Annex 3 to EGMS Note 2

The detailed analysis of the solutions for reconstitute the Company's net asset until December 31, 2021

This analysis was performed with the assistance of PricewaterhouseCoopers Audit SRL ("PwC") in accordance with the letter of commitment no. M24 dated March 18, 2021, concluded between Rompetrol Rafinare S.A. ("RRC" / Company) and PWC, as main contractor. RRC thus performed a general analysis of the accounting implications of potential measures to reconstitute the value of net assets up to a value at least equal to half of the share capital, considering the provisions of the Companies Act ("Law no. 31/1990") and the accounting regulations in force.

Contents

1. Background information

RRC is listed on Bucharest Exchange Stock and it applies the Order of the Ministry of Public Finance no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards.

Based on audited financial statements as of 31 December 2020, RRC has net assets in the amount of Lei 1.3 billion and share capital in the amount of Lei 4.4 billion. At 31 December 2019, RRC had net assets in amount of Lei 1,9 billion.

The net assets at 31 December 2020 and at 31 December 2019 comprises of the following components:

- amounts in Millions unless otherwise stated -

	Equity as of 31 December 2020	**Equity as of 31 December 2019**
Share capital paid	4,411	4,411
Share premium	233	233
Revaluation reserve	607	637
Deferred tax recognised on equity elements	(97)	(102)
Legal reserve	40	40
Hybrid loan classified as equity instrument	3,398	3,398
Other reserves	10	10
Actuarial net losses related to postemployment benefits	(53)	(62)
Realised surplus from revaluation	108	80
Reported losses	(6,659)	(6,306)
Retained earnings (correction of PY acc errors)	(156)	(156)
Retained earnings (IFRS transition)	25	25
Retained earnings (deemed cost)	142	142
Retained earnings (IAS 29)	(27)	(27)
Current year result	(646)	(353)
Net equity	**1,336**	**1,968**
% share capital	**30%**	**45%**
No of shares	44,109	44,109
Accounting value of one share (Net equity/No of shares)	0.0303	0.0446
Nominal value of one share (Share capital/ No of shares)	0.1	0.1

ROMPETROL RAFINARE S.A. WISHES TO ADDRESS THE POTENTIAL MEASURES TO RECOVER NET ASSETS, SO THAT AS AT 31 DECEMBER 31 2021 THE NET ASSETS MEET THE CONDITION ACCORDING TO THE REQUIREMENTS OF THE COMPANIES LAW (Law no. 31/1990):

The Company's net assets at 31 December 2021 should have a value at least equal to half of its share capital.

Net assets are calculated as total assets minus total liabilities, representing at the same time the simplest expression of the value of a company at the end of the financial year, respectively equity due to shareholders (share capital, capital premiums, reserves, current result and result carries forward, etc.).

The recovery of the net assets of Rompetrol Rafinare SA is desired to be performed with priority, considering the expiration of the remediation term provided by law.

For the year 2021, the Company has estimated the following budget:

					USD Millions
(Rafinăria Petromidia, Rafinăria Vega and Division Petrochimie) Budget of revenues and expenses for year 2021*					
Descriere	**Year 2021**	**Quarter I**	**Quarter II**	**Quarter III**	**Quarter IV**
Gross turnover	3,562	748	880	991	945
Sales taxes	(1,305)	(303)	(316)	(357)	(329)
Net turnover	2,258	445	563	634	62
Cost of sales	(2,238)	(472)	(554)	(61)	(60)
Gross mark up	20	(27)	9	25	13
Distribution and administrative expenses	(52)	(12)	(12)	(13)	(15)
Operating profit/(loss) before interest, tax, amortization and depreciation (ebitda)	64	(14)	21	36	2
Amortisation and depreciation expenses	97	25	24	24	24
Provisions	22	-	-	-	23
Operating profit/(loss) before interest (ebit)	(11)	(39)	(4)	12	20
Net financial incomes/expenses	(41)	(9)	(10)	(9)	(12)
Gross profit/(loss)	(52)	(49)	(14)	3	8
Income tax expense (deferred tax expense)	(9)	-	-	-	(9)
Net profit/((loss)	(61)	(49)	(14)	3	(1)

** Budget proposed for approval by GMS of Rompetrol Rafinare set for 29 April 2021 according to materials published on the Company's website*

In 2020, the high volatility of market prices for the oil and gas industry mainly led to significant pressure on gross margins of refineries; the low level of market demand, as well as the unprecedented shock caused by the COVID-19 pandemic brought to people's mobility in 2020 led to the decrease of international quotations on the oil and gas market for petroleum products. The decrease of the volume of products sold has generated a strong negative impact in the financial results of the Company. There were significant decreases in turnover, but also in net income. This shock was felt by all players in the industry.

The economic context of 2021 year remains affected by the Covid-19 crisis. Thus, the Company considers relevant for the analysis to include a pessimistic sensitivity scenario for 2021, by considering the situation in which the Company may register losses in 2021 at a level comparable to the losses registered in 2020 year.

The Company estimates that the effect of the covid crisis will diminish as it adapts to the new context, forecasting the stabilization and overcoming of the difficult market conditions starting with 2022/2023, when the Company's activity will go towards a profitable and sustainable business.

According to the requirements of the Companies Law (Law no. 31/1990), the net assets of an entity should have a value at least equal to half of its share capital. Net assets are calculated as total assets minus total liabilities, representing at the same time the simplest expression of the value of an entity at the end of the financial year, respectively equity due to shareholders (share capital, capital-related premiums, reserves, current and deferred income, etc.).

RRC analyzes the accounting implications of some measures that can be adopted by the Company and its shareholders in solving the problem of reconstituting the value of net assets up to a value at least equal to half of the share capital (according to art. 153 ^ 24 of Law 31/1990) until the end of 2021. In this sense, RRC considers ways that determine either the change in the value of the share capital or the change in the value of the net asset, respectively:

1) the reduction of share capital;

2) the increase of the value of the net assets

At the same time, RRC analyzes the impact of these measures on the equity structure, as well as on the relevant financial indicators for a listed company (Appendix 2).

