ROMPETROL RAFINARE SA

CONSOLIDATED FINANCIAL STATEMENTS

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

31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rompetrol Rafinare S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rompetrol Rafinare S.A. (the Company) with official head office in 215 Navodari Boulevard, Administrative Pavilion, 907500 – Navodari, Romania, identified by sole fiscal registration number RO1860712, and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

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

Key audit matters

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

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill, property, plant and equipment and right of use assets Disclosures on goodwill, property, plant and equipment and right of use assets including the related impairment, are included in Note 2. f), Note 4, Note 5, Note 6 and Note 7 respectively.	
The Group is required to test for impairment, at least annually and when impairment indicators exist, the carrying amount of goodwill. As at 31 December 2020, the carrying value of goodwill is USD 83 million and it is material for the financial statements. The goodwill impairment testing was performed at the level of one cash-generating unit (CGU) – Downstream, to which the respective goodwill was allocated. Property, plant and equipment of USD 1,168 million and right of use assets of USD 77 million are also significant to our audit because of the magnitude of the balance sheet position as at 31 December 2020. The recent drop in oil prices which started in the first half of 2020, given also the economic situation generated by the Covid-19 pandemic, had a significant effect on the Group's performance and therefore impairment indicators were identified. Under the International Financial Reporting Standards, the Group is required to assess at least at each reporting date, whether triggers for potential impairment or reversal of impairment previously recorded exist and, if they exist, an impairment test is required. The assessment of whether there is an indication that an asset may be impaired, or an impairment may be reversed requires significant judgement, as it involves consideration of various sources of information, including factors related to the	We evaluated the management's assessment of the triggers for potential impairment as well as the related impairment tests. Specifically, our audit work included, but was not limited to the following procedures: • we considered whether the impairment testing covered all significant cash generating units/individual assets for which impairment indicators existed at the end of the reporting period; • we compared the future short and long-term oil and gas prices and product margins used in the Group's budgets to consensus analyst's forecasts; • we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance in prior years; • we assessed the consideration of Covid-19-pandemic impact in the cash flow models; • we involved our internal valuation specialists to assist us in evaluating the key assumptions and the methodologies used by the Group for the impairment testing of goodwill, property, plant and equipment and right of use assets. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows for the

economic environment and industry specific factors. The impairment assessment process is complex, requires significant management judgments and is based on assumptions that are affected by expected future market conditions including uncertainty around Covid-19 developments. As of 31 December 2020, the management has performed a triggering events analysis and performed separate impairment testing in respect of the three cash generating units identified (Refinery, Downstream and Petrochemicals) for goodwill, property, plant and equipment and right of use assets. The impairment assessment for the three cash generating units indicated that the recoverable amount was higher than the carrying value, and therefore no impairment adjustment was required. In light of the judgements and estimates used by management in the determination of future cash flow projections and uncertainties regarding current and future economic environment this is considered a key audit matter.	respective CGUs (such as expected sale prices, production/sales volumes, operating profit, discount rate, growth rate working capital changes, etc.) by analyzing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group; • we checked the mathematical accuracy of the management's cash flow models for determining the fair value less cost of disposal and its conformity with the requirements of the International Financial Reporting Standards. Furthermore, we assessed the adequacy of the Group's disclosures about goodwill and property, plant and equipment, right of use assets, including the related impairment testing.

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets Disclosures about deferred tax assets are included in Note 2. f) and Note 15.	
As at 31 December 2020, the Group has a net deferred tax liability position of USD 4.34 million that includes a deferred tax asset of USD 34.75 million resulting from tax losses carried forward as presented in Note 15 to the financial statements. The assessment for recoverability of deferred tax assets is significant to our audit due to the magnitude of the amounts involved and the subjective judgments of Group's management in making these estimates, which is impacted by uncertainties regarding the likely timing and level of future taxable profits, together with the expiration date of carried forward tax losses. The Group recognizes these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.	Our audit procedures included among others, evaluation of the Group's assumptions in relation to the availability of sufficient future taxable profits based on the business plans and the forecast, discussions of underlying judgements with the Group's management, timing of future deductions and summaries of tax losses' expiry dates. In addition, we assessed the historical accuracy of management's estimates by comparing budgeted and actual data. We evaluated the consistency of these forecasts with the long-term business plans used by management to manage and monitor the performance of the business, including review of sensitivity analysis. Our internal tax specialists were involved, as appropriate, in reviewing different taxation areas for the scope of our audit and the effect of any relevant evaluations was taken into consideration in our assessment of the future taxable profits. Furthermore, we assessed the adequacy of the Group's disclosures regarding deferred tax assets.

Key audit matter	How our audit addressed the key audit matter
Completeness and measurement of provisions for litigations Disclosures about litigations are included in Note 29 and Note 30.	
The Group is involved in various and significant litigations, including in relation to regulatory and / or governmental proceedings as well as investigations by tax authorities which are disclosed in Note 29 and Note 30 to the financial statements. This area is significant to our audit due to the inherent uncertainties over the final outcome of these litigations, complexity of the cases and the significant judgement applied by the management in estimating the final outcome of such assessments and exposures (i.e. whether a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated). Due to the significance and complexity of these litigations, adverse outcomes could potentially significantly impact the Group's reported financial performance and financial position.	Our audit procedures included, among others, obtaining legal confirmations from the Group's external lawyers advising on these matters and also supporting documentation from the Group's internal legal counsel regarding the status of these litigations. We have inspected the minutes of the Board of Directors' meetings and held periodic meetings with management to discuss and understand the developments in legal proceedings and the management assumptions and judgement in respect of these matters. We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. We assessed the competence, objectivity and independence of external lawyers. Our internal specialists were involved, where appropriate, to assist us to analyze the legal cases and the assumptions made by management. We further evaluated the adequacy of disclosures regarding provisions recognized and contingencies resulting from legal proceedings.

Other information

The other information comprises the consolidated Administrators' Report and the Sustainability report, but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Administrators' Report prior to the date of our auditor's report, and we expect to obtain the Sustainability Report after the date of our auditor's report. Management is responsible for the other information.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Supplementary Financial Information

Our audit was conducted for the purpose of expressing an opinion on the consolidated financial statements taken as a whole. The information on the translation of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the other disclosure Notes into RON, which has been disclosed as supplementary financial information prepared in accordance with Note 2 e) in the accompanying the consolidated financial statements, is presented for information purposes only and is not within the scope of International Financial Reporting Standards adopted by European Union. Such supplementary financial information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, has been properly prepared, in all material respects, in accordance with the basis described in Note 2e) to the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the consolidated Financial Statements and Our Auditors' Report Thereon

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

a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at December 31, 2020;
b) the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 26 – 28;
c) based on our knowledge and understanding concerning the Group and its environment gained during our audit of the consolidated financial statements as at December 31, 2020, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

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

Appointment and Approval of Auditor

We were appointed as auditors of the Group by the General Meeting of Shareholders on April 29, 2020 to audit the consolidated financial statements for the financial year end December 31, 2020. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 13 years, covering the financial periods ended December 31, 2008 to December 31, 2020.

Consistency with Additional Report to the Audit Committee

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

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.
In addition to statutory audit services and services disclosed in the consolidated financial statements, there are no other services which were provided by us to the Group, and its controlled undertakings.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered in the electronic Public Register under No. FA 77

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

Name of the Auditor/ Associate Partner: Carmen Spiridon
Registered in the electronic Public Register under No. AF 4838
Bucharest, Romania
26 March 2021

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Spiridon Carmen
Registru Public Electronic: AF4838

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2020
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
				(supplementary info – see Note 2(e))	
Intangible assets	3	10,970,907	8,524,600	43,510,617	33,808,564
Goodwill	4	82,871,706	82,871,706	328,669,186	328,669,186
Property, plant and equipment	5	1,168,350,972	1,179,954,903	4,633,679,951	4,679,701,144
Right of use assets	7	76,543,589	62,843,821	303,571,875	249,238,595
Available for sale investments	8	18,583	18,583	73,700	73,700
Long-term receivable		4,143,035	667,307	16,431,277	2,646,540
Deferred tax asset	15	-	25,927,332	-	102,827,799
Total noncurrent assets		**1,342,898,792**	**1,360,808,252**	**5,325,936,606**	**5,396,965,528**
Inventories, net	9	202,167,399	261,673,893	801,795,903	1,037,798,659
Trade and other receivables	10	553,537,032	478,076,540	2,195,327,869	1,896,051,558
Derivative financial instruments	32.5	209,030	1,171,629	829,013	4,646,681
Cash and cash equivalents	11	100,655,956	13,196,424	399,201,521	52,337,018
Total current assets		**856,569,417**	**754,118,486**	**3,397,154,306**	**2,990,833,916**
TOTAL ASSETS		**2,199,468,209**	**2,114,926,738**	**8,723,090,912**	**8,387,799,444**
Share capital	12	1,463,323,897	1,463,323,897	5,803,542,576	5,803,542,576
Share premium	12	74,050,518	74,050,518	293,684,354	293,684,354
Revaluation reserve, net	12	125,410,659	130,188,777	497,378,675	516,328,691
Other reserves	12	(15,503,101)	(12,448,820)	(61,485,298)	(49,372,020)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,201,128,255	4,201,128,255
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,367,038,326)	(2,367,038,326)
Accumulated losses		(1,506,582,395)	(1,465,597,442)	(5,975,105,779)	(5,812,559,455)
Current year result		(199,779,921)	(49,174,940)	(792,327,167)	(195,027,812)
Equity attributable to equity holders of the parent		**403,372,993**	**602,795,326**	**1,599,777,290**	**2,390,686,263**
Non-Controlling interest		17,924,067	16,731,538	71,086,845	66,357,277
Total equity		**421,297,060**	**619,526,864**	**1,670,864,135**	**2,457,043,540**
Long-term borrowings from banks	13	240,000,000	240,000,000	951,840,000	951,840,000
Hybrid loans - interest portion	12	-	17,009,920	-	67,461,343
Obligations under lease agreements	14	81,816,635	62,098,347	324,484,774	246,282,044
Deferred tax liabilities	15	4,339,808	4,012,156	17,211,679	15,912,211
Provisions	19	79,332,744	80,361,840	314,633,663	318,715,057
Other non-current liabilities		356,061	186,288	1,412,138	738,818
Total non-current liabilities		**405,845,248**	**403,668,551**	**1,609,582,254**	**1,600,949,473**
Trade and other payables	16	1,267,733,760	1,021,572,681	5,027,832,091	4,051,557,258
Contract liabilities	17	30,912,849	26,280,234	122,600,359	104,227,408
Derivative financial instruments	32.5	375,916	3,704,969	1,490,883	14,693,907
Obligations under lease agreements	14	4,003,884	3,977,909	15,879,404	15,776,387
Short-term borrowings from shareholders and related parties	18	12,342,166	24,382,988	48,949,031	96,702,930
Short-term borrowings from banks	18	52,949,083	11,307,822	209,996,063	44,846,821
Profit tax payable		4,008,243	504,720	15,896,692	2,001,720
Total current liabilities		**1,372,325,901**	**1,091,731,323**	**5,442,644,523**	**4,329,806,431**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,199,468,209**	**2,114,926,738**	**8,723,090,912**	**8,387,799,444**

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2021 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS

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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER

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Ramona Galateanu
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FELIX CRUDU-TESLOVEANU
GENERAL MANAGER

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Felix Crudu Tesloveanu
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Ernst & Young Assurance Services S.R.L.
26. MAR. 2021
Signed for identification
Semnat pentru identificare

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

ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2020
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	2020 USD	2019 USD	2020 RON	2019 RON
				(supplementary info – see Note 2(e))	
Revenues from contract with customers	20	2,334,222,534	3,844,114,179	9,257,526,570	15,245,756,834
Cost of sales	21	(2,243,249,528)	(3,624,595,337)	(8,896,727,628)	(14,375,145,108)
Gross profit		**90,973,006**	**219,518,842**	**360,798,942**	**870,611,726**
Selling, general and administrative expenses, including logistic costs	22	(216,271,006)	(210,561,860)	(857,730,810)	(835,088,338)
Other operating income	23	107,398,286	66,706,333	425,941,602	264,557,316
Other operating expenses	23	(110,051,303)	(51,429,270)	(436,463,467)	(203,968,484)
Operating profit/(loss)		**(127,951,017)**	**24,234,045**	**(507,453,733)**	**96,112,220**
Finance cost	24	(59,560,773)	(73,693,728)	(236,218,026)	(292,269,325)
Finance income	24	32,898,826	18,122,961	130,476,743	71,875,663
Foreign exchange loss, net	24	(9,867,013)	(1,338,706)	(39,132,575)	(5,309,308)
(Loss)/Profit before income tax		**(164,479,977)**	**(32,675,428)**	**(652,327,591)**	**(129,590,750)**
Income tax	25	(34,107,415)	(16,302,125)	(135,270,008)	(64,654,228)
(Loss)/Profit for the year		**(198,587,392)**	**(48,977,553)**	**(787,597,599)**	**(194,244,978)**
Attributable to:					
Equity holders of the parent		(199,779,921)	(49,174,940)	(792,327,167)	(195,027,812)
Non-Controlling interests		1,192,529	197,387	4,729,568	782,834
Earnings per share *(US cents/share)*					
Basic	28	(0.4529)	(0.1110)	(1.7962)	(0.4402)

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2021 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS

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Ernst & Young Assurance Services S.R.L.
26. MAR. 2021
Signed for identification
Semnat pentru identificare

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Net Gain/ (Loss) for the year	**(198,587,392)**	**(48,977,553)**	**(787,597,599)**	**(194,244,978)**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):				
Actuarial losses on retirement benefits	(3,054,281)	(3,292,399)	(12,113,278)	(13,057,655)
Revaluation of buildings category in property plant and equipment	2,501,751	-	9,921,944	-
Deferred income tax related to revaluation, recognized in equity	(400,280)	-	(1,587,510)	-
Net other comprehensive income / (loss) not to be reclassified to income statement in subsequent periods	**(952,810)**	**(3,292,399)**	**(3,778,844)**	**(13,057,655)**
Total other comprehensive income/ (loss) for the year, net of tax	**(952,810)**	**(3,292,399)**	**(3,778,844)**	**(13,057,655)**
Total comprehensive result for the year, net of tax	**(199,540,202)**	**(52,269,952)**	**(791,376,443)**	**(207,302,633)**
Attributable to:				
Equity holders of the parent	(200,732,731)	(52,467,339)	(796,106,011)	(208,085,467)
Non-Controlling interests	1,192,529	197,387	4,729,568	782,834
Total comprehensive result for the year	**(199,540,202)**	**(52,269,952)**	**(791,376,443)**	**(207,302,633)**

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2021 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS

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Ernst & Young Assurance Services S.R.L.
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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2020
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	2020 USD	2019 USD	2020 RON	2019 RON
				(supplementary info – see Note 2(e))	
Result before income tax		**(164,479,977)**	**(32,675,428)**	**(652,327,591)**	**(129,590,750)**
Adjustments for:					
Depreciation and impairment of property, plant and equipment and intangibles assets	21, 22	119,980,126	117,353,307	475,841,181	465,423,214
Depreciation and amortization of right-of-use assets	7	5,453,070	4,811,795	21,626,874	19,083,581
Provisions for receivables and inventories (incl write-off)	23	(2,059,849)	(5,707,368)	(8,169,361)	(22,635,421)
Impairment for property, plant and equipment (incl write-off)	23	8,629,499	257,638	34,224,593	1,021,792
Provision for environmental and other liabilities		(2,905,236)	(8,521,723)	(11,522,166)	(33,797,153)
Restructuring and retirement benefit provisions	19	(1,178,141)	(73,341)	(4,672,507)	(290,871)
Late payment interest	24	12,740	193,232	50,527	766,358
Other financial income	24	(57,466)	(819,939)	(227,910)	(3,251,878)
Unwinding of discount leasing	24	4,644,298	3,586,988	18,419,286	14,225,994
Interest income	24	(32,841,360)	(17,303,022)	(130,248,833)	(68,623,785)
Interest expense and bank charges		31,993,702	63,370,763	126,887,022	251,328,446
Gain on sale or disposal of property, plant and equipment	23	(699,648)	(1,495,794)	(2,774,804)	(5,932,319)
Unrealized foreign exchange (gain)/loss		8,773,829	(2,699,141)	34,797,006	(10,704,793)
Cash from operations before working capital changes		**(24,734,413)**	**120,277,967**	**(98,096,683)**	**477,022,415**
Net working capital changes:					
Receivables and prepayments		(23,536,846)	(3,465,967)	(93,347,129)	(13,746,024)
Inventories		64,011,173	37,466,258	253,868,312	148,591,179
Trade and other payables and contract liabilities		84,895,180	(17,859,064)	336,694,282	(70,829,048)
Change in working capital		**125,369,507**	**16,141,227**	**497,215,465**	**64,016,107**
Income tax paid		**-**	**-**	**-**	**-**
Net cash provided by/(used in) operating activities		**100,635,094**	**136,419,194**	**399,118,782**	**541,038,522**
Cash flows from investing activities					
Purchase of property, plant and equipment		(119,491,275)	(83,525,666)	(473,902,399)	(331,262,793)
Purchase of intangible assets		(2,989,101)	(1,984,741)	(11,854,775)	(7,871,483)
Proceeds from sale of property, plant and equipment		6,133,353	23,347,851	24,324,878	92,597,577
Net cash used in investing activities		**(116,347,023)**	**(62,162,556)**	**(461,432,296)**	**(246,536,699)**
Cash flows from financing activities					
Cash pooling movement		98,870,784	63,275,165	392,121,532	250,949,309
Long - term loans received from banks		63,756,436	23,772,204	252,858,025	94,280,561
Long - term loans repaid to banks		(63,756,436)	(7,875,408)	(252,858,025)	(31,233,868)
Short - term loans (repaid to) / received from related parties		(10,733,365)	(81,755,999)	(42,568,526)	(324,244,292)
Short - term loans (repaid to) / received from banks, net		41,577,124	(14,978,023)	164,894,874	(59,402,839)
Lease repayments		(9,283,821)	(7,517,041)	(36,819,634)	(29,812,585)
Interest and bank charges paid, net		(17,259,261)	(47,458,295)	(68,450,229)	(188,219,598)
Net cash from/ (used) in financing activities		**103,171,461**	**(72,537,397)**	**409,178,017**	**(287,683,312)**
Increase / (Decrease) in cash and cash equivalents		**87,459,532**	**1,719,241**	**346,864,503**	**6,818,511**
Cash and cash equivalents at the beginning of period		**13,196,424**	**11,477,183**	**52,337,018**	**45,518,507**
Cash and cash equivalents at the end of the period		**100,655,956**	**13,196,424**	**399,201,521**	**52,337,018**

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2021 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS
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Yedil Utekov
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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER
DocuSigned by:
Ramona Galateanu
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FELIX CRUDU-TESLOVEANU
GENERAL MANAGER
DocuSigned by:
Felix Crudu Tesloveanu
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Ernst & Young Assurance Services S.R.L.
26. MAR. 2021
Signed for identification
Semnat pentru identificare

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

Amount in USD

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognized 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	**1,463,323,897**	**74,050,518**	**(1,472,047,453)**	**166,895,366**	**(26,688,810)**	**(596,832,659)**	**1,050,129,574**	**658,830,433**	**16,534,151**	**675,364,584**
Effect of applying IFRS 9	-	-	(5,137,944)	-	-	-	-	**(5,137,944)**	-	**(5,137,944)**
Restated balance at December 31, 2018	**1,463,323,897**	**74,050,518**	**(1,477,185,397)**	**166,895,366**	**(26,688,810)**	**(596,832,659)**	**1,050,129,574**	**653,692,489**	**16,534,151**	**670,226,640**
Net loss for 2019	-	-	(49,174,940)	-	-	-	-	(49,174,940)	197,387	**(48,977,553)**
Retirement benefit	-	-	-	-	-	-	(3,292,399)	(3,292,399)	-	**(3,292,399)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(3,292,399)**	**(3,292,399)**	**-**	**(3,292,399)**
Total comprehensive income	**-**	**-**	**(49,174,940)**	**-**	**-**	**-**	**(3,292,399)**	**(52,467,339)**	**197,387**	**(52,269,952)**
Transfer of realized revaluation reserve to Retained Earnings	-	-	11,587,955	(11,587,955)	-	-	-	-	-	**-**
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	1,570,176	-	-	1,570,176	-	**1,570,176**
31 December 2019	**1,463,323,897**	**74,050,518**	**(1,514,772,382)**	**155,307,411**	**(25,118,634)**	**(596,832,659)**	**1,046,837,175**	**602,795,326**	**16,731,538**	**619,526,864**
Net loss for 2020		-	(199,779,921)	-	-	-	-	(199,779,921)	1,192,529	**(198,587,392)**
Retirement benefit	-	-	-	-	-	-	(3,054,281)	(3,054,281)	-	**(3,054,281)**
Reevaluation surplus				2,501,751				2,501,751		**2,501,751**
Deferred tax related to revaluation surplus					(400,280)			(400,280)		**(400,280)**
Total other comprehensive income	**-**	**-**	**-**	**2,501,751**	**(400,280)**	**-**	**(3,054,281)**	**(952,810)**	**-**	**(952,810)**
Total comprehensive income	**-**	**-**	**(199,779,921)**	**2,501,751**	**(400,280)**	**-**	**(3,054,281)**	**(200,732,731)**	**1,192,529**	**(199,540,202)**
Transfer of realized revaluation reserve to Retained Earnings	-	-	8,189,987	(8,189,987)	-	-	-	-	-	**-**
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	1,310,398	-	-	1,310,398	-	**1,310,398**
December 31, 2020	**1,463,323,897**	**74,050,518**	**(1,706,362,316)**	**149,619,175**	**(24,208,516)**	**(596,832,659)**	**1,043,782,894**	**403,372,993**	**17,924,067**	**421,297,060**

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2021 by:

Ernst & Young Assurance Services S.R.L.
26. MAR. 2021
Signed for identification
Semnat pentru identificare

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS
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Yedil Utekov
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FELIX CRUDU-TESLOVEANU
GENERAL MANAGER
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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER
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Ramona Galateanu
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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

Amount in RON (supplementary info – see Note 2(e))

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognized 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	**5,803,542,576**	**293,684,354**	**(5,838,140,199)**	**661,907,022**	**(105,847,820)**	**(2,367,038,326)**	**4,164,813,890**	**2,612,921,497**	**65,574,443**	**2,678,495,940**
Effect of applying IFRS 9	-	-	(20,377,086)	-	-	-	-	**(20,377,086)**	-	(20,377,086)
Restated balance at December 31, 2018	**5,803,542,576**	**293,684,354**	**(5,858,517,285)**	**661,907,022**	**(105,847,820)**	**(2,367,038,326)**	**4,164,813,890**	**2,592,544,411**	**65,574,443**	**2,658,118,854**
Net loss for 2019	-	-	(195,027,812)	-	-	-	-	(195,027,812)	782,834	**(194,244,978)**
Retirement benefit	-	-	-	-	-	-	(13,057,655)	(13,057,655)	-	**(13,057,655)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(13,057,655)**	**(13,057,655)**	**-**	**(13,057,655)**
Total comprehensive income	**-**	**-**	**(195,027,812)**	**-**	**-**	**-**	**(13,057,655)**	**(208,085,467)**	**782,834**	**(207,302,633)**
Transfer of realized revaluation reserve to Retained Earnings	-	-	45,957,830	(45,957,830)	-	-	-	-	-	**-**
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	6,227,319	-	-	6,227,319	-	**6,227,319**
31 December 2019	**5,803,542,576**	**293,684,354**	**(6,007,587,267)**	**615,949,192**	**(99,620,501)**	**(2,367,038,326)**	**4,151,756,235**	**2,390,686,263**	**66,357,277**	**2,457,043,540**
Net loss for 2020	-	-	(792,327,167)	-	-	-	-	(792,327,167)	4,729,568	**(787,597,599)**
Retirement benefit	-	-	-	-	-	-	(12,113,278)	(12,113,278)	-	**(12,113,278)**
Reevaluation surplus	-	-	-	9,921,944	-	-	-	9,921,944	-	**9,921,944**
Deferred tax related to revaluation surplus	-	-	-	-	(1,587,510)	-	-	(1,587,510)	-	**(1,587,510)**
Total other comprehensive income	**-**	**-**	**-**	**9,921,944**	**(1,587,510)**	**-**	**(12,113,278)**	**(3,778,844)**	**-**	**(3,778,844)**
Total comprehensive income	**-**	**-**	**(792,327,167)**	**9,921,944**	**(1,587,510)**	**-**	**(12,113,278)**	**(796,106,011)**	**4,729,568**	**(791,376,443)**
Transfer of realized revaluation reserve to Retained Earnings	-	-	32,481,488	(32,481,488)	-	-	-	-	-	**-**
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	5,197,038	-	-	5,197,038	-	**5,197,038**
31 December 2020	**5,803,542,576**	**293,684,354**	**(6,767,432,946)**	**593,389,648**	**(96,010,973)**	**(2,367,038,326)**	**4,139,642,957**	**1,599,777,290**	**71,086,845**	**1,670,864,135**

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2021 by:

Ernst & Young Assurance Services S.R.L.
2 6. MAR. 2021
Signed for identification
Semnat pentru identificare

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS
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Yedil Utekov
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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER
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Ramona Galateanu
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1. GENERAL

Rompetrol 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.

