

**ROMPETROL RAFINARE S.A.**

**STANDALONE FINANCIAL STATEMENTS**

**Prepared in compliance with**

Order of the Minister of Public Finance no. 2844/2016

For approval of the accounting regulations in compliance with  
the International Financial Reporting Standards

**31 DECEMBER 2020**

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Rompetrol Rafinare S.A.

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the 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, which comprise the statement of financial position as at December 31, 2020, and the income statement, statement of other comprehensive income, statement of changes in equity and 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 financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

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 Financial Statements section of our report. We are independent of the Company 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 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.

#### **Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 2b to the financial statements which indicates that, as of 31 December 2020, the Company had net assets of RON 1,336 million and share capital of RON 4,411 million. In accordance with the requirements of Romanian Company Law (Law 31/1990 and subsequent amendments) if a company has net assets less than 50% of its share capital, as the Company has, action should be taken by the Directors and shareholders to rectify the situation.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

Key audit matter	How our audit addressed the key audit matter
<b><i>Impairment testing of property, plant and equipment, right of use assets and investment in subsidiaries</i></b>	
Disclosures on property, plant and equipment, right of use assets and investments in subsidiaries, including the related impairment, are included in Note 2. e), Note 5, Note 6 and Note 7 respectively.	
<p>Property, plant and equipment of RON 3,624 million, rights of use assets of RON 58 million and investments in subsidiaries of RON 1,629 million are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2020.</p> <p>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 Company's performance and therefore impairment indicators were identified.</p> <p>Under the International Financial Reporting Standards, an entity 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,</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• we evaluated the management's assessment of impairment indicators for investments in subsidiaries by considering whether the assessment covered all significant investments for which impairment indicators could have existed at the end of the reporting period as well as management's assessment of the recoverability of the carrying value of investments for which triggering events were identified</li> <li>• we compared the future short and long-term oil and gas prices and product margins used in the Company's budgets to consensus analyst's forecasts;</li> </ul>

<p>as it involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.</p> <p>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.</p> <p>As of 31 December 2020, the management has performed a triggering events analysis and performed separate impairment testing in respect of the two CGUs' identified (Refinery and Petrochemicals) for property, plant and equipment and right of use assets.</p> <p>Furthermore, an assessment of impairment indicators has been made for the investments in the Company's subsidiaries. As a result, an impairment test for investments in Downstream CGU was performed.</p> <p>The impairment assessment indicated that the recoverable amount was higher than the carrying value, and therefore no impairment adjustment was required.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance in prior years;</li> <li>• we assessed the consideration of Covid-19-pandemic impact in the cash flow models;</li> <li>• we involved our internal valuation specialists to assist us in evaluating the key assumptions and the methodologies used by the Company for the impairment testing of property, plant and equipment, right of use assets and investment in subsidiaries. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows for the respective CGUs (such as expected sale prices, production/sales volumes, 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 Company;</li> <li>• 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.</li> </ul> <p>Furthermore, we assessed the adequacy of the Company's disclosures about property, plant and equipment, right of use assets, investment in subsidiaries, including the related impairment testing.</p>
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Key audit matter	How our audit addressed the key audit matter
<b>Recoverability of deferred tax assets</b>  Disclosures about deferred tax assets are included in Note 2. f) and Note 23.	
<p>As at 31 December 2020, the Company has a net deferred tax liability position of RON 9 million that includes a deferred tax asset of RON 136 million resulting from tax losses carried forward as presented in Note 23 to the financial statements.</p> <p>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 Company'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.</p> <p>The Company 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.</p>	<p>Our audit procedures included among others, evaluation of the Company'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 Company'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.</p> <p>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.</p> <p>Furthermore, we assessed the adequacy of the Company's disclosures regarding deferred tax assets.</p>

Key audit matter	How our audit addressed the key audit matter
<b>Completeness and measurement of provisions for litigations</b>  Disclosures about litigations are included in Note 27 and Note 28.	
<p>The Company 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 27 and Note 28 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</p>	<p>Our audit procedures included, among others, obtaining legal confirmations from the Company's external lawyers advising on these matters and also supporting documentation from the Company'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.</p>

<p>a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated).</p> <p>Due to the significance and complexity of these litigations, adverse outcomes could potentially significantly impact the Company's reported financial performance and financial position.</p>	<p>We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. 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.</p> <p>We further evaluated the adequacy of disclosures regarding provisions recognized and contingencies resulting from legal proceedings.</p>
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### Other information

The other information comprises the Individual Annual Report of the Board of Directors and the Sustainability report but does not include the financial statements and our auditors' report thereon. We obtained the Individual Annual Report of the Board of Directors 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.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

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, related safeguards.

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

## **Report on Other Legal and Regulatory Requirements**

### **Reporting on Information Other than the 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 Individual Annual Report of the Board of Directors, we have read the Administrators' Report and report that:

- a) in the Individual Annual Report of the Board of Directors we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2020;
- b) the Individual Annual Report of the Board of Directors 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 15 - 19;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2020, we have not identified information included in the Individual Annual Report of the Board of Directors 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 Company by the General Meeting of Shareholders on April 29, 2020 to audit the 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 financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, 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 Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the Individual Annual Report of the Board of Directors and in the financial statements, there are no other services which were provided by us to the Company, 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. FA77



Name of the Auditor/Associate Partner: Carmen Spiridon  
Registered in the electronic Public Register under No. AF4838  
Bucharest, Romania  
26 March 2021

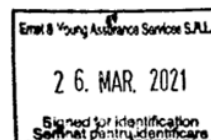


**ROMPETROL RAFINARE S.A.**  
**Standalone Financial Statements**

Prepared in compliance with the Order of the Minister of Public Finance no. 2844/2016  
**as at 31 December 2020**

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF THE FINANCIAL POSITION**  
**as at 31 December 2020**

(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	31 December 2020	31 December 2019
Intangible assets	3	26,873,710	22,713,799
Goodwill	4	152,720	152,720
Property, plant and equipment	5	3,623,946,290	3,516,851,506
Rights of use assets	6	58,002,943	9,018,898
Investments in subsidiaries	7	1,629,020,055	1,629,020,055
Deferred tax asset	23	-	110,131,585
<b>Total non current assets</b>		<b>5,337,995,718</b>	<b>5,287,888,563</b>
Inventories, net	8	527,073,050	822,822,149
Receivables and prepayments, net	9	1,167,390,890	1,784,692,732
Derivative Financial Instruments	30	-	2,585,313
Cash and cash equivalents	10	365,595,493	22,373,528
<b>Total current assets</b>		<b>2,060,059,433</b>	<b>2,632,473,722</b>
<b>TOTAL ASSETS</b>		<b>7,398,055,151</b>	<b>7,920,362,285</b>
Subscribed share capital	11	4,410,920,573	4,410,920,573
Share premium	11	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	11	509,938,277	533,398,479
Other reserves	11	3,395,246,289	3,386,268,737
Accumulated losses		(6,567,312,044)	(6,242,510,389)
Current year result		(645,823,057)	(352,730,468)
<b>Total equity</b>		<b>1,335,607,145</b>	<b>1,967,984,039</b>
Hybrid loan - long-term portion	11	-	69,291,612
Long-term borrowings from banks	15	570,759,324	613,184,904
Provisions	17	297,034,901	342,060,438
Long-term lease debts	16	56,981,732	5,368,671
Deferred tax liability	23	9,417,626	-
<b>Total non-current liabilities</b>		<b>934,193,583</b>	<b>1,029,905,625</b>
Trade and other payables	12	4,774,877,899	4,701,068,748
Contract liabilities	13	91,363,247	47,196,182
Short-term lease debts	16	2,542,555	6,451,650
Derivative Financial Instruments	30	617,651	15,786,131
Short-term borrowings from related parties	14	48,949,030	103,891,017
Short-term borrowings from banks	14	209,904,041	48,078,893
<b>Total current liabilities</b>		<b>5,128,254,423</b>	<b>4,922,472,621</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,398,055,151</b>	<b>7,920,362,285</b>

The standalone financial statements have been endorsed by the Company's 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**

Financial Manager

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**FELIX CRUDU-TESLOVEANU**

General Manager

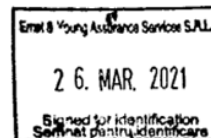
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**Prepared by, Alexandru Cornel Anton**

Chief Accountant

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Explanatory notes from 1 to 31 are part of these financial statements  
 English translation is for information purposes only. Romanian language text is the official text for suit

**ROMPETROL RAFINARE S.A.****INCOME STATEMENT****for the financial year ended 31 December 2020***(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	January – December 2020	January – December 2019
Net revenues from contracts with customers	18	8,275,110,517	14,750,359,139
Cost of sales	19	(8,646,900,936)	(14,411,331,213)
<b>Gross profit / (loss)</b>		<b>(371,790,419)</b>	<b>339,027,926</b>
Selling, general and administrative expenses	20	(343,120,147)	(344,429,727)
Other operating expenses	21	(323,102,822)	(59,734,969)
Other operating income	21	402,984,304	129,868,139
<b>Operating profit / (loss)</b>		<b>(635,029,084)</b>	<b>64,731,369</b>
Financial expenses	22	(182,465,147)	(235,486,607)
Financial revenues	22	86,748,261	22,779,343
Net foreign exchange gains / (losses)	22	208,940,736	(145,469,631)
<b>Loss before income tax</b>		<b>(521,805,234)</b>	<b>(293,445,526)</b>
Deferred tax	23	(124,017,823)	(59,284,942)
<b>Net Loss</b>		<b>(645,823,057)</b>	<b>(352,730,468)</b>
<b>Earnings per share (money/share) Basis</b>	26	(1.46)	(0.80)

The standalone financial statements have been endorsed by the Company's 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**

Financial Manager

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**FELIX CRUDU-TESLOVEANU**

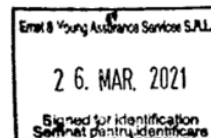
General Manager

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prepared by, **Alexandru Cornel Anton**  
 ef Accountant

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the financial year ended 31 December 2020**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*


	January – December 2020	January – December 2019
<b>Net Loss</b>	<b>(645,823,057)</b>	<b>(352,730,468)</b>
<b>Other comprehensive income</b>	-	-
<i>Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):</i>	-	-
Gains / (losses) from derivatives	-	(6,179,009)
<b>Total comprehensive income to be reclassified income statement in subsequent periods (net of tax):</b>	<b>-</b>	<b>(6,179,009)</b>
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</i>		
Actuarial gain / (losses) relating to retirement benefits	8,977,552	(16,512,245)
<b>Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</b>	<b>8,977,552</b>	<b>(16,512,245)</b>
<b>Total other comprehensive result for the year, net of tax</b>	<b>8,977,552</b>	<b>(22,691,254)</b>
<b>Total comprehensive result for the year, net of tax</b>	<b>(636,845,505)</b>	<b>(375,421,722)</b>

The standalone financial statements have been endorsed by the Company's 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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**FELIX CRUDU-TESTLOVEANU**  
General Manager

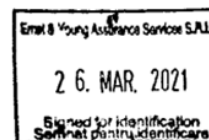
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**RAMONA GEORGIANA GALATEANU**  
Financial Manager

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**Prepared by, Alexandru Cornel Anton**  
Chief Accountant

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF CASH FLOWS**
**For the financial year ended 31 December 2020**
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*


	Notes	31 December 2020	31 December 2019
<b>Net result before income tax</b>		<b>(521,805,234)</b>	<b>(293,445,526)</b>
<i>Adjustments for:</i>			
Depreciation and amortization	19, 20	373,391,169	367,196,858
Provisions for receivables and inventories (incl write-off)	21	(8,811,513)	(45,434,626)
Provision for environmental liabilities and litigations	17	(38,516,625)	(23,254,697)
Restructuring and retirement benefit provisions	17	(5,719,771)	(312,493)
Expenses with penalties		76,447	819,800
Interest expenses		174,276,738	220,886,585
Interest income		(85,938,636)	(21,719,706)
Income from dividends		(809,625)	(437,106)
Other non-monetary adjustments		(791,387)	-
Unrealized foreign exchange (gain)/loss	22	(18,121,459)	(47,301,537)
<b>Cash generated from / (used in) operations before working capital changes</b>		<b>(132,769,896)</b>	<b>156,997,552</b>
<i>Net working capital changes in:</i>			
Receivables and prepayments		602,451,271	(281,764,898)
Inventories		308,523,505	38,870,468
Trade and other payables and contract liabilities, including payables variation for capital expenditures		(319,185,398)	246,797,868
<b>Change in working capital</b>		<b>591,789,378</b>	<b>3,903,438</b>
<b>Net cash provided by operating activities</b>		<b>459,019,482</b>	<b>160,900,990</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(471,594,487)	(253,881,014)
Purchase of intangible assets		(9,970,727)	(6,609,174)
Dividends received		809,625	437,106
Interest received		-	21,120,371
<b>Net cash used in investing activities</b>		<b>(480,755,589)</b>	<b>(238,932,711)</b>
<b>Cash flows from financing activities</b>			
Cash pooling movement		445,630,333	594,719,063
Short - term loans received from banks		71,591,383	321,656,415
Short - term loans repaid to banks		-	(383,452,125)
Long - term loans received from banks		69,454,582	99,126,521
Short - term loans (repaid to) / received from shareholders and related parties		(43,677,500)	(301,893,603)
Lease repayments		(4,383,624)	(7,194,511)
Interest and bank charges paid, net		(173,657,102)	(242,006,956)
<b>Net cash from financing activities</b>		<b>364,958,072</b>	<b>80,954,805</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>343,221,965</b>	<b>2,923,084</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>22,373,528</b>	<b>19,450,444</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>365,595,493</b>	<b>22,373,528</b>

The standalone financial statements have been endorsed by the Company's 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**

Financial Manager

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**FELIX CRUDU-TESLOVEANU**

General Manager

DocuSigned by:  
  
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**Prepared by, Alexandru Cornel Anton**