The increase of the share capital is not subject to the present analysis taking into consideration because according to the information communicated by the Company's representatives, under the existing agreement between KMG International and the Romanian State (the major shareholders of the Company), the Romanian State's participation cannot be diluted and the difficult economic context makes it impossible for the major shareholders to bring an infusion of capital into the Company in the immediate future. Other possibilities for recovering the net assets (such as conversion of the Company's debts to its creditors, as far as possible) have been analyzed over time concluding on their inapplicability (for example, the main creditor is KMG Trading AG which ensures the supply of crude oil necessary to continue the activity, the Company obtaining facilities for financing crude oil purchases through KMG Trading AG, as such debt conversion is not possible, as the Company risks losing its financing (disruption of business); other major creditor, KMG Rompetrol, is the Leader of the cash pooling system and it has a large bank debt and, as such, there is a limited availability of creditors for restructuring).

2. Scope of work

The comments are given in general terms and refer to the accounting treatment regarding the operations considered by the Company in order to fulfill its obligation to reconstitute the net assets up to a value at least equal to half of the share capital (according to art. 153 ^ 24 of the Law 31/1990). We also include an analysis of the implications of these operations on the equity structure, as well as on the relevant financial indicators for the Company.

The accounting treatment is provided in accordance with IFRS – herein referred by the local legislation as Order no. 2844 of 12 December 2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards ("OMFP 2844").

3. The detailed analisys of potential recovery solutions

3.1 Reduction of share capital to cover reported losses

Under current situation a reduction of share capital at RRC is caused by the losses accumulated in previous years.

3.1.1 Ways to reduce the share capital

According to art. 207 para. (1) of Law no. 31/1990, the reduction of the share capital determined by the need to cover the accounting losses can be achieved by:

a) reduction of the number of shares;

b) reduction of the nominal value of the shares;

c) acquisition of own shares followed by their cancellation.

In accordance with Article 93 of Law 31/1990, the nominal value of a share may not be less than Lei 0,1. Given that the nominal value of a share in RRC already has the minimum value provided by law, the reduction of the nominal value of the share cannot be applied by RRC.

The method of reducing the share capital by acquiring the Company's own shares, followed by their cancellation, leads both to the reduction of the number of shares and to the reduction of the net assets, which affects the calculation of financial indicators used in the Company's valuation. Consequently, this method is not relevant for the reconstitution of the net assets up to a value equal of at least 50% of the share capital.

Consequently, under current circumstances, the only acceptable method for the Company is to reduce the share capital by reducing the number of shares, method detailed below.

3.1.2 The reduction of number of shares

a Accounting records

The share capital reduction by reducing the number of shares in order to cover the accounting losses incurred in the previous financial years should be recorded in the accounting books at the date of registration with the Chamber of Commerce based on supporting documents (AGA decisions, registration certificate etc.) as follows:

101 „Share capital"	=	117„Retained earnings"

b Implications on financial indicators

The reduction of the share capital to cover the losses does not change the total value of the equity (net assets), but determines a restructuring of the equity components, respectively: the decrease of the share capital and the increase of the retained earnings. **This method does not involve cash outflows (cash payments).**

To be noticed that the structure of the Company's shareholders, nor the participation of shareholders in the share capital does not change as a result of the reduction of the share capital to cover losses, **each shareholder will subsequently have the same shareholding in the share capital as the one held prior to the share capital reduction operation.**

The reduction of number of shares will lead to **an increase in financial indicators such as: net earnings per share, net assets per share, dividend per share.**

Capital reduction can be used as a tool to achieve other company objectives such as paying dividends. Capital reduction allows the elimination of accumulated losses, which would otherwise prevent the payment of dividends, to create distributable reserves. Since a company may only pay dividends out of profits available for that purpose, accumulated losses may have a negative effect on a company's retained profit and loss reserves and may prevent the payment of dividends to shareholders. Clearing these losses with a capital reduction may be the appropriate route if the value of the company's assets has fallen or if the company has experienced a prolonged period of trading losses.

c Procedural steps regarding the reduction of share capital

The reduction of the share capital to cover the losses implies the completion of the following stages:

1) Establishing the value by which the share capital is reduced (the value of the losses to be covered from the share capital), by Decision of the Board of Directors

2) Convening the Extraordinary General Meeting of Shareholders ("EGMS") to approve the share capital reduction;

   The convening of the EGMS must be communicated to the shareholders by publishing an announcement in the Official Gazette of Romania, Part IV, and in one of the local or national newspapers widely distributed in the locality where the company's headquarters are located.

   - The convocation is made by the administrators at least 30 days before the date established for the EGMS.
   - The convocation will include: the place, date and time of the meeting, the agenda with the inclusion of the full text of the proposals to amend the articles of association, the reference date, the distribution of documents and information on issues included in the agenda of the general meeting, the date from which they will be available, the manner of obtaining the special power of attorney form for representation in the general meeting, the deadline and the place where the special power of attorney will be submitted / received, as well as the proposal regarding the registration date.
   - In the notification for the first general meeting it will be possible to fix the day and time for the second meeting, in case the first one could not be held. If the date set for the second

general meeting is not mentioned in the notice, it may be organised within a minimum of 8 days.

3) The approval by the EGMS of the reduction of the share capital, under the conditions of art.115 of the Law on commercial companies no. 31/1990, respectively with the fulfillment of the quorum conditions. Considering that the incorporation act of RRC does not stipulate higher quorum and majority requirements than the conditions stipulated in Law 31/1990, it is considered that the following are fulfilled:

   ✓ quorum condition - if the shareholders present or represented at the meeting meet at least ¼ of the total number of voting rights at the first convocation, respectively at least 1/5 of the total number of voting rights at the second convocation; and

   ✓ majority condition - if the decision is voted with at least 2/3 of the voting rights held by the shareholders present or represented at the meeting.