Rompetrol 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 2020 and 2019 was 1,848 and 1,898 respectively.

The registered address of Rompetrol Rafinare SA is Bd. Navodari no. 215, Navodari, Constanta, Romania. Rompetrol Rafinare SA 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, owned company of the Republic of Kazakhstan.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of 31 December 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 31 December 2020 and 31 December 2019 the Group reported net assets including non-controlling interest, of USD 421.3 million and 619.5 million respectively. For the year ended 31 December 2020, the Group recorded losses in amount of USD 199.8 million (2019: loss of USD 49.2 million) and net current liabilities of USD 515.8 million (2019: net current liability of USD 337.6 million). The losses incurred during 2020 arise from operational losses USD 127.95 million (2019: operational profits USD 24.23 million) and financial losses USD 36.5 million (2019: USD 56.9 million).

The Parent Company, Rompetrol Rafinare SA has net asset amounting to RON 1,336 million as at 31 December 2020 (2019: RON 1,968 million) continues to be at a level lower than a half of the value of share capital (amounting to RON 4,410 as at 31 December 2020) and the Company's management takes the necessary steps to regulate this situation within the timeframe stipulated by the law, based on the stipulations of art.153.24 of company Law no.31/1990, as subsequently amended and in accordance with the statutory decisions adopted. In this regard, the Company's management prepares a plan with several proposed options in order to remediate the situation, and this is to be submitted to the shareholders' decision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In 2020 the Group has updated a medium-term development Strategy that reflects the decreased demand for refined products and the impacts associated with Covid-19 and other factors on the demand for refined products. Crude oil prices have been revised to reflect the lower, post-Covid-19 prices currently prevailing and anticipated for 2021, and revised views of oil prices in the longer term.

The strategy considered that the activity will be profitable on the medium term and assessed development perspectives of the oil and gas industry and the current trends in the downstream sector, both in the region and internationally. It is reaffirming the confidence that the downstream business will remain highly attractive in the mid-term, especially in the CEE/Mediterranean/Black Sea areas. The Group has a strong position and assets in CEE and is optimally positioned to capture the positive market trends in the mid-term. As a result of modernization and major historical investments, Petromidia refinery stands in the top-quartile state and performance versus its direct competitors. Thus, in the following period the main investment focus would be on the retail network development in Romania and other countries of presence; in projects aimed for energy efficiency and sustainable development.

The Group's commitment to the chosen direction of growth, by maximizing the economic value through access to end consumers of products manufactured by the Group. The Group relies on four synergic pillars:

- A modern, reliable and highly performing asset base;
- Capable management to drive improved performance;
- A strategy that links the company's strengths with opportunities on the market;
- Adequate access to financial markets to fund strategy implementation.

Based on the Group's budget for 2021, its medium term development strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

On 19 March 2021, the Group received a letter of support from its main shareholder, KMG International NV, valid for the next 12 months from date of approval of financial statements. Management believes that the support from KMG International NV and banks is sufficient to enable the Company to continue its operations and settle its obligations in the ordinary course of business without substantial disposal of assets, externally forced, reversing of its operations or similar actions.

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2 6. MAR. 2021
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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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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)**
  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. 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 provide 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. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). Management has assessed there is no material impact at Group level from application of this standard.

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26. MAR. 2021
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d) Standards issued but not yet effective and not early adopted'

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

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that amendments are not relevant for the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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 1 January 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. 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 is in process assessing the impact at Group level from application of this amendments.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018 - 2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

  The amendments have not yet been endorsed by the EU. Management has assessed there is no material impact at Group level from application of this amendments.

- **IFRS 16 Leases- Covid-19 Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  Management has assessed there is no material impact at Group level from application of this amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
  In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. Management is in the process of assessing the impact at Group level from application of this amendments.

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 denominated in USD, and that are measured in RON or other currencies, have been measured in USD as follows:

<u>Monetary assets and liabilities</u>

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.

<u>Non-monetary assets and liabilities</u>

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.

<u>Consolidated statement of income</u>

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.

The gain and / or loss on foreign exchange differences related to the revaluation of items that are not denominated in USD are reflected in the consolidated income statement for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other matters

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

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

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 31 December 2020 closing exchange rate published by Romanian national Bank of RON 3.9660 = USD 1, for both 2020 and 2019 amounts. Translation is performed for all primary statements using the closing exchange rate.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Impairment of non- financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment and right of use assets 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.

The Group bases its impairment calculation based on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs. Budgets and forecasts used for impairment calculation generally cover the period of five years. Also, Budgets and forecasts are based on management estimates of future commodity prices, market supply and demand and product margins.

Impairment assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs and future capital expenditures. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the CGUs.

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

- Provision for environmental liability

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

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

- Deferred tax assets

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

- 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.

- - Hybrid loan interest payable

The Group has unsecured hybrid loans subscribed by its parent company, for which interest is computed based on the company's annual EBIT (operational profit) 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

At maturity the loan can be repaid in cash or fully or partially converted into shares at the option of the issuer. The estimated future payments of interest are classified as liability, as the Group cannot avoid making these payments if conditions are met, while the remaining balance of the loan is classified in equity and not subsequently remeasured. On annual basis, a reassessment of the future estimated interest payments is performed with direct impact in the current year result.

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Further details on the hybrid loan interest payable are provided in Notes 12.

g) Basis of consolidation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

	Years
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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, intangible assets and right of use 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 l) 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 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.

A lessee shall determine the lease term as a non-cancellable period of a lease, together with both:
- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 9.

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 deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes 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.

(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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 2.97% (2019: 4.65%) for Romanian subsidiaries with an expected rate of long-term salary increase 2.31% (2019: 2.97%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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.

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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.

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.

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fair value hedge

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

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

Cash Flow Hedge

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

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

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

z) Emission Rights

CO_2 emission rights quota are allocated to the Group's refining and petrochemicals operations. For the period 2013 - 2020 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. The Group accounts for the liability resulting from generating of these emissions using the net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective group companies. Income is recognized only when excess certificates are sold on the market.

aa) Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;

Or

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

ab) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ac) Contingencies

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of 1 January 2019	**35,703,732**	**39,181,468**	**4,407,006**	**79,292,206**
Additions	6,933	143,766	1,834,042	**1,984,741**
Transfers from CIP	154,046	883,934	(1,037,980)	**-**
Transfers and reclassifications*	-	-	93,347	**93,347**
Closing balance as of 31 December 2019	**35,864,711**	**40,209,168**	**5,296,415**	**81,370,294**
Additions	10,278	306,183	2,672,640	**2,989,101**
Transfers from CIP	2,424,150	3,076,550	(5,500,700)	**-**
Transfers and reclassifications*	-	-	1,727,341	**1,727,341**
Closing balance as of 31 December 2020	**38,299,139**	**43,591,901**	**4,195,696**	**86,086,736**
Accumulated amortization				
Opening balance as of 1 January 2019	**(34,272,992)**	**(36,889,159)**	**(523,380)**	**(71,685,531)**
Charge for the year	(797,224)	(362,939)	-	**(1,160,163)**
Closing balance as of 31 December 2019	**(35,070,216)**	**(37,252,098)**	**(523,380)**	**(72,845,694)**
Charge for the year	(1,290,912)	(979,223)	-	**(2,270,135)**
Closing balance as of 31 December 2020	**(36,361,128)**	**(38,231,321)**	**(523,380)**	**(75,115,829)**
Net book value				
As of 31 December 2019	**794,495**	**2,957,070**	**4,773,035**	**8,524,600**
As of 31 December 2020	**1,938,011**	**5,360,580**	**3,672,316**	**10,970,907**

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

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

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3. INTANGIBLE ASSETS (continued)

Amounts in RON (supplementary info – see Note 2(e))

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of 1 January 2019	**141,601,001**	**155,393,702**	**17,478,186**	**314,472,889**
Additions	27,496	570,176	7,273,811	7,871,483
Transfers from CIP	610,946	3,505,683	(4,116,629)	-
Transfers and reclassifications*	-	-	370,214	370,214
Closing balance as of 31 December 2019	**142,239,443**	**159,469,561**	**21,005,582**	**322,714,586**
Additions	40,763	1,214,322	10,599,690	11,854,775
Transfers from CIP	9,614,179	12,201,597	(21,815,776)	-
Transfers and reclassifications*	-	-	6,850,634	6,850,634
Closing balance as of 31 December 2020	**151,894,385**	**172,885,480**	**16,640,130**	**341,419,995**
Accumulated amortization				
Opening balance as of 1 January 2019	**(135,926,686)**	**(146,302,405)**	**(2,075,725)**	**(284,304,816)**
Charge for the year	(3,161,790)	(1,439,416)	-	(4,601,206)
Closing balance as of 31 December 2019	**(139,088,476)**	**(147,741,821)**	**(2,075,725)**	**(288,906,022)**
Charge for the year	(5,119,757)	(3,883,599)	-	(9,003,356)
Closing balance as of 31 December 2020	**(144,208,233)**	**(151,625,420)**	**(2,075,725)**	**(297,909,378)**
Net book value				
As of 31 December 2019	**3,150,967**	**11,727,740**	**18,929,857**	**33,808,564**
As of 31 December 2020	**7,686,152**	**21,260,060**	**14,564,405**	**43,510,617**

4. GOODWILL

The carrying value of goodwill as of 31 December 2020 and 2019 was USD 82,871,706 (RON: 328,669,186).

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 2020 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.

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5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of 1 January 2019	**69,868,536**	**674,752,362**	**1,279,531,631**	**124,682,802**	**125,891,610**	**2,274,726,941**
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)**
As of 1 December 2019	**69,198,085**	**686,315,654**	**1,286,858,834**	**131,776,943**	**151,573,371**	**2,325,722,887**
Additions	-	590,394	491,896	176,696	118,232,289	**119,491,275**
Transfers from CIP	372,949	29,943,496	85,530,114	5,586,894	(121,433,453)	**-**
Revaluation adjustment	-	2,501,751	-	-	-	**2,501,751**
Disposals	-	(4,568,601)	(14,078,619)	(2,634,497)	(49,275)	**(21,330,992)**
Transfers and reclassifications*	-	-	303	1,284	(1,823,761)	**(1,822,174)**
As of 31 December 2020	**69,571,034**	**714,782,694**	**1,358,802,528**	**134,907,320**	**146,499,171**	**2,424,562,747**
Accumulated depreciation & Impairment						
As of 1 January 2019	**(78,373)**	**(143,468,375)**	**(769,243,876)**	**(97,336,247)**	**(29,496,409)**	**(1,039,623,280)**
Charge for the year	-	(40,764,255)	(67,548,109)	(7,880,780)	-	**(116,193,144)**
Accumulated depreciation of disposals	-	1,345,610	6,655,564	2,047,266	-	**10,048,440**
Transfers and reclassifications*	-	25,771	(25,771)	-	-	**-**
As of 31 December 2019	**(78,373)**	**(182,861,249)**	**(830,162,192)**	**(103,169,761)**	**(29,496,409)**	**(1,145,767,984)**
Charge for the year	-	(39,163,338)	(70,182,127)	(8,364,526)	-	**(117,709,991)**
Accumulated depreciation of disposals	-	609,792	13,213,862	1,611,693	-	**15,435,347**
Impairment	(1,885,934)	(2,896,746)	(110,903)	-	(3,273,976)	**(8,167,559)**
Transfers and reclassifications*	-	-	(1,253)	(335)	-	**(1,588)**
As of 31 December 2020	**(1,964,307)**	**(224,311,541)**	**(887,242,613)**	**(109,922,929)**	**(32,770,385)**	**(1,256,211,775)**
Net book value as of 31 December 2019	**69,119,712**	**503,454,405**	**456,696,642**	**28,607,182**	**122,076,962**	**1,179,954,903**
Net book value as of 31 December 2020	**67,606,727**	**490,471,153**	**471,559,915**	**24,984,391**	**113,728,786**	**1,168,350,972**

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*) *Includes, transfer from property, plant and equipment, reclassifications between categories and other adjustments.*

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts in RON (supplementary info – see note 2(e))

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of 1 January 2019	**277,098,614**	**2,676,067,868**	**5,074,622,449**	**494,491,993**	**499,286,125**	**9,021,567,049**
Acquisitions	-	2,573,339	2,601,724	943,876	325,143,852	**331,262,791**
Transfers from CIP	52,212	106,079,086	65,807,406	49,239,024	(221,177,728)	**-**
Disposals	(2,711,221)	(62,320,673)	(39,821,178)	(22,047,537)	(638,554)	**(127,539,163)**
Transfers and reclassifications*	-	(471,736)	471,736	-	(1,473,710)	**(1,473,710)**
As of 31 December 2019	**274,439,605**	**2,721,927,884**	**5,103,682,137**	**522,627,356**	**601,139,985**	**9,223,816,967**
Additions	-	2,341,503	1,950,860	700,776	468,909,258	**473,902,397**
Transfers from CIP	1,479,116	118,755,905	339,212,432	22,157,622	(481,605,075)	**-**
Revaluation adjustment	-	9,921,944	-	-	-	**9,921,944**
Disposals	-	(18,119,072)	(55,835,803)	(10,448,415)	(195,425)	**(84,598,715)**
Transfers and reclassifications*	-	-	1,202	5,092	(7,233,037)	**(7,226,743)**
As of 31 December 2020	**275,918,721**	**2,834,828,164**	**5,389,010,828**	**535,042,431**	**581,015,706**	**9,615,815,850**
Accumulated depreciation & Impairment						
As of 1 January 2019	**(310,827)**	**(568,995,575)**	**(3,050,821,212)**	**(386,035,556)**	**(116,982,758)**	**(4,123,145,928)**
Charge for the year	-	(161,671,035)	(267,895,800)	(31,255,173)	-	**(460,822,008)**
Accumulated depreciation of disposals	-	5,336,689	26,395,967	8,119,457	-	**39,852,113**
Transfers and reclassifications*	-	102,208	(102,208)	-	-	**-**
As of 31 December 2019	**(310,827)**	**(725,227,713)**	**(3,292,423,253)**	**(409,171,272)**	**(116,982,758)**	**(4,544,115,823)**
Charge for the year	-	(155,321,799)	(278,342,316)	(33,173,710)	-	**(466,837,825)**
Accumulated depreciation of disposals	-	2,418,435	52,406,177	6,391,974	-	**61,216,586**
Transfers and reclassifications*	-	-	(4,969)	(1,329)	-	**(6,298)**
As of 31 December 2020	**(7,790,441)**	**(889,619,572)**	**(3,518,804,202)**	**(435,954,337)**	**(129,967,347)**	**(4,982,135,899)**
Net book value as of 31 December 2019	**274,128,778**	**1,996,700,171**	**1,811,258,884**	**113,456,084**	**484,157,227**	**4,679,701,144**
Net book value as of 31 December 2020	**268,128,280**	**1,945,208,592**	**1,870,206,626**	**99,088,094**	**451,048,359**	**4,633,679,951**

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*) Includes, transfer from property, plant and equipment, reclassifications between categories and other adjustments.

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 13.65 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 21.84 million, Tank rehabilitation amounting to USD 2.73 million, 2020 General Turnaround PEM & PET USD 40.31 million, Fluid Catalytic Cracking (FCC) Unit Rehabilitation USD 6 million, replacement of reactor, improve cocker operation, modernization IPPA system and CF ramp, replace old switches and releys, detailed design engineering for firefighting system and other small project totaling USD 18,47 million. Total acquisitions for construction in progress for Vega refinery in amount of USD 5.6 million, for Rompetrol Downstream in amount of USD 5.5 million, for Romoil in amount of USD 2.9 million and for Rompetrol Gas in amount of USD 1 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 2020 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 4.4 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 27.07 million, APC (i.e. Advance Process Control) in all refinery unit amounting to USD 3.05 million, replacement of reactor, improve cocker operation, modernization IPPA system and CF ramp, replace old switches and releys, detailed design engineering for firefighting system, new pipelines, maximize usage unit condensate, replacement for electrical in coke unit totaling USD 16,8 million, spare parts capex in amount of USD 4.5 million and other refinery ongoing project totaling USD 13.9 million.

During 2020, Downstream continued the process of expanding the network by opening new stations. The value of investment was USD 12.48 million.

In balance as of 31 December 2020, USD 22.46 million represent assets in course of construction in regard to the retail network development.

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Disposals*

In 2020, out of the total USD 21.3 million disposed assets, USD 12.4 million refers to catalysts replacement in units in Rompetrol Rafinare SA, and USD 5.37 million for Rompetrol Downstream referring to sales of 4 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).

- *Impairment*

The Group completes an annual assessment for any indication of impairment for all entities based on specific asset considerations, as applicable, and taking into consideration expectations on future estimated cash flows. Impairment tests have been performed by the Group for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2020 on the cash generating units ("CGUs") listed below in Note 6.

- *Revaluation of buildings category*

Starting 31 December 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 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.

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying amount

	Buildings	
	mUSD	mRON (supplementary info – see note 2(e))
Carrying amount as at 31 December 2017	**541.26**	**2,146.64**
Revaluation gain recognized due to change in accounting policy to revaluation model	3.73	14.79
Revaluation loss recognized	(11.17)	(44.30)
Depreciation for the year	(36.98)	(146.66)
Additions / Disposals / Transfers and reclassifications	25.51	101.17
Impairment	8.94	35.46
Carrying amount and fair value as at 31 December 2018	**531.29**	**2,107.10**
Depreciation for the year	(40.76)	(161.65)
Additions / Disposals / Transfers and reclassifications	12.93	51.28
Carrying amount and fair value as at 31 December 2019	**503.46**	**1,996.73**
Depreciation for the year	(39.16)	(155.31)
Additions / Disposals / Transfers and reclassifications	26.58	105.42
Impairment	(2.90)	(11.50)
Revaluation adjustment	2.50	9.92
Carrying amount and fair value as at 31 December 2020	**490.48**	**1,945.26**

*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:

	Buildings 2020		Buildings 2019	
	m USD	**m RON**	**m USD**	**m RON**
Cost	987.18	3,915.16	961.22	3,812.20
Accumulated depreciation and impairment	(601.86)	(2,386.98)	(569.73)	(2,259.55)
Net carrying amount	**385.32**	**1,528.18**	**391.49**	**1,552.65**

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment with a carrying value of USD 390 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 10 September 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.

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

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 5 December 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 USD 106 m over four Rompetrol Rafinare S.A.' 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.

Both Faber and AAAS and the Group challenged it. The Group challenge filled in on 27 December 2019 concerns the relevant criminal charges to be dismissed on merits and not because of passing the status of limitation. On 7 February 2020 DIICOT rejected the Group challenge against 5 December 2019 Ordinance. The group submitted to Supreme Court challenge against the DIICOT rejection and the first hearing is scheduled for 8 April 2020. The last term was schedule for 29 May 2020 and the Court postpone it for 26 June 2020 to allow the parties to prepare their defenses. On 10 July 2020, the Supreme Court issued the final decision according to which all the complaints formulated against the dismissal ordinance issued on 5 December 2019, issued in file no. 225 / D / P / 2006 by the PICCJ-DIICOT were rejected as inadmissible.

Faber submitted a civil claim to the Bucharest court against both the Group companies and defendants. On25 May, 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 USD 530,000). On 8 July, 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 Rompetrol Rafinare S.A. share capital back in 2003 - 2005. The hearing is scheduled for 14 April but the case has been suspended due to the emergency enforced since 16 March, 2020. The next hearing was settled for 27 April 2021.

6. IMPAIRMENT TEST

Impairment tests have been performed by the Group for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2020 on the cash generating units ("CGUs") Refining, Petrochemicals and Downstream Romania. Based on the impairment tests performed, no impairment has been identified.

Specific impairment recorded as of 31 December 2020, amounting USD 8.17 million mainly refers to old construction in progress items for gas stations (USD 3.3 million) and impairment for one building held by Rompetrol Logistic (USD 2.3 million).

As of 31 December 2020, the net book value of property plant and equipment including Goodwill for the cash generating units is the following: Refining USD 948 million, Petrochemicals USD 13.7 million, Downstream USD 257.1 million (of which USD 82.87 million represents Goodwill). The net book value of the right of use assets as of 31 December 2020 is of USD 76.5 million.

Refining

Refining CGU includes the operations of Petromidia Refinery, Polypropylene Installations, Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 10.7% (2019: 9.4%) and cash flows beyond the 5-year period are extrapolated using a 2.2% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.5% (2019: 7.5%).

Petrochemicals

Petrochemicals CGU includes the petrochemical business of the group, mainly Low Density Polyethylene Unit, which is included within the Rompetrol Rafinare, legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 10.7% (2019: 9.4%) and cash flows beyond the 5-year period are extrapolated using a 2.2% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.5% (2019: 7.5%).

Downstream Romania

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

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 10.7% (2019 9.4%) and cash flows beyond the 5-year period are extrapolated using a 2.2% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.5% (2019: 7.5%).

Key assumptions used in fair value less costs to sell calculations

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

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

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6. IMPAIRMENT TEST (continued)

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

	2021	2022	2023	2024	2025
	%	%	%	%	%
Rompetrol Refinery	(0.9)	0.8	0.6	3.2	3.2
Petrochemicals	(4.0)	(3.5)	6.6	8.5	10.8
Downstream Romania	1.8	1.7	1.9	2.0	2.3

Operating profit margins are estimated based on the crack and quantity delivered of key products, gasoline and diesel. Cracks are assumed below the oil & gas market forecasts for short-medium term, 2021 – 2023. For longer term perspective, 2024 onwards, cracks are aligned to the historical multiannual average performance, which in line with the market forecasts starting 2024 onwards. On short medium term, cracks have been revised to reflect the lower, post COVID-19 crude oil prices prevailing and anticipated for 2021.

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

Growth rate estimates - Rates are based on published industry research and are in line with the expected level of the annual inflation rate.