Chief Accountant

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**ROMPETROL RAFINARE S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the financial years ended 31 December 2020 and 31 December 2019**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
<b>1<sup>st</sup> of January 2019</b>							
Result carried out from application IFRS 16	4,410,920,573	232,637,107	(6,279,313,076)	674,938,770	(107,990,204)	3,408,959,991	2,340,153,161
<b>Restated opening balance at 1<sup>st</sup> of January 2019</b>	-	-	(3,137,893)	-	-	-	(3,137,893)
<b>Net loss for 2019</b>	4,410,920,573	232,637,107	(6,282,450,969)	674,938,770	(107,990,204)	3,408,959,991	2,337,015,268
Revaluation reserves	-	-	(352,730,468)	-	-	-	(352,730,468)
Deferred tax on the revaluation reserve	-	-	39,940,580	(39,940,580)	-	-	-
Actuarial gain/losses related to retirement benefits	-	-	-	-	6,390,493	-	6,390,493
Gains/losses related to derivative financial instruments	-	-	-	-	-	(16,512,245)	(16,512,245)
<b>Total other comprehensive income for 2019</b>	-	-	-	-	-	(6,179,009)	(6,179,009)
	-	-	-	-	-	(22,691,254)	(22,691,254)
<b>Total comprehensive income for 2019</b>	-	-	-	-	-	-	-
<b>31<sup>st</sup> of December 2019</b>	4,410,920,573	232,637,107	(6,595,240,857)	634,998,190	(101,599,711)	3,386,268,737	1,967,984,039
	4,410,920,573	232,637,107	(6,595,240,857)	634,998,190	(101,599,711)	3,386,268,737	1,967,984,039
<b>1<sup>st</sup> of January 2020</b>	4,410,920,573	232,637,107	(6,595,240,857)	634,998,190	(101,599,711)	3,386,268,737	1,967,984,039
<b>Net loss for 2020</b>	-	-	(645,823,057)	-	-	-	(645,823,057)
Actuarial gain/losses related to retirement benefits	-	-	-	-	-	8,977,552	8,977,552
<b>Total other comprehensive income for 2020</b>	-	-	-	-	-	8,977,552	8,977,552
<b>Total comprehensive income for 2020</b>	-	-	(645,823,057)	-	-	8,977,552	(636,845,505)
Revaluation reserves transferred to retained earnings	-	-	27,928,813	(27,928,813)	-	-	-
Deferred tax on the revaluation reserve	-	-	-	-	4,468,611	-	4,468,611
<b>31<sup>st</sup> of December 2020</b>	4,410,920,573	232,637,107	(7,213,135,101)	607,069,377	(97,131,100)	3,395,248,289	1,335,607,145

The standalone financial statements have been endorsed by the Company's 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  
DocuSigned by:

*Yedil Utekov*  
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**FELIX CRUDU-TESLOVEANU**  
General Manager  
DocuSigned by:

*Felix Crudu Tesloveanu*  
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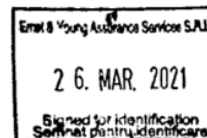
**RAMONA GEORGIANA GALATEANU**  
Financial Manager  
DocuSigned by:

*Ramona Galateanu*  
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**Prepared by, Alexandru Cornel Anton**  
Chief Accountant  
DocuSigned by:

*Alexandru Anton*  
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Emis la Young Auditors Service S.A.L.  
26. MAR. 2021  
Signed for Identification  
SARAIAT print@edificare.ro



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

## 1. GENERAL

Rompetrol Rafinare S.A. (hereinafter referred to as "the Company" or "Rompetrol Rafinare") is a company incorporated under Romanian laws. The Company operates two refineries Petromidia and Vega and also a petrochemical plant. Petromidia Refinery is the one with the highest capacity (of 5 million tons/annum, nameplate capacity) and the only Romanian refinery at the Romanian Black Sea shore, which processes exclusively imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975 and 1977 and was further upgraded in the early '90s and between 2005 - 2012. Vega refinery was built in 1905 and upgraded in the following decades.

Rompetrol Rafinare S.A. production facilities are located in Romania. The number of employees of the Company as at 31 December 2020 is 1,119, respectively 1,157 as at 31 December 2019.

The registered address of Rompetrol Rafinare S.A. is 215 Navodari Blvd., Constanta, Romania.

Rompetrol Rafinare S.A. is a joint stock company listed in the Bucharest Stock Exchange since 2004.

The Company is a part of the KMG International N.V Group. The consolidated financial statements are prepared at the level of the parent company KMG International N.V., with the head office located at World Trade Center, Strawinskylaan 807, Tower A, 8th Floor, 1077 XX, Amsterdam, The Netherlands. These annual financial statements are public. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS').

The ultimate parent of the KMG International N.V. is the company "National Welfare Fund Samruk Kazyna" JSC, an entity with its headquarters in Kazakhstan.

The company also prepares consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS') that have a public character and are available on the website of the company, <https://rompetrol-rafinare.kmginternational.com/>, at the section Relation with Investors.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation and statement of compliance

Effective as of 31 December 2012, the standalone financial statements of the Company are prepared in accordance with the Order of the Minister of Public Finance no. 1286/2012 subsequently amended by Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting regulations in compliance with the International Financial Reporting Standards applicable to the companies whose shares are accepted for transaction on a regulated market. These stipulations are compliant with the requirements of the International Financial Reporting Standards as approved by the European Union, except the regulations of IAS 21, *the Effects of the exchange rate variation* with regards to the functional currency.

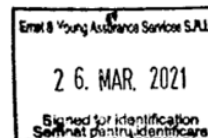
For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON). For the purpose of the consolidated financial statements the Company has considered its functional currency to be USD, in accordance with IAS 21.

The standalone financial statements were prepared based on the historical cost, except for financial instruments and buildings category which are presented at the fair value in the account of profit and loss, and in the statement of other comprehensive income, respectively.

The standalone financial statements are prepared in RON and all the values are rounded up to the closest amount in lei, if not otherwise indicated.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**

*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **b) The going concern**

The financial statements of the Company are prepared on a going concern basis. As at 31 December 2020 and 31 December 2019, the Company net assets amount to RON 1,336 million and RON 1,968 million, respectively. For the years ending 31 December 2020 and 31 December 2019, the Company reported losses of RON 645.8 million and RON 352.7 million, respectively.

The accumulated losses recorded until present are due to the fact that the Company was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years, but, considering the massive investment trend of the last periods combined with an improvement in market conditions the Company is aiming for future positive financial results which will decrease the cumulated loss recorded so far.

The strategy for the following years is a mix of projects for optimization of production and energy costs, optimum utilization of refining capacity and improvement of production yields. In order to improve the financial performance, the following measures have been taken:

- Reducing the refinery costs for the purpose of rendering the processes efficient and increasing profitability;
- Improvement of the product mix in order to increase the share of higher margin products.

Management estimates that the evolutions mentioned above, will lead to an improvement of the Company's capacity to sustain its ongoing operations.

In 2020 the Company 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.

As of 31 December 2020, the Company is in net current liability position of RON 3,068 million. The Company's position of current liability higher than the current assets, is mainly generated by the net liability position in relation to the crude oil supplier of Rompetrol Rafinare SA, respectively the trader of the KMG International Group, with which the Company also operates the vast majority of export sales of petroleum products. The net position towards it does not derive from the lack of debt coverage capacity. Thus, based on the crude oil purchase agreement, the Company benefits from extended commercial credits having payment terms of up to 120 days and the possibility of extending up to another 120 days of payment terms, by using the financing facilities made available by the supplier through specialized banking institutions in the field. Thus, the Company's activity can be carried out under optimum conditions, the supply of crude oil being ensured through the trader of the KMG International Group.

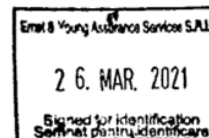
The Company's net asset amounting to RON 1,336 million as at 31 December 2020 (2019: RON 1,968 million) continues to be at a level lower than a half of the value of share capital (amounting to RON 4,410 as at 31 December 2020) and the Company's management takes the necessary steps to regulate this situation 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.

On 19 March 2021, the Company received a letter of support from its main shareholder, KMG International NV, valid for the next 12 months from the date of approval of the 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.

Considering the Company's plans for 2021, as well as other aspects mentioned above, it is considered that the preparation of financial statements is made under going concern basis.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**

*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **c) Changes in accounting policies**

#### **New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective 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 Company's level from application of this standard.

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

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

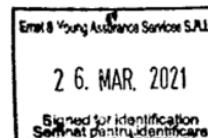
- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

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 Company's level from application of this standard.

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

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has assessed there is no material impact at Company's level from application of this amendments.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### d) Standards issued but not yet effective and are not early adopted

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. 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 of assessing the impact at Company's 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 Company's level from application of this amendments.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

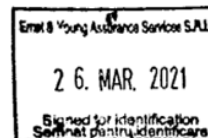
The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance 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 Company's level from application of this amendments.



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **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 process of assessing the impact at Company's level from application of this amendments.

### **e) Significant professional judgements, estimates and assumptions**

The preparation of the financial statements requires that the management should issue professional judgments, estimates and assumptions that affect the reported amounts of revenues and expenses, of assets and liabilities and the disclosure of contingent liabilities at the reporting date. The estimates and associated assumptions are based on the previous experience and on other factors considered relevant. However, uncertainty about these forecasts and estimates could result in adjusting the accounting value of the assets and liabilities in the future periods.

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

The matters presented below are considered to be the most important in understanding the professional judgments that affect the preparation of these financial statements and the uncertainties that could affect the result of the operations, the financial position and the 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

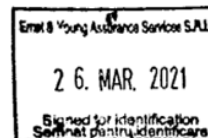
#### **- Impairment of non-financial assets**

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

If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.



**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company 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.

Estimates of future cash flows are based on management estimates of future commodity prices, market supply and demand and product margins. Other factors that can lead to changes in estimates include restructuring plans and legislations changes. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 5.

### **- Provision for environmental liability**

The Company is involved in refining and petrochemicals. Environmental damage caused by such activities may require the Company to incur restoration costs to comply with the regulations in force. Analysis and estimates are performed by the Company 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 cash outflow may be probable, are recognized as a provision in the Company's financial statements. When the final determination of such obligations differs from the recognized provisions, difference is registered in the Company's Income statement.

Additional details on the provisions related to the environment-related obligations are set out in Note 17.

### **- Deferred tax assets**

Deferred tax assets resulting from the unused tax losses are recognized only 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.

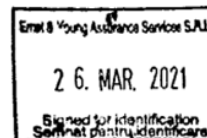
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax to be utilized. Unrecognized deferred tax assets are reassessed 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 and has not been recognized are provided in Note 23.

### **- Carrying value of trade and other receivables**

The Company 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 Company 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 Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **- Provision for litigations**

The Company 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 litigation, the expected claim to be paid and the expected timing of the payments. Changes to these estimates could have a significant impact on the amount of the provision.

Further details on the provisions relating to litigations are provided in Notes 17, 21, 28.

### **- Hybrid loan interest payable**

The Company 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 Company 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. Further details on the hybrid loan interest payable are provided in Notes 11.4.

## **f) 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.

### *a. Financial assets*

#### **Initial recognition and measurement**

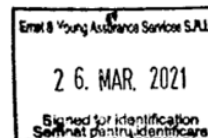
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 Company'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.

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## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Company 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.

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 Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

### **Derecognition**

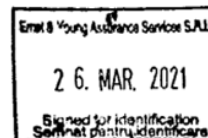
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company has retained.

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## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 Company could be required to repay.

### **Impairment of financial assets**

The Company 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 Company 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 recognised 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *b. 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.

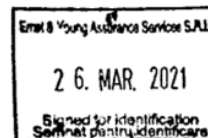
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

#### **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 Credits

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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.

#### *c. Offsetting of financial instruments*

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

#### *d. Impairment of financial assets*

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

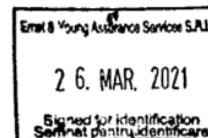
### **g) Property plant and equipment**

Property, plant and equipment of the Company are stated at cost less cumulative depreciation, except for buildings that are periodically revalued and measured at fair value.

The initial cost of property, plant and equipment comprises its purchase price, including custom duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and the condition necessary for operation. Expenses incurred after commissioning of the asset, such as repairs and maintenance costs are charged to income in the period in which the costs occurred. In situations where it can be demonstrated that expenses have increased the future economic benefits obtained from the use of intangible assets besides the standard evaluation of its performance, the expenditure is capitalized as additional costs of the tangible assets.

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.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, unless a transfer hasn't been already made during utilization period of the revaluated asset.

Assets in progress represent installations and buildings in construction and are presented at cost, less any impairment losses. This includes the cost of construction and other direct costs. Depreciation of these assets and the others is registered starting with the date when they are ready to be used for the activity they are intended.

Depreciation of property, plant and equipment less land and immobilization in progress is calculated using the linear method throughout their estimated lifetime:

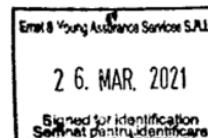
	<u>Years</u>
Buildings and other constructions	10 - 100
Tanks	20 - 30
Tools and other technological equipment	3 - 20
Vehicles	5
Furniture and office equipment	3 - 10
Computers	3

Following the change in accounting policy regarding recognition of buildings category from cost to revaluation method, also the economic remaining life utilization of the buildings were revalued 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 Company's 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 purchased 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.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **h) Intangible assets**

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits should be attributable to the asset and flow to the enterprise and if 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 - 5 years, respectively 24 - 25 years for the licenses for transmission of technological data from the plant to the Refinery command center.

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.

### **i) Investments in subsidiaries**

Financial assets represent long-term strategic investments and are stated at historical cost, less any adjustments impairment caused by a diminished value. The main indicators considered for the identification of impairment are current and anticipated results of the company in question, in the context of the industry in which it operates.

Further details on financial assets are provided in Note 7.

### **j) Impairment of non-financial assets, including investment in subsidiaries**

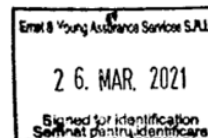
At each reporting date the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and right of use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the 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 Company estimates the recoverable amount of the cash-generating unit to which the respective 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 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.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **k) Provisions**

Provisions are recognized when the Company 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 can be made of the amount of the obligation. Where the Company 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. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

### **Environmental obligations**

Environmental costs relating to current or future income are recorded in the income statement or capitalized as appropriate. Costs relating to an existing condition caused by past operations and which do not contribute to current or future earnings are recorded in the income statement.

The company has an environmental policy in accordance with existing legislation and which respects any obligations resulting from environmental or operating permits. In order to ensure compliance with all the rules and provisions, the company has established a monitoring system in accordance with the requirements of the relevant authorities. In addition, investment plans are adjusted to reflect any future known environmental requirements. The above mentioned costs are estimated on the basis of relevant environmental studies.

Debts on environmental remediation costs are recognised when estimates of these debts are probable and associated costs can be reasonably estimated. In general, the chargeability of these provisions coincides with the commitment undertaken by a formal action plan, or, if it occurs earlier, with the disinvestment or closure of inactive locations.

### **l) Leases**

The Company 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.

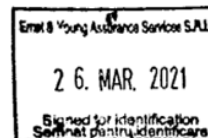
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **i. Right-of-use assets**

The Company 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.



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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

If ownership of the leased asset transfers to the Company 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 j) Impairment of non-financial assets.

### **ii. Lease liabilities**

At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company 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 Company's lease liabilities are included in Lease (see Note 16).

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

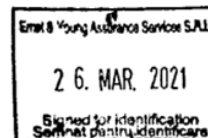
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases. Lease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

### **m) Inventories**

Inventories, 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, less 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.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **n) Trade receivables**

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

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

### **o) 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.

### **p) 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 Company expects to be entitled in exchange for those goods or services. The normal credit term is 30 to 90 days upon delivery.

In recognising revenue, the Company 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) recognising revenue at (or during) performance of obligation.

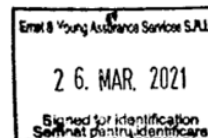
#### **(i) Variable consideration**

If the consideration in a contract includes a variable amount, the Company 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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of petroleum products provide customers volume rebates. The volume rebates give rise to variable consideration.