4) The EGMS decision must include the following information (according to art. 208 of Law no. 31/1990):

   o the reasons for the share capital reduction

   o the procedure used to perform the reduction (reduction of number of shares)

   o compliance with the minimum limit of the share capital established by law (according to art. 10 of Law 31/1990, the share capital of the joint stock company may not be less than the equivalent in LEI 90,000, equiv. EUR 25,000)

5) Publication of the EGMS decision in the Official Gazette of Romania, Part IV; The EGMS decision must be submitted within 15 days from the date of EGMS's approval to the Trade Register office, to be mentioned in the Register and published in the M.O.

6) The expiration of a period of 2 months from the publication of the EGMS decision in the Official Gazette of Romania, Part IV.

7) Based on the share cancellation rate (established as a ratio between the total number of shares to be canceled / total shares issued), the number of shares for each of the shareholders on which the EGMS decision produces effects will be determined

8) The market operator is informed, in this case the Bucharest Stock Exchange ("BVB")

9) The reduction of the share capital is registered at the Trade Register

10) The reduction of the share capital is registered at ASF based on the certificate of registration of mentions issued by the Trade Register and, subsequently at the Central Depository, based on a certificate of registration of securities issued by ASF.

Reducing the share capital by reducing the number of shares is a process that has the disadvantage that shareholders with a small number of shares may risk losing shareholder status. The allocation of the shares in accordance with shareholder's initial quotas may result in a number with digits. In such situations, the Company has the option either to round the number of shares allocated to each shareholder (situation in which some decimals of quotas will slightly change), or to determine the reduction of the share capital so that the remaining number of shares can be allocated between shareholders by keeping the initial quotas.

The minimum duration of the above mentioned stages is 5 months from the date of the proposal of the reduction of the share capital by the Board of Directors. As part of the share capital reduction process, the company will need to consider the following aspect:

- Written approvals from third parties - it is necessary to check the contractual clauses with creditors (banks, suppliers, insurers, etc.) if the approvals of third parties are necessary to achieve the reduction of the share capital.

d Possible scenarios regarding the reduction of the share capital

All scenarios include the analysis of the forecasts for 2021, based on the Company's budget which expects a loss of USD 60.7 million (equivalent to LEI 241 million, at the exchange rate of 3.966 RON/USD), but also a sensitivity analysis, considering a pessimistic scenario for 2021, in which the Company would register a level of financial indicators comparable to the one registered in 2020, respectively it would register a loss of LEI 646 million (equiv. USD 163 million, ar the exchange rate of 3.966 RON/USD).

These amounts have been adjusted, as appropriate, according to the scenarios discussed below, with the effect of the estimate value valuation of assets (and therefore increase of their value) on the amortization expenses (by increasing it) and on the deferred tax expenses (by reducing it) forecasted for 2021 year.

Scenario 1 – reduction of the share capital (net assets = 50% of the share capital)

- amounts in Millions unless otherwise stated -

Indicators	Equity as of 31 December 2020 (initial situation)	Reduction of share capital	Equity as of 31 December 2020 after share capital reduction	Budgeted net loss in 2021	Expected equity at 31 December 2021 based on budgeted figures	Expected net loss in 2021 – based on the pessimistic scenario	Expected equity at 31 December 2021 based on the pessimistic scenario
	(1)	*(2)*	*(3) = (1) + (2)*	*(4)*	*(5) = (3) + (4)*	*(6)*	*(7) = (3) + (6)*
Share capital	4,411	(1,740)	2,671	-	2,671	-	2,671
Share premiums	233	-	233	-	233	-	233
Revaluation reserves, net of deferred tax	510	-	510	-	510	-	510
Legal reserve	40	-	40	-	40	-	40
Other reserves	3,356	-	3,356	-	3,356	-	3,356
Retained earnings	(7,213)	1,740	(5,473)	(241)*	(5,714)	(646)**	(6,119)
Equity	**1,336**	**-**	**1,336**	**(241)**	**1,095**	**(646)**	**690**
% share capital	**30%**		**50%**		**41%**		**26%**
No of shares	44,109	(17,397)	26,712	-	26,712	-	26,712
Book value per share	0.0303	-	0.05	-	0.04098	-	0.02582
Nominal value per share	0.1	-	0.1	-	0.1	-	0.1

*The amount of RON 241 million represents the RON equivalent of the loss of USD 60.7 million according to the 2021 budget.
** The amount of RON 646 million represents the expected loss of 2021 under a pessimistic scenario (at the level of net loss incurred in 2020)

Assumptions:

- reduction of the number of shares to cover losses so that the Company's net assets to be at the minimum level of 50% of share capital as required by law

Requirements:

- it requires approval by the Extraordinary General Meeting of Shareholders ("EGMS");

Advantages:

- it solves relatively quickly the issue of restoring the Company's net assets to the level of at least 50% of the share capital as required by law
- relatively reduced costs as there is no valuation of the non-current assets
- the total value of the equity (net assets) does not change
- it does not involve cash outflows (cash payments)
- the structure of the Company's shareholders does not change; each shareholder will subsequently have the same shareholding in the share capital as the one held prior to the share capital reduction operation;
- the reduction is merely a restructuring of the balance sheet so that it reflects the reality of the company's financial and trading position;
- the reduced number of shares will lead to an increase in financial indicators such as: net earnings per share, net assets per share, dividend per share, return on shares (Price/Earnings per share);

Drawbacks:

- The reduction in the number of shares improves temporarily but not substantially the net asset per share, as it remains below the nominal value of the share.
- this scenario is feasible if other measures to increase the value of the net assets in the current and / or following periods are applicable. In the absence of other measures to increase the value of the net assets, the Company's obligation to have the net assets within the limit required by law will be fulfilled only for the financial year 2020;

As we mentioned above, scenario 1 ensures the recovery of the net assets' value at the level of 50% of share capital only for 2020 year.