Sensitivity to changes in assumptions

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

Rompetrol Refinery

The break-even point for the current model is achieved under a decrease of 30.4% of Operating profit, reaching the following Operating profit margins:

	2021	2022	2023	2024	2025
	%	%	%	%	%
Operating profit margin	(0.6)	0.6	0.4	2.3	2.3

Petrochemicals

The break-even point for the current model is achieved under a decrease of 74.2% of Operating profit, reaching the following Operating profit margins:

	2021	2022	2023	2024	2025
	%	%	%	%	%
Operating profit margin	(1.0)	(0.9)	1.7	2.2	2.8

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

6. IMPAIRMENT TEST (continued)

Downstream Romania

The break-even point for the current model is achieved under a decrease of Operating profit of 43.3% reaching the following Operating profit margins:

	2021	2022	2023	2024	2025
	%	%	%	%	%
Operating profit margin	1.0	0.9	1.1	1.1	1.3

**Operating profit margins were computed based on net revenue.*

Perpetuity growth rate sensitivity: an increase/decrease by 1% of the sensitivity growth rate will generated the following changes within the CGU's fair value:

Change in growth rate	Refinery CGU	Refinery Petrochemicals CGU	Downstream Romania CGU
Change in fair value change at 1% increase in perpetuity growth rate	8.2%	8.6%	7.2%
Change in fair value change at 1% decrease in perpetuity growth rate	(6.5)%	(6.8)%	(5.8)%

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7. RIGHT OF USE ASSETS

Amounts in USD

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of 1 January 2019	**35,582,926**	**24,817**	**413,829**	**36,021,572**
Additions	31,634,044	-	-	**31,634,044**
As of 31 December 2019	**67,216,970**	**24,817**	**413,829**	**67,655,616**
Disposals	(1,387,940)	-	(7,745)	**(1,395,685)**
Additions	8,841,467	41,527	1,154,322	**10,037,316**
Reclassifications and other transfers	31,863	115,285	(119,528)	**27,620**
Re-measurement	10,251,128	194,512	17,717	**10,463,357**
As of 31 December 2020	**84,953,488**	**376,141**	**1,458,595**	**86,788,224**
Depreciation and Impairment:				
As of 1 January 2019	**-**	**-**	**-**	**-**
Depreciation and amortization	(4,607,506)	(10,707)	(193,582)	**(4,811,795)**
As of 31 December 2019	**(4,607,506)**	**(10,707)**	**(193,582)**	**(4,811,795)**
Depreciation and amortization	(5,112,757)	(111,244)	(229,069)	**(5,453,070)**
Accumulated depreciation of disposals	20,230	-	-	**20,230**
Reclassifications and other transfers	-	(86,090)	86,090	**-**
As of 31 December 2020	**(9,700,033)**	**(208,041)**	**(336,561)**	**(10,244,635)**
Net Book value at 31 December 2020	**75,253,455**	**168,100**	**1,122,034**	**76,543,589**
Net Book value at 31 December 2019	**62,609,464**	**14,110**	**220,247**	**62,843,821**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

7. RIGHT OF USE ASSETS (continued)

Amounts in RON (supplementary info – see note 2(e))

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of 1 January 2019	**141,121,885**	**98,424**	**1,641,246**	**142,861,555**
Additions	125,460,619	-	-	**125,460,619**
As of 31 December 2019	**266,582,504**	**98,424**	**1,641,246**	**268,322,174**
Disposals	(5,504,570)	-	(30,717)	**(5,535,287)**
Additions	35,065,258	164,696	4,578,041	**39,807,995**
Reclassifications and other transfers	126,369	457,220	(474,048)	**109,541**
Re-measurement	40,655,974	771,435	70,266	**41,497,675**
As of 31 December 2020	**336,925,535**	**1,491,775**	**5,784,788**	**344,202,098**
Depreciation and Impairment:				
As of 1 January 2019	**-**	**-**	**-**	**-**
Depreciation and amortization	(18,273,369)	(42,464)	(767,746)	**(19,083,579)**
As of 31 December 2019	**(18,273,369)**	**(42,464)**	**(767,746)**	**(19,083,579)**
Depreciation and amortization	(20,277,194)	(441,194)	(908,488)	**(21,626,876)**
Accumulated depreciation of disposals	80,232	-	-	**80,232**
Reclassifications and other transfers	-	(341,433)	341,433	**-**
As of 31 December 2020	**(38,470,331)**	**(825,091)**	**(1,334,801)**	**(40,630,223)**
Net Book value at 31 December 2020	**298,455,204**	**666,684**	**4,449,987**	**303,571,875**
Net Book value at 31 December 2019	**248,309,135**	**55,960**	**873,500**	**249,238,595**

During 2020, the contract for the usage of Midia Maritime Port was re-negotiated (in terms of lease period increase and reduction of lease payments) and this resulted in a re-measurement effect in the lease liability by an amount of USD 12.1 million with a corresponding adjustment to the right-of-use asset. The contract period was extended with 25 years.

The procedure of the National Company Administration of Maritime Ports regarding the conclusion of new contracts or extension of old ones by direct award is done by assigning a score to the future / current tenant calculated according to several criteria - economic, social, environmental and a series of situations particulars in which the future / current tenant is located; also through the negotiations, the parties can make new proposals with an impact on the score provided by the reference offer. Following these procedures followed by Rompetrol Rafinare S.A. the leased port land area was also modified; hence the knowledge by Rompetrol Rafinare S.A. of the moment of completion and entry into force of the additional documents and of their validity period could not be achieved before the establishment of all contractual elements, elements subject to negotiation by the parties.

The additions during the year represent mainly contracts concluded by Rompetrol Downstream for the rental of gas stations from Rompetrol Development (USD 8 million).

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

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7. RIGHT OF USE ASSETS (continued)

Land, buildings and special construction category includes mainly:

- Rent agreements for gas stations - in Rompetrol Downstream, in this category are included rent agreements for gas station buildings, 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.

USD	Net book value at 31 December 2020	Net book value at 31 December 2019
Rent agreements for gas stations	59,549,633	58,187,336
Rental of administrative buildings	986,309	1,385,614
Rent for usage of maritime port	13,265,255	1,068,176
Depots rent	1,452,258	1,968,338
Total	**75,253,455**	**62,609,464**

Plant and equipment category includes mainly equipment for industrial water pumping stations.

Vehicles and other category includes mainly the agreements in relation the car fleet rental.

The right-of-use assets are also subject to impairment and assessed within the CGUs to which they belong. For details please refer to Note 6.

8. INVESTMENTS

Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at 31 December 2020 and 31 December 2019 are as follows:

Company name	Country of incorporation	Range of activity	Effective ownership 31 December 2020 %	Control 31 December 2020 %	Effective ownership 31 December 2019 %	Control 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.

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9. INVENTORIES, NET

	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
			(supplementary info – see Note 2(e))	
Crude oil and other feedstock materials	66,430,951	85,028,488	263,465,150	337,222,983
Petroleum and petrochemical products	95,372,383	124,722,388	378,246,871	494,648,991
Work in progress	19,014,944	34,980,679	75,413,268	138,733,373
Spare parts	15,619,558	15,958,288	61,947,167	63,290,570
Consumables and other raw materials	6,073,618	6,329,556	24,087,969	25,103,019
Merchandises	13,838,181	12,660,052	54,882,226	50,209,766
Other inventories	7,666,692	8,403,407	30,406,100	33,327,912
Inventories write-down	(21,848,928)	(26,408,965)	(86,652,848)	(104,737,955)
Total	**202,167,399**	**261,673,893**	**801,795,903**	**1,037,798,659**

The inventories provision movement in 2020 and 2019 is provided below:

Movements in inventories reserve:

	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
			(supplementary info – see Note 2(e))	
Reserve as of January 1	**(26,408,965)**	**(32,490,635)**	**(104,737,955)**	**(128,857,858)**
Accrued provision	(47,344,879)	(17,242,503)	(187,769,790)	(68,383,767)
Write off	10,886	9,609	43,174	38,109
Reversal of provision	51,894,030	23,314,564	205,811,723	92,465,561
Reserve as of December 31	**(21,848,928)**	**(26,408,965)**	**(86,652,848)**	**(104,737,955)**

The inventories provisions mainly represent the provision for net realizable value (USD 12.3 million) 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 (USD 7.7 million).

The Group has pledged inventories in gross amount of USD 172 million (2019: USD 99 million) to secure banking facilities.

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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.

	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
			(supplementary info – see Note 2(e))	
Trade receivables	194,100,203	220,398,812	769,801,405	874,101,688
Advances to suppliers	8,011,509	17,234,926	31,773,645	68,353,717
Sundry debtors	119,603,528	80,059,187	474,347,592	317,514,736
VAT to be recovered	415,186	75,159	1,646,628	298,081
Other receivables	278,598,734	207,290,815	1,104,922,579	822,115,372
Provision for expected credit losses related to trade receivables	(47,192,128)	(46,982,359)	(187,163,980)	(186,332,036)
Total	**553,537,032**	**478,076,540**	**2,195,327,869**	**1,896,051,558**

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

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

Included in Sundry debtors in 2020 is an amount of USD 6.4 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, and an additional USD 3.46 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 76.5 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).

The main increase in sundry debtors relates to the positive outcome on the CO2 certificates litigation that Rompetrol Rafinare won against the Romanian state, for which the company recognized a receivable towards the state in amount of USD 31.5 million, representing the total amount as per court decision less cash collected from the state. In the same time the company has the obligation to acquire CO2 certificates for 2020 compliance and recognized an estimated respective liability based on the emissions as of 31 December 2020 of USD 32.8 million (see Note 23).

In 2020, out of the total amount of USD 8 million (2019: 17.2 million) representing advances to suppliers, USD 5.7 million (2019: 14.2 million) are in respect of other raw materials, investment projects and management fees services in Rompetrol Rafinare and USD 2 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 278.6 million (2019: USD 207.3 million), an amount of USD 238.7 million (2019: USD 177.5) million relates to cash pooling receivables for: Rompetrol Downstream USD 175.5 million (2019: USD 143.7 million), Rompetrol Rafinare USD 19.1 million (2019: USD 1.2 million), Rompetrol Gas USD 43.7 million (2019: USD 32.4 million), and Rompetrol Quality Control USD 0.3 million (2019: USD 0.2 million). Also, in other receivables an amount of USD 22 million (2019: USD 12.19 million) refers to excise receivables in Rompetrol Rafinare.

	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Sundry debtors	119,603,528	80,059,187	474,347,592	317,514,736
Other receivables	278,598,734	207,290,815	1,104,922,579	822,115,372
Provision for sundry debtors and other receivables	(5,654,824)	(5,285,315)	(22,427,033)	(20,961,561)

Out of the total amount of other receivables and sundry debtors of USD 398.2 million (2019: USD 287.4 million) an amount of USD 5.7 million (2019: USD 5.3 million) is provisioned.

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

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	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Balance at the beginning of the year	**(46,982,359)**	**(50,077,194)**	**(186,332,036)**	**(198,606,151)**
Charge for the year	(2,368,205)	(2,145,763)	(9,392,301)	(8,510,096)
Utilised	4,914,449	2,792,591	19,490,705	11,075,416
Unused amounts reversed	393,920	252,989	1,562,287	1,003,354
Reclassification between categories trade receivables and other receivables	1,055	-	4,184	-
Exchange rate differences	(3,150,988)	2,195,018	(12,496,819)	8,705,441
Balance at the end of the year	**(47,192,128)**	**(46,982,359)**	**(187,163,980)**	**(186,332,036)**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December, the ageing analysis of trade receivables and the respective balance of expected credit loss is as follows:

2020 USD		Trade receivables					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.62%**	**0.17%**	**1.83%**	**4.78%**	**27.81%**	**94.72%**	
Estimated total gross carrying amount at default	66,336,195	78,250,034	2,266,251	3,431,393	1,068,744	42,747,586	**194,100,203**
Expected credit loss	409,568	134,248	41,476	164,042	297,179	40,490,791	**41,537,304**

2020 RON (supplementary info – see Note 2(e))		Trade receivables					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.62%**	**0.17%**	**1.83%**	**4.78%**	**27.81%**	**94.72%**	
Estimated total gross carrying amount at default	263,089,349	310,339,635	8,987,951	13,608,905	4,238,639	169,536,926	**769,801,405**
Expected credit loss	1,624,347	532,428	164,494	650,591	1,178,612	160,586,475	**164,736,947**

2019 USD		Trade receivables					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.35%**	**0.50%**	**7.77%**	**7.53%**	**19.82%**	**90.38%**	
Estimated total gross carrying amount at default	78,076,127	91,137,101	5,002,203	871,124	629,386	44,682,871	**220,398,812**
Expected credit loss	275,625	459,288	388,818	65,556	124,759	40,382,998	**41,697,044**

2019 RON (supplementary info – see Note 2(e))		Trade receivables					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.35%**	**0.50%**	**7.77%**	**7.53%**	**19.82%**	**90.38%**	
Estimated total gross carrying amount at default	309,649,920	361,449,743	19,838,737	3,454,878	2,496,145	177,212,265	**874,101,688**
Expected credit loss	1,093,129	1,821,536	1,542,052	259,995	494,794	160,158,969	**165,370,475**

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10. TRADE AND OTHER RECEIVABLES (continued)

2020 USD		Sundry debtors – Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**4.33%**	
Estimated total gross carrying amount at default	31,487,557	(207,986)	422,140	(83,356)	1,448	87,983,725	**119,603,528**
Expected credit loss	-	-	-	-	-	3,811,298	**3,811,298**

2020 RON (supplementary info – see Note 2(e))		Sundry debtors – Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**4.33%**	
Estimated total gross carrying amount at default	124,879,651	(824,872)	1,674,207	(330,590)	5,743	348,943,453	**474,347,592**
Expected credit loss	-	-	-	-	-	15,115,608	**15,115,608**

2019 USD		Sundry debtors – Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**4.45%**	
Estimated total gross carrying amount at default	82,145	288,521	27,012	1,871	6,626	79,653,012	**80,059,187**
Expected credit loss	-	-	-	-	-	3,547,562	**3,547,562**

2019 RON (supplementary info – see Note 2(e))		Sundry debtors – Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**4.45%**	
Estimated total gross carrying amount at default	325,787	1,144,274	107,130	7,420	26,279	315,903,846	**317,514,736**
Expected credit loss	-	-	-	-	-	14,069,631	**14,069,631**

As at 31 December 2020, trade receivables at initial value of USD 41.5 million (2019: USD 41.7 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

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	Individually impaired USD	**Collectively impaired USD**	**Total USD**
At 1 January 2019	**37,100,550**	**7,748,067**	**44,548,618**
Charge for the year	1,221,498	924,213	**2,145,711**
Utilised	(1,013,989)	(1,778,602)	**(2,792,591)**
Unused amounts reversed	(3,277)	(249,249)	**(252,526)**
Exchange rate differences	(1,342,921)	(609,247)	**(1,952,168)**
At 31 December 2019	**35,961,862**	**5,735,182**	**41,697,044**
Charge for the year	709,382	1,658,640	**2,368,022**
Utilised	(4,161,107)	(753,342)	**(4,914,449)**
Unused amounts reversed	(3,640)	(388,949)	**(392,589)**
Reclassification between individually and collectively	(43,841)	42,786	**(1,055)**
Exchange rate differences	2,034,239	746,092	**2,780,331**
At 31 December 2020	**34,496,895**	**7,040,409**	**41,537,304**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

(supplementary info – see Note 2(e))

	Individually impaired	Collectively impaired	Total
	RON	RON	RON
	(supplementary info – see Note 2(e))		
At 1 January 2019	**147,140,785**	**29,539,034**	**176,679,819**
Charge for the year	4,844,461	3,665,429	8,509,890
Utilised	(4,021,480)	(7,053,936)	(11,075,416)
Unused amounts reversed	(12,997)	(988,522)	(1,001,519)
Exchange rate differences	(5,326,025)	(2,416,274)	(7,742,299)
At 31 December 2019	**142,624,744**	**22,745,731**	**165,370,475**
Charge for the year	2,813,409	6,578,166	9,391,575
Utilised	(16,502,950)	(2,987,754)	(19,490,704)
Unused amounts reversed	(14,436)	(1,542,572)	(1,557,008)
Reclassification between individually and collectively	(173,873)	169,689	(4,184)
Exchange rate differences	8,067,792	2,959,001	11,026,793
At 31 December 2020	**136,814,686**	**27,922,261**	**164,736,947**

Trade receivables totaling USD 115.2 million as at 31 December 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

	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Cash at bank	99,203,775	11,436,334	393,442,171	45,356,501
Cash on hand	1,396,775	1,364,325	5,539,610	5,410,913
Cash equivalents	55,406	395,765	219,740	1,569,604
Total	**100,655,956**	**13,196,424**	**399,201,521**	**52,337,018**

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

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12. EQUITY

As of 31 December 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 31 December 2020 is as follows:

31 December 2020

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	2,122,250,643	704,057,130	2,792,290,579
Romanian State represented by the Ministry of Economy, Energy and Business Environment*	44.70%	1,971,500,905	654,045,871	2,593,945,924
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	375,517,819
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,891,995
Others (not State or KMGI Group)	0.67%	29,562,687	9,807,428	38,896,259
Total	**100%**	**4,410,920,573**	**1,463,323,897**	**5,803,542,576**

** At the date of the present financial statements, having the name of the Ministry of Energy*

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

31 December 2019

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	2,122,250,643	704,057,130	2,792,290,579
Romanian State represented by the Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,593,945,924
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	375,517,819
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,891,995
Others (not State or KMGI Group)	0.67%	29,562,687	9,807,428	38,896,259
Total	**100%**	**4,410,920,573**	**1,463,323,897**	**5,803,542,576**

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.

12. EQUITY (continued)

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 at the option of the issuer. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

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

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

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

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

As of 31 December 2020, management carried our an assessment on the potential hybrid loan interest liability and it resulted that no interest payable should be recorded based on the projected profitability of the business by the end of the contractual period, considering the current accumulated accounting losses. As result of the assessment performed, the potential hybrid loan interest liability was reversed through the current year result.

Group Management's is currently in discussion with the holder of the loan to amend the hybrid loan agreements with regards to the computation of interest payable. The proposed amendments are currently subject to approval.

Revaluation reserve

As of 31 December 2020, the balance of the revaluation reserves is affected by the transfer in retained earnings of the difference between depreciation based on revalued carrying amount and depreciation based on the initial cost of assets in the buildings category. Under the accounting policy adopted by the Group as of 31 December 2017, the revaluation surplus included in the revaluation reserve is capitalized by the transfer in retained earnings as a result of the use of the asset or disposal, insofar as that transfer has not already been made during the use of the asset reassessed. Thus, as of 31 December 2020, the revaluation surplus transferred to retained earnings was USD 8.2 million (2019: USD 11.6 million).

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13. LONG-TERM BORROWINGS FROM BANKS

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2021 and (III) USD 120 million uncommitted with the maturity date is April 23, 2021. The facility is secured by: inventories, receivables, gas stations, depots and current accounts.	96,110,111	96,111,222	381,172,700	381,177,107
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2021 and (III) USD 120 million uncommitted with the maturity date is April 23, 2021. The facility is secured by: inventories, receivables, gas stations, depots and current accounts.	143,994,567	143,952,771	571,082,453	570,916,689
Amount payable within one year principal	**(104,678)**	**(63,993)**	**(415,153)**	**(253,796)**
Total	**240,000,000**	**240,000,000**	**951,840,000**	**951,840,000**

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	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
One year or less - principal	104,678	63,993	415,153	253,796
Between two and five years	240,000,000	240,000,000	951,840,000	951,840,000
Total	**240,104,678**	**240,063,993**	**952,255,153**	**952,093,796**

The loans are secured with pledges on property plant and equipment of USD 390 million (2019: USD 405), inventories of USD 172 million (2019: USD 99 million) and trade receivables of USD: 115 million (2019: USD 140 million).

At the level of KMG International NV, loan covenants are tested for the syndicated loan every 6 months. Anticipating a potential breach of the loan covenants as of 31 December 2020, KMG International NV requested and obtained before balance sheet date a waiver from complying with the financial covenants attached to the syndicated loan. KMG International NV's manages its capital structure aiming to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings.

In these regards, KMGI obtained a waiver letter before balance sheet date covering the entire syndicated loan balance as of 31 December 2020 amounting USD 282.7 mill, out of which long term portion is of USD 240 mill.

Next covenants testing date is 30 June 2021 and based on the approved budgets and cash flows, the Management of KMG International consider that the financial covenants will be met.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

14. OBLIGATIONS UNDER LEASE AGREEMENTS

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
As at 1 January	**66,076,256**	**-**	**262,058,431**	**-**
Impact of IFRS 16 adoption	-	41,159,515	-	163,238,636
Additions	9,955,900	31,634,045	39,485,100	125,460,623
Remeasurement	8,854,342	(1,156,502)	35,116,320	(4,586,687)
Payments	(9,283,822)	(7,517,041)	(36,819,638)	(29,812,585)
Interest accrued	4,644,299	3,586,988	18,419,290	14,225,995
Exchange rate impact	5,349,584	(1,630,749)	21,216,450	(6,467,551)
Other changes	223,960	-	888,225	-
As at 31 December	**85,820,519**	**66,076,256**	**340,364,178**	**262,058,431**
Non-current	81,816,635	62,098,347	324,484,774	246,282,044
Current	4,003,884	3,977,909	15,879,404	15,776,387

The following amounts were recognized in profit or loss:

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Depreciation expense of right-of-use assets	5,453,070	4,811,794	21,626,876	19,083,575
Interest expense on lease liabilities	4,644,298	3,586,988	18,419,286	14,225,994
Expense relating to short-term leases (included in cost of sales)	-	438,247	-	1,738,088
Expense relating to short-term leases (included in General and administrative expenses)	-	412,113	-	1,634,440
Variable lease payments (included in selling and distribution	5,428,099	3,446,456	21,527,841	13,668,644
Total amount recognized in profit or loss	**15,525,467**	**12,695,598**	**61,574,003**	**50,350,741**

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

	2020		2019	
USD	**Fixed payments**	**Variable payments**	**Fixed payments**	**Variable payments**
Fixed rent	8,863,890	-	6,844,734	-
Variable rent with minimum payment	419,932	5,428,099	672,307	4,296,816
Total	**9,283,822**	**5,428,099**	**7,517,041**	**4,296,816**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES

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

	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
			(supplementary info – see Note 2(e))	
Deferred tax assets	-	(25,927,332)	-	(102,827,799)
Deferred tax liabilities	4,339,808	4,012,156	17,211,679	15,912,211
Deferred tax (asset) / liability, net	**4,339,808**	**(21,915,176)**	**17,211,679**	**(86,915,588)**

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

USD

2020	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	**49,238**	-	-	**49,238**
Property, plant and equipment	**307,638,713**	1,419,295	(5,688,238)	**303,369,770**
Inventories	**82,619**	-	-	**82,619**
Provisions	**(63,788,275)**	4,584,713	-	**(59,203,562)**
Tax losses	**(380,951,481)**	163,777,882	-	**(217,173,599)**
Other	**(663)**	-	-	**(663)**
Total temporary differences (asset) / liability	**(136,969,849)**	**169,781,890**	**(5,688,238)**	**27,123,803**
Deferred tax effect				
Intangible assets	**7,878**	-	-	**7,878**
Property, plant and equipment	**49,222,194**	227,087	(910,118)	**48,539,163**
Inventories	**13,219**	-	-	**13,219**
Provisions	**(10,206,124)**	733,554	-	**(9,472,570)**
Tax losses	**(60,952,237)**	26,204,461	-	**(34,747,776)**
Other	**(106)**	-	-	**(106)**
Deferred tax (asset)/liability recognized	**(21,915,176)**	**27,165,102**	**(910,118)**	**4,339,808**

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15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

RON (supplementary info – see note 2(e))

2020	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	**195,278**	-	-	**195,278**
Property, plant and equipment	**1,220,095,136**	5,628,924	(22,559,552)	**1,203,164,508**
Inventories	**327,667**	-	-	**327,667**
Provisions	**(252,984,299)**	18,182,972	-	**(234,801,327)**
Tax losses	**(1,510,853,578)**	649,543,076	-	**(861,310,502)**
Other	**(2,629)**	-	-	**(2,629)**
Total temporary differences (asset) / liability	**(543,222,425)**	**673,354,972**	**(22,559,552)**	**107,572,995**
Deferred tax effect				
Intangible assets	**31,244**	-	-	**31,244**
Property, plant and equipment	**195,215,222**	900,627	(3,609,528)	**192,506,321**
Inventories	**52,427**	-	-	**52,427**
Provisions	**(40,477,488)**	2,909,275	-	**(37,568,213)**
Tax losses	**(241,736,572)**	103,926,893	-	**(137,809,679)**
Other	**(421)**	-	-	**(421)**
Deferred tax (asset)/liability recognized	**(86,915,588)**	**107,736,795**	**(3,609,528)**	**17,211,679**

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

USD

Deferred tax (asset) / liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare SA	(25,927,332)	27,165,102	(987,587)	250,183
Rompetrol Downstream S.R.L.	1,613,508	-	(367,228)	1,246,280
Rom Oil S.A.	1,474,011	-	444,697	1,918,708
Rompetrol Gas S.R.L.	342,992	-	-	342,992
Rompetrol Logistics S.R.L.	581,645	-	-	581,645
Deferred tax (asset)/liability recognized	**(21,915,176)**	**27,165,102**	**(910,118)**	**4,339,808**

RON (supplementary info – see Note 2(e))

Deferred tax (asset) / liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare SA	(102,827,799)	107,736,795	(3,916,770)	992,226
Rompetrol Downstream S.R.L.	6,399,173	-	(1,456,426)	4,942,747
Rom Oil S.A.	5,845,928	-	1,763,668	7,609,596
Rompetrol Gas S.R.L.	1,360,306	-	-	1,360,306
Rompetrol Logistics S.R.L.	2,306,804	-	-	2,306,804
Deferred tax (asset)/liability recognized	**(86,915,588)**	**107,736,795**	**(3,609,528)**	**17,211,679**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

2019	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	321,074,538	(3,622,225)	(9,813,600)	307,638,713
Inventories	82,619	-	-	82,619
Provisions	(72,310,000)	8,521,725	-	(63,788,275)
Tax losses	(458,346,350)	77,394,869	-	(380,951,481)
Other	(663)	-	-	(663)
Total temporary differences (asset) / liability	**(209,450,618)**	**82,294,369**	**(9,813,600)**	**(136,969,849)**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	51,371,926	(579,556)	(1,570,176)	49,222,194
Investments	-	-	-	-
Inventories	13,219	-	-	13,219
Provisions	(11,569,600)	1,363,476	-	(10,206,124)
Tax losses	(73,335,416)	12,383,179		(60,952,237)
Other	(106)	-	-	(106)
Deferred tax (asset) / liability recognized	**(33,512,099)**	**13,167,099**	**(1,570,176)**	**(21,915,176)**

RON (supplementary info – see Note 2(e))

2019	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	195,278	-	-	195,278
Property, plant and equipment	1,273,381,618	(14,365,744)	(38,920,738)	1,220,095,136
Inventories	327,667	-	-	327,667
Provisions	(286,781,460)	33,797,161	-	(252,984,299)
Tax losses	(1,817,801,624)	306,948,046	-	(1,510,853,578)
Other	(2,629)	-	-	(2,629)
Total temporary differences (asset)/liability	**(830,681,150)**	**326,379,463**	**(38,920,738)**	**(543,222,425)**
Deferred tax effect				
Intangible assets	31,244	-	-	31,244
Property, plant and equipment	203,741,059	(2,298,519)	(6,227,318)	195,215,222
Inventories	52,427	-	-	52,427
Provisions	(45,885,034)	5,407,546	-	(40,477,488)
Tax losses	(290,848,260)	49,111,688	-	(241,736,572)
Other	(421)	-	-	(421)
Deferred tax (asset)/liability recognized	**(132,908,985)**	**52,220,715**	**(6,227,318)**	**(86,915,588)**

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.