#### **(ii) Volume rebates**

The Company 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 Company 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 Company then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(iii) Significant financing component**

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company 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 Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### *Trade receivables*

A receivable represents the Company'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 n) Trade receivables.

##### *Contract liabilities*

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

### **q) Interest bearing loans**

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

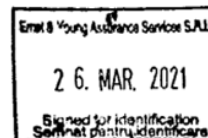
Gains and losses are recognized in the income statement when the liabilities are derecognized as well through the amortization process.

### **r) 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 consists of interest and other cost that an entity incurs in connection with the borrowing of funds.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **s) Retirement benefit costs**

Payments made to state - managed retirement plans are dealt with as defined contribution plans where the Company 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, the employees are entitled to specified retirement benefits, payable on retirement, if they are employed with the Company at the date of their retirement. These amounts are estimated as of the reporting date, based on the following information's: applicable benefits provided in the agreement; the number of employees in the Company and the actuarial estimates of the future loans. 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 recognised in other comprehensive income items 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 Company has no other liabilities with respect to future pensions, health plans and other costs for its employees.

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%) 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.

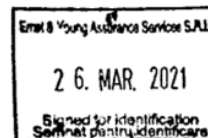
### **t) Taxes**

#### **- 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 or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

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

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**  
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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.

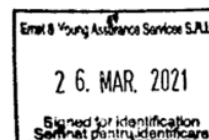
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted until the end of the reporting period.

Deferred tax relating to items recognized outside profit or loss account is recognized outside profit or loss account. 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 recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company 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.

**ROMPETROL RAFINARE S.A.**  
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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### - Sales (revenues) related 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.

### u) Dividends

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

### v) Foreign Currency Transactions

For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON).

The exchange rates RON/USD and RON/EUR are the following:

Currency	31 December 2020	31 December 2019
RON/USD	3.9660	4.2608
RON/EUR	4.8694	4.7793

The Company translates its transactions and balances in foreign currency, in the functional currency by applying 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 income statement in the period they arise.

### w) Derivative financial instruments

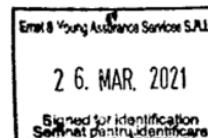
The Company enters into contracts to purchase and sell crude oil and oil products at future delivery dates. These contracts expose the Company primarily to commodity risks of changes in fair value of crude oil and related oil products. The Company also uses financial instruments (primarily Options, Swaps 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 Company'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.

**ROMPETROL RAFINARE S.A.**  
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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised 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 recognised 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 Company 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 Company 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 Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

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

### *Fair value hedge*

The Company 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 recognised 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 recognised in the statement of profit or loss as Cost of Sales. If the hedged item is derecognised, the unamortized fair value is recognised immediately in profit or loss (see note 19).

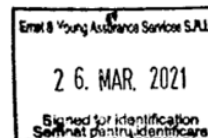
### *Cash Flow Hedge*

The Company 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 Company's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). To reduce this volatility, the Company 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 recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see Note 19).

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.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **x) Emission Rights**

CO2 emission rights quota are allocated to the Company'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 Company 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 company. Income is recognized only when excess certificates are sold on the market.

### **y) Fair value measurement**

The Company 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 Company.

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 Company 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:

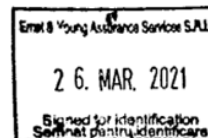
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company 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 Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.



**ROMPETROL RAFINARE S.A.**  
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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **z) Current versus non-current classification**

The Company 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 Company classifies all other liabilities as non-current.

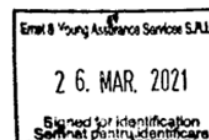
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### **aa) Contingencies**

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

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

**ROMPETROL RAFINARE S.A.**  
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### 3. INTANGIBLE ASSETS

	Software / Licenses	Other	Intangibles in progress	Total
<b>Cost</b>				
<b>Opening balance as of 1 January 2019</b>	<b>49,032,640</b>	<b>150,123</b>	<b>9,641,543</b>	<b>58,824,307</b>
Additions	642,021	-	5,272,536	5,914,557
Transfers*	14,209	687,733	(7,325)	694,617
<b>Closing balance as of 31 December 2019</b>	<b>49,688,870</b>	<b>837,856</b>	<b>14,906,754</b>	<b>65,433,480</b>
Additions	1,285,736	-	7,668,687	8,954,422
Transfers, reclassifications and adjustments*	9,668,988	4,261,351	(12,914,034)	1,016,304
<b>Closing balance as of 31 December 2020</b>	<b>60,643,593</b>	<b>5,099,207</b>	<b>9,661,407</b>	<b>75,404,206</b>
<b>Accumulated amortization</b>				
<b>Opening balance as of 1 January 2019</b>	<b>(40,733,599)</b>	<b>(150,123)</b>	<b>-</b>	<b>(40,883,722)</b>
Charge for the year	(1,698,414)	(137,545)	-	(1,835,959)
<b>Closing balance as of 31 December 2019</b>	<b>(42,432,013)</b>	<b>(287,668)</b>	<b>-</b>	<b>(42,719,681)</b>
Charge for the year	(4,892,037)	(918,779)	-	(5,810,816)
<b>Closing balance as of 31 December 2020</b>	<b>(47,324,051)</b>	<b>(1,206,446)</b>	<b>-</b>	<b>(48,530,497)</b>
<b>Net book value</b>				
<b>As of 31 December 2019</b>	<b>7,256,857</b>	<b>550,188</b>	<b>14,906,754</b>	<b>22,713,799</b>
<b>As of 31 December 2020</b>	<b>13,319,543</b>	<b>3,892,760</b>	<b>9,661,407</b>	<b>26,873,710</b>

\*) Includes transfers from assets in progress, transfers in/from tangible assets, reclassifications to other categories and other adjustments.

Major part of „Other” intangible assets refer to development expenses.

### 4. GOODWILL

The goodwill amounting to RON 152,720 represents fractions of the goodwill of the companies Oilfield Exploration Business Solutions SA (former Rompetrol S.A.), Rompetrol Downstream S.R.L. and Rompetrol Well Services S.A., following purchase of shares from these companies in Rom Oil S.A.

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**5. PROPERTY, PLANT AND EQUIPMENT**

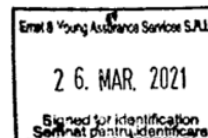
	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
<b>Cost or valuation</b>						
<b>As of January 1, 2019</b>	<b>192,480,007</b>	<b>1,705,635,515</b>	<b>3,700,494,879</b>	<b>17,028,196</b>	<b>179,369,771</b>	<b>5,795,008,368</b>
Acquisitions	-	239,542	1,901,567	18,529	252,510,559	254,670,197
Transfers from CIP	-	12,116,272	94,734,073	1,338	(107,640,866)	(789,183)
Disposals	-	-	(21,544,458)	-	-	(21,544,458)
Transfers and reclassifications*	-	44,177,962	(44,177,962)	-	-	-
<b>As of 31 December 2019</b>	<b>192,480,007</b>	<b>1,762,169,291</b>	<b>3,731,408,099</b>	<b>17,048,063</b>	<b>324,239,464</b>	<b>6,027,344,924</b>
Acquisitions	-	-	1,534,479	120,752	470,955,562	472,610,794
Transfers from CIP	-	100,231,607	355,910,326	2,185,864	(459,344,101)	(1,016,304)
Disposals	-	-	(48,927,472)	-	-	(48,927,472)
Transfers and reclassifications*	-	-	4,433	-	-	4,433
<b>As of 31 December 2020</b>	<b>192,480,007</b>	<b>1,862,400,897</b>	<b>4,039,929,864</b>	<b>19,354,680</b>	<b>335,850,926</b>	<b>6,450,016,375</b>
<b>Accumulated depreciation &amp; Impairment</b>						
<b>As of 1 January 2019</b>	<b>(27,557,579)</b>	<b>(97,548,917)</b>	<b>(2,036,268,939)</b>	<b>(7,956,079)</b>	<b>(3,171,485)</b>	<b>(2,172,502,999)</b>
Charge for the year	(1,656,751)	(112,099,288)	(244,779,991)	(998,847)	-	(359,534,877)
Accumulated depreciation of disposals	-	-	21,544,458	-	-	21,544,458
Transfers and reclassifications*	-	102,407	(102,407)	-	-	-
<b>As of 31 December 2019</b>	<b>(29,214,330)</b>	<b>(209,545,798)</b>	<b>(2,259,606,879)</b>	<b>(8,954,926)</b>	<b>(3,171,485)</b>	<b>(2,510,493,418)</b>
Charge for the year	(1,656,751)	(102,471,417)	(259,279,306)	(1,092,233)	-	(364,499,706)
Accumulated depreciation of disposals	-	-	48,927,472	-	-	48,927,472
Transfers and reclassifications*	-	-	(4,433)	-	-	(4,433)
<b>As of 31 December 2020</b>	<b>(30,871,081)</b>	<b>(312,017,215)</b>	<b>(2,469,963,145)</b>	<b>(10,047,159)</b>	<b>(3,171,485)</b>	<b>(2,826,070,085)</b>
<b>Net book value as of 31 December 2019</b>	<b>163,265,677</b>	<b>1,552,623,493</b>	<b>1,471,801,220</b>	<b>8,093,137</b>	<b>321,067,979</b>	<b>3,516,851,506</b>
<b>Net book value as of 31 December 2020</b>	<b>161,608,926</b>	<b>1,550,383,682</b>	<b>1,569,966,719</b>	<b>9,307,521</b>	<b>332,679,441</b>	<b>3,623,946,290</b>

\*) Includes transfers from tangible assets in progress, transfers in/from intangible assets, reclassifications to other categories and other adjustments.

Ernst & Young Reference Services S.A.U.  
26. MAR. 2021  
Signed for identification  
Sofia Petru, administrator

**ROMPETROL RAFINARE S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2020**

*(All amounts expressed in Lei ("RON"), unless otherwise specified)*



## **5. PROPERTY, PLANT AND EQUIPMENT (continued)**

### **- Impairment**

No additional depreciation was recorded in 2020 and 2019. Impairment test has been performed by the Company related to the value of property, plant and equipment and right of use assets as of 31 December 2020 for cash generating units ("CGU") detailed below in the Impairment test.

### **- Construction in progress**

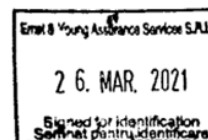
In 2020, the significant contribution to the total acquisitions for construction in progress is the ISCIR projects within the two refineries (about RON 105.3 million), Refinery and Petrochemicals General Turnaround (overhaul project in amount of approximately RON 194.3 million) the modernization projects of tanks (approximately RON 19.1 million), the projects of replacement catalysts (approximately RON 52.3 million), project Fluid Catalytic Cracking (FCC) Unit Rehabilitation (about RON 23.9 million), replace the old 6KV switches and the relays SRA2-4 project (about RON 6.9 million), 100C1 Atmospheric distillation column project (about RON 6.7 million) Replacement of reactor 130R1R2R3 project (about RON 5.6 million), improve cocker operation, modernization IPPA system and CF ramp, detailed design engineering for firefighting system and other small project totaling RON 56.7 million.

At the end of 2020, the main projects remaining in construction in progress refers to the following ISCIR projects within the two refineries (about RON 122.5 million) the modernization projects of tanks (approximately RON 20.6 million), replace the old 6KV switches and the relays SRA2-4 project (about RON 6.9 million), 100C1 Atmospheric distillation column project (about RON 13.8 million) Replacement of reactor 130R1R2R3 project (about RON 15 million), APC (i.e. Advance Process Control) in all refinery unit (amounting to RON 12.6 million), improve cocker operation, modernization IPPA system and CF ramp, detailed design engineering for firefighting system, new pipelines, maximize usage unit condensate, replacement for electrical in coke unit projects totaling RON 38.1 million, spare parts capex in amount of RON 17.8 million and other refinery ongoing project totaling RON 85.4 million.

In 2019, the significant contribution in the total acquisitions of assets in progress is represented by the following projects: the ISCIR projects within the two refineries (about RON 35 million), Refinery and Petrochemicals annual overhaul (approximately RON 19 million) the modernization projects of tanks (approximately RON 22 million), the projects of replacement catalysts (approximately RON 15 million), the modernization projects of products loading ramps (about RON 13 million), Modernization of the In Line Blending Unit and Rehabilitation and reconfiguration equipment for Line Blending System (about RON 10 million) the Vapor recovery system at the point of loading CF Vega project (about RON 9 million), LPG recovery from DCU gases (about RON 19 million), a new boiler at heating station Vega (about RON 8 million) and replacement of reactor 130R1R2R3 (about RON 8 million) and Refinery specific optimization projects in amount of RON 95 million.

At the end of 2019, the main projects remaining in construction in progress refers to the following ISCIR projects within the two refineries (about RON 59 million), Refinery and Petrochemicals annual overhaul (approximately RON 22 million) the modernization projects of tanks (approximately RON 23 million), the projects of replacement catalysts (approximately RON 10 million), the modernization projects of products loading ramps (about RON 18 million), Modernization of the In Line Blending Unit and Rehabilitation and reconfiguration equipment for Line Blending System (about RON 14 million), the Vapor recovery system at the point of loading CF Vega project (about RON 11 million), LPG recovery from DCU gases (about RON 22 million), a new boiler at heating station Vega (about RON 8 million) and replacement of reactor 130R1R2R3 (about RON 9 million) and Refinery specific optimization projects in amount of RON 128 million.

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## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

### - Disposal

In 2020, the amount of RON 48.9 million related to the disposed assets it referees to the replacement of the used catalysts in Naphta Hydrotreating, Vaccum Distillate Hydrofining, 122 DHT (Disel HydroTreater), Kerosene HydroTreater, MTBE (Methyl Tertiary Butyl Ether), New Sulphur Recovery, New Hydrogen Plant and Mild Hydrocracker units.

In 2019 the amount of RON 21.5 million related to the disposed assets it referees to the replacement of the used catalysts in 122 DHT (Disel HydroTreater), CR (Catalytic Reforming) and MTBE (Methyl Tertiary Butyl Ether) units.

### - Capitalization of borrowing costs

The Company finances its activities including through loans and the cost of debt for the acquisition of assets is capitalized in the cost of the asset, when specific loans have been obtained (investment). In 2020 and 2019 the interest was not capitalized.

### - Revaluation of buildings category

Starting 31 December 2017, the Company 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 Company's assets. Fair value of the buildings category was determined using the depreciated replacement cost method. The valuations have been performed by a specialized valuer.

### Reconciliation of carrying amount

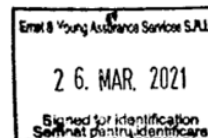
	<b>Buildings</b> <b>million RON</b>
<b>Carrying amount as at 31 December 2017</b>	<b>1,625</b>
Depreciation for the year	(97)
Additions / Disposals / Transfers and reclassifications	80
<b>Carrying amount and fair value as at 31 December 2018</b>	<b>1,608</b>
Depreciation for the year	(112)
Additions / Disposals / Transfers and reclassifications	57
<b>Carrying amount and fair value as at 31 December 2019</b>	<b>1,553</b>
Depreciation for the year	(103)
Additions / Disposals / Transfers and reclassifications	100
<b>Carrying amount and fair value as at 31 December 2020</b>	<b>1,550</b>

\*The Company 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 of buildings category was not measured at 31 December 2016.