In order to ensure the recovery of the net assets' value at the minimum level of 50% of the share capital on 31 December 2021, the Company is taking into account the effect of expected losses in 2021 year (given the persistence of the covid-19 effect also in 2021 year), both in terms of the budgeted amounts for 2021 and the projected amounts under the pessimistic scenario for 2021. Thus, two possible subscenarios can be distinguished:

➢ **in case the Company would register in 2021 a loss of Lei 241 million at the level of the budgeted amounts for 2021, the reduction of share capital should be of Lei 2,222 million so that the expected net assets' value of 1,095 million lei on 31 December 2021**

to represent 50% of the reduced share capital (of Lei 2,190 million) as of 31 December 2021;

- **under the pessimistic scenario in which the Company would register in 2021 a loss of Lei 646 million (the same level as incurred in 2020), the reduction of share capital should be Lei 3,031 million so that the expected net assets' value of Lei 690 million at 31 December 2021 to represent 50% of the reduced share capital (of Lei 1,380 million) as of 31 December 2021.**

Scenario 2 – reduction of the share capital (the accounting value of the share is equal to the nominal value of the share)

- *amounts in Millions unless otherwise stated* -

Indicators	Equity as of 31 December 2020 (initial situation)	Reduction of share capital	Equity as of 31 December 2020 after share capital reduction	Budgeted net loss in 2021	Expected equity at 31 December 2021 based on budgeted figures	Expected net loss in 2021 – based on the pessimistic scenario	Expected equity at 31 December 2021 based on the pessimistic scenario
	(1)	*(2)*	*(3) = (1) + (2)*	*(4)*	*(5) = (3) + (4)*	*(6)*	*(7) = (3) + (6)*
Share capital	4,411	(3,075)	1,336	-	1,336	-	1,336
Share premiums	233	-	233	-	233	-	233
Revaluation reserves, net of deferred tax	510	-	510	-	510	-	510
Legal reserve	40	-	40	-	40		40
Other reserves	3,356	-	3,356	-	3,356		3,356
Retained earnings	(7,213)	3,075	(4,138)	(241)	(4,379)	(646)	(4,784)
Equity	**1,336**	**-**	**1,336**	**(241)**	**1,095**	**(646)**	**690**
% share capital	**30%**		**100%**		**82%**		**52%**
No of shares	44,109	(30,753)	13,356	-	13,356	-	13,356
Book value per share	0.0303	-	0.1	-	0.08196	-	0.05165
Nominal value per share	0.1	-	0.1	-	0.1	-	0.1

Assumptions:

- reduction of the number of shares to cover losses so that the accounting value per share to be equal to the nominal value per share

Requirements:

- it requires approval by the Extraordinary General Meeting of Shareholders ("EGMS")

Advantages:

- it solves relatively quickly the issue of restoring the Company's net assets.
- relatively reduced costs as there is no valuation of the non-current assets
- the total value of the equity (net assets) does not change
- there is no dilution or reduction of ownership; so the shareholders maintain the same powers to vote on important company decisions
- it does not involve cash outflows (cash payments)
- this scenario may be applied without other measures to increase the value of the net assets in the current and / or subsequent periods;
- the book value of a share is brought to the nominal value of a share on December 31, 2020, which allows the net assets to be maintained above the limit of 50% of the share capital for an average period of time (1-2 years), under scenario that RRC will incur in 2021 a loss as budgeted (USD 60.7 mil)
- the reduction of number of shares will lead to an increase in financial indicators such as: net earnings per share, net assets per share, dividend per share, return on shares (Price / Earnings per share).

Drawbacks:

- under the pessimistic scenario in which RRC will report in 2021 a net accounting loss of more than Lei 668 million (equivalent to USD 168 million, at the exchange rate of 3.966 RON/USD), the value of net assets will decrease below 50% of the expected share capital at 31 December 2021; and thus the mandatory limit required by law is no longer met in 2021.

e Implications of capital reduction process on shareholders's investment

The structure of shareholders of RRC as of 31 December 2020 is as follows:

- *amounts in Millions unless otherwise stated* -

	Share capital RON	%	Number of shares
KMG International N.V. ("KMGI")	2,122	48.1136%	21,222
Romanian State (Ministry of Energy)	1,972	44.6959%	19,715
Rompetrol Financial Group SRL	285	6.4705%	2,854
Rompetrol Well Services S.A.	2	0.0498%	22
Rompetrol Rafinare S.A.	0.6	0.0139%	6
Others (except for entities in KMGI Group and Romanian State)*	29	0.6563%	289
Total	**4,411**	100%	**44,109**

As stated above, the reduction in share capital to cover losses does not imply the changes of the Company's net assets and thus there is no change no change in the intrinsic value held in the company by shareholders.

The Romanian State (holding 44.70% interest in RRC) applies "Order no. 1.917 of 12 December 2005 for the approval of the Methodological Norms regarding the organization and management of the accounting of public institutions, the Chart of Accounts for public institutions and the instructions for its application" ("Order 1917").

The relevant extracts from Order 1917 in respect of the accounting treatment of the financial investments applied by public institutions are included in Appendix 1.

In accordance with Order 1917, the financial investments (such as investments in legal entities) are accounted for at cost (in account 260). Such investments are measured at the original cost of the investment until the investment is de-recognised or impaired.

Public institutions may adjust for the loss of value of financial assets at the end of the financial year on account of expenses (account 296).

If there is an increase in the value of financial assets at the end of the financial year, then the adjustment for impairment previously recorded has to be reduced or reversed by corresponding release to income. If an additional impairment is identified compared to what was already recorded, then the impairment adjustment has to be increased.

The Order 1917 does not include any guidance on impairment. However, impairment can be triggered by events such as: a significant fall in the asset's market value and adverse changes in the technological, market, economic or legal environment in which the company operates; changes in the market rates of return or market capitalisation; worse-than-expected performance of the company etc.

3.2 Increasing the value of net assets through internal operations

3.2.1 Ways to increase the net assets

The Company foresees an increase in the value of the net assets, through the following two ways:

1) Carrying out the revaluation of the fixed assets/buildings
2) Presentation of financial investments at fair value

3.2.1.1 Accounting implications

a 1) Revaluation of tangible assets

Starting with 31 December 2017, the Company presents class 212 "Constructions" on the revaluation model in accordance with IAS 16. The other classes of property are presented at cost.