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15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

As of 31 December 2020 the Group reviewed the carrying amount of deferred tax assets and reduced it 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 to be utilized.

The recoverability for the deferred tax asset recognized by the Group depends on its ability to generate sufficient taxable income to utilize the carried forward 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.

For the recoverability of deferred tax, Group Management considered projections which are consisted with the business plans used for Impairment test adjusted for tax purposes. Expected taxable profits used for assessing the DTA recoverability are based, amongst other factors, on future cost savings and/ or margin optimization to be derived from several investment projects that the Group has committed to and are already in different implementation phases. The benefits from these investments plans are expected to be derived before fiscal losses carried forward expire, therefore reducing the processing costs having a positive effect on the refinery margin.

The Group has USD 492.96 million (2019: USD 432.2 million) of tax losses carried forward, out of which, deferred tax asset was recognized for USD 217 million (2019: USD 381) million of the losses carried forward. These losses for which deferred tax asset was recognized relate mainly to the parent company that expire in a period of 7 years from the year in which they arose and maybe used to offset taxable income incurred by the same legal entity. On this basis, the Group has determined the tax loss carried forward that can be utilized over the next 7 years, considering in this assessment also a sensitivity analysis of the future taxable profits.

For the sensitivity analysis performed, the Group management analyzed the history of operational and fiscal losses and identified the causes for the one-off items (both favorable and unfavorable) unlikely to recur. The group management considered that 2016-2018 is a stable and more relevant period for the assessment, while 2019-2020 was considered abnormal due to several events occurred within this period that put pressure on price quotations and also the effect of the pandemic.

Based on the analysis of historical results, a normalized tax result was determined that was included in the sensitivity analysis for the period 2024-2027, while for the short term (i.e. 2021-2023) the tax result was aligned with the most recently updated and approved business plans and a more prudent approach was adopted in order to capture the anticipated effects of COVID-19 pandemic. The sensitivity analysis performed for taxable profits of each year from the balance sheet date until the expiry date of the carryforward losses sustains the recoverability of the deferred tax recognized for carried forward fiscal losses.

As of 31 December 2020 the Group has made an assessment of unrecognized deferred tax assets and such items are related to deductible temporary differences generated by retirement benefits and inventories allowance (NRV assessment) amounting USD 2.86 mill.

Deferred tax asset is also recognized for the provision related to Vega Environmental project. The remeasurement of the provision during 2020 (Note 19), lead to a decrease of USD 0.7 million in the 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.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

16. TRADE AND OTHER PAYABLES

	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
			(supplementary info – see Note 2(e))	
Trade payables	651,293,146	723,801,302	2,583,028,616	2,870,595,971
Excise taxes	1,036	1,447	4,109	5,738
Special fund tax for oil products	6,948,356	6,467,700	27,557,180	25,650,898
VAT payable	186,126,448	31,752,428	738,177,493	125,930,129
Other taxes payable	(53,617)	(19,086)	(212,645)	(75,695)
Employees and social obligations	7,473,168	3,863,345	29,638,584	15,322,026
Other liabilities	415,945,223	255,705,545	1,649,638,754	1,014,128,191
Total	**1,267,733,760**	**1,021,572,681**	**5,027,832,091**	**4,051,557,258**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL ("Master Company"). The amounts in balance as of 31 December 2020 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 381 million, Romoil USD 15.7 million and Rompetrol Gas USD 14.5 million.

Also in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 4.24 million (2019: USD 4.07 million).

As of 31 December 2020 and 2019, deferred revenue in amount of USD 5,941,032 (2019: USD 4,831,608) was reclassified under Contract liabilities line.

As of 31 December 2020 and 2019, profit tax payable in amount of USD 4,008,243 (2019: USD 504,720) was reclassified as a separate line in Consolidated Statement of Financial Position.

17. CONTRACT LIABILITIES

	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
			(supplementary info – see Note 2(e))	
Short-term advances from wholesale customers	19,570,720	17,617,090	77,617,476	69,869,379
Short-term advances from other customers	5,401,097	3,831,536	21,420,750	15,195,872
Deferred revenues	5,941,032	4,831,608	23,562,133	19,162,157
Total short-term advances	**30,912,849**	**26,280,234**	**122,600,359**	**104,227,408**

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.

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18. SHORT-TERM DEBT

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Unicredit Bank Rompetrol Rafinare: Overdraft facility of up to EUR 2.35 million, for current activity.	-	1,924,345	-	7,631,951
Banca Transilvania 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 31 July 2021. Drawings in USD / EUR / RON.	30,131,421	9,319,484	119,501,215	36,961,074
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is 23 April 2023, (II) USD 75 million revolving facility with maturity 23 April 2021 and (III) USD 120 million uncommitted with the maturity date is 23 April 2021. The facility is secured by: inventories, receivables, gas stations, depots and current accounts.	22,689,532	-	89,986,684	-
Accrued interest	23,452	-	93,011	-
Current portion of long-term debt	**104,678**	**63,993**	**415,153**	**253,796**
Total	**52,949,083**	**11,307,822**	**209,996,063**	**44,846,821**

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18. SHORT-TERM DEBT (continued)

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Borrowings from shareholders and related parties				
KMG International N.V.	10,655,710	12,655,715	42,260,547	50,192,565
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date – 31 December 2020, assignment of receivables, real movable security interest over movable assets; 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 31 December 2020 is in amount of USD 239.34 million.				
Rompetrol Financial Group	-	2,346,977	-	9,308,111
Rompetrol Rafinare SA:Short-term facility for working capital needs in amount of up to USD 29.5 million, maturity date - 31 December 2019. The facility has been fully repaid.				
Midia Marine Terminal	-	6,386,383	-	25,328,395
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of USD 7 million, maturity date 31 December 2019. The facility has been fully repaid.				
Accrued interest	**1,686,456**	**2,993,913**	**6,688,484**	**11,873,859**
Total	**12,342,166**	**24,382,988**	**48,949,031**	**96,702,930**

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At the level of KMG International NV, loan covenants are tested for the syndicated loan every 6 months. Anticipating a potential breach of the loan covenants as of 31 December 2020, KMG International NV requested and obtained before balance sheet date a waiver to comply with the financial covenants attached to the syndicated loan. KMG International NV's manages its capital structure aiming to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings.

In these regards, KMGI obtained a waiver letter before balance sheet date covering the entire syndicated loan balance as of 31 December 2020 amounting USD 282.7 million, out of which long term portion is of USD 240 million.

Next covenants testing date is 30 June 2021 and based on the approved budgets and cash flows, the Management of KMG International consider that the financial covenants will be met.

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8. SHORT-TERM DEBT (continued)

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 390 million (2019: USD 405), inventories of USD 172 million (2019: USD 99) and trade receivables of USD: 115 million (2019: USD 140 million).

The movement in loans is presented below:

USD	At 1 January 2020	Drawings	Repayment	Interest accrual	Reclassification between LT and ST	Exchange rate impact	At 31 December 2020
Long-term borrowings from banks	240,000,000	102,665,749	(79,976,216)	-	(22,689,533)	-	240,000,000
Short-term borrowings from banks	11,243,829	52,777,413	(11,541,768)	-	-	341,479	52,820,953
Short term borrowings from related parties	21,389,075	-	(11,531,601)	-	-	798,236	10,655,710
Interest Long-term borrowings banks	-	-	(7,170,537)	7,170,537	-	-	-
Interest Short term borrowings from related parties	2,993,913	-	(1,761,540)	416,845	-	37,238	1,686,456
Interest Short-term borrowings from banks	63,993	-	(677,146)	741,283	-	-	128,130
Total	**275,690,810**	**155,443,162**	**(112,658,808)**	**8,328,665**	**(22,689,533)**	**1,176,953**	**305,291,249**

RON (supplementary info – see Note 2(e))	At 1 January 2020	Drawings	Repayment	Interest accrual	Reclassification between LT and ST	Exchange rate impact	At 31 December 2020
Long-term borrowings from banks	951,840,000	407,172,361	(317,185,673)	-	(89,986,688)	-	951,840,000
Short-term borrowings from banks	44,593,026	209,315,220	(45,774,652)	-	-	1,354,306	209,487,900
Short term borrowings from related parties	84,829,071	-	(45,734,329)	-	-	3,165,804	42,260,546
Interest Long-term borrowings banks	-	-	(28,438,350)	28,438,350	-	-	-
Interest Short term borrowings from related parties	11,873,858	-	(6,986,266)	1,653,207	-	147,685	6,688,484
Interest Short-term borrowings from banks	253,796	-	(2,685,560)	2,939,928	-	-	508,164
Total	**1,093,389,751**	**616,487,581**	**(446,804,830)**	**33,031,485**	**(89,986,688)**	**4,667,795**	**1,210,785,094**

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19. PROVISIONS

Provisions comprise the following:

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Non-current provisions	79,332,744	80,361,840	314,633,663	318,715,057
Total Provisions	**79,332,744**	**80,361,840**	**314,633,663**	**318,715,057**

The movement in provisions is presented below:

USD	At 1 January 2020	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2020
Provision for retirement benefit	16,485,602	3,054,281	1,193,847	(2,371,988)	-	18,361,742
Provision for restructuring	13,486	-	-	-	-	13,486
Environmental provisions	63,862,752	-	-	(5,399,888)	2,064,652	60,527,516
Other provisions	-	-	430,000	-	-	430,000
Total	**80,361,840**	**3,054,281**	**1,623,847**	**(7,771,876)**	**2,064,652**	**79,332,744**

RON (supplementary info – see Note 2(e))	At 1 January 2020	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2020
Provision for retirement benefit	65,381,898	12,113,278	4,734,797	(9,407,303)	-	72,822,670
Provision for restructuring	53,485	-	-	-	-	53,485
Environmental provisions	253,279,674	-	-	(21,415,955)	8,188,410	240,052,129
Other provisions	-	-	1,705,379	-	-	1,705,379
Total	**318,715,057**	**12,113,278**	**6,440,176**	**(30,823,258)**	**8,188,410**	**314,633,663**

USD	At 1 January 2019	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2019
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
Other provisions	-	-	-	-	-	-
Total	**85,664,505**	**3,292,399**	**(73,341)**	**(11,725,582)**	**3,203,859**	**80,361,840**

RON (supplementary info – see Note 2(e))	At 1 January 2019	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2019
Provision for retirement benefit	52,615,114	13,057,654	(290,870)	-	-	65,381,898
Provision for restructuring	53,485	-	-	-	-	53,485
Environmental provisions	287,076,828	-	-	(46,503,659)	12,706,505	253,279,674
Other provisions	-	-	-	-	-	-
Total	**339,745,427**	**13,057,654**	**(290,870)**	**(46,503,659)**	**12,706,505**	**318,715,057**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

19. PROVISIONS (continued)

Environmental provision

As of 31 December 2020, the Group recognized an environmental provision of USD 60.5 million (2019: USD 63.8 million). Total costs incurred during 2020: USD 6.5 million (2019: USD 3.8 million).

At the end of 2020, a re-assessment of the site restoration provision was performed considering the work done during the year, the updated variable indicators (e.g. exchange rate and discount rate) and the purchase prices (estimated for the full project by using the actual prices from the agreements in place for lagoons 16 and 17). The results of the reassessment lead to a reversal of provision in amount of USD 3.3 million (2019: USD 8.5 million), being mainly generated by the actual costs incurred during 2020, partially offset by unwinding effect of USD 2.06 million (2019: USD 3.2 million).

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. The level of benefits provided depends on the member's length of service, the employees is entitled to a fix amount per each year of service. 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 on future liabilities. These liabilities are recorded at their fair values as of the balance sheet date. 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 present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 2.97% (2019: 4.65%) for Romanian subsidiaries with an expected rate of long-term salary increase 2.31% (2019: 2.97%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Interest on obligation	132,230	222,733	524,424	883,359
Service cost	1,061,617	620,438	4,210,373	2,460,657
Costs related to benefits granted	(2,371,988)	(916,512)	(9,407,304)	(3,634,887)
Total	**(1,178,141)**	**(73,341)**	**(4,672,507)**	**(290,871)**

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

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	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Opening balance	**16,485,602**	**13,266,544**	**65,381,898**	**52,615,114**
Amounts recognized in income statement	(1,178,141)	(73,341)	(4,672,506)	(290,871)
Actuarial losses / (gains) recorded in the year (amounts recognized in "Other comprehensive income")	3,054,281	3,292,399	12,113,278	13,057,655
Closing balance	**18,361,742**	**16,485,602**	**72,822,670**	**65,381,898**

The charge for the year is included in the salaries expenses in the income statement for 2020.

19. PROVISIONS (continued)

Actuarial losses refers to initial recognition of obligation in Rompetrol Downstream, Rompetrol Gas and Rompetrol Quality Control totaling an amount of USD 2.2 million and change in assumption in amount of USD 0.85 million.

It is estimated that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2021.

A quantitative sensitivity analysis for significant assumptions as of December, is shown below:

The other variables (exchange rate, mortality rate and turnover) had no significant impact in 2020

	2020
Discount rate assumptions:	**USD million**
0.5% increase	1.17
0.5% decrease	(1.28)

	2020
Salary sensitivity assumption:	**USD million**
5% increase	(0.92)
5% decrease	0.92

	2020
Inflation sensitivity assumption:	**USD million**
5% increase	(0.29)
5% decrease	0.28

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2020

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	2,713,573,209	-	-	348,153,781	3,061,726,990
Less sales taxes from petroleum products production	(921,720,454)	-	-	916,329,087	(5,391,367)
Net revenues from petroleum products production	**1,791,852,755**	**-**	**-**	**1,264,482,868**	**3,056,335,623**
Gross revenues from petroleum products trading	13,076,200	-	2,301,556,077	(2,211,370,621)	103,261,656
Less sales taxes petroleum products trading	-	-	(960,635,229)	3,278,924	(957,356,305)
Less commercial discounts petroleum products trading	-	-	(174,593,096)	5,900,921	(168,692,175)
Net revenues from petroleum products trading	**13,076,200**	**-**	**1,166,327,752**	**(2,202,190,776)**	**(1,022,786,824)**
Revenues from petrochemicals production	-	146,907,913	-	-	146,907,913
Revenues from petrochemicals trading	-	2,263,958	-	-	2,263,958
Revenues from merchandise sales	428,599	-	123,457,586	(15)	123,886,170
Revenues from utilities sold	2,103,525	-	-	(113,856)	1,989,669
Revenues from transportation fees	-	-	3,233,112	-	3,233,112
Revenues from rents and other services	3,567,786	-	27,432,563	(8,607,436)	22,392,913
Total Net Revenues	**1,811,028,865**	**149,171,871**	**1,320,451,013**	**(946,429,215)**	**2,334,222,534**

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	10,762,031,347	-	-	1,380,777,895	12,142,809,242
Less sales taxes from petroleum products production	(3,655,543,320)	-	-	3,634,161,158	(21,382,162)
Net revenues from petroleum products production	**7,106,488,027**	**-**	**-**	**5,014,939,053**	**12,121,427,080**
Gross revenues from petroleum products trading	51,860,209	-	9,127,971,403	(8,770,295,883)	409,535,729
Less sales taxes petroleum products trading	-	-	(3,809,879,318)	13,004,213	(3,796,875,105)
Less commercial discounts petroleum products trading	-	-	(692,436,219)	23,403,053	(669,033,166)
Net revenues from petroleum products trading	**51,860,209**	**-**	**4,625,655,866**	**(8,733,888,617)**	**(4,056,372,542)**
Revenues from petrochemicals production	-	582,636,783	-	-	582,636,783
Revenues from petrochemicals trading	-	8,978,857	-	-	8,978,857
Revenues from merchandise sales	1,699,824	-	489,632,786	(59)	491,332,551
Revenues from utilities sold	8,342,580	-	-	(451,553)	7,891,027
Revenues from transportation fees	-	-	12,822,522	-	12,822,522
Revenues from rents and other services	14,149,839	-	108,797,544	(34,137,091)	88,810,292
Total Net Revenues	**7,182,540,479**	**591,615,640**	**5,236,908,718**	**(3,753,538,267)**	**9,257,526,570**

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20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

2019

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	4,393,908,666	-	-	356,867,976	4,750,776,642
Less sales taxes from petroleum products production	(1,112,696,843)	-	-	1,083,512,570	(29,184,273)
Net revenues from petroleum products production	**3,281,211,823**	**-**	**-**	**1,440,380,546**	**4,721,592,369**
Gross revenues from petroleum products trading	17,004,773	-	2,962,037,988	(2,831,491,991)	147,550,770
Less sales taxes petroleum products trading	-	-	(1,157,977,806)	4,003,549	(1,153,974,257)
Less commercial discounts petroleum products trading	-	-	(166,296,140)	7,444,626	(158,851,514)
Net revenues from petroleum products trading	**17,004,773**	**-**	**1,637,764,042**	**(2,820,043,816)**	**(1,165,275,001)**
Revenues from petrochemicals production	-	172,833,070	-	-	172,833,070
Revenues from petrochemicals trading	-	613,345	-	-	613,345
Revenues from merchandise sales	965,758	-	96,898,638	(2,118)	97,862,278
Revenues from utilities sold	2,203,570	-	-	(118,278)	2,085,292
Revenues from transportation fees	-	-	2,723,845	-	2,723,845
Revenues from rents and other services	3,226,139	-	16,356,778	(7,903,936)	11,678,981
Total Net Revenues	**3,304,612,063**	**173,446,415**	**1,753,743,303**	**(1,387,687,602)**	**3,844,114,179**

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RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	17,426,241,769	-	-	1,415,338,393	18,841,580,162
Less sales taxes from petroleum products production	(4,412,955,679)	-	-	4,297,210,853	(115,744,826)
Net revenues from petroleum products production	**13,013,286,090**	**-**	**-**	**5,712,549,246**	**18,725,835,336**
Gross revenues from petroleum products trading	67,440,930	-	11,747,442,660	(11,229,697,236)	585,186,354
Less sales taxes petroleum products trading	-	-	(4,592,539,978)	15,878,075	(4,576,661,903)
Less commercial discounts petroleum products trading	-	-	(659,530,491)	29,525,387	(630,005,104)
Net revenues from petroleum products trading	**67,440,930**	**-**	**6,495,372,191**	**(11,184,293,774)**	**(4,621,480,653)**
Revenues from petrochemicals production	-	685,455,956	-	-	685,455,956
Revenues from petrochemicals trading	-	2,432,526	-	-	2,432,526
Revenues from merchandise sales	3,830,196	-	384,299,998	(8,401)	388,121,793
Revenues from utilities sold	8,739,359	-	-	(469,091)	8,270,268
Revenues from transportation fees	-	-	10,802,769	-	10,802,769
Revenues from rents and other services	12,794,867	-	64,870,982	(31,347,010)	46,318,839
Total Net Revenues	**13,106,091,442**	**687,888,482**	**6,955,345,940**	**(5,503,569,030)**	**15,245,756,834**

Total Revenues decreased mainly due to the volatility of oil and gas market environment resulting in lower quotations vs previous year and lower volumes sold as result of worldwide market constraints.

There is no significant time difference between payment and transfer of control over goods and/or services.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

21. COST OF SALES

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Crude oil and other raw materials	1,805,207,442	3,133,295,444	7,159,452,715	12,426,649,732
Consumables and other materials	11,476,116	13,763,289	45,514,276	54,585,204
Utilities	82,891,666	95,842,136	328,748,347	380,109,911
Staff costs	30,609,706	29,199,856	121,398,094	115,806,629
Transportation	189,046	199,334	749,756	790,559
Maintenance and repairs	23,398,038	22,005,936	92,796,619	87,275,542
Insurance	1,545,887	1,548,638	6,130,988	6,141,898
Environmental expenses	2,299,410	9,648,874	9,119,460	38,267,434
Other	19,740,272	9,486,886	78,289,919	37,624,990
Cash production cost	**1,977,357,583**	**3,314,990,393**	**7,842,200,174**	**13,147,251,899**
Depreciation and amortization	78,979,027	84,190,679	313,230,821	333,900,233
Production costs	**2,056,336,610**	**3,399,181,072**	**8,155,430,995**	**13,481,152,132**
Plus: Change in inventories	48,534,599	13,301,972	192,488,220	52,755,621
Less: Own production of property, plant & equipment	(5,885,037)	(1,340,970)	(23,340,057)	(5,318,287)
Cost of petroleum products trading	93,775,778	133,534,072	371,914,736	529,596,130
Cost of petrochemicals trading	3,163,286	692,774	12,545,592	2,747,542
Cost of merchandise sold	98,862,497	75,272,021	392,088,663	298,528,835
Cost of utilities resold	1,090,304	1,223,711	4,324,146	4,853,238
Realized (gains)/losses on derivatives	(52,628,509)	2,730,685	(208,724,667)	10,829,897
Total	**2,243,249,528**	**3,624,595,337**	**8,896,727,628**	**14,375,145,108**

The significant gain recorded during 2020 in Rompetrol Rafinare is due to hedging for around Base Operating Stocks (BOS), done on the ICE Exchange Market using Futures contracts to protect the stock's value against decreasing of prices. During 2020 the average Futures quantity for hedging around BOS was 90.3 KT, slightly below 2019 average quantity of 94.8KT. When prices decrease the stocks depreciate, but the hedging instruments will have positive effect, offsetting the physical loss. During 2020 most part of hedging results are coming from Q1 and Q2 2020 when the market sharply decreased because of lockdown measures. Thus, being hedged during the market decrease resulted in USD +38 million gains on the hedges in place.

Also, before pandemic escalation, PEM managed to hedge the Refinery Margin at levels above the Budget and gained USD +11.1 million. Refinery margin represents the difference between the money spent for feedstock acquisitions and money received from products sales. Refinery margin swaps instruments are used to protect the Refinery margin budget of the company against depreciation.

In Rompetrol Downstream the significant income recorded during 2020 is due to hedge around benchmark stocks in amount of USD +4.88 million (gain) for gasoline and diesel stocks in depots DWS and forex hedging in amount of USD -1.36million (loss).

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

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Staff costs	26,496,388	19,998,048	105,084,675	79,312,258
Utilities	6,469,760	5,502,543	25,659,068	21,823,086
Transportation	53,280,804	55,768,728	211,311,669	221,178,775
Professional and consulting fees	34,055,758	45,374,421	135,065,136	179,954,954
Royalties and rents	5,574,776	1,837,592	22,109,562	7,287,890
Consumables	702,654	545,388	2,786,726	2,163,009
Marketing	3,166,922	3,210,677	12,560,013	12,733,545
Taxes	2,222,840	2,524,104	8,815,783	10,010,596
Communications	967,870	1,020,506	3,838,572	4,047,327
Insurance	1,179,354	1,050,072	4,677,318	4,164,586
IT related expenditures	7,984,904	8,863,941	31,668,129	35,154,390
Environmental expenses	5,095	2,688,499	20,207	10,662,587
Maintenance and repairs	9,468,833	8,935,508	37,553,392	35,438,225
Other expenses	18,240,879	15,267,410	72,343,326	60,550,548
Costs before depreciation	**169,816,837**	**172,587,437**	**673,493,576**	**684,481,776**
Depreciation and amortization	46,454,169	37,974,423	184,237,234	150,606,562
Total	**216,271,006**	**210,561,860**	**857,730,810**	**835,088,338**

23. OTHER OPERATING INCOME / (EXPENSES), NET

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Net gain /(loss) on disposal of assets	699,648	1,495,794	2,774,804	5,932,319
Reverse for impairment of tangible assets, net	(8,167,559)	-	(32,392,539)	-
Provision for receivables and write-off, net	(2,348,409)	(255,852)	(9,313,790)	(1,014,709)
Provision for inventories and write-off, net	4,560,037	6,081,670	18,085,107	24,119,903
Tangible and intangible assets write-off	(461,940)	(257,638)	(1,832,054)	(1,021,792)
Inventories write-off	(151,779)	(118,450)	(601,956)	(469,773)
Other provisions, net	(1,714,550)	7,948,672	(6,799,905)	31,524,433
Other, net	4,931,535	382,867	19,558,468	1,518,451
Total	**(2,653,017)**	**15,277,063**	**(10,521,865)**	**60,588,832**

In 2020 Rompetrol Rafinare S.A. booked a positive outcome on the CO2 certificates litigation that the company won against the Romanian State, recognized a revenue towards the State in amount of USD 36.03 million. In the same time the company estimated the purchase of 766 thousands CO2 certificates needed for 2020 compliance in amount of USD 32.83 million based on the emissions as of 31 December 2020 out of which recognizing an estimated expense of USD 30.09 million in Other operating expenses, the difference of USD 2.74 million being considered in cost of sales.

