>Total</b>		<b><u>887,948,072</u></b>	<b><u>1,594,823,757</u></b>	<b><u>3,838,865,900</u></b>	<b><u>6,894,901,550</u></b>

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 30 June 2020**

*(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.

**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>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
	USD	USD	RON	RON
<b>Earnings</b>				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	(126,054,266)	(21,197,205)	(544,970,410)	(91,641,876)
<b>Number of shares</b>				
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
<b>Earnings per share (US cents/share)</b>				
Basis	<b>(0.286)</b>	<b>(0.048)</b>	<b>(1.236)</b>	<b>(0.208)</b>

**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. On December 5, 2019 DIICOT issued the Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. In such situation, the reason for which the settlement of the administrative appeal has been suspended, has ceased.

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. On December 5, 2019 DIICOT issued the Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. In such situation, the reason for which the settlement of the administrative appeal has been suspended, has ceased.

**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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

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

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 amiable 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 Finance 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 KMGI 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. The Group reverted again in February 2020 to ANAF for lifting the seizure and pointed out there is no legal rationale to be maintained. 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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

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 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.

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 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 from the criminal seizure.

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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

As of October 23, 2019, all the shares seized back in May 2016 as well as the KMGI assets, and assets of Refinery located on the Vega, Ploiesti Platform and OEBS assets were released from seizure (on April 22, 2019). Therefore, the only assets still remaining under freezing orders are the ones of RRC located in Navodari on the Petromidia refinery Platform. On June 12 and July 29, 2019 the Group submitted another statement of defence by challenging the allegations mentioned within the case.

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 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. The last term was schedule for May 29, 2020 and the Court postpone it for June 26, 2020 to allow the parties to prepare their defences. On July 10, 2020, the Supreme Court issued the final decision according to which all the complaints formulated against the dismissal ordinance issued on December 5, 2019, were rejected as inadmissible.

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.

On May 25, the Bucharest Court rejected the request of Faber for settlement of the stamp fee that Faber should pay for its claim (for the time being is \$530,000). On July 8, Bucharest Court annulled Faber's claim as unstamped.

On the other hand, Faber resumed one of the older files by which Faber challenged the increasing of the RRC share capital back in 2003-2005. The hearing is scheduled for April 14 but the case has been suspended due to the emergency enforced since March 16. The next hearing was settled for August 18, 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, a Decision not to modify the tax base for certain taxes, including the profit tax and also 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. Also, the analysis of the transfer pricing file for the years 2007 - 2008, requested during the inspection and presented by Rompetrol Rafinare on 21.04.2011 was postponed for a possible re-verification.

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. In addition, the court ordered the completion of the analysis of the transfer pricing file during the control period.

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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

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 the amount paid was reimbursed to the Company.

The completion of the analysis of the transfer pricing file ordered by the court took place in July 2020, based on the action of a new fiscal inspection on establishing the taxable base for calculating the profit tax for 2007-2010, action initiated in April 2018. Although late under the aspect of respecting the taxpayer's rights protected by the court decision, the finalization of the analysis of the transfer pricing file by the National Agency for Fiscal Administration includes the position of the fiscal authority regarding the degree of detail necessary to document for tax purposes transactions with related parties.

Following the completion by the National Agency for Fiscal Administration of the analysis of the transfer price files for the controlled period 2007-2010, no additional fiscal payment obligations were established for the Company.

Even if for the controlled period, respectively 2007-2010, the new fiscal inspection action established additionally, by estimation, a significant taxable base for the calculation of the profit tax, this does not change the fiscal loss carried forward to 01.01.2020.

Following the analysis of the Fiscal Inspection Report issued in July 2020, Rompetrol Rafinare requested the fiscal inspection team to correct a material error identified in it, which, according to the Company's expectations, following the correction would lead to a considerably improved fiscal inspection result for the Company. At this moment, Rompetrol Rafinare is waiting for an answer from the National Agency for Fiscal Administration in connection with the request to correct the material error.

**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.

Thorough 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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

- 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 nominated three experts to perform the expertise and will set the term for the Expertise Report to be filled.