The Company intends to modify the accounting policies applied to other classes of fixed assets, respectively class 211 "Land", class 213 "Equipment" and 214 "Furniture", by transitioning from the cost model to the revaluation model. The initial application of an asset revaluation policy in accordance with IAS 16 "Property, plant and equipment" is a change in accounting policy which, as an exception to the general rule, must be applied prospectively.

This revaluation model involves revaluation to be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined by using fair value at the end of the reporting period. The implication for the Company is that annually it will have to analyze the evolution of fair value in relation to the net book value to determine whether the differences between the two values are significant. Until this date, the Company has carried out the revaluation of the buildings at an interval of 3/5 years.

At 31 December 2020, the valuation of tangible assets - classes 211, 212, 213 and 214, with an authorized appraiser, indicetes the following results:

Tangible assets - RON million -		**Fair value adjustments**			**Fair value**		
	Net book value	Lower bound	Base case	Upper bound	Lower bound	Base case	Upper bound
211 Lands	162	-	-	-	162	162	162
212 Buildings	1,550	186	186	186	1,736	1,736	1,736
213 Equipment	1,570	145	848	1,387	1,715	2,418	2,957
214 Installations	9	-	-	-	9	9	9
231 Fixed assets in progress	393	-	-	-	393	393	393
Total	**3,685**	331	1,034	1,573	4,015	4,719	5,257

The favorable differences of the assets for which the fair values established at the revaluation as at December 31, 2020 exceed the net book values before the revaluation will be recognized in Other elements of the overall result (in the revaluation reserve credit) or in the profit or loss situation, insofar as reverses a revaluation deficit of the same asset previously recognized in profit or loss. Unfavorable revaluation differences are recognized in the income statement, unless they offset an existing surplus of the same asset recognized in the revaluation reserve of the asset.

For temporary differences resulting from the revaluation surplus, the Company will recognize a deferred income tax in Other comprehensive income, which will reduce the Company's equity value.

Apart from the immediate impact (positive or negative impact, as the case may be) of the revaluation differences on the value of the Company's net assets at the time of revaluation, it should be noticed their opposite effect on the value of net assets in the periods between revaluations by affecting the operating result through the increase / decrease of the cost of the employed capital, respectively of the increase / decrease of the amortisation expenses.

a 2) Presentation of financial investments at fair value

When preparing separate financial statements in accordance with IAS 27, “the investments in subsidiaries, joint ventures and associates can be accounted for:

(a) at cost; or

(b) according to IAS 39/IFRS 9; or

(c) using the equity method as described in IAS 28.”

(IAS 27, para 10)

For each investment category, RRC has to apply the same accounting method.

RRC currently presents its financial investments at historical cost less any impairment adjustments for impairment.

The change from the cost method to another method of presenting and valuing financial assets, respectively to the application of IAS 28 or IFRS 9, represents a change in accounting policy that should be applied retrospectively as if it had always applied.

When applying the change in accounting policy retroactively, the Company must adjust the initial balance of each affected equity component for the most distant prior period presented, as well as the other comparative values provided for each prior period presented, as if the new accounting policy were would always be applied.

Thus, if the Company changes the accounting policy applied to financial investments in the financial year ended 31 December 2020, the Company must restate the comparative amounts for the previous period ended 31 December 2019, as well as the initial balance on 1 January 2019 determining the cumulative effects of applying the change to previous periods.

When it is impossible for an entity to apply the new accounting policy retrospectively because it cannot determine the cumulative effect of applying the policy to all prior periods, the entity applies the new policy prospectively from the beginning of the earliest possible prior period. Therefore, it does not take into account the portion of the cumulative adjustment of assets, liabilities and equity that occurs before that date.

Based on the preliminary valuation of financial assets at 31 December 2020, the Company obtains the following estimated results:

Financial investments RON million	Net book value	**Fair value adjustments** Lower bound	Base case	Upper bound	**Fair value** Lower bound	Base case	Upper bound
Rompetrol Downstream & RomOil	1,282	22	279	535	1,303	1,560	1,817
Rompetrol Petrochemicals	312	1	3	4	313	314	316
Rompetrol Logistics	24	133	160	187	158	184	211
Rompetrol Quality Control	11	7	10	13	18	21	24
Total	**1,629**	**163**	**451**	**739**	**1,792**	**2,080**	**2,368**

Depending on the accounting policy defined for the recognition of these categories of assets, the changes in fair values will be presented either in the profit or loss statement, or in Other comprehensive income.

b Implications on financial indicators

These operations do not involve cash inflows/ cash contributions. The number of shares and the structure of shareholders remain unchanged. The equity structure changes by increasing the reserves or the retained earnings.

The operations can have positive effects in increasing the performance indicators of RRC, respectively: ROE, ROCE, the degree of indebtedness, “equity ratio”, net assets per share, as long as the percentage of equity in total assets (Equity ratio) would deal with a real increase.

c. Possible scenarios regarding the increase of the net assets

Scenario 3 – increase of net assets as an effect of the valuation of both the tangible fixed assets and the financial investments at fair values on 31 December 2020

- amounts in Millions unless otherwise stated -

Indicators	**Equity as of 31 December 2020 (initial situation)**	**Increase of net assets**	**Equity as of 31 December 2020 after increase of net assets**	**Budgeted net loss in 2021**	**Expected equity at 31 December 2021 based on budgeted figures**	**Expected net loss in 2021 – based on the pessimistic scenario**	**Expected equity at 31 December 2021 based on the pessimistic scenario**
	(1)	*(2)*	*(3) = (1) + (2)*	*(4)*	*(5) = (3) + (4)*	*(6)*	*(7) = (3) + (6)*
Share capital	4,411	-	4,411	-	4,411	-	4,411
Share premiums	233	-	233	-	233	-	233
Revaluation reserves, net of deferred tax	510	869	1,379	-	1,379	-	1,379
Legal reserve	40	-	40	-	40	-	40
Other reserves	3,356	451	3,807	125	3,932	125	3,932
Retained earnings	(7,213)		(7,213)	(276)*	(7,489)	(680)*	(7,894)
Equity	**1,336**	**1,320**	**2,656**	**(150)**	**2,505**	**(555)**	**2,101**
% share capital	30%		60%		56.8%		47.6%
No of shares	44,109		44,109	-	44,109	-	44,109
Book value per share	0.0303	-	0.0602	-	0.05680	-	0.04762
Nominal value per share	0.1	-	0.1	-	0.1	-	0.1

*The budgeted amounts, as well as the expected amounts from the pessimistic scenario include the effect of the increase of the amortisation expense in 2021 as a result of the revaluation of fixed assets on December 31, 2020. It was determined an increase of the amortisation expense in the amount of Lei 41 million for the revalued assets by considering an average remaining useful life of about 25 years, to which 16% reduction from the deferred tax was applied, resulting a net impact of Lei 35 million lei excess over the budgeted or expected loss in 2021.