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

	<b>2020</b> <b>million RON</b>	<b>2019</b> <b>million RON</b>
Cost	2,148	2,048
Accumulated depreciation and impairment	(1,187)	(1,112)
<b>Net carrying amount</b>	<b>961</b>	<b>936</b>

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## **5. PROPERTY, PLANT AND EQUIPMENT (continued)**

### **- Fixed assets pledged**

The company pledged assets with a net carrying amount of RON 1,011,352,595 (2019: RON 1,031,368,950), as follows:

- guarantees in favor of banks: RON 806,134,270 (2019: RON 781,794,295);
- guarantees in favor of ANAF: RON 205,218,325 (2019: RON 249,574,655).

In 2010 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.

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 distraint 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 28). 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.

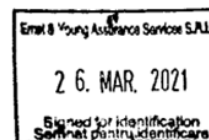
On 5 December 2019, DIICOT issued another Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period.

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 USD106m over four RRC' installations for a limited period of 30 days. If the said civil parties will not fill in a civil claim to the civil courts against Group companies, this temporary seizure is also null and void. If they still do, then it is up to the civil court to assess the grounds for keeping such a seizure in place until the civil claim will be settled.

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

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## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

On the other hand, Faber resumed one of the older files by which Faber challenged the increasing of the RRC share capital back in 2003 - 2005. The hearing is scheduled for April 14 but the case has been suspended due to the emergency enforced since 16 March 2020. The next hearing was settled for 27 April 2021.

On 31 December 2020 no enforcement process has been made.

### IMPAIRMENT TEST

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

As of 31 December 2020 the net book value of property plant and equipment for the cash generating units is the following: Refining RON 3,224 million, Petrochemicals 85 million RON. The net book value of the right of use assets is of 58 million RON and is allocated to Refinery CGU.

#### *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%).

#### *Key assumptions used in fair value less costs to sell calculations*

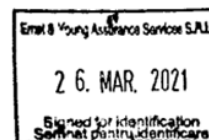
The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs are:

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

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

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rompetrol Refinery	(0.9)	0.8	0.6	3.2	3.2
Petrochemicals	(4.0)	(3.5)	6.6	8.5	10.8

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## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

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 that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, other than as disclosed below:

#### *Rompetrol Refinery*

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

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	%	%	%	%	%
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:

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

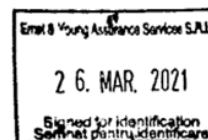
*\*Operating profit margins were computed based on net revenue.*

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:

<b>Change in growth rate</b>	<b><u>Refinery CGU</u></b>	<b><u>Refinery Petrochemicals CGU</u></b>
Change in fair value change at 1% increase in perpetuity growth rate	8.2%	8.6%
Change in fair value change at 1% decrease in perpetuity growth rate	(6.5)%	(6.8)%



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## 6. RIGHTS OF USE ASSETS

	Land, building and special constructions	Plant and equipment	Vehicles and others	Total
<b>Initial cost / revalued</b>				
<b>Closing balance at 31 December 2018</b>	-	-	-	-
Change in the beginning balance in accordance with IFRS 16	6,992,941	7,526,480	298,832	14,818,253
Additions	26,666	-	-	26,666
<b>Closing balance at 31 December 2019</b>	<b>7,019,607</b>	<b>7,526,480</b>	<b>298,832</b>	<b>14,844,919</b>
Additions	3,272,548	-	1,395,558	4,668,106
Reclassifications and other transfers	497,618	(528,911)	31,293	-
Re-measurement and other adjustments	49,857,211	937,527	(33,875)	50,760,863
Disposals	(103,790)	(6,199,685)	(46,016)	(6,349,491)
<b>Closing balance at 31 December 2020</b>	<b>60,543,194</b>	<b>1,735,411</b>	<b>1,645,792</b>	<b>63,924,397</b>
<b>Accumulated depreciation &amp; Impairment</b>				
<b>Closing balance at 31 December 2018</b>	-	-	-	-
Charge for the year	(2,218,171)	(3,466,623)	(141,226)	(5,826,020)
<b>Closing balance at 31 December 2019</b>	<b>(2,218,171)</b>	<b>(3,466,623)</b>	<b>(141,226)</b>	<b>(5,826,020)</b>
Charge for the year	(2,318,164)	(609,002)	(219,673)	(3,146,839)
Reclassifications and other transfers	(186,607)	205,382	(18,776)	-
Re-measurement and other adjustments	60,647	(31)	5,575	66,190
Accumulated depreciation of ceased rights of use assets	77,805	2,861,393	46,016	2,985,214
<b>Closing balance at 31 December 2020</b>	<b>(4,584,490)</b>	<b>(1,008,881)</b>	<b>(328,084)</b>	<b>(5,921,455)</b>
<b>Net book value as of 31 December 2019</b>	<b>4,801,436</b>	<b>4,059,857</b>	<b>157,606</b>	<b>9,018,899</b>
<b>Net book value as of 31 December 2020</b>	<b>55,958,704</b>	<b>726,530</b>	<b>1,317,708</b>	<b>58,002,943</b>

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 amount of RON 46.5 million. 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 the Company for car leasing.

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

**Land, buildings and special construction** category includes mainly:

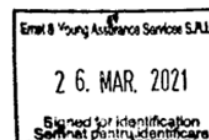
- Rent for usage of maritime port - berths of Midia Port

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

**Vehicles and other** category includes mainly the agreements in relation to 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 5.

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## 7. INVESTMENT IN SUBSIDIARIES

	31 December 2020	31 December 2019
Investments in subsidiaries	1,629,020,055	1,629,020,055
<b>Total</b>	<b>1,629,020,055</b>	<b>1,629,020,055</b>

### Investments in subsidiaries

Details regarding subsidiaries at 31 December 2020 and 31 December 2019 are as follows:

	Range of activity	Ownership at 31 December 2020	Ownership at 31 December 2019	Balance as at 31 December 2020	Balance as at 31 December 2019
Rompetrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067	1,090,406,067
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100,00%	100,00%	311,698,295	311,698,295
Rom Oil S.A.	Rental services	99,99%	99,99%	191,216,660	191,216,660
Rompetrol Logistics S.R.L.	Logistics operations	66,19%	66,19%	24,349,123	24,349,123
Rompetrol Quality Control S.R.L.	Quality Control				
	Services for oil products	70,91%	70,91%	11,349,910	11,349,910
<b>Total of equity investments</b>				<b>1,629,020,055</b>	<b>1,629,020,055</b>

*\*Note: all subsidiaries are Romanian companies*

At 31 December 2020, the Company's management conducted a review of the indicators of impairment of subsidiaries. Following this analysis, no impairment indicators were identified for any of the subsidiaries.

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 are:

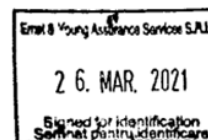
- Operating profit;
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period.

Following Operating profit margin on the basis of Net revenues was applied for Downstream CGU:

	2021	2022	2023	2024	2025
	%	%	%	%	%
Downstream Romania	1.8	1.7	1.9	2.0	2.3

Discount rates reflect the current market assessment of the risks specific to Downstream 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.

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## 7. INVESTMENT IN SUBSIDIARIES (continued)

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 that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

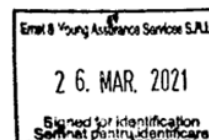
## 8. INVENTORIES, NET

	31 December 2020	31 December 2019
Crude oil and other feedstock materials	263,186,771	358,492,467
Finished products	168,531,778	304,791,844
Work in progress	76,351,113	150,739,880
Spare parts	49,793,286	51,019,925
Other consumables	24,081,215	25,383,920
Merchandises	775,593	825,185
Other inventories	3,600,839	3,590,880
Inventories write-down	(59,247,545)	(72,021,952)
<b>Total</b>	<b>527,073,050</b>	<b>822,822,149</b>

The inventories provisions mainly represent the provision for net realizable value in relation to refineries and petrochemical plant inventories such as petroleum and petrochemicals products from production and trading, crude oil and other feedstock materials (RON 20.5 million), and provision of old spare parts (RON 34.9 million).

As at 31 December 2020 the Company has under pledge inventories amounting RON 452 million, respectively RON 148 million at 31 December 2019 to secure credit bank facilities.

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## 8. INVENTORIES, NET (continued)

The movement of the provision for inventories in in 2020 and 2019 is presented below:

	31 December 2020	31 December 2019
<b>Reserve at the beginning of the year</b>	<b>(72,021,952)</b>	<b>(117,148,444)</b>
Accrued provision	(194,249,538)	(59,336,424)
Reversal provision inventories reserve	207,023,945	104,462,916
<b>Reserve at the end of the period</b>	<b>(59,247,545)</b>	<b>(72,021,952)</b>

The provisions for inventories represent provisions related to crude oil and other feedstock materials, finished products and spare parts calculated as the difference between the cost value and the net realizable value.

## 9. RECEIVABLES AND PREPAYMENTS, NET

	31 December 2020	31 December 2019
Trade receivables	843,739,582	1,654,180,637
Advances to suppliers	25,878,282	59,986,367
Sundry debtors	165,294,207	43,932,255
VAT to be recovered	1,806,438	2,885,245
Other receivables	189,366,503	78,440,655
Provision for expected credit losses related to trade receivables	(58,694,122)	(54,732,427)
<b>Total</b>	<b>1,167,390,890</b>	<b>1,784,692,732</b>

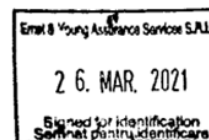
The balances with related parties are presented in Note 25. The movement of provision is presented in Note 21.

As at 31 December 2020, the sundry debtors account included the following main items: damages in amount of RON 123.8 towards Romanian State (regarding the CO2 emission allowances dispute; see note 28), RON 25.4 million for debts and related penalties paid to ANAF in reference to the fiscal inspection covering 2011 - 2015 period (see note 28); RON 13.7 million for local taxes paid to the Navodari City Hall (in respect of a dispute related to revaluation of buildings; see Note 28).

In other receivables it is included VAT receivable from members of the Fiscal Group (RON 13.8 million); receivables from the State Budget representing excise for energy products paid in advance by customers in States Budget excise revenue account (RON 89.4 million); an amount of RON 75.9 million (2019: RON 5.0 million) relates to cash pooling receivables.

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 RON 153.8 million (EUR 31.8 million equivalent), representing the total amount as per court decision less cash collected from the State (RON 30 million). 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 RON 133.5 million (EUR 26.7 million equivalent) (Note 21).

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**9. RECEIVABLES AND PREPAYMENTS, NET (continued)**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Sundry debtors	165,294,207	43,932,255
Other receivables	189,366,503	78,440,655
Provision for sundry debtors and other receivables	(14,874,573)	(14,874,388)

Out of the total amount of other receivables and sundry debtors of RON 354.7 million (2019: RON 122.4 million) an amount of RON 14.9 million (2019: RON 14.9 million) is provisioned.

Trade receivables totaling RON 178.6 million at 31 December 2020, respectively totaling RON 274.6 million at 31 December 2019 are pledged in order to obtain credit facilities (see Note 15).

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Balance at the beginning of the year</b>	<b>(54,732,427)</b>	<b>(55,039,860)</b>
Charge for the year	(5,280,964)	(398,545)
Utilized	1,318,071	704,715
Unused amounts reversed	-	1,964
Exchange rate differences	1,198	(701)
<b>Balance at the end of the period</b>	<b>(58,694,122)</b>	<b>(54,732,427)</b>

As at 31 December 2020 and 31 December 2019, the aging analysis of trade receivables and the respective balance of expected credit loss is as follows:

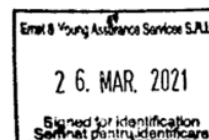
		<b>Trade receivables</b>					
		<b>Days past due</b>					
<b>31 December 2020</b>	<b>Total</b>	<b>Current</b>	<b>1 – 30 days</b>	<b>30 – 60 days</b>	<b>60 – 90 days</b>	<b>90 – 120 days</b>	<b>&gt;120 days</b>
Expected credit loss rate	<b>4.54%</b>	<b>0.00%</b>	<b>0.74%</b>	<b>0.02%</b>	<b>1.13%</b>	<b>5.28%</b>	<b>86.20%</b>
Estimated total gross carrying amount at default	<b>843,717,713</b>	746,411,840	21,482,798	28,633,147	2,161,450	897,346	44,131,132
Expected credit loss	<b>38,279,495</b>	-	159,631	6,592	24,381	47,392	38,041,499

		<b>Trade receivables</b>					
		<b>Days past due</b>					
<b>31 December 2019</b>	<b>Total</b>	<b>Current</b>	<b>1 – 30 days</b>	<b>30 – 60 days</b>	<b>60 – 90 days</b>	<b>90 – 120 days</b>	<b>&gt;120 days</b>
Expected credit loss rate	<b>2.09%</b>	<b>0.00%</b>	<b>0.13%</b>	<b>0.02%</b>	<b>9.91%</b>	<b>29.08%</b>	<b>9.62%</b>
Estimated total gross carrying amount at default	1,644,509,115	1,140,530,754	103,153,125	45,507,172	96,014	49,781	355,172,270
Expected credit loss	34,317,985	-	130,502	8,941	9,519	14,474	34,154,549

		<b>Past due but not impaired</b>					
		<b>Neither past due not impaired</b>	<b>1 – 30 days</b>	<b>30 – 60 days</b>	<b>60 – 90 days</b>	<b>90 – 120 days</b>	<b>&gt;120 days</b>
31 December 2020	<b>805,438,218</b>	746,411,840	21,323,167	28,626,555	2,137,069	849,955	6,089,633
31 December 2019	<b>1,610,191,131</b>	1,140,530,754	103,022,623	45,498,231	86,495	35,307	321,017,721

Trade receivables are not bearing interest and become mature at 30 - 90 days.

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## 9. RECEIVABLES AND PREPAYMENTS, NET (continued)

At 31 December 2020, the trade receivables at the initial value of RON 38.28 million (2019 RON 34.32 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	<b>Collectively impaired</b>
<b>At 1 January 2019</b>	<b>(34,623,679)</b>
Value adjustments for impairment of receivables	(398,320)
Reversed provisions	704,715
Exchange rate difference	(701)
<b>At 31 December 2019</b>	<b>(34,317,985)</b>
Value adjustments for impairment of receivables	(5,280,779)
Reversed provisions	1,318,071
Exchange rate difference	1,198
<b>At 31 December 2020</b>	<b>(38,279,495)</b>

## 10. CASH AND CASH EQUIVALENTS

	<b>31 December 2020</b>	<b>31 December 2019</b>
Cash at bank	365,496,314	20,750,587
Cash on hand	11,119	6,553
Other cash equivalents	88,060	1,616,388
<b>Total</b>	<b>365,595,493</b>	<b>22,373,528</b>

Other cash equivalents represent in the greatest part checks to be cashed.