The file was suspended, based on art. 42 point 6 of the Decree of the President of Romania no. 195 / 16.03.2020 regarding the establishment of the state of emergency on the territory of Romania and of the Decision of the Board of Management no. 4/18.03.2020 of the Court of Appeal Constanta, without performing any procedural act. The Court of Appeal set the next term in the case file on September 16, 2020.

**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 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.

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.

On June 17, 2020, the Supreme Court issued the final decision according to which the appeals declared by Rompetrol Rafinare S.A. and the Ministry of Environment, Waters and Forests and the Government of Romania - General Secretariat of the Government against the decision issued by the Court of Appeal Constanta in 2019 were rejected. The favorable decision of the first court will be enforced for obtaining the amount granted.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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 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). 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 4<sup>th</sup> 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 next hearing is set for June 30. The court postponed the hearing for September 9, 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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

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. The file was suspended because of the establishment of the state of emergency on the territory of Romania without performing any procedural act. The next term in the case file is set for July 16, 2020, when the appeal filed by Rompetrol Rafinare was judged, the ruling being postponed until July 21, 2020. At that time, the Supreme Court admitted the appeal and completely change the solution of the first court, admitting the action filed by Rompetrol Rafinare SA.
- 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.

The exposure is in amount of approximatively USD 3.5 million.

**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:

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

- a) Complaint against National Company "Administrația 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 "Administrația Porturilor Maritime" SA. Next term was established October 21, 2019, when the court dismissed the complaints filed by the plaintiffs. The solution was appealed by Rompetrol Rafinare SA, the first hearing will be set by the court.
- 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 "Administrația 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.

As at current date, the legal case is currently suspended until the Constitutional Court solves the exception submitted by Rompetrol Rafinare. No risk for the financial statements, the claim formulated by Rompetrol Rafinare is a contingent asset.

**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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

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:

- a. the non-observance by negligence of the legal labor health and safety measures, as per art 349 alin.2 of Criminal code;
- b. bodily harm by negligence as per art. 196 alin. 1 and 4 of Criminal code;
- c. manslaughter as per art. 192 alin. 1,2 and 3 of Criminal code;
- d. 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 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.

The company was summoned to the prosecutor's office on June 2<sup>th</sup>, 2020 in order to be informed that the quality of suspect of the company in the file remained unchanged as presented above.

On June 24, 2020 the company received the prosecutor indictment from the Constanta Court. Taking in consideration that the court has been notified with a new indictment, for the third time the preliminary chamber procedure is to be carried out.

Within 20 days from receipt of the document will be formulated written requests and exceptions relating the legality of the procedure carried out by prosecutor.

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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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 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.

As at current date the maximum exposure is in amount of USD 1.7 million (RON 7.2 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 30 June 2020, and 31 December 2019 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 30 June 2020, 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 16.9 million (2019: USD 70.84 million). As of June 2020, Rompetrol Downstream S.R.L has contracted capital commitments of USD 0.42 million (2019: USD 2.4 million).

**Sale and purchase commitments**

As of 30 June 2020, 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 969 million (2019: USD 1,328.72 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,073 million (2019: USD 2,053.80 million).

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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>June 30, 2020</u>	<u>December 31, 2019</u>
Debt (excluding shareholder loans and related parties)	274,930,064	334,393,998
Cash and cash equivalents	<u>(11,575,131)</u>	<u>(13,196,424)</u>
<b>Net debt</b>	<b>263,354,933</b>	<b>321,197,574</b>
Equity (including shareholder loans and related parties)	511,771,145	643,909,852
<b>Net debt to equity ratio</b>	<b>0.51</b>	<b>0.50</b>