The net impact in Other operating income/(expenses) of USD 5.94 million is recorded under “Other, net” caption.

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

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

24. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Finance cost				
Late payment interest	(12,740)	(193,232)	(50,527)	(766,358)
Interest expense	(27,669,469)	(31,807,739)	(109,737,114)	(126,149,493)
Interest expense shareholders	(416,845)	(2,820,822)	(1,653,207)	(11,187,380)
Unwinding of discount - lease	(4,644,298)	(3,586,988)	(18,419,286)	(14,225,994)
Unwinding of discount - environmental provision	(2,064,652)	(3,203,859)	(8,188,410)	(12,706,505)
Other financial expense	(24,752,769)	(32,081,437)	(98,169,482)	(127,234,979)
Collection discounts expenses	-	349	-	1,384
Total	**(59,560,773)**	**(73,693,728)**	**(236,218,026)**	**(292,269,325)**
Finance income				
Interest income	15,831,440	17,303,022	62,787,491	68,623,785
Interest Income - hybrid instrument	17,009,920		67,461,342	
Other financial income	57,466	819,939	227,910	3,251,878
Total	**32,898,826**	**18,122,961**	**130,476,743**	**71,875,663**
Finance income / (cost) net	**(26,661,947)**	**(55,570,767)**	**(105,741,283)**	**(220,393,662)**
Unrealized net foreign exchange (losses)/gains	(3,827,296)	(236,872)	(15,179,056)	(939,434)
Realized net foreign exchange (losses) / gains	(6,039,717)	(1,101,834)	(23,953,519)	(4,369,874)
Foreign exchange gain / (loss), net	**(9,867,013)**	**(1,338,706)**	**(39,132,575)**	**(5,309,308)**
Total	**(36,528,960)**	**(56,909,473)**	**(144,873,858)**	**(225,702,970)**

In 2020 out of the total of USD 24.7 million (2019: USD 32 million) representing other financial expenses an amount of approximately USD 20.1 million (2019: USD 28 million) represents other financial expenses owed to KMG Trading for financing activities.

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25. INCOME TAX

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

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Tax expense comprises:				
Current tax expense	6,942,313	3,135,026	27,533,213	12,433,513
Deferred tax credit relating to the origination and reversal of temporary differences	27,165,102	13,167,099	107,736,795	52,220,715
Total tax expense/(income)	**34,107,415**	**16,302,125**	**135,270,008**	**64,654,228**

The net effect of deferred tax in 2020 was in amount of USD 27.17 million, out of which USD 15.28 million relates to the fiscal loss expired in 2020 (RON 392 million).

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As of 31 December 2020, the Group had the following total unused fiscal losses:

Entity	Carried forward fiscal losses 2020 USD million	Recognized Deferred Tax Asset 2020	Carry forward fiscal losses 2019 USD million	Recognized Deferred Tax Asset 2019
Rompetrol Rafinare SA	483.10	217.17	412.00	380.95
Rompetrol Petrochemicals SRL	3.56	-	14.10	-
Rompetrol Logistics SRL	5.13	-	4.10	-
Rom Oil SA	1.17	-	2.00	-
As at December 31 2020	**492.96**	**217.17**	**432.20**	**380.95**

As at 31 December 2020, deferred tax asset was recognized for USD 217 million (2019: USD 381) million of the losses carried forward, based on the future fiscal profits estimated to be registered, in Rompetrol Rafinare. Management through the measures implemented in the last few years by increasing efficiencies of cost and production, and external consultants projections for the crude oil quotations, have forecasted future fiscal profits for the next few years.

Oil Crisis 2020 impacted significantly Rompetrol Rafinare activity and results. Refinery market margin (component of the Profit & Loss gross margin as difference between market quotations weighted at the raw materials consumed and market quotations at sold volumes) was negative at the level of - USD 13 / t compared with last year when this indicator reached USD 25.4 /t. Main discrepancy come from Jet A1 with a negative difference in market cracks of -83.3USD / t, also diesel lower cracks by USD 57 / t, gasoline lower by 28 USD.2 / t. This differences in market margin generated a significant negative effect in Rafinare results of around USD -143.3 million in 2020 compared with last year.

In addition to above, due to this crisis, Rompetrol Rafinare sales in 2020 decreased by 1.35 million tons compared with last year (i.e. up to 4.6 million tons), and this generated a negative effect in Rafinare results of around USD -63.1 million.

In these critical market conditions, Rompetrol Rafinare decreased as much possible market effects by insuring deliveries of fuel products to the most valuable distribution channels, mainly Romania market being in the same range as in 2019, and export of fuel oil was reduced. Also, Rompetrol Rafinare adapted the operation of the refinery to optimal valuable products structure, considering refining flexibility to react to the market changes; the main example is decreasing production of Jet A1, with the biggest dropdown in market cracks, and transferred into diesel yields.

25. INCOME TAX (continued)

No deferred tax asset has been recognized for USD 276 million (2019: USD 51 million) in relation to the tax losses for the above entities, on the basis of the assessment made.

Entity		Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
Rompetrol Rafinare SA				
	2014	181.73	720.75	2021
	2015	96.56	382.97	2022
	2016	3.08	12.20	2023
	2018	18.92	75.03	2025
	2019	43.67	173.20	2026
	2020	139.14	551.82	2027
		483.10	**1,915.97**	
Rompetrol Petrochemicals SRL				
	2015	0.46	1.81	2022
	2016	0.31	1.24	2023
	2018	2.66	10.56	2025
	2019	0.08	0.30	2026
	2020	0.05	0.21	2027
		3.56	**14.12**	
Rom Oil SA				
	2014	0.75	2.97	2021
	2017	0.42	1.66	2024
		1.17	**4.63**	
Rompetrol Logistics SRL				
	2014	0.60	2.37	2021
	2015	0.30	1.19	2022
	2016	0.31	1.23	2023
	2017	1.70	6.73	2024
	2018	0.37	1.47	2025
	2019	0.34	1.36	2026
	2020	1.51	6.00	2027
		5.13	**20.35**	
		492.96	**1,955.07**	

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.

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25. INCOME TAX (continued)

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

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

	2020 USD	2019 USD	2020 RON	2019 RON
			(supplementary info – see Note 2(e))	
Result before tax	(164,479,977)	(32,675,428)	(652,327,591)	(129,590,750)
of which				
Companies which recorded profit	41,561,308	22,406,683	164,832,148	88,864,905
Companies which recorded loss	(206,041,285)	(55,082,111)	(817,159,736)	(218,455,652)
Tax at prevailing tax rate (16%)	6,455,628	3,585,069	25,603,021	14,218,384
Effect of losses carried forward	(1,938,788)	(6,310,469)	(7,689,234)	(25,027,320)
Effect of statutory items non deductible / (not taxable) for tax purposes	2,425,473	5,860,426	9,619,426	23,242,449
Non-deductible expenses	(10,289,147)	(5,580,092)	(40,806,757)	(22,130,645)
Not - taxable income	12,714,620	11,440,518	50,426,183	45,373,094
Utilization of previously unrecognized tax losses	27,165,102	13,167,099	107,736,795	52,220,715
Income tax expense recognized in profit or loss	**34,107,415**	**16,302,125**	**135,270,008**	**64,654,228**

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.

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26. OPERATING SEGMENT INFORMATION (continued)

2020 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	872,629,010	149,171,871	-	1,312,421,653	-	2,334,222,534
Net revenues "Inter segment"	938,399,855	-	-	8,029,360	(946,429,215)	-
Cost of sales	(1,871,907,092)	(179,841,188)	-	(1,165,023,008)	973,521,760	(2,243,249,528)
Gross margin	**(60,878,227)**	**(30,669,317)**	**-**	**155,428,005**	**27,092,545**	**90,973,006**
Selling, general and administrative expenses	(59,847,138)	(11,852,385)	-	(118,829,370)	(25,742,113)	(216,271,006)
Other operating income/(expenses), net	7,682,452	586	-	(10,469,059)	133,004	(2,653,017)
Operating margin (EBIT)	**(113,042,913)**	**(42,521,116)**	**-**	**26,129,576**	**1,483,436**	**(127,951,017)**
Financial expenses, net	-	-	(18,869,039)	(7,523,101)	(269,807)	(26,661,947)
Net foreign exchange result	-	-	(17,795,103)	7,928,090	-	(9,867,013)
Profit/(loss) before income tax	**(113,042,913)**	**(42,521,116)**	**(36,664,142)**	**26,534,565**	**1,213,629**	**(164,479,977)**
Income tax	-	-	(27,165,102)	(6,942,313)	-	(34,107,415)
Net Profit/(Loss)	**(113,042,913)**	**(42,521,116)**	**(63,829,244)**	**19,592,252**	**1,213,629**	**(198,587,392)**
Depreciation and amortization	83,568,841	15,134,600	-	26,424,738	305,017	125,433,196

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	3,460,846,654	591,615,640	-	5,205,064,276	-	9,257,526,570
Net revenues "Inter segment"	3,721,693,825	-	-	31,844,442	(3,753,538,267)	-
Cost of sales	(7,423,983,526)	(713,250,152)	-	(4,620,481,250)	3,860,987,300	(8,896,727,628)
Gross margin	**(241,443,047)**	**(121,634,512)**	**-**	**616,427,468**	**107,449,033**	**360,798,942**
Selling, general and administrative expenses	(237,353,749)	(47,006,559)	-	(471,277,281)	(102,093,221)	(857,730,810)
Other operating income/(expenses), net	30,468,605	2,324	-	(41,520,288)	527,494	(10,521,865)
Operating margin (EBIT)	**(448,328,191)**	**(168,638,747)**	**-**	**103,629,899**	**5,883,306**	**(507,453,733)**
Financial expenses, net	-	-	(74,834,609)	(29,836,619)	(1,070,055)	(105,741,283)
Net foreign exchange result	-	-	(70,575,380)	31,442,805	-	(39,132,575)
Profit/(loss) before income tax	**(448,328,191)**	**(168,638,747)**	**(145,409,989)**	**105,236,085**	**4,813,251**	**(652,327,591)**
Income tax	-	-	(107,736,795)	(27,533,213)	-	(135,270,008)
Net Profit/(Loss)	**(448,328,191)**	**(168,638,747)**	**(253,146,784)**	**77,702,872**	**4,813,251**	**(787,597,599)**
Depreciation and amortization	331,434,023	60,023,824	-	104,800,511	1,209,699	497,468,057

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

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

2020 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,672,649,263	266,646,480	(596,396,951)	1,342,898,792
Total current assets	560,066,827	442,679,203	(146,176,613)	856,569,417
TOTAL ASSETS	**2,232,716,090**	**709,325,683**	**(742,573,564)**	**2,199,468,209**
Total equity	738,211,082	277,463,169	(594,377,191)	421,297,060
Total non-current liabilities	233,554,480	172,604,754	(313,986)	405,845,248
Total current liabilities	1,260,950,528	259,257,760	(147,882,387)	1,372,325,901
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,232,716,090**	**709,325,683**	**(742,573,564)**	**2,199,468,209**
Capital expenditure	111,081,509	11,403,743	(4,876)	**122,480,376**

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,633,726,977	1,057,519,942	(2,365,310,313)	5,325,936,606
Total current assets	2,221,225,037	1,755,665,718	(579,736,449)	3,397,154,306
TOTAL ASSETS	**8,854,952,014**	**2,813,185,660**	**(2,945,046,762)**	**8,723,090,912**
Total equity	2,927,745,152	1,100,418,928	(2,357,299,945)	1,670,864,135
Total non-current liabilities	926,277,068	684,550,454	(1,245,268)	1,609,582,254
Total current liabilities	5,000,929,794	1,028,216,278	(586,501,549)	5,442,644,523
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8,854,952,014**	**2,813,185,660**	**(2,945,046,762)**	**8,723,090,912**
Capital expenditure	440,549,265	45,227,245	(19,338)	**485,757,172**

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26. OPERATING SEGMENT INFORMATION (continued)

2019 Income Statement information

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

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	7,631,674,277	687,888,482	-	6,926,194,075	-	15,245,756,834
Net revenues "Inter segment"	5,474,417,165	-	-	29,151,865	(5,503,569,030)	-
Cost of sales	(12,754,255,521)	(818,484,983)	-	(6,418,639,010)	5,616,234,406	(14,375,145,108)
Gross margin	**351,835,921**	**(130,596,501)**	**-**	**536,706,930**	**112,665,376**	**870,611,726**
Selling, general and administrative expenses	(246,907,328)	(48,500,968)	-	(428,270,211)	(111,409,831)	(835,088,338)
Other operating income/(expenses), net	64,812,515	(255,831)	-	5,340,873	(9,308,725)	60,588,832
Operating margin (EBIT)	**169,741,108**	**(179,353,300)**	**-**	**113,777,592**	**(8,053,180)**	**96,112,220**
Financial expenses, net	-	-	(202,039,117)	(16,882,251)	(1,472,294)	(220,393,662)
Net foreign exchange result	-	-	5,137,358	(10,446,666)	-	(5,309,308)
Profit/(loss) before income tax	**169,741,108**	**(179,353,300)**	**(196,901,759)**	**86,448,675**	**(9,525,474)**	**(129,590,750)**
Income tax	-	-	(52,220,715)	(12,433,513)	-	(64,654,228)
Net Profit/(Loss)	**169,741,108**	**(179,353,300)**	**(249,122,474)**	**74,015,162**	**(9,525,474)**	**(194,244,978)**
Depreciation and amortization	322,786,918	63,745,613	-	97,260,847	713,415	484,506,793

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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 353 million in 2020 and USD 975 million in 2019.

2019 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,669,592,869	287,968,722	(596,753,339)	1,360,808,252
Total current assets	513,170,273	394,771,996	(153,823,783)	754,118,486
TOTAL ASSETS	**2,182,763,142**	**682,740,718**	**(750,577,122)**	**2,114,926,738**
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
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,182,763,142**	**682,740,718**	**(750,577,122)**	**2,114,926,738**
Capital expenditure	61,076,272	24,439,088	(4,953)	**85,510,407**

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,621,605,319	1,142,083,951	(2,366,723,742)	5,396,965,528
Total current assets	2,035,233,303	1,565,665,737	(610,065,124)	2,990,833,916
TOTAL ASSETS	**8,656,838,622**	**2,707,749,688**	**(2,976,788,866)**	**8,387,799,444**
Total equity	3,847,497,233	1,030,385,936	(2,420,839,629)	2,457,043,540
Total non-current liabilities	902,812,106	644,371,210	53,766,157	1,600,949,473
Total current liabilities	3,906,529,283	1,032,992,542	(609,715,394)	4,329,806,431
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8,656,838,622**	**2,707,749,688**	**(2,976,788,866)**	**8,387,799,444**
Capital expenditure	242,228,498	96,925,419	(19,643)	**339,134,274**

- 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.

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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):

	2020 USD	2019 USD	2020 RON	2019 RON
Romania	**2,062,041,756**	**2,464,429,751**	**8,178,057,604**	**9,773,928,392**
Export	**272,180,778**	**1,379,684,428**	**1,079,468,966**	**5,471,828,442**
out of which				
Petroleum products	247,213,436	1,306,661,708	980,448,488	5,182,220,334
Petrochemical products	24,967,342	73,022,720	99,020,478	289,608,108
Total	**2,334,222,534**	**3,844,114,179**	**9,257,526,570**	**15,245,756,834**

27. RELATED PARTIES

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

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

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27. RELATED PARTIES (continued)

Name of related party	Receivables and other assets			
	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	2,735,609	10,197,947	10,849,425	40,445,058
Rominserv S.R.L.	2,588,730	3,439,274	10,266,903	13,640,161
KMG International N.V.	80,121,018	70,145,211	317,759,957	278,195,907
KMG Rompetrol S.R.L	1,124,212	869,819	4,458,625	3,449,702
KMG Rompetrol SRL - cash pooling	238,725,868	177,516,122	946,786,792	704,028,940
Oilfield Exploration Business Solutions S.A.	1,181,252	1,084,268	4,684,845	4,300,207
Rompetrol Well Services S.A.	52,131	74,723	206,752	296,351
KMG Rompetrol Services Center	28,044	16,725	111,223	66,331
Palplast S.A.	705,993	822,163	2,799,968	3,260,698
Rompetrol Bulgaria JSC	1,341,387	5,833,446	5,319,941	23,135,447
Rompetrol Moldova SA	392,737	161,149	1,557,595	639,117
Rompetrol Financial Group S.R.L.	2,713	2,518	10,760	9,986
KazMunayGas Engineering B.V.	3,573	3,573	14,171	14,171
Byron Shipping SRL	707	1,815	2,804	7,198
Rompetrol Albania Wholesale Sh.A.	18,285	16,716	72,518	66,296
Midia Marine Terminal S.R.L.	227,374	229,954	901,765	911,998
Rominserv Valves Iaifo SRL	-	4,907	-	19,461
KazMunayGas –Engineering LLP	168,167	168,167	666,950	666,950
Rompetrol Georgia LLC	-	50	-	198
Uzina Termoelectrica Midia S.A.	2,261,869	3,063,208	8,970,572	12,148,683
Global Security Sistem S.A.	219,425	267,600	870,240	1,061,302
Total	**331,899,094**	**273,919,355**	**1,316,311,806**	**1,086,364,162**

Name of related party	Payables, loans and other liabilities			
	31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	470,169,204	568,613,877	1,864,691,063	2,255,122,636
Rominserv S.R.L.	27,298,020	25,850,339	108,263,947	102,522,444
KMG International N.V.	8,001,539	27,349,698	31,734,104	108,468,902
KMG International N.V.- Short term debt - principal	10,655,710	12,655,710	42,260,546	50,192,546
KMG International N.V.- Short term debt - interest	1,686,454	1,330,945	6,688,477	5,278,528
KMG Rompetrol S.R.L	6,932,425	16,647,903	27,493,998	66,025,583
KMG Rompetrol SRL - cash pooling	411,289,453	251,208,922	1,631,173,971	996,294,585
Oilfield Exploration Business Solutions S.A.	248,452	222,175	985,361	881,146
Rompetrol Well Services S.A.	100,342	53,178	397,956	210,904
KMG Rompetrol Services Center	1,649,652	1,003,018	6,542,520	3,977,969
Rompetrol Bulgaria JSC	137,134	126,855	543,873	503,107
Rompetrol Moldova SA	3,439,765	1,818,256	13,642,108	7,211,203
Rompetrol Financial Group SRL - Short term debt - principal	-	2,347,000	-	9,308,202
Rompetrol Financial Group SRL - Short term debt - interest	-	1,420,051	-	5,631,922
Byron Shipping SRL	2,379	2,174	9,435	8,622
Midia Marine Terminal S.R.L.	8,410,459	3,470,424	33,355,880	13,763,702
Midia Marine Terminal S.R.L.- Short term debt - principal	-	6,386,444	-	25,328,637
Midia Marine Terminal S.R.L. - Short term debt - interest	-	242,954	-	963,556
Rominserv Valves Iaifo SRL	7,575	16,972	30,042	67,311
Rompetrol Georgia LLC	50	50	198	198
Uzina Termoelectrica Midia S.A.	8,953,547	7,357,882	35,509,767	29,181,360
Rompetrol Georgia LLC	17	16	67	63
KMG Rompetrol Development S.R.L.	93,751	1,525,669	371,816	6,050,803
Global Security Sistem S.A.	671,723	562,367	2,664,053	2,230,348
Global Security Systems Fire Services SRL	212,088	-	841,141	-
TRG Petrol Anonim Sirketi	2,538	2,538	10,066	10,066
Total	**959,962,277**	**930,215,417**	**3,807,210,389**	**3,689,234,343**

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27. RELATED PARTIES (continued)

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

Name of related party	Nature of transaction	Sales and other revenues			
		31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Fuel	352,942,845	974,749,604	1,399,771,323	3,865,856,929
Rominserv S.R.L.	Fuel, utilities and other services	913,564	853,763	3,623,195	3,386,024
KMG International N.V.	Interest	21,564,786	-	85,525,941	-
KMG Rompetrol S.R.L	Fuel and other services	72,674	146,148	288,225	579,623
Oilfield Exploration Business Solutions S.A.	Fuel	2,810	3,787	11,144	15,019
Rompetrol Well Services S.A.	Fuel and other services	395,152	919,936	1,567,173	3,648,466
Palplast S.A.	Fuel and other services	9,255	12,970	36,705	51,439
Rompetrol Bulgaria JSC	Fuel	31,018,753	49,421,499	123,020,374	196,005,665
Rompetrol Moldova SA	Fuel	111,255,033	231,549,355	441,237,461	918,324,742
KMG Rompetrol Services Center	Rent and other services	133,912	132,751	531,095	526,490
Midia Marine Terminal S.R.L.	Fuel, rent and other services	337,195	575,792	1,337,315	2,283,591
Byron Shipping SRL	Fuel and other services	15,092	22,545	59,855	89,413
Rominserv Valves Iaifo SRL	Fuel and other services	7,295	13,540	28,932	53,700
Uzina Termoelectrica Midia S.A.	Utilities and other services	15,969,117	20,532,851	63,333,518	81,433,287
Rompetrol Energy S.A.	Other services	464	17	1,840	67
Global Security Sistem S.A.	Fuel	69,927	96,380	277,330	382,243
KMG Rompetrol Development S.R.L.	PPE and other services	16,044,109	22,720,344	63,630,936	90,108,884
TRG Petrol Anonim Sirketi	Petrochemicals products	-	7,913	-	31,383
Total		**550,751,983**	**1,301,759,195**	**2,184,282,362**	**5,162,776,965**

Name of related party	Nature of transaction	Purchases and other costs			
		31 December 2020 USD	31 December 2019 USD	31 December 2020 RON	31 December 2019 RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	1,589,577,068	2,919,326,004	6,304,262,652	11,578,046,932
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	128,101,135	85,664,538	508,049,101	339,745,558
KMG International N.V.	Management services	6,682,115	9,627,141	26,501,268	38,181,241
KMG Rompetrol S.R.L	Management services	32,178,603	43,822,106	127,620,339	173,798,472
Oilfield Exploration Business Solutions S.A.	Management services	44,694	37,278	177,256	147,845
Rompetrol Financial Group S.R.L.	Environmental services	14,629	781,594	58,019	3,099,802
Rompetrol Well Services S.A.	Interest on loan	116	191,230	460	758,418
Palplast S.A.	HDPE pipes and fittings	7	-	28	-
KMG Rompetrol Services Center	Shared services	7,608,803	7,052,975	30,176,513	27,972,099
Midia Marine Terminal S.R.L.	Handling services/Transit	15,973,568	15,665,032	63,351,171	62,127,517
Rominserv Valves Iaifo SRL	Valves	94,588	94,371	375,136	374,275
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	28,035,173	31,698,176	111,187,496	125,714,966
KMG Rompetrol Development S.R.L.	Retail	6,692,197	2,471,894	26,541,253	9,803,532
Global Security Sistem S.A.	Security and protection services	3,151,955	3,895,443	12,500,654	15,449,327
Global Security Systems Fire Services SRL	Fire protection services	1,575,245	-	6,247,422	-
Total		**1,819,729,896**	**3,120,327,782**	**7,217,048,768**	**12,375,219,984**

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

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

27. RELATED PARTIES (continued)

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 during 2020 it was renamed Ministry of Economy, Energy and Business Environment. Its current name is Ministry of Energy according to the OUG 212/2020.

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

The amount of remuneration for key management personnel for 2020 was of USD 1.3 million (2019: USD 0.97 million), representing short term benefits and bonuses.