## 11. EQUITY

### 11.1 SHARE CAPITAL

As at 31 December 2020 and 31 December 2019, the share capital consists in 44,109,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 per each share.

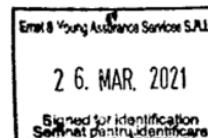
The shareholder structure at 31 December 2020 and 31 December 2019.

<b>Shareholders</b>	<b>Percent held (%)</b>	<b>Statutory amounts in [RON]</b>
KMG International N.V	48.11%	2,122,250,643
The Romanian State represented by The Ministry of Economy, Energy and Business Environment*	44.70%	1,971,500,905
Rompetrol Financial Group S.R.L.	6.47%	285,408,308
Rompetrol Well Services S.A.	0.05%	2,198,030
Rompetrol Rafinare S.A.	0.01%	613,470
Others (not State or KMG Group)	0.66%	28,949,217
<b>Total</b>	<b>100%</b>	<b>4,410,920,573</b>

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

The total value of the Company's share capital remained unchanged in 2020 and 2019.

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## **11. EQUITY (continued)**

Following the Extraordinary General Meeting of Shareholders of 30 June 2010, which approved the capital increase with up to RON 450 million, Rompetrol subscribed and paid a total of 3,294,914,165 shares (equivalent of USD 100,222,279), and minority shareholders have subscribed and paid a total number of 6,506 shares (USD 198). These shares have been registered with the Trade Register.

The proceeds of the capital increase were used to partially redeem the bonds held by the Romanian state.

After the Extraordinary General Meeting of Shareholders on 30 September 2010, the Company converted remaining unredeemed bonds into shares in favor of the Romanian State, resulting a total of 19,715,009,053 shares amounting to RON 1,971,500,905 (USD 627,546,964).

Consequently, the Romanian state, through the Ministry of Finance owns 44.7% in the Company.

### **11.2 SHARE PREMIUM**

The share premium is the result of conversion of bonds into ordinary shares on 30 September 2010, in favor of the Romanian State, represented by the Ministry of Finance, bonds which were issued based on the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

### **11.3 REVALUATION RESERVES**

At 31 December 2020, the Revaluation reserves balance (presented in net of RON 510 million) is affected by the transfer to retained earnings of the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the assets included in the building category. In compliance with OMFP 2844/2016 and with the accounting policies adopted by the Company as of 31 December 2017 the revaluation surplus included in the revaluation reserves is capitalized by transferring it to retained earnings as the use of the asset or upon disposal of the asset, unless a transfer hasn't been already made during utilization period of the revaluated asset. Therefore at 31 December 2020 the revaluation surplus transferred to retained earnings is in amount of RON 108 million. Also the Company recognized a positive effect on the deferred tax asset in amount of RON 17.3 million related to the temporary differences resulting from the revaluation surplus, due to revaluation surplus transferred to retained earnings in 2018, 2019 and 2020.

### **11.4 OTHER RESERVES**

#### ***Hybrid Loan***

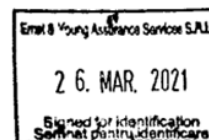
The "Other reserves" item includes the equity component of the hybrid loan as measured at its initial recognition in amount of RON 3,449 million (USD 1,022 million)

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 150 million were converted, the hybrid loan amounting to USD 950 million. The loan is unsecured, subordinated to any present and future liability of the company. 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

The contract states that the interest rate mentioned above will be adjusted if the market conditions impose it, depending on the level of market interest existing at the time of the contract execution.

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## 11. EQUITY (continued)

In 2017, an additional USD 72.2 million were converted to hybrid loan by conversion of a debt held in front of KMG International NV. The additional loan is unsecured, repayable after 51 years and 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, the management carried out an assessment on the potential hybrid loan interest liability and recorded an amount of RON 57.2 million, based on the projected profitability of the business for the upcoming period. This liability was updated in 2018 to RON 69.3 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 out 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.

Company 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.

During 2020, unrealized derivative gains and gains / losses related to retirement benefits were booked in Other Reserves as follows:

	2020	2019
Actuarial gain / (losses) related to retirement benefits	8,977,552	(16,512,245)
Gains / (losses) related to derivative financial instruments	-	(6,179,010)
<b>Total</b>	<b>8,977,552</b>	<b>(22,691,255)</b>

## 12. TRADE AND OTHER PAYABLES

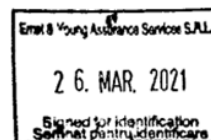
	31 December 2020	31 December 2019
Trade payables	2,475,463,085	3,515,525,900
VAT payable	737,727,968	135,000,864
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	(1,180)	(1,180)
Employees and social obligations	17,878,248	11,361,063
Other liabilities	1,516,249,146	1,011,621,469
<b>Total</b>	<b>4,774,877,899</b>	<b>4,701,068,748</b>

The Company has a cash pooling agreement in place in order to implement a cash balance optimization system, where KMG Rompetrol S.R.L. is "Coordinating Company", and the group companies are participating companies.

The cash pooling debt amounts to RON 1,511.15 million (2019: RON 996.19 million) and is recognised in "Other liabilities".



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**13. CONTRACT LIABILITIES**

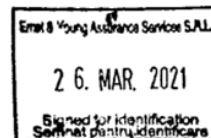
	<b>31 December 2020</b>	<b>31 December 2019</b>
Short-term advances from other customers	91,363,247	47,196,182
<b>Total short-term advances</b>	<b>91,363,247</b>	<b>47,196,182</b>

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

**14. SHORT-TERM LOANS**

**Short-term loan from related parties:**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>KMG International N.V.</b>	42,260,547	53,923,450
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 the investments in Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. The facility has been fully reimbursed in February 2021.		
<b>Midia Marine Terminal SRL</b>	-	27,211,100
Short-term facility for working capital needs in amount of RON 27.211 million, maturity date 31 December 2019. The facility has been fully used. The facility has been fully reimbursed in February 2020.		
<b>Rompetrol Financial Group SRL</b>	-	10,000,000
Short-term facility for working capital needs in amount up to USD 29.215 million, maturity date 31 December 2019. The facility has been fully used. The facility has been fully reimbursed in February 2020.		
Interest due	6,688,483	12,756,467
	<b>48,949,030</b>	<b>103,891,017</b>



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#### 14. SHORT-TERM LOANS (continued)

##### Short-term loan from banks

	31 December 2020	31 December 2019
<b>Banca Transilvania</b>	90,353,995	39,522,931
Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 30, 2021; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m <sup>2</sup> ; assignment of rights from insurance compensation.		
<b>Banca Transilvania</b>	29,147,217	185,523
Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on July 30, 2021; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS = EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.		
Interest due	416,143	169,064
	<b>119,917,355</b>	<b>39,877,518</b>
<b>Syndicated loan – through Unicredit Bank as payer agent</b>	89,986,686	-
<b>Syndicated loan – auxiliary component representing overdraft loan granted by Unicredit Bank</b>	-	8,201,375
<b>TOTAL</b>	<b>209,904,041</b>	<b>48,078,893</b>

#### 15. LONG-TERM LOANS

	31 December 2020	31 December 2019
<b>Syndicated loan – through Unicredit Bank as payer agent</b>		
Up to USD 435 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Rompetrol Rafinare, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. 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.		
	<b>570,759,324</b>	<b>613,184,904</b>

The loans are secured with pledges on inventories of RON 452 million (2019: RON 148 million) and trade receivables of USD: 178.6 million (2019: RON 274.6 million).

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**15. LONG-TERM LOANS (continued)**

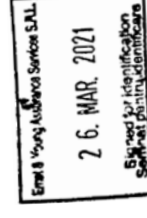
The movement of loans in 2020 is presented below:

	At 1 January 2020	Drawings	Repayments	Interest accrual	Reclass between short-term and long-term	Exchange rate impact	At 31 December 2020
Long-term borrowings from banks	613,184,904	415,700,971	(346,246,390)	-	(89,986,686)	(21,893,476)	570,759,324
Short-term borrowings from banks	47,909,829	408,166,695	(324,393,596)	-	89,986,686	(12,181,716)	209,487,898
Short-term borrowings from shareholders and related parties	91,134,550	-	(43,677,500)	-	-	(5,196,503)	42,260,547
<b>Total</b>	<b>752,229,283</b>	<b>823,867,667</b>	<b>(714,317,486)</b>		<b>-</b>	<b>(39,271,695)</b>	<b>822,507,769</b>
Interest long-term borrowings from banks	-	-	(17,689,600)	17,936,847	(247,080)	(168)	(0)
Interest short-term borrowings from banks	169,064	-	(3,076,962)	3,076,962	247,080	-	416,143
Interest short-term borrowings from shareholders and related parties	12,756,467	-	(7,351,789)	1,778,620	-	(494,814)	6,688,484
<b>Total</b>	<b>12,925,531</b>	<b>-</b>	<b>(28,118,350)</b>	<b>22,792,429</b>	<b>-</b>	<b>(494,982)</b>	<b>7,104,627</b>

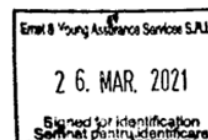
At the level of KMG International NV, loan covenants are tested for the syndicated loan every 6 months. Anticipating a potential breach of the loan covenants as of 31 December 2020, KMG International NV requested and obtained before balance sheet date a waiver from complying with the financial covenants 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, KMG I obtained a waiver letter before balance sheet date covering the entire syndicated loan balance as of 31 December 2020 amounting USD 280.7 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.



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## 16. LEASE DEBTS

	2020	2019
<b>Opening balance at 1 January</b>	<b>11,820,321</b>	-
Restatement as of result of IFRS 16 adoption	-	17,956,146
Additions	920,685	26,666
Re-measurement	46,855,278	-
Payments	(4,383,624)	(7,194,511)
Interest accrued	619,635	739,302
Exchange rate impact	194,647	292,718
Other changes	3,497,345	-
<b>As at 31 December</b>	<b>59,524,287</b>	<b>11,820,321</b>
Non-current	56,981,732	5,368,671
Current	2,542,555	6,451,650

## 17. PROVISIONS

The movement of the provisions is presented below:

	As at 1 January 2020	Other comprehensive income	Arising during the year	Unwinding of discount	As at 31 December 2020
Provision for litigations	-	-	1,705,380	-	1,705,380
Retirement benefit provision	70,253,137	(8,977,551)	(5,719,771)	-	55,555,814
Environmental provision	271,807,301	-	(40,222,005)	8,188,410	239,773,706
<b>Total</b>	<b>342,060,438</b>	<b>(8,977,551)</b>	<b>(44,236,396)</b>	<b>8,188,410</b>	<b>297,034,901</b>

### Environmental provision

As of 31 December 2020, the Company recognized an environmental provision of RON 239.8 million (2019: RON 271.8 million). Total costs incurred during 2020: RON 25.8 million (2019: RON 11.9 million). At the end of 2020, a re-assessment of the site restoration provision was performed by 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 RON 40.2 million (2019: RON 9.6 million) being mainly generated by the actual costs incurred during 2020, partially offset by the unwinding effect of RON 8.2 million (2019: RON 13.6 million).

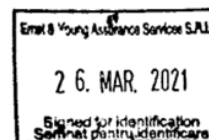
### Retirement obligations provision

Under the collective labor agreement in force, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with the entity at the date of their retirement. A corresponding provision has been recognized based on: the specific benefits provided in the agreement; the number of employees working within the entity; and actuarial assumptions regarding mortality, staff turnover etc. For the computation an actuarial valuation is involved making various assumptions that may differ from actual developments in the future. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

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**17. PROVISIONS (continued)**

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% in 2020 (2019: 4.65%), with an expected rate of long-term salary increase of 2.31% in 2020 (2.97% in 2019). 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. Mortality rate considered was 1.17% (2019: 1.17%). Retirement age for men 65 years old and for women 63 years old.

Amounts recognized in the income statement in respect of this obligation are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Interest on obligation	428,787	949,020
Service cost	3,106,664	2,643,563
Benefits paid	(9,255,223)	(3,905,076)
<b>Total</b>	<b>(5,719,771)</b>	<b>(312,493)</b>

Amounts recognized in the statement of financial position arising from the retirement benefit obligation are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Opening balance</b>	<b>70,253,136</b>	<b>54,053,385</b>
Interest on obligation	428,787	949,020
Service cost	3,106,664	2,643,563
Curtailment due to restructuring/retirement	(9,255,223)	(3,905,076)
Changes in assumptions (tax rate, salary increase, turnover)	(8,977,551)	16,512,245
<b>Closing balance</b>	<b>55,555,814</b>	<b>70,253,137</b>

It is estimated that there are no significant liabilities relating to the provisions that will arise in the next 12 months.

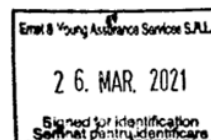
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**18. NET REVENUES FROM CONTRACT WITH CUSTOMERS**

	January - December 2020		TOTAL 2020	January - December 2019		TOTAL 2019
	Refining	Petrochemicals		Refining	Petrochemicals	
Gross revenues from the sale of finished oil products	11,505,286,145	619,415,520	12,124,701,665	18,707,762,429	731,671,385	19,439,433,814
Revenues from petrochemicals trading	-	9,199,375	9,199,375	-	2,572,908	2,572,908
Revenues from other merchandise sales	1,808,123	-	1,808,123	4,125,255	-	4,125,255
Revenues from utilities sold	8,813,904	-	8,813,904	9,255,572	-	9,255,572
Revenues from the sale other products	398,214	-	398,214	797,266	-	797,266
Revenues from other services	15,136,662	-	15,136,662	13,712,960	-	13,712,961
<b>Gross Revenues</b>	<b>11,531,443,048</b>	<b>628,614,895</b>	<b>12,160,057,943</b>	<b>18,735,653,482</b>	<b>734,244,293</b>	<b>19,469,897,775</b>
Less sales taxes	(3,884,947,426)	-	(3,884,947,426)	(4,719,538,636)	-	(4,719,538,636)
<b>Total</b>	<b>7,646,495,622</b>	<b>628,614,895</b>	<b>8,275,110,517</b>	<b>14,016,114,846</b>	<b>734,244,293</b>	<b>14,750,359,139</b>

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.

Emisii Young Auditors Service S.A.L.  
 26. MAR. 2021  
 Signed for identification  
 Ștefan Petruț, Director General



**ROMPETROL RAFINARE S.A.**  
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**19. COST OF SALES**

	<b>January – December 2020</b>	<b>January - December 2019</b>
Crude oil and other raw materials	7,614,092,570	13,226,728,823
Consumables and other materials	56,396,366	64,513,345
Utilities	416,956,855	489,802,104
Staff costs	106,484,645	105,059,204
Transportation	76,235	89,640
Maintenance	97,427,740	93,161,577
Insurance	6,888,573	6,563,911
Environmental expenses	14,343,056	45,128,860
Other	53,326,236	48,410,100
<b>Cash production cost</b>	<b>8,365,992,276</b>	<b>14,079,457,564</b>
Depreciation and amortization	307,260,811	324,026,338
<b>Production costs</b>	<b>8,673,253,088</b>	<b>14,403,483,902</b>
Less: Change in inventories	187,875,754	(12,734,754)
Less: Own production of property, plant & equipment	(21,118,721)	(5,233,072)
Cost of petrochemicals trading	12,578,804	2,790,760
Cost of other merchandise sales	1,772,161	2,140,417
Cost of utilities sold	8,196,992	7,513,610
Realised (gains) / losses on derivatives	(215,657,142)	13,370,350
<b>Total</b>	<b>8,646,900,936</b>	<b>14,411,331,213</b>

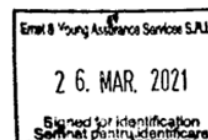
Total Cost of goods sold decreased mainly due to decreased quantity of crude oil processed and of petroleum products sold.