Assumptions:

- Increase of net assets' value through the valuation of both non-financial and financial investments

Requirements:

- the changes of accounting policies are approved by the Board of Directors while the financial statements are approved by the Ordinary General Meeting of Shareholders („GMA");

Advantages:

- it solves relatively quickly the issue of restoring the Company's net assets within the limit required by law without the reduction of share capital
- the equity value increases through the incorporation of internal growth; The equity structure changes by increasing the reserves or the retained earnings.
- it does not involve cash inflows/ cash contributions;
- the number of shares and the structure of shareholders remain unchanged; there is no dilution or reduction of ownership; so the shareholders maintain the same powers to vote on important company decisions
- the operations can have positive effects in increasing the performance indicators of RRC, respectively: ROE, ROCE, the degree of indebtedness, "equity ratio", net assets per share, as long as the percentage of equity in total assets (Equity ratio) would deals with a real increase;
- the debt to equity ratio decreases from 70% to 42% as the business uses more equity than debt, and thus the company has a lower risk of bankruptcy.

Consequences:

- The reduction in the number of shares improves temporarily but not substantially the net asset per share, as it remains below the nominal value of the share.
- the rate of return on shareholder's investments will decrease, if this increase in net assets will not be supported in the future by realization of accounting profit by the Company;
- considering that the book value of a share is lower than the nominal value of a share, the Company must consider other measures to maintain the net assets value at the level of at least 50% of the share capital value for future periods;
- the costs for the revaluation of tangible assets that must be carried out with sufficient regularity may increase substantially in the future, given that RRC increases the number of fixed assets to which it will apply the revaluation model (besides Constructions, it will including also categories such as: land, equipment, installations, furniture etc.) and the annual revaluation may be necessary in the case of assets with significant and volatile fluctuations in value.

- if the valuation of tangible assets and of financial investments at 31 December 2020 is booked the net assets value is restored above 50% of the share capital (with a surplus of 10%). However, the book value of a share remains lower than the nominal value of a share. Assuming on the basis of the amounts budgeted for 2021 that RRC will register a net loss of RON 276 million (equivalent to USD 60.7 million from budget, adjusted by USD 8.7 million the net effect in 2021 of the increase in the cost of revalued assets), and the investments value will register an increase of RON 125 million (equivalent to USD 32 million, at the exchange rate of RON/USD 3,966) in 2021 by using the same valuation methodology as the one used at 31 December 2020, the value of the net assets will decrease to RON 2,5 billion representing 56.8% of the share capital on 31 December 2021. In a pessimistic scenario, in which the negative impact of the covid-19 crisis is maintained in 2021, it becomes probable that the surplus of 10% of the net assets (above the limit of 50% of the share capital) will not be enough to cover potential losses from 2021. Therefore, the Company will have to consider the application of other growth measures in the next period.
- Increased costs - considering that at 31 December 2020 the Company modifies the accounting policy applied to its financial investments in subsidiaries by changing from the cost model to the fair value model, the modification of the accounting policy must be applied retrospectively. In this respect, the Company will have to perform the valuation of the financial investments at 1 January 2019 and at 31 December 2019 to determine the effects of changes related to the comparative periods presented in the financial statements, as well as the cumulative effect at the beginning of the comparative period. At the same time, the Company will have to analyze the accounting treatment options regarding the financial investments in subsidiaries, as well as the derogations permitted by IFRS, in order to define its accounting policy starting with 31 December 2020. The evaluations and feasibility studies will imply higher costs, considering that the fair value measurements of the financial investments will have to be performed annually in accordance with the new chosen accounting policy.

Scenario 4 MIXT - the increase of the company's net assets as an effect of the valuation of both the tangible assets and the financial investments at fair values on 31 December 2020 with the simultaneous application of the measures to reduce the share capital (the book value of the share is equal to the nominal value of the share)

- amounts in Millions unless otherwise stated -

Indicators	Equity as of 31 December 2020 (initial situation)	Increase of net assets	Equity as of 31 December 2020 after increase of net assets	Budgeted net loss in 2021	Expected equity at 31 December 2021 based on budgeted figures	Expected net loss in 2021 – based on the pessimistic scenario	Expected equity at 31 December 2021 based on the pessimistic scenario
	(1)	*(2)*	*(3) = (1) + (2)*	*(4)*	*(5) = (3) + (4)*	*(6)*	*(7) = (3) + (6)*
Share capital	4,411	(1,755)	2,656	-	2,656	-	2,656
Share premiums	233	-	233	-	233	-	233
Revaluation reserves, net of deferred tax	510	869	1,379	-	1,379	-	1,379
Legal reserve	40	-	40	-	40	-	40
Other reserves	3,356	451	3,807	125	3,932	125	3,932
Retained earnings	(7,213)	1,755	(5,458)	(276)*	(5,733)	(680)*	(6,138)
Equity	**1,336**	**1,320**	**2,656**	**(150)**	**2,505**	**(555)**	**2,101**
% share capital	**30%**	**-**	**100%**	**-**	**94.3%**		**79.1%**
No of shares	44,109	(17,553)	26,556	-	26,556	-	26,556
Book value per share	0.0303	-	0.1	-	0.09434	-	0.07910
Nominal value per share	0.1	-	0.1	-	0.1	-	0.1

*The budgeted amounts, as well as the expected amounts from the pessimistic scenario include the effect of the increase of the amortisation expense in 2021 as a result of the revaluation of fixed assets on December 31, 2020. It was determined an increase of the amortisation expense in the amount of Lei 41 million for the revalued assets by considering an average remaining useful life of about 25 years, to which 16% reduction from the deferred tax was applied, resulting a net impact of Lei 35 million lei excess over the budgeted or expected loss in 2021.