28. EARNINGS PER SHARE

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

	2020	2019	2020	2019
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Earnings				
Profit / (Loss) for the year attributable to ordinary equity holders of the parent entity	(199,779,921)	(49,174,940)	(792,327,167)	(195,027,812)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
Earnings per share *(US cents/share)*				
Basis	**(0.4529)**	**(0.1110)**	**(1.7962)**	**(0.4402)**

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. The appeal was resolved by Decision no. 238/29.10.2020 in favors of Rompetrol Rafinare, following which it was established that Rompetrol Rafinare S.A. does not owe any amount of money to ANAF.

29. CONTINGENCIES (continued)

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 was 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 5 December 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. The appeal was resolved by Decision no. 238/29.10.2020 in favor of Rompetrol Rafinare, following which it was established that Rompetrol Rafinare S.A. does not owe any amount of money to ANAF.

c) Rompetrol Rafinare SA- Distressed Assets - Hybrid Conversion

Emergency Ordinance (“EGO”) 118/2003 approved by Law 89/2005 and the Issuing Convention of 5 December 2003 (“Issuing Convention”), regulated the conversion of RON 2,177.7 million of state budget liabilities, including penalties, into 22,812,098 EUR - 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 30 September 2003 or 3.8185 RON / EUR or USD 719.4 million at the same date), hereinafter referred to as “Hybrid instruments” or “Bonds”. The Bonds carried interest and were redeemable on or before maturity, whereas EGO specifically provided that bonds not redeemed by 30 September 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 30 June 2010 approved, the increase of the Company’s share capital by USD 100.2 million;
2) On 9 August 2010, Rompetrol Rafinare S.A. redeemed 2,160,000 Bonds in aggregate amount of EUR 54 million;
3) On 30 September 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 course procedures.

On 10 September 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 15 February 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 18 February 2013.

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29. CONTINGENCIES (continued)

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

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of Rompetrol Rafinare S.A.'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 renounce all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

Following the hearing on 24 March 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.

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 Participaţiilor 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.

<u>Contingencies – risk management and internal control</u>

The Group commitment to integrity, responsibility and ethical conduct is particularly important in the area of bribery and corruption prevention and detection.

The Group is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Group adopts an approach of zero -tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates.

Whistleblowing incidents are taken very seriously by the Group and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Group has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. The internal investigations conducted during 2020 up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations.

30. LEGAL MATTERS

Litigation with the State involving criminal charges

Starting with 22 March 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 Rompetrol Rafinare S.A.’ privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by Rompetrol Rafinare S.A. (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 7 April 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 12 April 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 Rompetrol Rafinare S.A.) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which the Court settled that the legislative process, as well as the aspects regarding the opportunity and/or lawfulness of a deed issued either by the Parliament and Government cannot be subject of a 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 10 May and 28 June 2017, the Companies submitted their Statement of claims against the DIICOT allegations for the following topics: Libya receivables, Rompetrol Rafinare S.A. privatization and post-privatization period, privatization of Vega refinery and the issuance of bonds (OUG 118/2003),

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30. LEGAL MATTERS (continued)

intra-companies transactions and budgetary taxes and duties.

On 17 July 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 22 December 2017 as well a challenge against it submitted in front of the higher prosecutor on 29 September 2017.

On 12 April, 2018 DIICOT issued an Ordinance which cancelled the previous Ordinances dated 17 July 2017, 18 September 2017 and 6 December 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., Rompetrol Rafinare S.A., OEBS have submitted on 20 April 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the asset freeze. On 22 May 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 8 October 2018. The court postponed the issuance of a resolution for 22 October 2018 when the Court rejected the forwarding of the case to the Constitutional Court as well.

A similar challenge was submitted on 23 November 2018. On 4 December 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 15 March 2019. A new request for partial release of seizure was filled in on April 8, 2019.

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

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 the company were released from the criminal seizure.

On 22 July 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.

As of 23 October 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 22 April 2019). Therefore, the only assets still remaining under freezing orders are the ones of Rompetrol Rafinare S.A. located in Navodari on the Petromidia refinery Platform. On June 12 and 29 July 2019 the Group submitted another statement of defense by challenging the allegations mentioned within the case.

30. LEGAL MATTERS (continued)

On 5 December 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 USD 106 million over 4 Rompetrol Rafinare S.A.' 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.

Both Faber and AAAS and the Group challenged it. The Group challenged the Ordinance on 27 December 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 26 June 2020 to allow the parties to prepare their defenses. On 10 July 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.

On 25 May, 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 USD 530,000). On 8 July 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 Rompetrol Rafinare S.A. share capital back in 2003-2005. The hearing was scheduled for 14 April but the case has been suspended due to the emergency enforced since 16 March 2020. The next hearing was settled for 27 April 2021.

Also, please note that in December 2020, Faber resumed some files out of those suspended back in 2005/2006. The hearings are scheduled during April and May 2021. Briefly, the files regard the followings:

1. Cancellation of the statutory documents issued in 2001 when the share capital was increased due to the evaluation of fixed assets. The first stage of the file was won, now Faber is asking to resume the appeal;
2. Cancellation of the statutory documents issued in 2001 regarding the change of the name of the company (Rompetrol Rafinare S.A.), additional activities and change the AoA according to the company law;
3. Cancellation of the statutory documents issued in 2003 regarding the evaluation of land and increasing the share capital by RPSA with this land;
4. Cancellation of the statutory documents issued in 2002 regarding the evaluation of assets (construction, equipment) by which RPSA contributed to Rompetrol Rafinare S.A. share capital increase
5. Cancellation of the statutory documents issued in 2003 regarding the contribution in kind made by DWS, RWS, RPSA to Rompetrol Rafinare S.A. share capital;
6. Cancellation of the statutory documents issued in 2001 regarding the share capital increase according to the privatization contract;

Plus, Faber submitted request for the revision of a decision by which the court closed a file being out of date/obsolete (when Court asked the plaintiff to do something and it doesn't within 6 months /1 year).

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30. LEGAL MATTERS (continued)

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

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

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 Rompetrol Rafinare S.A. was challenged on 26 February 2018. On 23 January 2019 the fiscal authority D.G.S.C. – A.N.A.F. issued the settling decision upon Company's administrative appeal by which the fiscal authority decided the followings:

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

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

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

The claim submitted by Rompetrol Rafinare S.A. was registered on 25 July 2019 at the Constanta Court of Appeal, forming Case file no. 393/36/2019, the Court set the first hearing for 13 November 2019. On 11 December 2019 the Court approved Rompetrol Rafinare S.A.'s request to carry out a financial – accounting expertise in the Case file and set the next term for 15 January 2020 when the Court will nominate three experts to perform the expertise and will set the term for the Expertise Report to be filled. On 15 January 2020, the Court nominated the experts and set the next term for 12 February 2020 for the expertise to be initiated. The Court set the next term for 11 March 2020 for the Expertise Report to be issued.

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. Following the submission of the Expertise Report, ANAF submitted objections, Constanta Court of Appeal establishing a trial term on 24 March 2021 in order to discuss them.

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of USD 3.44 million.

30. LEGAL MATTERS (continued)

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 30 October 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 25 February 2019 and a decision was released on 19 March 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 11 November 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 favors of the company. It is expected the Supreme Court decision on this topic.

On 17 June 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.

On 17 December 2020 Rompetrol Rafinare received as a partial payment from the Environmental Ministry the amount of RON 30 million.

30. LEGAL MATTERS (continued)

Litigation between Rompetrol Rafinare and Navodari City Hall

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

a) Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by Rompetrol Rafinare S.A. 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 16 March 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 next term in the case file was 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. The Decision will be enforced for obtaining the amount granted. Also the Supreme Court admitted Rompetrol Rafinare S.A.’s request for clarifications and decided to complete the Decision with the clear obligation of City Hall of Navodari to pay back Rompetrol Rafinare S.A. the amounts paid by the Company.

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 2 November 2018, the case has been suspended. On 10 January 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.

30. LEGAL MATTERS (continued)

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

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

a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint leads to an investigation launched in April 2016 by the Competition Council. Competition Council is entitled to acknowledge the violation by Administraţia 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 13 May 2019, in order to communicate to the parties the statement of defense issued by National Company "Administratia Porturilor Maritime" SA. Next term was established 21 October 2019, when the court dismissed the complaints filed by the plaintiffs. The solution was appealed by Rompetrol Rafinare SA and the first hearing was set by the High Court on 12 April 2022.

b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 mil USD) and for restitution of dredging expenses (USD 1.7 million). On 19 May 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff:
   - The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
   - The amount of RON 0.079 million representing legal costs.

   Both parties filed for appeal against the solution pronounced by first court. On 27 December 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal. The decision has been communicated and the recourse has been filled by Rompetrol Rafinare SA on 6 August 2018. The case is in filter proceedings, and the first hearing term will be established later. During the filter proceedings, National Company “Administratia Porturilor Maritime” SA has raised the exception of inadmissibility of our recourse, motivated by the fact that, according to art. 483 paragraph 2 of the Civil Procedure Code, the decisions regarding the civil navigation and port activity processes are exempted from the right of recourse. Rompetrol Rafinare SA has raised the exception of unconstitutionality regarding the art. 483 paragraph 2 of the Civil Procedure Code. From this reason, The High Court of Cassation and Justice has suspended the procedure until the Constitutional Court solves the exception submitted by Rompetrol Rafinare.

30. LEGAL MATTERS (continued)

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

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

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. and ROMINSERV S.R.L has quality as civilly liable party.

The criminal file was finalized by the prosecutor and sent into court twice, on which occasion the judges of the preliminary chamber decided to send back the file to the Prosecutor's Office attached to the Constanta Court of Appeal due to the fact that the prosecutor indictment contain irregularities and therefore the object and frame of the legal proceeding cannot be established, found the relative nullity of the document.

The company was summoned to the prosecutor's office on 2 June 2020 in order to be informed the quality of suspect of the company in the file.

According with prosecutor third 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.

On 24 June 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. On 17 September 2020 the judge of preliminary chamber rejected as unfounded the claims and exceptions made by all defendants- i.e. RR, RIS and individuals involved- and noted the legality of court investment with the indictment no 586/P/ 2016 of the Prosecutor's office attached to the Constanta Court of Appeal, of the administration of evidences and of the performance of criminal investigation and ordered the commencing of the trial. The court decision was appealed, the appeals were rejected, and the next hearing scheduled by Constanta court (Judecatoria) is on 19 April 2021.

Relating Rompetrol Rafinare S.A. employees, Andrei Felicia and Oancea Cornel, the file has been disposed.

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

As at current date the maximum exposure, for each company, is in amount of USD 1.7 million (RON 7.2 million).

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of USD 0.43 million.

31. COMMITMENTS

Environmental risks and obligation

The Group's business activities are subject to constantly changing local, national and European regulations relating to the environment and industrial activity, which entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a financial resource in order to comply with the incidental restrictive legislation and regulation relating to the Group activities.

Although the Group has provided for known environmental obligations that are probable and reasonably estimable, it is possible that the Group will continue to incur additional liabilities. The amount of additional future costs is not fully determinable due to factors such as unknown timing and extent of the corrective actions that may be required, if the case. As a result of these risks, environmental liabilities could be substantial and incur additional costs that may impact the Group's results of operations and cash flow.

Group's financial statements account for provisions relating to the costs of environmental obligations that can be reasonably estimated in a reliable manner.

During 2019 and 2020, the Group advance with the greening process of Vega lagoons and some major phases have been finalized while the foreseen completion date of the project is 30 June 2022. Progress and status of the project is reported on a regular basis to the environmental competent authorities. A revised environmental agreement for the project was issued in January 2021 out of which there are no material additional obligations for the Group.

During 2020, the Group has carried out the due diligence procedures in accordance with Law 74/2019 in relation to the storage area of the biological waste resulted from IAZ no.1 ("Vadu cassettes"). The process is ongoing and performed in accordance with the requirements of the competent environmental authorities ("EPA Constanta"). During 2021, a detailed investigation report was provided by the Group to the environmental authorities and next steps for remedial actions, if any, are expected.

As of 31 December 2020, the Group has recognized a provision for restoration costs related to Vega Refinery, see Note 19.

Other commitments

As of 31 December 2020, Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards and other projects at the Petromidia refinery of USD 22.07 million (2019: USD 70.84 million). As of 31 December 2020, Rompetrol Downstream S.R.L has contracted capital commitments of USD 2.9 million (2019: USD 2.4 million).

Sale and purchase commitments

As of 31 December 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 2,349.84 million (2019: USD 1,328.72 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,240.30 million (2019: USD 2,053.80 million).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (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:

	31 December 2020	31 December 2019
Debt (excluding shareholder loans and related parties)	378,769,602	334,393,998
Cash and cash equivalents	(100,655,956)	(13,196,424)
Net debt	**278,113,646**	**321,197,574**
Equity (including shareholder loans and related parties)	433,639,226	643,909,852
Net debt to equity ratio	**0.64**	**0.50**

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group is aiming to have a net debt not higher than equity level and consequently trying to maintain a maximum 1 gearing ratio.

32.3. Categories of financial instruments and fair values

	31 December 2020	31 December 2019
Financial assets		
Trade and other receivables	521,560,690	446,277,806
Long-term receivables	4,143,035	667,307
Derivative financial instruments	209,030	1,171,629
Cash and cash equivalents	100,655,956	13,196,424
TOTAL FINANCIAL ASSETS	**626,568,711**	**461,313,166**
Financial liabilities		
Long-term borrowings	240,000,000	240,000,000
Derivative financial instruments	375,916	3,704,969
Short term borrowings from shareholders	12,342,166	24,382,988
Other non-current liabilities	356,061	186,288
Trade and other payables	1,067,238,369	979,506,847
Short-term borrowings banks	52,949,083	11,307,822
TOTAL FINANCIAL LIABILITIES	**1,373,261,595**	**1,259,088,914**

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32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Trade and other receivables are at net recoverable value the following are not considered as financial assets:

- VAT to be recovered;
- Profit tax receivables;
- Other taxes receivables.

Similarly, for trade and other payables the following are not considered as financial liabilities:

- Excises taxes;
- Special found tax for oil products;
- VAT payable;
- Profit tax payable;
- Salary taxes payable;
- Other taxes;

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Group enters into derivative financial instruments with various counterparties. As at 31 December 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.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	31 December 2020	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	521,560,690	-	521,560,690	-
Long-term receivables	4,143,035	-	4,143,035	-
Available for sale investments	18,583	-	18,583	-
Derivative financial instruments	209,030	-	209,030	-
Cash and cash equivalents	100,655,956	100,655,956	-	-
TOTAL FINANCIAL ASSETS	**626,587,294**	**100,655,956**	**525,931,338**	**-**
Financial liabilities				
Long-term borrowings	256,223,200	-	256,223,200	-
Derivative financial instruments	375,916	-	375,916	-
Short term borrowings from shareholders	12,342,166	-	12,342,166	-
Other non-current liabilities	356,061	-	356,061	-
Trade and other payables	1,067,238,369	-	1,067,238,369	-
Short-term borrowings banks	52,949,083	-	52,949,083	-
TOTAL FINANCIAL LIABILITIES	**1,389,484,795**	**-**	**1,389,484,795**	**-**

	31 December 2019	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	446,277,806	-	446,277,806	-
Long-term receivables	667,307	-	667,307	-
Available for sale investments	18,583	-	18,583	-
Derivative financial instruments	1,171,629	-	1,171,629	-
Cash and cash equivalents	13,196,424	13,196,424	-	-
TOTAL FINANCIAL ASSETS	**461,331,749**	**13,196,424**	**448,135,325**	**-**
Financial liabilities				
Long-term borrowings	265,474,400	-	265,474,400	-
Derivative financial instruments	3,704,969	-	3,704,969	-
Short term borrowings from shareholders	24,382,988	-	24,382,988	-
Other non-current liabilities	186,288	-	186,288	-
Trade and other payables	979,506,847	-	979,506,847	-
Short-term borrowings banks	11,307,822	-	11,307,822	-
TOTAL FINANCIAL LIABILITIES	**1,284,563,314**	**-**	**1,284,563,314**	**-**

During the reporting period ending 31 December 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.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.5 Derivative financial instruments

The Group uses different commodity derivatives as part of price risk management in trading of crude oil and products.

Balance Sheet:

	31 December 2020	31 December 2019
Derivative financial asset	209,030	1,171,629
Derivative financial liability	(375,916)	(3,704,969)
Net position – asset / (liability)	**(166,886)**	**(2,533,340)**

Income Statement:

	31 December 2020	31 December 2019
Unrealized (gains)	-	-
Net position - (gain) / loss - in Cost of sales	**-**	**-**
Realized (gains) / losses - net	(52,628,509)	2,730,685
Total position – loss / (gain) - in Cost of sales	**(52,628,509)**	**2,730,685**

	31 December 2020	31 December 2019
Derivative asset / (liability) 2019	**(2,533,340)**	**2,531,932**
Forex unrealized (hedging of forex)	-	-
Cash payments	2,366,454	(5,065,272)
Reserves	-	-
Derivative asset / (liability) 2020	**(166,886)**	**(2,533,340)**

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

32.6 Market risk

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies.

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32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.7. Foreign currency risk management

The Company'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.

	Liabilities		Assets	
	2020	**2019**	**2020**	**2019**
Currency RON	727,341,012	501,307,493	593,071,444	445,691,553
Currency EUR	51,469,531	30,821,298	68,999,943	16,395,442

32.8. Foreign currency sensitivity analysis

The Group is mainly exposed to the RON and EUR currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity here the USD strengthens 5% against the relevant currency. For a 5% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

		RON		EUR	
		2020	**2019**	**2020**	**2019**
USD	**USD**				
Profit/ (loss)	**5%**	(6,713,478)	(2,780,797)	876,521	(721,293)
	-5%	6,713,478	2,780,797	(876,521)	721,293

32.9. Interest rate risk management

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Group's borrowings, are provided in Notes 13 and 18.

The sensitivity analyses above have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's: profit for the year ended 31 December 2020 would decrease / increase by USD 5,837 thousand (2019: decrease / increase by USD 3,502 thousand).

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32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.10. Liquidity risk management

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2020 and 31 December 2019 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Year ended 31 December 2020	Less than 1 month or on demand	<3 months	3 - 12 months	1 - 5 years	>5 years	Total
Long-term debt	-	1,738,200	5,214,600	249,270,400	-	**256,223,200**
Long-term net obligations under lease agreements	-	-	-	30,216,181	109,163,159	**139,379,340**
Trade and other payables	1,038,287,057	8,429,527	20,458,490	63,295	-	**1,067,238,369**
Derivative financial instruments	-	375,916	-	-	-	**375,916**
Short-term net obligations under lease agreements	4,397	2,508,385	7,538,344	-	-	**10,051,126**
Short-term borrowings from related parties	-	-	12,342,166	-	-	**12,342,166**
Short-term debt	-	411,325	53,285,087	104,678	-	**53,801,090**
Other non-current liabilities	5,064	-	-	350,997	-	**356,061**
	1,038,296,518	**13,463,353**	**98,838,687**	**280,005,551**	**109,163,159**	**1,539,767,268**

Year ended 31 December 2019	Less than 1 month or on demand	<3 months	3 - 12 months	1 - 5 years	>5 years	Total
Long-term debt	-	2,729,400	8,188,200	254,556,800	-	**265,474,400**
Long-term net obligations under lease agreements	-	-	-	61,959,650	138,697	**62,098,347**
Trade and other payables	470,708,331	487,903,735	20,894,781	-	-	**979,506,847**
Derivative financial instruments	-	3,704,969	-	-	-	**3,704,969**
Short-term net obligations under lease agreements	-	-	3,977,909	-	-	**3,977,909**
Short-term borrowings from related parties	-	136,017	24,791,040	-	-	**24,927,057**
Short-term debt	-	127,084	11,403,999	63,993	-	**11,595,076**
Other non-current liabilities	16,931	-	-	169,357	-	**186,288**
	470,725,262	**494,601,205**	**69,255,929**	**316,749,800**	**138,697**	**1,351,470,893**

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32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.11. Commodity price risk

The Group is affected by the volatility of prices of crude oil, oil products and by refinery margins. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil prices, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical (purchase from third parties and KazmunayGas Group, and sales to third parties and Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

The net impact of the commodity hedges was USD +9.75 million (2019: total net loss of USD -6.85 million).

32.12. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 15% 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

Facility granted to Rompetrol Rafinare S.A. by KMG International N.V. in amount of up to USD 250 million has been fully repaid on 18 February 2021. The facility has not been extended.

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2021 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2021 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS

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Yedil Utekov
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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER

DocuSigned by:
Ramona Galateanu
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FELIX CRUDU-TESLOVEANU
GENERAL MANAGER

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Felix Crudu Tesloveanu
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ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2020

The figures for 2020 include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS"). Consolidated financial statements of Rompetrol Rafinare Group include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

Rompetrol Rafinare S.A., Member Company of the KMG International Group, operates Petromidia Refinery located in Navodari, Constanta County. Starting with December 1, 2007, the company also operates Vega Refinery, located in Ploiesti, Prahova County.

Starting with January 1, 2014, Rompetrol Rafinare S.A. took over the operational facilities (polymer production and utilities) of Rompetrol Petrochemicals S.R.L.

The company processes a variety of crude oils with different content of sulphur. The crude oil feeding is carried out mainly through the marine terminal built by the KMG International Group, close to Petromidia Refinery, and the rest is carried out through Oil Terminal facilities in Constanta port. The products obtained can be delivered by railway, road and by sea.

At the end of 2008 the company also finalized the operations for the 350% expansion of the transit capacity for finished products through Midia harbor, by building two new loading and offloading berths, Berth 9B and Berth 9C. In 2012 Rompetrol Rafinare SA completed the extensive process of modernization that allowed expanding refining capacity to 5 million tonnes/year and efficient production and focus on the petroleum products required by the market.

Petromidia Refinery continued its production process optimization programs (i.e. increase of processing capacity alongside increased production performance of valuable products yields; reduce technological loss, crude diet optimization; constant supply of the crude, alternative and other feedstock; downstream Units operation optimization; mitigation of slowdown/shutdown/ unplanned events) and operating costs optimization (energy efficiency and processing cost reduction), programs successfully continued until present days.

In 2019, the Petromidia Refinery celebrated 40 years of activity, the period when it grow from an idea, to the largest profile unit in Romania and one of the most modern in the Black Sea region.

In 2020, the major Turnaround in Refinery performed during the pandemic period (starting in March and continued until the beginning of May), has been done with zero incidents showing excellent capabilities in risk prevention.

The number of employees of Rompetrol Rafinare S.A. and its subsidiaries at the end of 2020 was 1,848.

The company employs best practices for attracting, retaining and motivating its employees, who are the principal contributors to the development of the Group. The company is fully committed to its responsibilities for their development and for the communities in which it operates.

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COMPANY SHARES AND LISTING

Since April 7, 2004, the Company's shares are traded on the regulated market administrated by the Bucharest Stock Exchange SA ("BVB") under the symbol "RRC" and ISIN code ROPTRMACNOR5.

The Company's shares are traded on BVB Standard category. On 31.12.2020, the total number of shares issued by the Issuer is 44,109,205,726, representing a total share capital of 4,410,920,572.6 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti.

The activity carried out by RRC in 2020, as issuer of securities on the Romanian capital market, is presented as follows:

- in 2020, there were a total number of 1,630 transactions with RRC shares, with an average daily number of 7 transactions;
- the total volume of RRC shares traded was 33,117,257 shares;
- the value of transactions in 2020 with RRC shares was 1,372,060 lei;
- the RRC transactions in 2020 were concluded only on the REGS market;
- the price of a share during the year 2020 was between a maximum value of 0.051 lei and a minimum of 0.0315 lei, decreasing from the values registered in 2019 when the maximum value was 0.0525 lei and the minimum value of was 0.0425 lei, respectively decreasing as compared to the values registered in 2018 when the maximum value was 0.06 lei and the minimum value was 0.044 lei.