The significant income recorded during 2020 by Rompetrol Rafinare is due to hedging activities, mainly 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, recording gains in total amount of RON 168.7 million. 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 RON 177.6 million gains on the hedges in place.

Also, before pandemic escalation, Rompetrol Rafinare managed to hedge the Refinery Margin at levels that allowed it to gain RON 47 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 2020, in other expenses are included costs for: inspections and quality control in amount of RON 22.8 million (2019: RON 22.3 million), IT and communications in amount of RON 12.4 million (2019: RON 8.7 million), local taxes in amount of RON 1.2 million (2019: RON 1.6 million), security, fire protection and other services in amount of RON 16.9 million (2019: RON 14.0 million).

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**20. SELLING, GENERAL AND ADMINISTRATIVE COSTS, INCLUDING LOGISTIC COSTS**

	<b>January – December 2020</b>	<b>January - December 2019</b>
Staff costs	45,043,845	32,462,959
Utilities	18,296,045	10,280,437
Transportation	49,505,487	50,492,105
Professional and consulting fees	51,677,425	108,664,043
Consumables	1,627,535	1,001,541
Marketing	125,862	227,710
Taxes	4,155,723	4,309,199
Communications	51,163	71,427
Insurance	2,581,377	1,785,135
IT related expenditures	6,785,306	7,486,883
Environmental expenses	28,350,471	27,950,104
Maintenance	14,872,784	11,484,952
Fees and penalties	12,339,004	20,115,584
Other expenses	41,577,761	24,927,128
<b>Costs before depreciation</b>	<b>276,989,788</b>	<b>301,259,207</b>
Depreciation and amortization	66,130,358	43,170,520
<b>Total</b>	<b>343,120,147</b>	<b>344,429,727</b>

In 2020 in Other expenses are included costs for: storage in amount of RON 13.2 million, outsourced services in amount of RON 10 million, inspections and quality control in amount of RON 2.8 million, security, fire protection, cleaning & sanitation in amount of RON 7.5 million, mandate services in amount of RON 1.2 million and other services in amount of RON 6.9 million.

The auditor's fees were recognised in "Professional and consulting fees". The auditors' fees related to the audit of the stand-alone and consolidated financial statements as of 31 December 2020 are EUR 128,013 (in 2019: EUR 142,000).

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

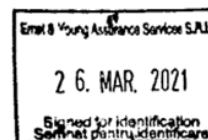
	<b>January – December 2020</b>	<b>January - December 2019</b>
Loss / (gain) from receivables (including provisions and write-off), net	3,962,893	(308,133)
Loss / (gain) from provision for inventories and write-off, net	(12,774,406)	(45,126,492)
(Gain) / Loss from other provisions	(38,516,625)	(23,254,697)
Other expenses / (income), net	(32,553,344)	(1,443,848)
<b>Total</b>	<b>(79,881,482)</b>	<b>(70,133,170)</b>

In 2020 the Company booked a positive outcome on the CO2 certificates litigation that Rompetrol Rafinare won against the Romanian State, recognized a revenue towards the State in amount of RON 153.8 million. In the same time the Company estimated the purchase of 766 thousands CO2 certificates needed for 2020 compliance in amount of RON 133.5 million based on the emissions as of 31 December 2020 out of which recognizing an estimated expense of RON 121.7 million in Other operating expenses, the difference of RON 11.8 million being considered in the cost of sales.

The net impact in Other operating (income)/expenses of RON 32.1 million is recorded under "Other expenses / (income), net" caption.



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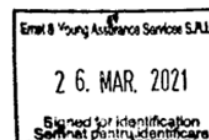
**22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE**

	<b>January – December 2020</b>	<b>January - December 2019</b>
<b>Finance cost</b>		
Interest expense	39,812,590	37,140,307
Interest expense shareholders and related parties	47,858,331	63,248,019
Other financial expense	94,794,226	135,098,281
	<b><u>182,465,147</u></b>	<b><u>235,486,607</u></b>
<b>Finance income</b>		
Interest income	(5,034,800)	(21,719,706)
Interest Income - hybrid instrument	(69,291,612)	-
Other financial income	(12,421,849)	(1,059,637)
	<b><u>(86,748,261)</u></b>	<b><u>(22,779,343)</u></b>
<b>Finance cost / (income), net</b>	<b><u>95,716,886</u></b>	<b><u>212,707,264</u></b>
Unrealized net foreign exchange losses/(gains)	(18,121,459)	(47,301,537)
Realized net foreign exchange losses/(gains)	(190,819,277)	192,771,168
<b>Foreign exchange (gain)/loss, net</b>	<b><u>(208,940,736)</u></b>	<b><u>145,469,631</u></b>
<b>Total</b>	<b><u>(113,223,850)</u></b>	<b><u>358,176,895</u></b>

In 2020 out of the total of RON 94.8 million (2019: 135.1) representing other financial expenses an amount of approximately RON 85.8 million (2019: RON 120.4 million) represents interest and other financial expenses owed to KMG Trading for financing activities.

As of 31 December 2020 management carried out 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.

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## 23. INCOME TAX

The income tax rate was 16% in 2020 and 2019.

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

Entity	Fiscal loss 2020 Million RON	Fiscal loss 2019 Million RON
<b>Rompetrol Rafinare SA</b>	<b>(1,916.0)</b>	<b>(1,755.8)</b>

A breakdown of tax losses of the Company in years is displayed below:

Entity	Fiscal loss Million	Fiscal loss Expires in
<b>Rompetrol Rafinare SA</b>		
2014	(720.75)	2021
2015	(382.97)	2022
2016	(12.20)	2023
2017	-	2024
2018	(75.03)	2025
2019	(173.20)	2026
2020	(551.82)	2027
	<b>(1,915.97)</b>	

## Reconciliation of comprehensive income with tax result

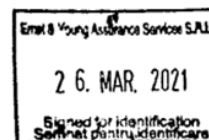
Below there is a reconciliation between the current income tax recorded in the income statement and the whole expenses with the profit tax, based on the temporary differences and non-deductible items:

	2020	2019
<b>Accounting Net profit</b>	<b>(645,823,057)</b>	<b>(352,730,468)</b>
Addition: Non-deductible expenses	724,119,614	682,177,038
Less: Non-taxable income	(249,544,685)	(128,861,398)
Less: Non-fiscal depreciation	(375,434,174)	(366,592,478)
Other items equivalent to expense/(revenues)	(5,133,049)	(7,194,510)
<b>Fiscal (Net loss)</b>	<b>(551,815,351)</b>	<b>(173,201,816)</b>
Fiscal losses carried forward	(1,364,157,423)	(1,582,585,336)
<b>Total fiscal losses carried forwards</b>	<b>(1,915,972,774)</b>	<b>(1,755,787,152)</b>
<b>Income tax payable (16%)</b>	-	-

In 2020 the following income was considered non-taxable when calculating tax loss:

- Tax provisions (income from reversal of provisions for which no deduction was allowed) RON 248.7 million;

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### 23. INCOME TAX (continued)

The following were considered non-deductible expenses when determining tax loss:

- Expenses with accounting depreciation, amounting to RON 370.3 million;
- Expenses from deferred income tax amounting RON 124.0 million;
- Expenses with provisions amounting RON 209.6 million;
- Interests amounting RON 14.7 million;
- Depreciation/Unwinding of discount/Forex IFRS 16 amounting RON 4.0 million;
- Other non-deductible expenses amounting to RON 1.6 million.

### DEFERRED TAX

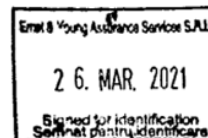
	Balance at 1 January 2020	Charged to Profit & loss	Charged to Equity	Balance at 31 December 2020
<b>Temporary differences</b>				
<b>Asset/Liability</b>				
Property, plant and equipment	1,171,545,256	5,123,652	(27,928,813)	1,148,740,095
Provisions	(271,807,301)	32,033,594	-	(239,773,708)
Fiscal loss	(1,588,060,366)	737,954,147	-	(850,106,219)
<b>Total temporary differences (Asset) / Liability</b>	<b>(688,322,411)</b>	<b>775,111,393</b>	<b>(27,928,813)</b>	<b>58,860,169</b>
Property, plant and equipment	187,447,242	819,784	(4,468,611)	183,798,415
Provisions	(43,489,168)	5,125,375	-	(38,363,793)
Fiscal loss	(254,089,659)	118,072,664	-	(136,016,995)
<b>Deferred tax (assets)/ liability recognised</b>	<b>(110,131,585)</b>	<b>124,017,823</b>	<b>(4,468,611)</b>	<b>9,417,626</b>

As of 31 December 2020 it was recognized a decrease of deferred tax asset by RON 119.5 million (an amount of RON 124 million was recognised in profit & loss account and an amount of RON 4.5 million was recognized on equity) leading the Company to a net deferred tax liability position of RON 9.4 million.

As of 31 December 2020, the Company 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. For the recoverability of deferred tax, the 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 deferred tax asset recoverability are based, amongst other factors, on future cost savings and/ or margin optimization to be derived from several investment projects that the Company 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, thereforereducing the processing costs having a positive effect on the refinery margin.

The Company has RON 1,196 million (2019: RON 1,756 million) of tax losses carried forward which will expire in a period of 7 years from the year in which they arised and maybe used to offset taxable income. On this basis, the Company has determined the tax loss carried forward that can be utilized over the next 7 years, considering this assessment a sensitivity analysis of the future taxable profits.

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### **23. INCOME TAX (continued)**

For the sensitivity analysis performed, the 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 Company's 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.

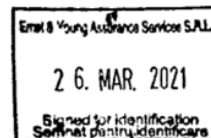
Deferred tax asset is also recognized for the provision related to Vega Environmental project. The remeasurement of the provision during 2020 (Note 17), lead to a decrease of RON 5.1 million in the related deferred tax asset.

As of 31 December 2020 the Company 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 RON 11.1 mill.

#### **Contingencies related to taxation**

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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**24. OPERATING SEGMENT INFORMATION**

**A. Operating segments**

For management purposes, the company is organized in two segments - refining and petrochemicals.

**2020 Income statement**

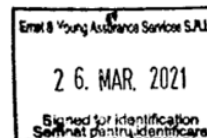
	<b>Refining</b>	<b>Petrochemicals</b>	<b>Unallocated amounts between the segments</b>	<b>Total</b>
Net turnover	7,646,495,622	628,614,895	-	<b>8,275,110,517</b>
Cost of sales	(7,966,205,011)	(680,695,925)	-	<b>(8,646,900,936)</b>
<b>Gross loss</b>	<b>(319,709,389)</b>	<b>(52,081,030)</b>	<b>-</b>	<b>(371,790,419)</b>
Selling, general and administrative expenses	(291,105,053)	(52,015,094)	-	<b>(343,120,147)</b>
Other operating revenues / expenses, net	79,881,482	-	-	<b>79,881,482</b>
<b>Operating loss</b>	<b>(530,932,960)</b>	<b>(104,096,124)</b>	<b>-</b>	<b>(635,029,084)</b>
Financial expenses	-	-	(182,465,147)	<b>(182,465,147)</b>
Financial revenues	-	-	86,748,261	<b>86,748,261</b>
Net foreign exchange gains / (losses)	-	-	208,940,736	<b>208,940,736</b>
<b>Profit / (loss) before income tax</b>	<b>(530,932,960)</b>	<b>(104,096,124)</b>	<b>113,223,850</b>	<b>(521,805,234)</b>
Deferred tax	-	-	(124,017,823)	<b>(124,017,823)</b>
<b>Net Loss</b>	<b>(530,932,960)</b>	<b>(104,096,124)</b>	<b>(10,793,973)</b>	<b>(645,823,057)</b>
<b>out of which Depreciation and amortization</b>	<b>(316,979,922)</b>	<b>(56,411,248)</b>	<b>-</b>	<b>(373,391,170)</b>

**2019 Income statement**

	<b>Refining</b>	<b>Petrochemicals</b>	<b>Unallocated amounts between the segments</b>	<b>Total</b>
Net turnover	14,016,114,846	734,244,293	-	<b>14,750,359,139</b>
Cost of sales	(13,645,211,311)	(766,119,902)	-	<b>(14,411,331,213)</b>
<b>Gross profit</b>	<b>370,903,535</b>	<b>(31,875,609)</b>	<b>-</b>	<b>339,027,926</b>
Selling, general and administrative expenses	(295,163,053)	(49,266,674)	-	<b>(344,429,727)</b>
Other operating revenues / expenses, net	70,133,170	-	-	<b>70,133,170</b>
<b>Operating profit/ (loss)</b>	<b>145,873,653</b>	<b>(81,142,284)</b>	<b>-</b>	<b>64,731,369</b>
Financial expenses	-	-	(235,486,607)	<b>(235,486,607)</b>
Financial revenues	-	-	22,779,343	<b>22,779,343</b>
Net foreign exchange gains / (losses)	-	-	(145,469,631)	<b>(145,469,631)</b>
<b>Profit/(loss) before income tax</b>	<b>145,873,652</b>	<b>(81,142,284)</b>	<b>(358,176,895)</b>	<b>(293,445,526)</b>
Deferred tax	-	-	(59,284,942)	<b>(59,284,942)</b>
<b>Net Profit / (Loss)</b>	<b>145,873,652</b>	<b>(81,142,284)</b>	<b>(417,461,837)</b>	<b>(352,730,468)</b>
<b>out of which Depreciation and amortization</b>	<b>(306,067,987)</b>	<b>(61,128,870)</b>	<b>-</b>	<b>(367,196,858)</b>

In 2020 turnover of the Company are included the clients KazMunayGas Trading AG and Rompetrol Downstream SRL, that generate more than 10% of the total sales, their value amounting to RON 5,170.5 million (2019: RON 9,541.7 million).

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## 24. OPERATING SEGMENT INFORMATION (continued)

For the income statement, management analysis are made separately for the 2 segments: Refining and Petrochemicals.

Since many of the Petromidia refinery facilities are used jointly by refining and the petrochemicals segment 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.