Assumptions:

- Increase of net assets' value through the valuation of both non-financial and financial investments combined with the reduction of share capital to cover losses so that the accounting value per share to be equal to nominal value per share

Requirements:

- the changes of accounting policies require approval by the Board of Directors while the financial statements are approved by the Ordinary General Meeting of Shareholders („GMA");
- however, the reduction of share capital requires approval by the Extraordinary General Meeting of Shareholders ("EGMS")

Advantages:

- it solves the issue of restoring the Company's net assets as the law requires by using combined measures
- the book value of a share reaches the par value of a share
- it ensures that the net assets value is maintained above the 50% limit for the following periods
- Assuming on the basis of the amounts budgeted and adjusted for 2021 that RRC will register a loss of RON 276 million, and the investments in subsidiaries will register an increase of value of RON 125 million (equivalent to USD 32 million, at the exchange rate of RON/USD 3.966) in 2021, using the same methodology with the valuation performed at December 31, 2020, the value of the net assets will decrease to RON 2.5 million, representing 94.3% of the share capital at 31 December 2021. The requirement imposed by law is fulfilled also under the pessimistic scenario in which RRC will record a loss of Lei 680 million.
- there is no dilution or reduction of ownership; so the shareholders maintain the same powers to vote on important company decisions
- increase of the equity value through internal growth
- the debt to equity ratio decreases from 70% to 41% as the business uses more equity than debt, and thus the company has a lower risk of bankruptcy.

Consequences:

- the rate of return on shareholders' investments will decrease if this increase in net assets will not be accompanied in the future by the realization of accounting profits by the Company
- the reduction of the share capital to cover the losses has no effect on the net assets and therefore such a measure does not lead to the improvement of the performance indicators. Instead, the registration of an increase in value as a result of the revaluation of tangible fixed assets and financial investments leads to the increase of the net asset value and implicitly to the improvement of the indicators regarding the rate of return. However, this advantage may be lost in the future by the Company if it continues to incur accounting losses.
- the costs for the revaluation of tangible assets that must be carried out with sufficient regularity may increase substantially in the future, given that RRC increases the number of fixed assets to which it will apply the revaluation model (by including also categories such as: land, equipment, installations, furniture etc.) and the annual revaluation may be necessary in the case of assets with significant and volatile fluctuations in value.
- Increased costs - considering the fact that the Company should modify the accounting policy applied to its financial investments in subsidiaries by changing from the cost model to the fair value model starting with 31 December 2021, the modification of the accounting policy must be applied retrospectively. In this respect, the Company will have to perform the valuation of the financial investments for the prior periods (at 1 January 2020 and at 31 December 2020) to determine the effects of changes related to the comparative periods presented in the financial statements, as well as the cumulative effect at the beginning of the comparative period. At the same time, the Company will have to analyze the accounting treatment options regarding the financial investments in subsidiaries, as well as the derogations permitted by IFRS, in order to define its accounting policy. The evaluations and feasibility studies will imply higher costs, considering that the fair value measurements of the financial investments will have to be performed at each financial reporting period in accordance with the new chosen accounting policy.
- Volatility of the fair values may also lead to decreases of net assets in future periods

We mention that the measure to reduce the share capital could take into account other amounts less than the amount of Lei 1,755 million indicated in Scenario 4, the objective being to choose a stable solution for the Company, to cover any inherent risks of its business (difficult to be determined at this time). A prudent decision on the extent of the reduction in share capital for the recovery of net assets must take into account the most accurate estimate of future capital costs.

Below we present an option - Scenario 4A - in which the reduction of the share capital is determined so that, based on pessimistic forecasts for 2021, the value of the net assets can be maintained at 50% of the share capital at 31 December 2021. As compared to scenario 4, this option would imply immediate recovery measures in 2021 so that the activity becomes profitable starting with 2022-2023.

However, considering the persistence of Covid's effects in the financial year 2021 as well as the Company's accounting results in the first quarter of 2021, we consider a prudent approach for the Company to take into account a larger reduction in share capital than the amount of 229 million lei presented in Scenario 4A below, so as to cover potential risks that are difficult to estimate under these circumstances.

Annex 6 presents Scenario 4B, which simulates a reduction of share capital so that the net accounting asset is equal to 65% of the share capital in the presumed pessimistic situation in which the Company would record accounting losses in 2021 at the level of accounting losses recorded in 2020.

Scenario 4A alternative - the increase of the company's net assets as an effect of the valuation of both the tangible assets and the financial investments at fair values on 31 December 2020 with the simultaneous application of the measures to reduce the share capital (the net assets at 31 December 2021 = 50% of share capital under a pessimistic scenario)

- *amounts in Millions unless otherwise stated* -

Indicators	**Equity as of 31 December 2020 (initial situation)**	**Increase of net assets**	**Equity as of 31 December 2020 after increase of net assets**	**Budgeted net loss in 2021**	**Expected equity at 31 December 2021 based on budgeted figures**	**Expected net loss in 2021 – based on the pessimistic scenario**	**Expected equity at 31 December 2021 based on the pessimistic scenario**
	(1)	*(2)*	*(3) = (1) + (2)*	*(4)*	*(5) = (3) + (4)*	*(6)*	*(7) = (3) + (6)*
Share capital	4,411	(229)	4,182	-	4,182	-	4,182
Share premiums	233	-	233	-	233	-	233
Revaluation reserves, net of deferred tax	510	869	1,379	-	1,379	-	1,379
Legal reserve	40	-	40	-	40	-	40
Other reserves	3,356	451	3,807	125	3,932	125	3,932
Retained earnings	(7,213)	229	(6,984)	(276)*	(7,260)	(680)*	(7,665)
Equity	**1,336**	**1,320**	**2,656**	**(150)**	**2,505**	**(555)**	**2,101**
% share capital	30%	-	64%	-	59.9%		50,2%
No of shares	44,109	(2,288)	41,821	-	41,821	-	41,821
Book value per share	0.0303	-	0.0635	-	0.05991	-	0.05023
Nominal value per share	0.1	-	0.1	-	0.1	-	0.1

*The budgeted amounts, as well as the expected amounts from the pessimistic scenario include the effect of the increase of the amortisation expense in 2021 as a result of the revaluation of fixed assets on December 31, 2020. It was determined an increase of the amortisation expense in the amount of Lei 41 million for the revalued assets by considering an average remaining useful life of about 25 years, to which 16% reduction from the deferred tax was applied, resulting a net impact of Lei 35 million lei excess over the budgeted or expected loss in 2021.