The market capitalization on the last trading day of 2018, 2019 and 2020 is presented in the table below:

The Rompetrol Rafinare shares	2018	2019	2020
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, mil. lei[1]	2,108.42	2,205.46	1,940.81
Stock exchange capitalization, mil. Euro[2]	452.07	461.54	398.16
Maximum price, lei[3]	0.06	0.0525	0.051
Minimum price, lei[4]	0.044	0.0425	0.0315
Price at the end of the year, lei	0.0478	0.05	0.044

[1] *Calculated on the basis of the price of the share on the last transaction day of the year under consideration, respectively on December 30th 2020;*
[2] *Calculated at the euro exchange rate (4.8744) of the last trading session of the year under consideration, respectively December 30th 2020;*
[3] *Recorded on January 7th 2020, April 1st and December 16th 2019, respectively February 16th 2018;*
[4] *Recorded on March 13th 2020, May 16th 2019, respectively September 3rd 2018.*

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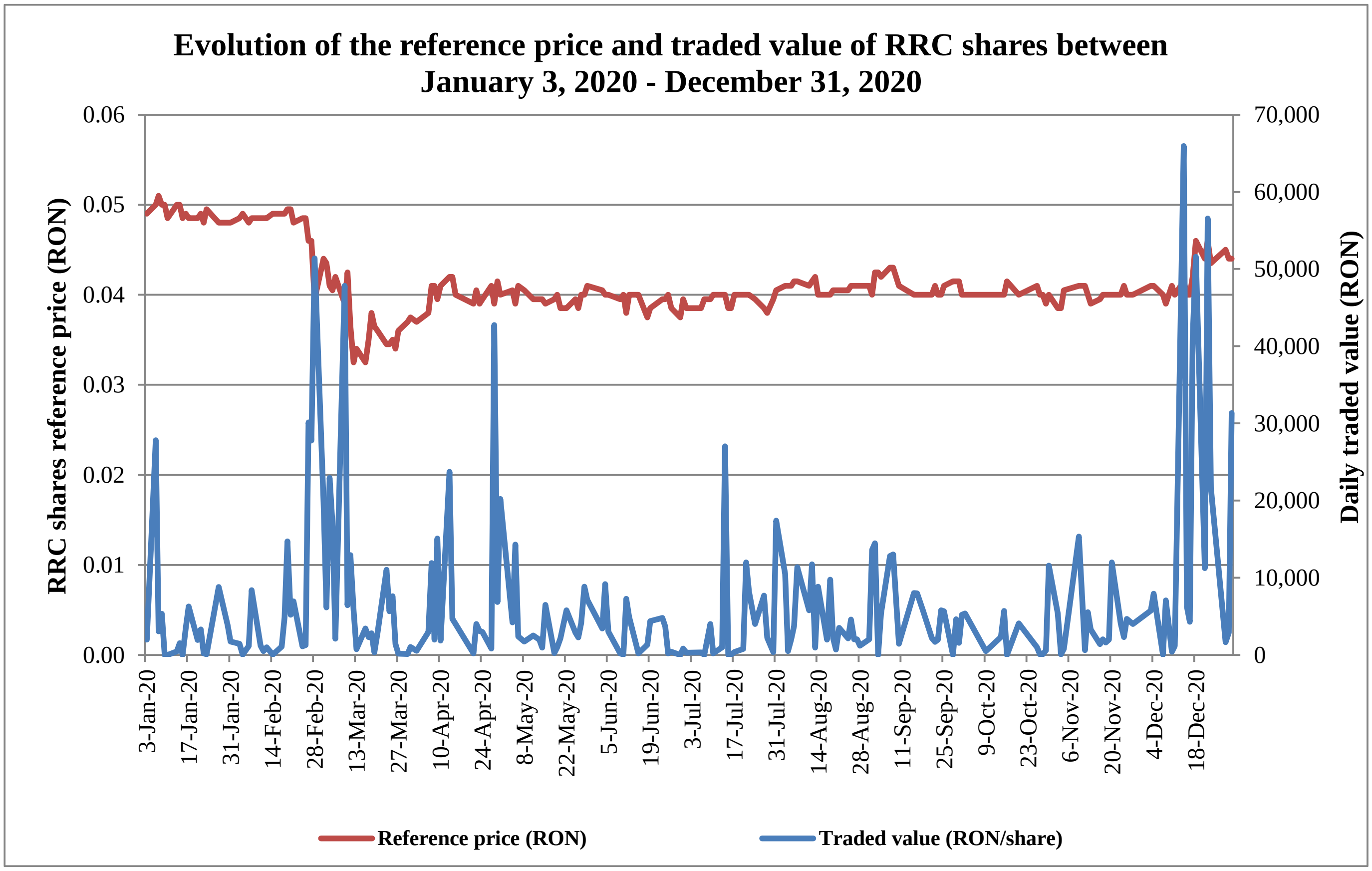

WEIGHTED AVERAGE PRICE

Weighted Average Price of RRC shares during 2020 = 0.041430355 lei/share;
The volume traded in December 2020 represents 22.35% of the entire volume traded in 2020 (total traded volume in 2020 = 33,177,257 shares).

ROMPETROL RAFINARE SHAREHOLDERS STRUCTURE

In the period under review there were no changes likely to influence the share capital of the Company.
According to the Shareholders' register consolidated on December 31, 2020, the structure of the Company's significant shareholders is presented in the following graph:

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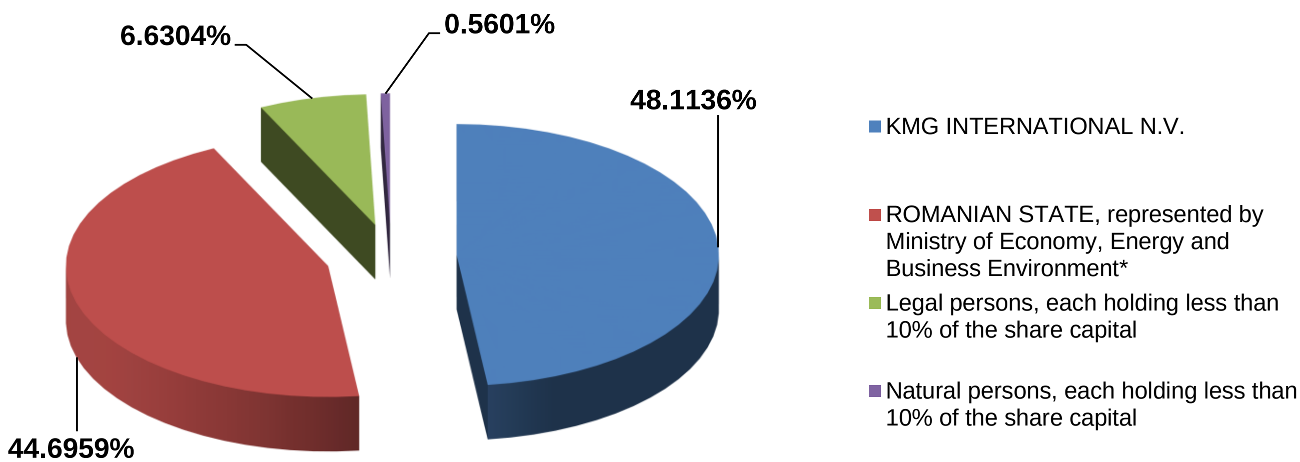
The structure consolidated by the Depozitarul Central S.A. on 31.12.2020



Note:
At 31 December 2020, the shareholders of KMG International Group own a number of 24,098,569,799 shares, representing 54.6339% of the share capital.

** At the date of the present financial statements, having the name of the Ministry of Energy*

COMPANY'S OWN SHARES

At 31.12.2020, ROMPETROL RAFINARE S.A. held a number of own shares of 6,134,701 having a nominal value of RON 0.10 per share and a total value of RON 613,470.10, which represents 0.0139% of Company's share capital.

The Company did not trade (by acquiring or selling) its own shares during 2020.

In 2020, Rompetrol Rafinare did not redeem or cancel its own shares.

THE NUMBER AND NOMINAL VALUE OF THE SHARES ISSUED BY THE PARENT COMPANY, OWNED BY SUBSIDIARIES

In 2020, the subsidiaries of the company have not held shares issued by Rompetrol Rafinare.

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THE FINANCIAL CALENDAR PROPOSED FOR THE YEAR 2021

Financial Calendar	Date
Closed period*	January 27th 2021 – February 25th 2021
Presentation of the preliminary, unaudited, individual and consolidated results of the year 2020 and fourth Quarter of 2020	**Friday, February 26th, 2021**
Closed period*	March 29th 2021 – April 27th 2021
Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2020	**Wednesday, April 28th , 2021 (first meeting) Thursday, April 29th, 2021 (second meeting)**
Publication of the 2020 Annual Report	**Thursday, April 29th, 2021**
Closed period*	April 17th 2021 – May 16th 2021
Presentation of the results recorded during the first quarter of 2021	**Monday, May 17th, 2021**
Closed period*	July 14th 2021 – August 12th 2021
Presentation of the results recorded during the first semester and second quarter of 2021	**Friday, August 13th, 2021**
Closed period*	October 16th 2021 – November 14th 2021
Presentation of the results recorded during the third quarter of 2021 and between January – September 2021	**Monday, November 15th, 2021**
Telephone conferences and / or meetings with investors and financial analysts, as appropriate	On request

**the closed period refers to 30 calendar days before the announcement of an interim financial report or a financial report at the end of the year in which the issuer cannot make changes to the calendar data agreed in this financial calendar*

CORPORATE GOVERNANCE

Corporate Governance Report of Rompetrol Rafinare S.A. for the year 2020 it is drawn up on the basis of the Corporate Governance Code ("CGC" or "the Code"), of Law no. 24/2017 regarding the issuers of financial instruments and market operations, of the regulations and instructions issued by the Financial Supervisory Authority - "Autoritatea de Supraveghere Financiara ASF" and of the stock exchange regulations.

The statement "Apply or Explain" presents the stage of compliance of the Company with the new provisions of the CGC BVB. Rompetrol Rafinare will continue to evaluate the provisions of the Code and any subsequent progress that the Company will make in complying with it will be reported on the market. The “negative” aspects (from compliance to non-compliance) will also be reported.

In 2020, Rompetrol Rafinare continued the process of implementing good corporate governance practices so that the internal practices correspond qualitatively to the new requirements in respect of companies admitted to trading at BVB.

SUSTAINABILITY REPORT

The report of the Board of Directors does not include the sustainability report, which will be submitted at a later date than the date of approval of the Financial Statements by the Board of Directors.

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PRESENTATION OF THE COMPANY'S ADMINISTRATORS

The Board of Directors is responsible for fulfilling all the measures necessary for the development of the Company's activity, as well as for supervising the activity. Its composition, organization, attributions and responsibilities are established by the Articles of Incorporation of the Company, available on our website (www.rompetrol-rafinare.ro, Investor Relations / Corporate Governance section, Corporate Governance Documents subsection).

As of December 31, 2020, the composition of the Board of Directors was as follows:

- **Yedil Utekov**, citizen of the state of Kazakhstan, Chairman of the Board of Directors;
- **Alexey Golovin**, citizen of the state of Kazakhstan, member of the Board of Directors;
- **Felix Crudu-Tesloveanu**, Romanian citizen, executive member of the Board of Directors, also exercising the position of General Manager of the Company (starting with January 1, 2020);
- **Nicolae Bogdan Codrut Stanescu**, Romanian citizen, member of the Board of Directors;
- **Bogdan-Catalin Steriopol**, Romanian citizen, member of the Board of Directors.

Advisory committees

In its activity, the Board of Directors is supported by two advisory committees, namely: the Audit Committee and the Strategy Committee, being responsible for conducting analyses and developing recommendations for the Board of Directors, in specific areas, having the obligation to submit periodically activity reports to the members of the Board of Directors.

Audit Advisory Committee

The Committee was set up on the basis of Decision no. 1 of the Board of Directors of April 13, 2018.

Strategy Advisory Committee

The Committee was set up on the basis of Decision no. 4 of the Board of Directors of April 20, 2019.

The detailed presentation of the attributions and responsibilities of the Advisory Committees can be found in the Organization and functioning Regulations approved by the Board of Directors, regulations published on the Company's website www.rompetrol-rafinare.ro, section Investor Relations - Corporate Governance - Corporate Governance Documents.

INFORMATION ON THE GENERAL MEETING OF SHAREHOLDERS AND THE SHAREHOLDERS' RIGHTS

The corporate bodies of RRC, company managed in unitary system, are structured as follows: The General Meeting of Shareholders, which is the highest decision-making body of the Company and the Board of Directors.

The General Meeting of the Shareholders ("GMS")

The General Meeting of Shareholders is the main corporate governing body of the Company, having decision making tasks on detailed activities within the Article of Incorporation of the Company.

In terms of structure, depending on the points on the agenda that the shareholders are required to approve, the General Meeting of the Shareholders can be ordinary or extraordinary.

The Ordinary General Meeting of the Shareholders ("OGMS")

According to article 11 of the Company's updated Articles of Incorporation, corroborated with the applicable legal provisions, the Ordinary General Meeting is summoned at least once a year, within the term required mandatory by the law, and includes the following main tasks:

a) to discuss, to approve or to modify the annual financial statements, based on the reports presented by the board of directors and by the financial auditor and to establish the dividend;
b) to appoint and to revoke Company directors;
c) to appoint and to establish the minimum duration for the financial audit contract, and also to revoke the financial auditor;
d) to establish for each current financial year the remuneration owed to the directors;
e) to pass opinion on the directors' manner of administration;
f) to establish the income and expenses budget, and, if such is the case, the activity schedule, for the following financial year;
g) to decide the pledge, the lease or the cancellation of one or more units of the Company;
h) to approve the maximum limits of the remuneration of the people handling/having managing positions according to the legal provisions in force.

The Extraordinary General Meeting of the Shareholders ("EGMS")

The Extraordinary General Meeting has the following tasks:

a) to change the Company's legal form;
b) to move the headquarters of the company;
c) to change the company's object of activity;
d) to set up or to dissolve secondary offices: branch offices, agencies, representations or any other such units without legal personality;
e) to extend the company duration;
f) to increase the share capital;
g) to reduce the share capital or to replenish it by the issue of new shares;
h) merger with other companies or the division of the company;
i) the company's anticipated dissolution;
j) conversion of shares from one category to another;
k) conversion of one category of bonds into another one or into shares;
l) issue of bonds;
m) any other change of the Articles of Incorporation or any other decision for which the extraordinary general meeting consent is required;

The Extraordinary General Meeting delegates the Board of Directors to exercise the tasks mentioned at letters b) and c) of the paragraph above from the revised Articles of Incorporation.

Moreover, the Extraordinary General Meeting may delegate to directors the increase of the share capital, according to the provisions of art. 85 of Law 24/2017 on the issuers of financial instruments and market operations.

Summoning, operation, voting process as well as other provisions regarding the GMS are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A. as well as in the "Regulations on the conduct of the General Meeting and the observance of the rights of the shareholders of Rompetrol Rafinare S.A." published on the Company's website, in the section Investor Relations - Corporate Governance - Corporate Governance Documents.

SHARES AND THE SHAREHOLDERS RIGHTS

The rights of the shareholders of Rompetrol Rafinare are those conferred by Law no. 31/1990 on companies, Law no. 24/2017 on the issuers of financial instruments and market operations, F.S.A. Regulation no. 5/2018, other regulations and guidelines, issued by F.S.A., of the Stock Exchange Code and other legal regulations currently in force.

All holders of RRC shares are treated fairly. All issued shares confer equal rights to the holders.

Each share subscribed and paid-up by the shareholders, according to the law, gives them the right to vote within the general meeting of shareholders, the right to appoint and to be appointed by the management bodies, the right to participate in the distribution of profit, in compliance with the provisions of the Articles of Incorporation of the company and the legal dispositions respectively the rights stipulated in the Articles of Incorporation.

The acquisition by a person, directly or indirectly, as provided for by the law, of the ownership right on a share, has as an effect the acquisition of the status of shareholder of the company with all their rights and obligations derived therefrom, according to the law and to the Articles of Incorporation.
The shareholder who in certain operation has, either personally or as a representative of another person, an interest contrary to the interest of the Company, will have to refrain from any deliberations on that account.

The shares issued as dematerialized shares are traded on a regulated market in compliance with the legislation of the capital market. The rights and obligations related to the shares follow the shares in case there are transferred under the ownership of other persons. The shareholders have the right to be completely informed during the General Meeting of the Shareholders on the Company's situation. In case that new shares are issued, the shareholders existing have the pre-emption right for subscription, under the conditions of the law, in relation with the percent of shares held within the Company.

All holders of financial instruments issued by Rompetrol Rafinare of the same type and class of titles benefit of equal treatment, and the Company makes permanent efforts to ensure transparent communication for the exercise of rights in an equitable manner.

The company has created a special section called Investor Relation, on its own website, where relevant information on the procedures regarding the access and the participation at the General Meeting of Shareholders (GMS), GMS convocation, supplemented agenda of the GMS, the responses to shareholders' questions, Current Reports, Annual, semester and quarterly reports, financial statements, exercise of voting rights in GMS, GMS agenda materials, special mandate models, financial calendar, corporate governance etc. of the company is constantly updated and accessible, that contributing to transparency and equitable information for all persons interested.

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The main shareholders' rights regarding GMS are:

- *The right to notice regarding a new GMS*

The Company's Shareholders are informed about an upcoming meeting of shareholders by convocation published in the Romanian Official Gazette and in a newspaper of national circulation at least 30 days before the meeting; also, the convocation is published on the website of the Company, in the Investor relation section and it is transmitted to the Financial Supervisory Authority and the Bucharest Stock Exchange.

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- *The right of access to information*

RRC publishes the documents and informative materials on its website.

- *The right to supplement the agenda of the meeting*

One or several shareholders representing, severally or jointly, at least 5% of the share capital, has/have the right, under the legal conditions, to request to the company Board of Directors: a) to introduce new items in the agenda of the general meeting, provided that each item is accompanied by a justification or by a draft resolution proposed to be adopted by the general meeting and b) to submit the draft resolutions for the items included or proposed to be included in the agenda of the general meetings.

- *The right to participate at the GMS*

The shareholders registered in the list of shareholders on the reference date received from the Central Depositary shall be entitled to attend in person or by representative the GMS.

- *Voting right*

Each share registered on the shareholder's name on the reference date confers a voting right in GMS.

The shareholders of Rompetrol Rafinare can exercise their vote right as follows:

1. Direct vote - in person, during the General Meeting of the Shareholders;
2. Vote by representative with a special or general proxy;
3. Vote by correspondence.

- *The right to ask questions*

Each shareholder, regardless of the participation to the share capital, has the right to ask questions referring to the agenda of the general meetings, and the Company may answer the questions asked by the shareholders by posting such answers on the Company website. Questions must be pertinent, be connected to the agenda and not harm the confidentiality and commercial interests of the Company and be in writing, either by mail or courier services, or by electronic means. Furthermore, the summons of the general meeting will comprise the deadline until which shareholders may exercise the above-mentioned rights.

Shareholders have the right to participate effectively and vote in the GMS and to be informed of the rules, including voting procedures that govern the GMS. Each share confers a voting right, a dividend. There are no preferential shares without the right to vote or shares that confer the right to more than one vote.

If the General Meeting of Shareholders approves the distribution of dividends from the net profit of the company, all shareholders registered in the Register of shareholders at the time of registration decided by the General Meeting which also approves the amount of dividends received and the time limit within which they shall be paid to the shareholders, shall be entitled to receive dividends.

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INVESTOR RELATIONS CONTACT

The annual, semi-annual and quarterly reports are made available to shareholders upon request. Requests may be submitted electronically, via e-mail at:

Investor.Relations.RRC@rompetrol.com.

STRATEGY

In 2020 the Group has updated the medium-term development Strategy. The strategy assessed development perspectives of the oil and gas industry and the current trends in the downstream sector, both in the region and internationally. It is reaffirming the confidence that the downstream business will remain highly attractive in the mid-term, especially in the CEE/Mediterranean/Black Sea areas.

The Group has a strong position and assets in CEE and is optimally positioned to capture the positive market trends in the mid-term. As a result of modernization and major historical investments, Petromidia refinery stands in the top-quartile state and performance of versus its direct competitors. Thus, in the following period the main investment focus would be on the retail network development in Romania, in projects aimed for energy efficiency and sustainable development.

The Group's commitment to the chosen direction of growth, by maximizing the economic value through access to end consumers of products manufactured by the Group. KMG International relies on four synergic pillars:

- A modern, reliable and highly performing asset base;
- Capable management to drive improved performance;
- A strategy that links the company's strengths with opportunities on the market;
- Adequate access to financial markets to fund strategy implementation.

OUTLOOK FOR 2021

Group operations: The Group will continue to carry on the operational initiatives which were identified and put in motion starting 2016, such as: Refining planning and production optimization, energy efficiency and organizational effectiveness, increase of non-fuel profitability, trading profitability increase.

These operational initiatives have as main purpose the improvement of the operational results with minimum investment cost.

From the production perspective, in 2021, the Group has the following expectations:

- ✓ Total feedstock planned to be processed by Petromidia refinery in 2021 is 6.36 million tonnes (or 17.9 ktonnes/day);
- ✓ White products yield of 87%, higher by 1.07% versus 2020.
- ✓ Downstream Romania Non-Fuel Margin performance 2021 targeted at USD 29.9 million, +10% versus 2020 and +USD 5 million or 20% above 2019 actual performance.

Based on the Group's budget for 2021, it's Medium-Term Development Strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

FINANCIAL HIGHLIGHTS – CONSOLIDATED

Financial	2020 USD	2019 USD	%	2020 RON	2019 RON	%
Gross Revenues	3,465,662,381	5,186,124,223	-33%	13,744,817,002	20,568,168,669	-33%
Net Revenues	2,334,222,534	3,844,114,179	-39%	9,257,526,570	15,245,756,834	-39%
EBITDA	2,566,542	131,130,649	-98%	10,178,906	520,064,154	-98%
EBITDA margin	0.1%	3.4%		0.1%	3.4%	
EBIT	(127,951,017)	24,234,045	N/A	(507,453,733)	96,112,220	N/A
Net profit / (loss)	(198,587,392)	(48,977,553)	305%	(787,597,599)	(194,244,978)	305%
Net Profit / (loss) margin	-8.5%	-1.3%		-8.5%	-1.3%	

Rompetrol Rafinare consolidated gross revenues reached over 3.46 billion in 2020, lower by 33% as against full year 2019 as result of lower market quotation vs. similar period last year alongside by lower level sales reached within 2020, with several events to count as factors – cyclical 4 years turnaround activities starting in March and continued in April until the beginning of May, oil & gas market unprecedented volatility and significant market demand drop caused by pandemic control measures.

The company's consolidated results in terms of EBITDA and Net result were affected by the high volatility of oil and gas market environment in the period, mainly triggering significant pressure in the gross refinery margins in 2020, decreasing substantially from the comparison benchmark of 2019 similar period and being affected by the global pandemic context (i.e. 15.2 $/t vs 39.5 $/t for full year 2019).

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ECONOMIC ENVIRONMENT

		2020	2019	%
Brent Dated	USD/bbl	41.84	64.21	-35%
Ural Med	USD/bbl	41.58	64.19	-35%
Brent-Ural Differential	USD/bbl	0.26	0.02	1124%
Premium Unleaded 10 ppm FOB Med	USD/tonne	382	595	-36%
Diesel ULSD 10 ppm FOB Med	USD/tonne	362	586	-38%
RON/USD Average exchange rate		4.24	4.24	0%
RON/USD Closing exchange rate		3.97	4.26	-7%
RON/EURO Average exchange rate		4.84	4.75	2%
RON/EURO Closing exchange rate		4.87	4.78	2%
USD/EURO Closing rate		1.23	1.12	9%
Inflation in Romania*		2.06%	4.04%	-49%

*Source: Platts, * INSSE (Inflation in Romania is calculated based on CPI - i.e. Consumer Price Index)*

Dated Brent decreased by -22.4$/bbl. (-34.8%) in 2020 as against 2019 and settled to an average of 41.84$/bbl.

For crude market, the year started with a significant increase in crude oil price due to U.S. and Iran conflict. The price decline intensified by Saudi Arabia price war against Russia, oversupplied markets and unprecedented oil demand shock caused by the COVID-19 pandemic. Dated Brent reached 17.7$/bbl. on March 31st 2020 - the lowest level in Q1 2020 since 2003, as OPEC's proposal to reduce production was declined by Russia.

Crude oil spot prices continued the movement with a sharp monthly drop in April (-44%) on a continuing growing oil surplus in the spot market. After that, in the 2nd part of Q2, the crude price shifted to an upward trend and finished Q2 at the level of 42$/bbl. as the OPEC+ approved a 10 mil b/d cut starting with May.

After Q2 recovery, Dated Brent was quite stable during Q3 with some gains as the market was getting closer to the balance with demand gradually rising and helped by hopes for a stimulus deal to shore up the U.S. economic recovery. Meanwhile, in July, OPEC and Russia agreed to ease record oil supply cuts starting August as the global economy slowly recovers from the Coronavirus pandemic but in September the concerns about the market switching to oversupply started to raise.

During Q4, Dated Brent had an upward trend and succeed to surge above 50 $/bbl. for the first time since early March, fueled by hopes of a faster demand recovery as countries start to roll out COVID-19 vaccines.