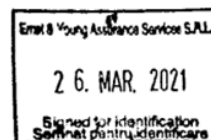
### B. Geographical segments

All the production facilities of the Company are located in Romania. The following breakdown provides an analysis of the net turnover of the Company depending on the geographical market (based on customers location):

	<b>31 December 2020</b>	<b>31 December 2019</b>
Romania	5,546,277,773	8,391,435,622
Europa	2,567,020,000	6,214,454,277
Asia	144,403,185	126,410,671
America	17,409,559	18,058,569
<b>Total</b>	<b>8,275,110,517</b>	<b>14,750,359,139</b>

**ROMPETROL RAFINARE S.A.**  
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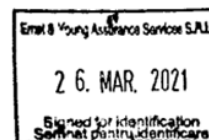
## 25. RELATED PARTIES

The ultimate parents of the Company are the company National Welfare Fund "Samruk-Kazyna" Joint Stock Company (90%) and National Bank of Republic of Kazakhstan (10%), companies with its headquarters in Kazakhstan, entirely owned by the Kazakh State. The related parties and the nature of relationship is presented below:

Name of the affiliated entity	Nature of the relation
KMG International N.V.	Majority shareholder
Oilfield Exploration Business Solutions S.A.	Company held by KMG International N.V
Rominerv S.R.L.	Company held by KMG International N.V
KazMunayGas Trading AG	Company held by KMG International N.V
Rompotrol Well Services S.A.	Company held by KMG International N.V
Palplast S.A.	Company held by KMG International N.V
Rompotrol Bulgaria JSC	Company held by KMG International N.V
Intreprinderea Mixta Rompotrol Moldova SA	Company held by KMG International N.V
Rompotrol Georgia LTD	Company held by KMG International N.V
Midia Marine Terminal S.R.L.	Company held by KMG International N.V
Rompotrol Financial Group S.R.L.	Company held by KMG International N.V
Dyneff SAS	A company of Rompotrol France group, where KMG International N.V. owns 49%
KMG Rompotrol SRL	Company held by KMG International N.V
Byron Shipping Ltd	Company held by KMG International N.V
Byron Shipping S.R.L.	Company held by KMG International N.V
Rompotrol Albania Wholesale Sh.A.	Company held by KMG International N.V (in liquidation)
Rompotrol Ukraine LTD	Company held by KMG International N.V (KMG International N.V. owns 50%)
Rominerv Valves Iaifo SRL	Company held by KMG International N.V
KAZMUNAYGAS – Engineering LLP (former Rominerv Kazakhstan LLC)	Company held by KMG International N.V
Uzina Termoelectrica Midia S.A.	Company held by KMG International N.V (KMG International group holds: 43.42%)
Global Security Sistem S.A.	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Global Security Systems Fire Services SRL	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Rompotrol Downstream S.R.L.	Company affiliated to the Company
Rompotrol Petrochemicals S.R.L.	Company affiliated to the Company
Rom Oil S.A.	Company affiliated to the Company
Rompotrol Logistics S.R.L.	Company affiliated to the Company
Rompotrol Quality Control S.R.L.	Company affiliated to the Company
Rompotrol Gas S.R.L.	Company held by KMG International N.V
Rompotrol France SAS	A company of Rompotrol France group, where KMG International N.V. owns 49%
Agat Ltd	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 50%)
Rompotrol Albania Downstream Sh.A.	Company held by KMG International N.V (in liquidation)
Rompotrol Albania Sh.A.	Company held by KMG International N.V (in liquidation)
Rompotrol Distribution Albania Sh.A	Company held by KMG International N.V (in liquidation)
TRG Petrol Ticaret AS	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 51%)
Rompotrol Energy S.A	Company held by KMG International N.V (KMG International owns: 99%)
KazMunayGas Engineering B.V.	Company held by KMG International N.V
KMG Rompotrol Services Center SRL (former Rompotrol Exploration & Production SRL)	Company held by KMG International N.V
Rompotrol Drilling	Company held by KMG International N.V
Benon Rompotrol LLC	Company held by KMG International N.V (indirect ownership by KMG International N.V.: 40%)
The Romanian State and the Romanian Authorities	Significant shareholder
Fondul de Investitii in Energie Kazah-Roman S.A.	Company held by KMG International N.V
KMG ROMPETROL DEVELOPMENT S.R.L.	Company held by KMG International N.V
Oman JV	Societate a Grupului KMG International

Note: there are also 9 branches and representatives

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**25. RELATED PARTIES (continued)**

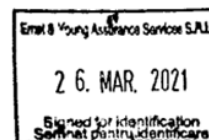
The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received.

**A.** At 31 December 2020 and 31 December 2019, Rompetrol Rafinare had the following balances with the related parties:

	<b>Receivables and other assets</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
KazMunayGas Trading AG	123,320,649	754,334,283
Rompetrol Downstream S.R.L	509,401,057	547,599,327
Rompetrol Petrochemicals S.R.L.	481	481
KMG International N.V.	10,150,180	8,686,860
Rompetrol Gas SRL	-	42,544,087
Rompetrol Bulgaria JSC	2,110,141	16,016,832
Rominerv S.R.L.	9,474,667	14,108,866
Rompetrol Quality Control S.R.L.	145,177	146,912
Rompetrol Logistics S.R.L	3,015	3,020
Midia Marine Terminal S.R.L.	899,856	951,546
Uzina Termoelectrica Midia S.A.	8,964,455	13,051,590
KMG Rompetrol SRL	78,840,453	7,277,980
Global Security Sistem S.A.	606,223	606,694
Kazmunaygas – Engineering LLP (former Rominerv Kazakhstan(RKZ))	666,950	716,526
Palplast S.A.	2,800,002	3,499,745
Byron Shipping Ltd.	2,802	2,441
Rompetrol Ukraina	15,018	16,134
Oilfield Exploration Business Solutions S.A.	3,026,298	3,062,259
Rompetrol Financial Group SRL	10,760	10,728
KMG Rompetrol Services Center SRL	50,933	55,103
<b>Total</b>	<b>750,489,117</b>	<b>1,412,691,414</b>



**ROMPETROL RAFINARE S.A.**  
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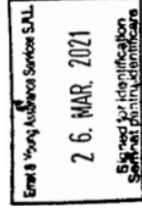


**25. RELATED PARTIES (continued)**

	<b>Payables, loans and other liabilities</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
KazMunayGas Trading AG	1,979,547,932	3,138,358,824
Rompetrol Downstream S.R.L.	66,410,166	39,446,513
Rompetrol Petrochemicals S.R.L.	1,334,066	8,440,871
KMG International N.V.- loans(note14)	42,260,547	53,923,450
KMG International N.V.-interest	6,688,483	5,670,811
KMG International N.V.-interest hybrid loan	-	69,291,612
KMG International N.V.-trade debts	20,814,163	30,838,648
Rompetrol Gas SRL	19,021,537	3,549,340
Rompetrol Moldova ICS	13,299,899	7,849,029
Rominerv S.R.L.	80,239,429	87,755,381
Rompetrol Quality Control S.R.L.	15,608,669	13,287,728
Rompetrol Logistics S.R.L.	859,818	664,272
Midia Marine Terminal S.R.L.- loans(note14)	-	27,211,100
Midia Marine Terminal S.R.L.-interest	-	1,035,171
Midia Marine Terminal S.R.L.-trade debts	33,332,021	20,388,322
Uzina Termoelectrica Midia S.A.	22,657,670	31,350,852
KMG Rompetrol SRL- debt cash pooling	1,507,235,473	992,053,807
KMG Rompetrol SRL-interest cash pooling	3,911,685	4,136,452
KMG Rompetrol SRL-trade debts	11,172,810	38,528,222
Global Security Sistem S.A.	614,628	611,947
Global Security Systems Fire Services S.R.L.	856,705	-
KMG Rompetrol Development	371,820	2,582,822
Rompetrol Exploration & Production S.R.L.	66	66
Rompetrol Financial Group SRL - loans(note14)	-	10,000,000
Rompetrol Financial Group SRL-interest	-	6,050,485
KMG Rompetrol Services Center SRL	2,471,892	1,488,149
Rompetrol Bulgaria JSC	-	481,994
TRG Petrol Ticaret Anonim Sirketi	10,346	10,346
<b>Total</b>	<b>3,828,719,827</b>	<b>4,595,006,214</b>

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "Coordinating company" and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2021.

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**25. RELATED PARTIES (continued)**

In 2020, respectively in 2019, Rompetrol Rafinare had the following transactions with the related parties:

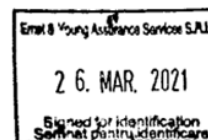
Name of related party	Nature of transaction, sales / purchases	Sales		Purchases	
		2020	2019	2020	2019
KazMunayGas Trading AG	Raw materials / Petroleum products	1,502,585,743	4,140,107,232	6,586,335,213	12,538,112,801
Rompotrol Downstream S.R.L.	Petroleum products, rent, utilities and other	3,678,457,583	5,412,821,772	2,218,053	2,188,957
Rompotrol Petrochemicals S.R.L.	Rent, utilities and other	-	11,387	-	-
KMG International N.V.	Loan interest, management services	69,291,612	-	7,938,748	18,570,003
Rompotrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	277,696,367	442,606,103	2,837,766	1,352,234
Rompotrol Moldova ICS	Sales intermediary services	457,502,457	968,514,567	-	-
Rompotrol Bulgaria JSC	Sales intermediary services	80,528,410	107,519,235	-	-
Rominerv S.R.L.	Acquisition and maintenance of fixed assets	2,657,199	2,693,541	487,787,404	320,413,003
Rompotrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	1,441,439	1,448,431	31,637,101	29,003,940
Rompotrol Logistics S.R.L.	Transport, rent/Rent, utilities	12,413	13,875	164,324	164,324
Midia Marine Terminal S.R.L.	Handling services/ Rent, utilities, re-invoicing, loan interest, others	1,209,247	2,183,747	67,398,375	66,294,803
Rompotrol Well Services S.A.	Loan interest	-	-	387	799,250
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	67,415,366	87,155,582	117,059,674	134,084,565
KMG Rompetrol S.R.L.	Loan interest, management services	4,572,017	10,694,840	92,593,881	151,909,794
Global Security Sistem S.A.	Security and protection services	1,661	1,399	8,176,964	11,798,709
Global Security Systems Fire Services S.R.L.	Protection services	-	-	6,647,660	-
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	22,822	33,360	76,401	2,440
Rompotrol Financial Group SRL	Loan interest	-	-	63,517	3,304,214
KMG Rompetrol Services Center SRL	Shared services	547,744	549,171	18,186,157	16,689,858
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	-	32,285	-	-
		<b>6,143,942,080</b>	<b>11,176,386,527</b>	<b>7,429,121,625</b>	<b>13,294,688,895</b>

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, based on a Government Ordinance, the Ministry of Economy Trade and Business Environment ("MECMA") became shareholder until May 2013 when, following the reorganization of MECMA, the Ministry of Economy ("ME") became the new shareholder. The ministry was later renamed as Ministry of Energy, Small- and Medium-sized Enterprises and Business Environment, afterwards renamed as Ministry of Economy, Energy and Business Environment according to the OUG 68/11.06.2019. 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 The Group. There are no transactions, balance sheets at the year-end in relation with MFPR, MECMA, ME and other Romanian authorities during the time of their affiliation, other than those arising from Romanian fiscal and legislation requirements.

The salaries paid to the Company directors in 2020 were RON 1,053,850 (RON 1,246,164 in 2019). The salaries and bonuses paid to the Company management in 2020 (in average 13 persons) was RON 5,191,050 (RON 4,114,475 in 2019, in average 12 persons).

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## 26. EARNINGS PER SHARE

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

	January – December 2020	January – December 2019
Net profit (+), loss (-)	(645,823,057)	(352,730,468)
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (money / share)	(1.46)	(0.80)

## 27. CONTINGENT LIABILITIES

a) Related to the Company'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 Company 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 28). The management is confident that the Company 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 favor of Rompetrol Rafinare, following which it was established that Rompetrol Rafinare S.A. does not owe any amount of money to ANAF.

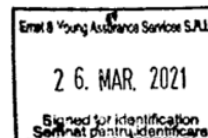
b) In 2001, the Company processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Company were challenged in front of the court by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Company cancelled such invoices. The Company 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 Company liable for paying such excises; the Company 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 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 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).

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**27. CONTINGENT LIABILITIES (continued)**

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:

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

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

On 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 Privatization 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.

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

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of 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.

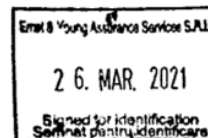
Following the hearing on 24 March 2014 it is confirmed that the court case is closed following the Ministry of Finance renouncing all the court actions that were in progress that are mentioned above.

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

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## **27. CONTINGENT LIABILITIES (continued)**

### **Contingencies – risk management and internal control**

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

Rompotrol Rafinare is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Company 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 Company and its directors. Any complaints or allegations received are investigated properly by the assigned departments. Rompetrol Rafinare 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.

## **28. 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.

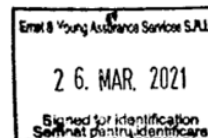
Considering the above-mentioned charges, a freezing order were issued by DIICOT and received on 9-10 May 2016 (the "Orders"), whereby it was decided to impose a distraint (freezing of the assets) on the movable and immovable assets of KMG International N.V., Rompetrol Rafinare SA and Oilfield Exploration 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.

Rompotrol 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.

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## 28. LEGAL MATTERS (continued)

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 April 7, 2017 their own application for, on the one hand, evidences to be attached to the file in order to defend and on the other hand to be redone some evidences (such as expertise report) performed before 2016. No reply received yet from DIICOT on this topic.

On 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), 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.

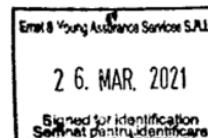
A statement of defense against the July 2017 Ordinance has been submitted on December 22, 2017 as well a challenge against it submitted in front of the higher prosecutor on September 29, 2017.

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

A similar challenge was submitted on 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.

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## **28. LEGAL MATTERS (continued)**

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

On 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 December 27, 2019, requiring having the relevant criminal charges dismissed on merits and not because of passing the status of limitation. On February 7, 2020 DIICOT rejected the Group challenge against December 5, 2019 Ordinance. The group submitted to Supreme Court challenge against the DIICOT rejection and the first hearing is scheduled for April 8, 2020. The last term was schedule for May 29, 2020 and the Court postpone it for June 26, 2020 to allow the parties to prepare their defences. On July 10, 2020, the Supreme Court issued the final decision according to which all the complaints formulated against the dismissal ordinance issued on December 5, 2019, were rejected as inadmissible.

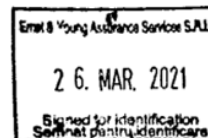
Faber submitted a civil claim to the Bucharest court against both the Group companies and defendants.

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

On the other hand, Faber resumed one of the older files by which Faber challenged the increasing of the Rompetrol Rafinare S.A. share capital back in 2003 - 2005. The hearing was scheduled for April 14 but the case has been suspended due to the emergency enforced since 16 March 2020. The next hearing was settled for 27 April 2021.

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## **28. LEGAL MATTERS (continued)**

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 (Romp petrol 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 a 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).

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

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

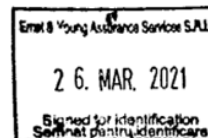
On 17 June 2020, the Supreme Court issued the final decision according to which the appeals declared by Rompetrol Rafinare S.A. and the Ministry of Environment, Waters and Forests and the Government of Romania - General Secretariat of the Government against the decision issued by the Court of Appeal 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.