**32.3. Categories of financial instruments and fair values**

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
<b>Financial assets</b>		
Trade and other receivables	402,315,685	446,277,806
Long-term receivables	3,865,683	667,307
Available for sale investments	18,583	18,583
Derivative financial instruments	5,532,527	1,171,629
Cash and cash equivalents	<u>11,575,131</u>	<u>13,196,424</u>
<b>TOTAL FINANCIAL ASSETS</b>	<b>423,307,609</b>	<b>461,331,749</b>
<b>Financial liabilities</b>		
Long-term borrowings	184,918,672	240,000,000
Derivative financial instruments	13,974	3,704,969
Short term borrowings from shareholders	12,197,511	24,382,988
Other non-current liabilities	199,769	186,288
Net obligations under lease agreements	64,253,690	66,076,256
Trade and other payables	1,025,227,991	979,506,847
Short-term borrowings banks	<u>8,747,782</u>	<u>11,307,822</u>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,295,559,389</b>	<b>1,325,165,170</b>

The estimated fair values of the instruments presented above approximate their carrying amounts except for derivative which are presented at fair value.

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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

- 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 30 June 2020, 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.

	<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial assets</b>				
Trade and other receivables	402,315,685	402,315,685	-	-
Long-term receivables	3,865,683	3,865,683	-	-
Available for sale investments	18,583	18,583	-	-
Derivative financial instruments	5,532,527		5,532,527	-
Cash and cash equivalents	11,575,131	11,575,131	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b><u>423,307,609</u></b>	<b><u>417,775,082</u></b>	<b><u>5,532,527</u></b>	<b><u>=</u></b>
<b>Financial liabilities</b>				
Long-term borrowings	184,918,672	184,918,672	-	-
Derivative financial instruments	13,974	-	13,974	-
Short term borrowings from shareholders	12,197,511	12,197,511	-	-
Other non-current liabilities	199,769	199,769	-	-
Net obligations under lease agreements	64,253,690	64,253,690	-	-
Trade and other payables	1,025,227,991	1,025,227,991	-	-
Short-term borrowings banks	8,747,782	8,747,782	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b><u>1,295,559,389</u></b>	<b><u>1,295,545,415</u></b>	<b><u>13,974</u></b>	<b><u>=</u></b>

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

(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>
<b>Financial assets</b>				
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	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b><u>461,331,749</u></b>	<b><u>460,160,120</u></b>	<b><u>1,171,629</u></b>	<b><u>=</u></b>
<b>Financial liabilities</b>				
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	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b><u>1,350,639,570</u></b>	<b><u>1,346,934,601</u></b>	<b><u>3,704,969</u></b>	<b><u>=</u></b>

During the reporting period ending 30 June 2020 and 31 December 2019, 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.

**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>June 30, 2020</u>	<u>December 31, 2019</u>
Derivative financial asset	5,532,527	1,171,629
Derivative financial liability	(13,974)	(3,704,969)
<b>Net position - asset/(liability)</b>	<b>5,518,553</b>	<b>(2,533,340)</b>

**Income Statement:**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Unrealised (gains)	-	-
<b>Net position - (gain)/loss - in Cost of sales</b>	<b>-</b>	<b>-</b>
Realised gains/(losses) - net	(51,611,696)	(2,203,610)
<b>Total position - loss/(gain) - in Cost of sales</b>	<b>(51,611,696)</b>	<b>(2,203,610)</b>

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
<b>Derivative asset/(liability)</b>	<b>(2,533,340)</b>	<b>2,531,932</b>
Forex unrealized (hedging of forex)	-	-
Cash payments	2,041,893	(5,065,272)
<b>Reserves</b>	<b>6,010,000</b>	<b>-</b>
<b>Derivative asset/(liability)</b>	<b>5,518,553</b>	<b>(2,533,340)</b>

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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

**32.6 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.

**32.8. 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.

**32.9. 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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**

*(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)**

**32.10 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 16% 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.

**33. SUBSEQUENT EVENTS**

Facilities granted to Rompetrol Rafinare SA by Banca Transilvania in amount of EUR 30 million and EUR 27.96 million have been extended until July 30, 2021.

In July, a new credit facility was granted by Banca Transilvania, to the companies Rompetrol Rafinare SA and Rompetrol Downstream SRL, a joint facility, in amount of EUR 9 million maturing on April 26, 2021.