In December, OPEC+ members reached a deal to raise production, with a first scheduled increase of 0.5 mb/d in January followed by monthly meetings to decide on the pace of future hikes. This is a slower ramp-up than the previously planned 1.9 mb/d January increase.

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Urals-Dated differential ended Q2 at the level of +2.5$/bbl. from -5.4$/bbl. on April, 1st as Russia's oil export remained low at -20%. After that, until end of Q3 it decreased to +0.26$/bbl. due to decreased heavy oil demand in Asia and rise flow to Europe.

During Q4, the Urals-Dated Brent differential decreased to negative levels of -1$/bbl. because Libya began exporting heavy oil at the end of September for the first time since January 2020 and based on expectations that OPEC+ will boost the heavy crude production in January 2021.

European margins decreased by -18.6$/MT (-56%) in 2020 as against 2019 and settled to an average level of 14.85$/MT.

Refinery margins started 2020 under pressure due to weak diesel and jet cracks. Diesel crack was influenced by mild weather and higher Russian ULSD exports. In the 2nd part of Q1 margins increased on the back of crude price collapse and Urals-Dated Brent differential decrease. Diesel cracks recovered and performed strongly in March with reduced runs on the back of spring maintenance. At the same time, gasoline cracks weakened in Europe to lows last seen in 2008, as global stocks continued to build while jet demand strongly decreased across the aviation sector as borders lockdowns and travel bans was put in place across the world.

Refinery margins decreased during Q2 due to high stocks of products, and an increase in crude oil price based on OPEC production cuts. Diesel cracks collapsed during Q2 as storage was reportedly nearly 100% due to yield switching towards diesel and records exports from Russia and Asia. Gasoline cracks were low as global stocks increased amid a lack of demand and summer driving season did not help due to coronavirus restrictions. Jet cracks went negative in Q2 pressured by strong demand contraction due to the impact of COVID-19 on air travel. About 70% of Jet volume's yields has been shifted to diesel and 30% to gasoline in the refining process.

Refinery margins slightly recovered in Q3 vs Q2 on the back of increasing end-user demand for road fuels and after autumn maintenance season started, however still not at the levels from the beginning of the year. Gasoline cracks increased during Q3 to their highest level since early March (109$/MT) as gasoline exports to West Africa picked up and regional demand recovered. Meanwhile diesel cracks reached their lowest level since June 1999 (18$/MT) due to oversupply as exports from Middle East to Europe increased simultaneous with very weak regional demand. Jet fuel consumption remains the hardest hit section of the global oil market as passengers continued to avoid air travel.

During Q4, European refinery utilization rates reduced to 68% (-12.5% year-on-year) have temporarily lifted margins from their summer lows, but the drop in products demand, on the back of further movement restrictions introduced by European governments, has quickly capped those gains. However, in December the cracks increased as mobility indicators showed signs of a fast recovery as most countries eased restrictions for the Christmas holidays and COVID-19 vaccine started to be delivered.

In terms of exchange rates, internally, the RON/EUR exchange rate remained quasi-stable in the first part of Q1 2020, before embarking on a relatively steep upward path. Half way through Q1 2020, the RON/EUR saw, however, its downward movement reverse suddenly, embarking on an upward path under the influence of an abrupt rise in global risk aversion, given the rapid spread of the coronavirus epidemic, in Europe as well, and heightened concerns over its impact on the global economy.

In Q2 2020 the RON/EUR exchange rate continued its upward trend but tempered its fluctuations, averaging at 4.8367 - below the maximum level of H1 2020 but still at high levels.

In Q3 2020 the RON/EUR exchange rate remained quasi-stable in the first two months, facing in September two episodes of more accentuated growth, averaging at 4.8446, and reaching its maximum level of 4.8750 on 25th of September 2020 for full year 2020.

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Looking at the average annual exchange rate dynamics in Q4, the national currency (i.e. RON) saw its nominal depreciation increase versus the EURO, but diminish against the US dollar. In Q4 2020 the RON/EUR exchange rate averaged at 4.8714 - the highest average level in the last 5 years.

The National Bank of Romania cut interest rates from 2.50% to 2% in March 2020 in line with other Central Banks to combat pandemic crisis, and a final interest adjustment, was made in August 2020 to 1.5%.

In Romania the inflation remained during 2020 at a level of 2.06%, calculated based on CPI - i.e. Consumer Price Index.

**The information is based on analysis provided by JBC Energy GmbH and National Bank of Romania*

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REFINING SEGMENT

		2020	2019	%	2020	2019	%
Financial		**USD**	**USD**		**RON**	**RON**	
Gross Revenues	USD/RON	2,732,749,319	4,417,308,906	-38%	10,838,083,799	17,519,047,121	-38%
Net Revenues	USD/RON	1,811,028,865	3,304,612,063	-45%	7,182,540,479	13,106,091,442	-45%
EBITDA	USD/RON	(33,378,262)	108,211,674	N/A	(132,378,187)	429,167,499	N/A
EBITDA margin	%	-1.8%	3.3%		-1.8%	3.3%	
EBIT	USD/RON	(113,042,913)	42,799,069	N/A	(448,328,191)	169,741,108	N/A
Net profit / (loss)	USD/RON	(186,634,742)	(16,882,860)	1005%	(740,193,387)	(66,957,423)	1005%
Net profit / (loss) margin	%	-10.31%	-0.51%		-10.31%	-0.51%	
Gross cash refinery margin/tonne (Petromidia)	USD/(RON)/t	15.2	39.5	-61%	60.5	156.6	-61%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON) /bbl	2.1	5.4	-61%	8.3	21.6	-61%
Net cash refinery margin/tonne (Petromidia)	USD/(RON)/t	(11.2)	13.7	N/A	(44.5)	54.4	N/A
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	(1.5)	1.9	N/A	(6.1)	7.5	N/A
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	4,864	6,331	-23%			
Feedstock processed in Vega refinery	thousand tonnes	364	436	-17%			
Gasoline produced	thousand tonnes	1,159	1,628	-29%			
Diesel & jet fuel produced	thousand tonnes	2,649	3,323	-20%			
Motor fuels sales - domestic	thousand tonnes	2,380	2,557	-7%			
Motor fuels sales - export	thousand tonnes	1,248	2,169	-42%			
Export	%	34%	46%				
Domestic	%	66%	54%				

Refining segment comprises the results of the company Rompetrol Rafinare related to Petromidia and Vega refineries. Rompetrol Rafinare computes Gross refinery margin as follows - (Oil Product Sales – Cost of Feedstock) / Quantity of sales. Net Refinery margin is the EBITDA divided by quantity of sales.

Gross revenues of refining segment reached over USD 2.73 billion in 2020 showing a 38% decrease as against 2019, mainly influenced by the decrease of international oil & gas market quotation evolution of petroleum products, alongside decrease in the volume of products sold, in the context of COVID-19 pandemic.

In 2020, the total throughput for Petromidia refinery was 4.864 million tonnes, lower by 23% year-on-year level if compared with 2019 when the total throughput was 6.331 million tonnes.

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In 2020, the refining capacity utilization in Petromidia refinery was 71.8%, lower by 25.7% as compared with previous year.

This decrease is due to disruption of oil supply caused by the general turnaround started in March and continued in April, alongside the heavy market demand hit caused by the COVID-19 pandemics measures, the Black Sea weather conditions (strong wind) at the beginning of the year and by the restrictions imposed by the Midia Port Administration.

Petromidia refinery managed to achieve a good refining operational performance in 2020, for its main technological and operational parameters, such as:

- ✓ White finished products yield of 85.93%wt;
- ✓ Technological loss of 0.89%wt;
- ✓ Energy Intensity Index of 99.17%.

In respect of Vega refinery (the oldest processing unit operating in Romania (since 1905) and the only domestic producer of bitumen and hexane), the total throughput was 363,803 tonnes in 2020, lower by 16.56% as against 2019 when the total throughput was 436,018 tonnes.

Vega refinery also managed to achieve good refining performance results in 2020:

- ✓ Technological loss of 0.75%;
- ✓ Energy consumption of 2.57GJ/t;
- ✓ Mechanical Availability of 98.7%.

The refining segment's financial results in 2020, were negatively affected by unfavorable market conditions, capturing the first 2 months of the year very low refining margins prior to shutting down for turnaround in March, and also impacted by the coronavirus pandemic after returning from turnaround at the beginning of May, and as such Petromidia's gross refinery margin was lower in 2020, 15.2 USD/to as against 39.5 USD/to in 2019.

Petromidia refinery continued its production process optimization programs (i.e. increase of processing capacity alongside increased production performance of valuable products yields; reduce technological loss, crude diet optimization; constant supply of the crude, alternative and other feedstock; downstream Units operation optimization; mitigation of slowdown/shutdown/ unplanned events) and operating costs optimization (energy efficiency and processing cost reduction), programs successfully continued until present days.

Oil Crisis 2020 impacted significantly Rompetrol Rafinare activity and results. Refinery market margin (component of the Profit & Loss gross margin as difference between market quotations weighted at the raw materials consumed and market quotations at sold volumes) was negative at the level of -13 $/t compared with last year when this indicator reached 25.4 $/t. Main discrepancy come from Jet A1 with a negative difference in market cracks of -83.3$/t, also diesel lower cracks by 57 $/t, gasoline lower by 28.2 $/t. This differences in market margin generated a significant negative effect in Rafinare results of around USD -143.3 million in 2020 compared with last year.

In addition to above, due to this crisis, Rompetrol Rafinare sales in 2020 decreased by 1.35 million tonnes compared with last year (i.e. up to 4.6 million tonnes), and this generated a negative effect in Rafinare results of around USD -63.1 million.

In these critical market conditions, Rompetrol Rafinare decreased as much possible market effects by insuring deliveries of fuel products to the most valuable distribution channels, mainly Romania market being in the same range as in 2019, and export of fuel oil was reduced. Also, Rompetrol Rafinare adapted the operation of the refinery to optimal valuable products structure, considering refining flexibility to react to the market changes; the main example is decreasing production of Jet A1, with the biggest dropdown in market cracks, and transferred into diesel yields.

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Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 1.14 billion in 2020.

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PETROCHEMICALS SEGMENT

		2020	2019	%	2020	2019	%
Financial		**USD**	**USD**		**RON**	**RON**	
Revenues	USD/RON	149,171,871	173,446,415	-14%	591,615,640	687,888,482	-14%
EBITDA	USD/RON	(26,274,984)	(29,149,694)	-10%	(104,206,587)	(115,607,686)	-10%
EBIT	USD/RON	(42,521,116)	(45,222,718)	-6%	(168,638,747)	(179,353,300)	-6%
Net profit / (loss)	USD/RON	(32,758,531)	(48,355,331)	-32%	(129,920,335)	(191,777,243)	-32%
Operational							
Propylene processed	thousand tonnes	117	153	-23%			
Ethylene processed	thousand tonnes	66	38	73%			
Total polymers production	thousand tonnes	143	127	13%			
Sold from own production	thousand tonnes	160	162	-1%			
Sold from trading	thousand tonnes	3	1	275%			
Total sold	thousand tonnes	162	162	0%			
Export	%	46%	41%				
Domestic	%	54%	59%				

Petrochemicals segment comprises the petrochemicals activity from Rompetrol Rafinare and the activity of Rompetrol Petrochemicals SRL

The current petrochemicals activity is carried out through PP and LDPE units.

In terms of low density polyethylene unit (LDPE), the petrochemicals segment works 100% with ethylene from import, and for PP (polypropylene) unit is ensured through raw material produced and distributed entirely by Petromidia refinery.

In 2020, the total polymers production for Petrochemicals area was 143 thousand tons, higher by 13% as against full year 2019 when the total polymers production was 127 thousand tons. The increase in 2020 as against last year is mainly due to operation schedule of LDPE unit in 2020.

The petrochemicals division has successfully developed a new product (RMB30H), a special type of polypropylene dedicated to protective medical masks. It's meant for the middle layer of the mask, the most important layer for filtering and protecting against pathogens.

RMB30H it is mainly used for obtaining filter material, for other applications in the area of medical products (protective masks, disposable equipment) or for industrial areas (professional filters with high absorption rate).

The petrochemicals segment is the sole polypropylene and polyethylene producer in Romania and has constantly succeeded to increase its market share on secondary categories of products. Its dynamic development strategy has secured the company a competitive position on the domestic market and in the region – the Black Sea and Mediterranean region and the Eastern and Central Europe, aiming to keep the competitive advantage once the market stabilizes.

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MARKETING SEGMENT

		2020	2019	%	2020	2019	%
Financial		**USD**	**USD**		**RON**	**RON**	
Gross Revenues	USD/RON	2,455,679,338	3,078,017,249	-20%	9,739,224,255	12,207,416,410	-20%
EBITDA	USD/RON	60,565,576	51,571,501	17%	240,203,074	204,532,573	17%
EBIT	USD/RON	26,129,576	28,688,248	-9%	103,629,899	113,777,592	-9%
Net profit / (loss)	USD/RON	19,592,252	18,662,421	5%	77,702,872	74,015,162	5%
Operational							
Fuels quantities sold in retail	thousand tonnes	799	789	1%			
Fuels quantities sold in wholesale	thousand tonnes	1,190	1,296	-8%			
LPG quantities sold	thousand tonnes	351	417	-16%			

Marketing segment includes the results of Rompetrol Downstream, Rom Oil, Rompetrol Quality Control Rompetrol Logistics and Rompetrol Gas

In 2020 the marketing segment had a turnover of over USD 2.45 billion, lower by 20% compared with 2019; Marketing Segment result performance for full year 2020 reached a level EBITDA of 60.5 million USD (i.e. +17%, or 9 million USD above full year 2019).

In 2020 compared to 2019, the Platt's quotations (FOB Med Italy-mean), expressed in the currency of reference (i.e. USD) were on average by ~ 38% lower for diesel and by ~ 36% lower for gasoline. Due to RON exchange rate against the USD in 2020 being at the same level as 2019 (year on year average), the decrease of the international quotation of diesel and gasoline in the national currency RON was equivalent to the same decrease as in USD.

Overall, fuel sales (retail and wholesale), for full year 2020 amounted to 1.99 million tons, -5% versus full year 2019, as a direct result of two opposite trends – higher sales vs last year in January and February followed by sharp decreases as the two months of lockdown were enforced. Also, the month of June signaled a strong recovery with retail channels over performing as against last year and in Q3 and Q4 2020 total fuel sales being slightly higher as against same periods in 2019.

New stations were open during in 2020, leading to retail improvement, also as a result of extensive development.

As of December 2020, the Rompetrol Downstream's distribution segment contained 1061 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

During 2020, Rompetrol Gas decreased its retail sales volume performance by -14% compared to 2019, while LPG Auto, LPG domestic and Propane wholesale performance within Romania reached 141.5 ktonnes, +26% above 2019.

Rompetrol Quality Control is an independent and competitive company on the laboratory analysis market, which grants its results as reliable proof for third parties and Group companies. In 2020, Rompetrol Quality Control (RQC) continued the good results from last year in order to consolidate its overall market share and to increase the turnover and profitability from third-party customers.

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APPENDIX 1 – CONSOLIDATED INCOME STATEMENT FULL YEAR 2020

	2020	2019	%	2020	2019	%
	USD	USD		RON	RON	
Gross Revenues	3,465,662,381	5,186,124,223	-33%	13,744,817,002	20,568,168,669	-33%
Sales taxes and discounts	(1,131,439,847)	(1,342,010,044)	-16%	(4,487,290,432)	(5,322,411,835)	-16%
Net revenues	**2,334,222,534**	**3,844,114,179**	**-39%**	**9,257,526,570**	**15,245,756,834**	**-39%**
Cost of sales	(2,243,249,528)	(3,624,595,337)	-38%	(8,896,727,628)	(14,375,145,108)	-38%
Gross margin	**90,973,006**	**219,518,842**	**-59%**	**360,798,942**	**870,611,726**	**-59%**
Selling, general and administration	(216,271,006)	(210,561,860)	3%	(857,730,810)	(835,088,338)	3%
Other operating income	107,398,286	66,706,333	61%	425,941,602	264,557,316	61%
Other operating expenses	(110,051,303)	(51,429,270)	114%	(436,463,467)	(203,968,484)	114%
EBIT	**(127,951,017)**	**24,234,045**	**N/A**	**(507,453,733)**	**96,112,220**	**N/A**
Finance, net	(26,661,947)	(55,570,767)	-52%	(105,741,283)	(220,393,662)	-52%
Unrealized net foreign exchange (losses)/gains	(3,827,296)	(236,872)	1516%	(15,179,056)	(939,434)	1516%
Realized net foreign exchange (losses)/gains	(6,039,717)	(1,101,834)	448%	(23,953,519)	(4,369,874)	448%
EBT	**(164,479,977)**	**(32,675,428)**	**403%**	**(652,327,591)**	**(129,590,750)**	**403%**
Income tax	(34,107,415)	(16,302,125)	109%	(135,270,008)	(64,654,228)	109%
Net result	**(198,587,392)**	**(48,977,553)**	**305%**	**(787,597,599)**	**(194,244,978)**	**305%**
EBITDA	**2,566,542**	**131,130,649**	**-98%**	**10,178,906**	**520,064,154**	**-98%**

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APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2020

	December 31, 2020	December 31, 2019	%	December 31, 2020	December 31, 2019	%
	USD	USD		RON	RON	
Assets						
Non-current assets						
Intangible assets	10,970,907	8,524,600	29%	43,510,617	33,808,564	29%
Goodwill	82,871,706	82,871,706	0%	328,669,186	328,669,186	0%
Property, plant and equipment	1,168,350,972	1,179,954,903	-1%	4,633,679,951	4,679,701,144	-1%
Right of use assets	76,543,589	62,843,821	22%	303,571,875	249,238,595	22%
Financial assets and other	4,161,618	26,613,222	-84%	16,504,977	105,548,039	-84%
Total Non Current Assets	**1,342,898,792**	**1,360,808,252**	**-1%**	**5,325,936,606**	**5,396,965,528**	**-1%**
Current assets						
Inventories	202,167,399	261,673,893	-23%	801,795,903	1,037,798,659	-23%
Trade and other receivables	553,537,032	478,076,540	16%	2,195,327,869	1,896,051,558	16%
Derivative financial Instruments	209,030	1,171,629	-82%	829,013	4,646,681	-82%
Cash and cash equivalents	100,655,956	13,196,424	663%	399,201,521	52,337,018	663%
Total current assets	**856,569,417**	**754,118,486**	**14%**	**3,397,154,306**	**2,990,833,916**	**14%**
Total assets	**2,199,468,209**	**2,114,926,738**	**4%**	**8,723,090,912**	**8,387,799,444**	**4%**
Equity and liabilities						
Total Equity	**421,297,060**	**619,526,864**	**-32%**	**1,670,864,135**	**2,457,043,540**	**-32%**
Non-current liabilities						
Long-term debt	240,000,000	240,000,000	0%	951,840,000	951,840,000	0%
Hybrid instrument - long-term portion	-	17,009,920	-100%	-	67,461,343	-100%
Provisions	79,332,744	80,361,840	-1%	314,633,663	318,715,057	-1%
Obligations under lease agreements	81,816,635	62,098,347	32%	324,484,774	246,282,044	32%
Other	4,695,869	4,198,444	12%	18,623,817	16,651,029	12%
Total non-current liabilities	**405,845,248**	**403,668,551**	**1%**	**1,609,582,254**	**1,600,949,473**	**1%**
Current Liabilities						
Trade and other payables	1,267,733,760	1,021,572,681	24%	5,027,832,091	4,051,557,258	24%
Contract liabilities	30,912,849	26,280,234	18%	122,600,359	104,227,408	18%
Derivative financial instruments	375,916	3,704,969	-90%	1,490,883	14,693,907	-90%
Obligations under lease agreements	4,003,884	3,977,909	1%	15,879,404	15,776,387	1%
Short-term debt	65,291,249	35,690,810	83%	258,945,094	141,549,751	83%
Profit tax payable	4,008,243	504,720	694%	15,896,692	2,001,720	694%
Total current liabilities	**1,372,325,901**	**1,091,731,323**	**26%**	**5,442,644,523**	**4,329,806,431**	**26%**
Total equity and liabilities	**2,199,468,209**	**2,114,926,738**	**4%**	**8,723,090,912**	**8,387,799,444**	**4%**

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

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RISK MANAGEMENT

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 and to develop a culture of risk awareness where all stakeholders proactively contribute to protect Group's financial results from market volatility, to minimize future losses and optimize returns to maximize shareholder value.

In 2020, due to global pandemic crisis, the focus of risk management was to perform a comprehensive assessment and understanding of all potential impacts that current crisis might have on our business and develop immediate mitigation in order to reduce the potential effects of Covid- 19 outbreak.

Crisis Scenarios have been developed and implemented at all levels and close monitoring of the situation have been performed. The primary focus was to ensure health and safety of all our employees, but also multiple measures were taken in order to ensure business continuity: cost optimization, adapting the production and sales to the new environment, proper cash management and balance of receivables and payables to ensure proper liquidity and business functioning.

INTEREST RATE RISK

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.

FOREIGN EXCHANGE RISK

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are translated at the prevailing exchange rate at each balance sheet date. The resulting 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.

LIQUIDITY AND CASH FLOW RISKS

The liquidity risk consists in not having financial resources available in order to fulfil company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfilment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. Rompetrol Rafinare is part of the cash pooling facility of the KMGI Group and therefore can cover unexpected cash outflows by drawing from the facility.

The risk is managed through financial processes, cash-flow projections and stress tests, maintaining a sufficient cash buffer, regular reviews of market conditions and our planning and investment processes. Liquidity was put on the pressure this year due to adverse macroeconomic conditions, but proper cash management measures were implemented both in operational and financial areas. Existing favourable legislation related to Covid -19 in Romania that allowed some taxes to be postponed, very close monitoring of collection in order to avoid deterioration commercial negotiations and increase of some facilities allowed the company to mitigate this risk in order to avoid any material liquidity incidents.

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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 Group is exposed to credit risk. Overdue customer receivables are regularly monitored. The requirement for impairment is analysed 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.

COMMODITY PRICE RISK

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. 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, 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 raw materials and petroleum products 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 effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective 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 based on the current position at that particular moment. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

OPERATIONAL RISK

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality – environment – security.

ROMPETROL RAFINARE SA
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The management system establishes clear rules and principles which govern key risk management activities such as inspections, maintenance, testing and trainings, business continuity and crisis response planning. Security risks affecting our people and operations are kept as well under close monitoring by specialized departments. This risk, perceived usually as being high due to the nature of our activity and treated as a high priority by our group, has increased during 2020 when, alongside normal business challenges, additional risks were brought by Covid-19 pandemic. All measures have been taken to protect the health and safety of our employees. Throughout all available communication channels, Rompetrol Rafinare S.A is continuously distributing to all its employee's relevant information concerning appropriate infection prevention and control practices, particularly in how to react/ behave in case symptoms of infection are observed.

Preventing measures have been implemented (limited or forbidden business travel, local or international, flexible working schedule, work-from-home, online meetings, corporate events cancelled, body temperature monitoring, specific disinfectant solutions provided, rules & protocols in line with local applicable regulations). Testing program, both RT-PCR and antigen, continues in all entities. Rapid tests were distributed to key operations in order to frequently check condition of key personnel (refineries, depots and gas stations). Business lines/ units are continuously following and updating contingency plans. Workplaces sanitation with biocides is regularly performed.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group commitment to integrity, responsibility and ethical conduct is particularly important in the area of bribery and corruption prevention and detection.

The Group is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Group adopts an approach of zero -tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates.

Whistleblowing incidents are taken very seriously by the Group and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Group has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. The internal investigations conducted during 2020 up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations.

SUBSEQUENT EVENTS

Facility granted to Rompetrol Rafinare S.A. by KMG International N.V. in amount of up to USD 250 million has been fully repaid on 18 February 2021. The facility has not been extended.

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Note:
The Board of Directors Annual Report was prepared based on the audited consolidated financial statements.

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 3.9660 as of 31 December 2020.

Chairman of the Board of Directors
Yedil Utekov

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Yedil Utekov
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Member of the Board of Directors
Alexey Golovin

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Alexey Golovin
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Member of the Board of Directors
Bogdan-Catalin Steriopol

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Member of the Board of Directors
Nicolae Bogdan Codrut Stanescu

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Member and General Manager
Felix Crudu-Tesloveanu

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Felix Crudu Tesloveanu
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Finance Manager
Ramona-Georgiana Galateanu

DocuSigned by:
Ramona Galateanu
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Ernst & Young Assurance Services S.R.L.
26. MAR. 2021
Signed for identification
Semnat pentru identificare

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