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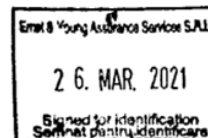
## **28. LEGAL MATTERS (continued)**

### **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 March 16, 2017, when the challenge submitted by Rompetrol Rafinare was rejected. The solution has been appealed by Rompetrol Rafinare. The appeal is in currently pending court investigation proceedings, and the first hearing term before the High Court of Cassation and Justice is established for 30 January 2020.  
 At the request of the legal representative of Navodari City Hall, the Court set a new trial term for 7 May 2020. The 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 November 2, 2018, the case has been suspended. On January 10, 2020, by Decision 73/2020, the High Court of Cassation and Justice found the appeal filed by the Navodari City Hall outdated. The solution is final.

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**28. LEGAL MATTERS (continued)**

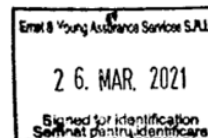
**Litigations between Rompetrol Rafinare and National Company – Constanta Maritime Port Administration S.A.**

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

- a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint leads to an investigation launched in April 2016 by the Competition Council. Competition Council is entitled to acknowledge the violation by Administrația Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, the obligations resting upon it as administrator of port areas and supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. By Decision 21/2018, the Competition Council rejected the complaints formulated by Rompetrol Rafinare SA and Midia Marine Terminal SRL. Both companies challenged this decision at Bucharest Court of Appeal, first term being scheduled for May 13, 2019, in order to communicate to the parties the statement of defense issued by National Company "Administratia Porturilor Maritime" SA. Next term was established October 21, 2019, when the court dismissed the complaints filed by the plaintiffs. The solution was appealed by Rompetrol Rafinare SA and the first hearing was set by the High Court on April 12, 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.

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## 28. 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 Petromidia refinery on August 22, 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 June 2, 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 June 24, 2020 the company received the prosecutor indictment from the Constanta Court. Taking in consideration that the court has been notified with a new indictment, for the third time the preliminary chamber procedure is to be carried out. On September 17, 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 April 19, 2021.

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

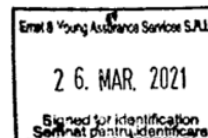
On the other hand, it was admitted the request filed by Rominserv for the plea of unconstitutionality of certain provisions to be settled further by the Constitutional Court. The respective provisions concern the possibility to rectify the document instituting court proceedings during the preliminary 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 RON 1.7 million.

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## **28. LEGAL MATTERS (continued)**

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

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

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

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

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

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

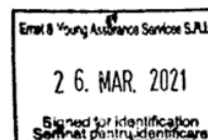
The amounts for which ANAF - DGSC annulled the Decision and ordered a re-verification are not subject of the court claim.

The claim submitted by Rompetrol Rafinare S.A. was registered on 25 July 2019 at the Constanta Court of Appeal, forming Case file no. 393/36/2019, the Court set the first hearing for November 13, 2019. On December 11, 2019 the Court approved Rompetrol Rafinare S.A.'s request to carry out a financial – accounting expertise in the Case file and set the next term for January 15, 2020 when the Court will nominate three experts to perform the expertise and will set the term for the Expertise Report to be filled. On 15 January 2020, the Court nominated the experts and set the next term for 12 February 2020 for the expertise to be initiated. The Court set the next term for March 11, 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 March 24, 2021 in order to discuss them.

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of RON 13.65 million.

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## 29. COMMITMENTS

### Environmental risks and obligation

The Company's business activities are subject to constantly changing local, national and European regulations relating to the environment and industrial activity, that 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 Company's activities.

Although Rompetrol Rafinare has provided for known environmental obligations that are probable and reasonably estimable, it is possible that the Company 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 Company's results of operations and cash flow.

Rompetrol Rafinare'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 Company advanced 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 Company.

During 2020, Rompetrol Rafinare 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 expert analysis report was provided by the Company to the environmental authorities and next steps for remedial actions, if any, are expected.

As of 31 December 2020, the Company has recognized a provision for restoration costs related to Vega Refinery, see Note 17.

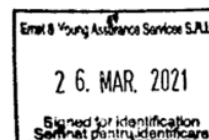
### Other commitments

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

### Sale and purchase commitments

As of 31 December 2020, Rompetrol Rafinare S.A. contracted purchase contracts for raw materials and utilities estimated to USD 2,349.84 million (2019: USD 1,328.72 million) and has commitments for sales of petroleum, petrochemicals products and utilities sales estimated to USD 3,750.49 million (2019: USD 4,448.12 million).

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### 30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

#### A. CAPITAL RISK

The Company manages its capital to ensure that it 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 Company consists of bank debt and shareholder loans (see Notes 14 and 15), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the "Statement of Changes in the Shareholders' Equity".

#### B. GEARING RATIO

The debt – to - equity ratio at the end of the year is as follows:

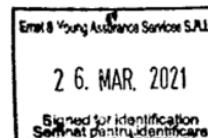
	31 December 2020	31 December 2019
Debt (excluding shareholder and related parties loans)	780,663,365	661,263,797
Cash and cash equivalents	(365,595,493)	(22,373,528)
<b>Net Borrowings</b>	<b>415,067,872</b>	<b>638,890,269</b>
Equity (including shareholder and related parties loans)	1,384,556,175	2,071,875,056
<b>Gearing ratio</b>	<b>30.0%</b>	<b>30.8%</b>

#### C. FINANCIAL INSTRUMENTS

	31 December 2020	31 December 2019
<b>Financial assets</b>		
Trade receivables and other receivables	950,339,667	1,643,380,465
Derivatives	-	2,585,313
Cash and bank accounts	365,595,493	22,373,528
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,315,935,160</b>	<b>1,668,339,306</b>

	31 December 2020	31 December 2019
<b>Financial liabilities</b>		
Short term borrowings from shareholders and related parties	48,949,030	103,891,017
Derivatives	617,651	15,786,131
Commercial liabilities and other liabilities	4,002,009,686	4,533,098,654
Short term loans	209,904,041	48,078,893
Long term borrowings from banks	570,759,324	678,275,831
Hybrid instrument - long-term portion	-	69,291,612
Lease debts	59,524,287	11,820,321
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,891,764,019</b>	<b>5,460,242,458</b>

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### 30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

- VAT to be recovered
- Profit tax to be recovered
- Other taxes to be recovered

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

- Excises taxes
- Special fund for oil products (FSPP);
- VAT payable
- Profit tax payable
- Salary taxes payable
- Other taxes
- Deferred revenues

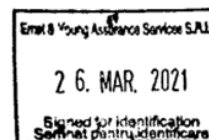
The estimated fair values of these instruments approximate their carrying amounts.

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Company 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 recognised at fair value.

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**30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

**Fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

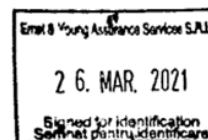
- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Trade receivables and other receivables	950,339,667	-	950,339,667	-
Cash and bank accounts	365,595,493	365,595,493	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,315,935,160</b>	<b>365,595,493</b>	<b>950,339,667</b>	<b>-</b>
<b>Financial liabilities</b>				
Short term borrowings from shareholders and related parties	48,949,030	-	48,949,030	-
Derivatives	617,651	-	617,651	-
Commercial liabilities and other liabilities	4,002,009,686	-	4,002,009,686	-
Short term loans	209,904,041	-	209,904,041	-
Long term borrowings from banks	570,759,324	-	570,759,324	-
Lease debts	59,524,287	-	59,524,287	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,891,764,019</b>	<b>-</b>	<b>4,891,764,019</b>	<b>-</b>
	<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Trade receivables and other receivables	1,643,380,465	-	1,643,380,465	-
Derivatives	2,585,313	-	2,585,313	-
Cash and bank accounts	22,373,528	22,373,528	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,668,339,306</b>	<b>22,373,528</b>	<b>1,645,965,778</b>	<b>-</b>
<b>Financial liabilities</b>				
Short term borrowings from shareholders and related parties	103,891,017	-	103,891,017	-
Derivatives	15,786,131	-	15,786,131	-
Commercial liabilities and other liabilities	4,533,098,654	-	4,533,098,654	-
Short term loans	48,078,893	-	48,078,893	-
Long term borrowings from banks	678,275,831	-	678,275,831	-
Hybrid instrument - long-term portion	69,291,612	-	69,291,612	-
Lease debts	11,820,321	-	11,820,321	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5,460,242,458</b>	<b>-</b>	<b>5,460,242,458</b>	<b>-</b>

At 31 December 2020, 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



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**30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

**D. DERIVATIVE FINANCIAL INSTRUMENTS**

The Company uses different commodity derivatives as a part of price risk management in trading of crude oil and products. Generally the instruments are allocated to individual instruments.

It also, the Company performs hedging transactions regarding the risk of increasing USD interest rates.

**Balance Sheet**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Derivative financial assets	-	2,585,313
Derivative financial liabilities	(617,651)	(15,786,131)
<b>Net position – asset / (liability)</b>	<b>(617,651)</b>	<b>(13,200,818)</b>

**Income Statement**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Unrealized (gains)	-	-
Unrealized losses	-	-
<b>Net position - (gain) / loss - in Cost of sales</b>	-	-
Realised (Gains) / Losses – net	(215,657,142)	13,370,350
<b>Total position - (gain) / loss - in Cost of sales</b>	<b>(215,657,142)</b>	<b>13,370,350</b>

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

**E. MARKET RISK**

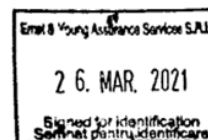
The Company's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Company's overall risk management main objective is to minimize the potential adverse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

**F. FOREIGN CURRENCY RISK MANAGEMENT**

For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON).

Crude oil imports, loans and a significant part of petroleum products are all denominated principally in US Dollars. Therefore, in respect of liabilities the Company is exposed to the risk of US dollar appreciation to the detriment of local currency, while in respect of foreign currency receivables, exposure arises in the context of depreciation of US dollar currency. Moreover, certain assets and liabilities are denominated in foreign currencies, which are retranslated 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. Company Treasury is responsible for handling the Company foreign currency transactions.

**ROMPETROL RAFINARE S.A.**  
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**for financial year ended on 31 December 2020**  
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**30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

**G. FOREIGN CURRENCY SENSITIVITY ANALYSIS**

The Company is mainly exposed to the USD and EUR fluctuation risk.

The following table details the Company's sensitivity to a 5% increase and decrease in the RON exchange rate against the relevant foreign currencies. The sensitivity analysis includes only the foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in the exchange rates. A positive number below indicates an increase in profit and other equity here generated by a positive exchange rate RON/USD of 5% and generated by a negative exchange rate RON/EUR of 5%. For a 5% weakening of the exchange rate RON against USD and an increase of the exchange rate RON against EUR there would be a negative impact in the profit, with the same value.

	USD		EUR	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
RON				
5%	(155,214,504)	(155,128,555)	9,902,374	2,390,308
(5)%	155,214,504	155,128,555	(9,902,374)	(2,390,308)

**H. 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 Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Company's borrowings, are provided in Note 14 and 15.

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

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 31 December 2020 would increase / decrease by RON 21.2 million (2019: increase / decrease by RON 15.3 million).

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**30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

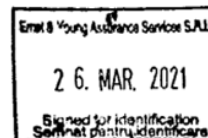
**I. Liquidity risk**

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

<b>Balance as at 31 December 2020</b>	<b>Less than 1 month or current</b>	<b>&lt;3 months</b>	<b>3 – 12 months</b>	<b>1 - 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Commercial liabilities and other liabilities						
Derivatives	3,981,362,245	20,179,852	467,590	-	-	<b>4,002,009,687</b>
Short term borrowings from related parties	617,651	-	-	-	-	<b>617,651</b>
Short term borrowings from banks	48,949,030	-	-	-	-	<b>48,949,030</b>
Long term borrowings from banks	416,138	1,386,286	210,740,798	-	-	<b>212,543,222</b>
Lease debits	-	4,133,724	12,401,173	592,805,854	-	<b>609,340,751</b>
	368,167	736,333	3,313,500	14,920,921	65,945,522	<b>85,284,443</b>
	<b>4,031,713,231</b>	<b>26,436,195</b>	<b>226,923,061</b>	<b>607,726,775</b>	<b>65,945,522</b>	<b>4,958,744,784</b>
<b>Balance as at 31 December 2019</b>	<b>Less than 1 month or current</b>	<b>&lt;3 months</b>	<b>3 – 12 months</b>	<b>1 - 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Commercial liabilities and other liabilities						
Derivatives	4,055,345,538	303,936,617	173,816,500	-	-	<b>4,533,098,654</b>
Short term borrowings from related parties	15,786,131	-	-	-	-	<b>15,786,131</b>
Short term borrowings from banks	-	579,594	105,629,798	-	-	<b>106,209,392</b>
Long term borrowings from banks	169,063	670,310	48,764,047	-	-	<b>49,603,420</b>
Hybrid instrument - long-term portion	-	6,974,028	20,922,084	650,379,719	-	<b>678,275,831</b>
Lease debits	597,144	1,198,549	5,078,182	5,091,804	69,291,612	<b>69,291,612</b>
	<b>4,071,897,876</b>	<b>313,359,097</b>	<b>354,210,610</b>	<b>655,471,523</b>	<b>70,418,167</b>	<b>5,465,357,274</b>

Emil 8 Young Auditor Service S.A.L.  
 26. MAR. 2021  
 Signed for Identification  
 Ștefan 81 pînă la semnarea

**ROMPETROL RAFINARE S.A.**  
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### **30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

#### **J. OIL PRODUCTS and RAW MATERIAL PRICE RISK**

The Company is affected by the volatility of crude oil, oil product and refinery margin prices.

The operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as for the supply of petroleum products to its customers. Due to significantly increased volatility of crude oil prices, the management developed a hedge policy which was presented to the Company'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 Company started on January 2011 to hedge commodities held by Rompetrol Rafinare.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock) is hedged using future contracts traded on ICE Exchange and some OTC instruments for the secondary risks. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Company, hence price fluctuations will not affect the cash-flow. In 2012, the Company started a few transactions of refinery margin hedge.

Risk management activities are separated into physical transactions (purchase of raw materials and sales to third parties or 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 Company sells or buys the equivalent number of future contracts. This financial trade is done only to hedge the risk of the price risk and not to gain from the trading of these instruments.

#### **K. CREDIT RISK**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or purchase contracts, which leads to a financial loss. The Company 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.

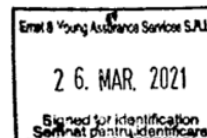
##### **Trade receivables**

Outstanding customer receivables are regularly monitored. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of aging.

##### **Financial instruments and bank deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury in accordance with the Company's policy.

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### 31. 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 standalone financial statements have been endorsed by the Company's 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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**FELIX CRUDU-TESLOVEANU**  
General Manager

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**RAMONA GEORGIANA GALATEANU**  
Financial Manager

DocuSigned by:  
  
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**Prepared by, Alexandru Cornel Anton**  
Chief Accountant

DocuSigned by:  
  
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