Scenario 5 MIXT - **increase in net assets as a result of the valuation of property, plant and equipment at fair values as of 31 December 2020 with the simultaneous application of measures to reduce the share capital (the book value of the share is equal to the nominal value of the share)**

- amounts in Millions unless otherwise stated -

Indicators	**Equity as of 31 December 2020 (initial situation)** *(1)*	**Increase of net assets** *(2)*	**Equity as of 31 December 2020 after increase of net assets** *(3) = (1) + (2)*	**Budgeted net loss in 2021** *(4)*	**Expected equity at 31 December 2021 based on budgeted figures** *(5) = (3) + (4)*	**Expected net loss in 2021 – based on the pessimistic scenario** *(6)*	**Expected equity at 31 December 2021 based on the pessimistic scenario** *(7) = (3) + (6)*
Share capital	4,411	(2,207)	2,204	-	2,204	-	2,204
Share premiums	233	-	233	-	233	-	233
Revaluation reserves, net of deferred tax	510	869	1,379	-	1,379	-	1,379
Legal reserve	40	-	40	-	40	-	40
Other reserves	3,356		3,356		3,356	-	3,356
Retained earnings	(7,213)	2,207	(5,007)	(276)*	(5,282)	(680)*	(5,687)
Equity	**1,336**	**869**	**2,204**	**(276)**	**1,929**	**(680)**	**1,524**
% share capital	30%	-	100%	-	87.5%		69,1%
No of shares	44,109	(22,066)	22,044	-	22,044	-	22,044
Book value per share	0.0303	-	0.1	-	0.08749	-	0.06913
Nominal value per share	0.1	-	0.1	-	0.1	-	0.1

*The budgeted amounts, as well as the expected amounts from the pessimistic scenario include the effect of the increase of the amortisation expense in 2021 as a result of the revaluation of fixed assets on December 31, 2020. It was determined an increase of the amortisation expense in the amount of Lei 41 million for the revalued assets by considering an average remaining useful life of about 25 years, to which 16% reduction from the deferred tax was applied, resulting a net impact of Lei 35 million lei excess over the budgeted or expected loss in 2021.

Assumptions:

- Increase of net assets' value through the valuation of non-financial investments only combined with the reduction of share capital to cover losses so that the accounting value per share to be equal to nominal value per share

Requirements:

- the changes of accounting policies require approval by the Board of Directors while the financial statements are approved by the Ordinary General Meeting of Shareholders („GMA");
- however, the reduction of share capital requires approval by the Extraordinary General Meeting of Shareholders ("EGMS")

Advantages:

- it solves the issue of restoring the Company's net assets as the law requires by using combined measures
- it implies lower costs as compared to scenario 2, as it maintains the policy of presenting financial investments at historical cost. This avoids the costs to justify the relevance of the change in accounting policy and the costs with the yearly valuation of the investments that are not listed on the stock exchange.
- the book value of a share reaches the par value of a share
- keeping the net asset value above the 50% limit for the immediately following periods. Assuming on the basis of the amounts budgeted and adjusted for 2021 that RRC will register a loss of RON 276 million (equivalent to USD 61 million + USD 8 million adjustment from valuation, at the exchange rate of RON/USD 3.966), the value of the net assets will decrease to RON 1.9 billion representing 87.5% of the expected share capital at 31 December 2021. Considering a pessimistic scenario in which the loss of 2021 will remain at the same level as it was in 2020 due to covid-19 effects, it is expected that the net assets will remain above the limit of 50% of the share capital for an average period of few years, in the absence of other growth measures of net assets.
- there is no dilution or reduction of ownership; so the shareholders maintain the same powers to vote on important company decisions
- increase of the equity value through internal growth;
- the debt to equity ratio decreases fro 70% to 50% as the business uses more equity than debt, and thus the company has a lower risk of bankruptcy
- the volatility of the fair values for PPE is be lower than the volatility of the fair value for the financial investments;

Consequences:

- the costs for the revaluation of tangible assets that must be carried out with sufficient regularity may increase substantially in the future, given that RRC increases the number of fixed assets to which it will apply the revaluation model (by including also categories such as: land, equipment, installations, furniture etc.) and the annual revaluation may be necessary in the case of assets with significant and volatile fluctuations in value.
- nevertheless, it should not be ignored that any decrease in the fair value of an item of property, plant and equipment at subsequent revaluations will have the effect of reducing equity.

As mentioned above, the measure to reduce the share capital could also take into account amounts lower than the amount of Lei 2,207 million lei, indicated in Scenario 5. We reiterate the need for the Company to choose a stable solution to cover any inherent risks in its business (that are difficult to predict at this time). A prudent decision on the extent of the reduction in share capital for the recovery of net assets must take into account the most accurate estimate of future capital costs.

For example, the reduction of share capital by Lei 1,379 million in 2020 would lead to a level of 50% Equity / Share capital in the pessimistic scenario of 2021. Thus, the Company would remain with a level of Equity of Lei 1,524 million at the end of 2021, in the pessimistic scenario in which the Company would register a loss of Lei 680 million lei in 2021. See Scenario 5A, below.

As compared to scenario 5, this option (Scenario 5A) would imply immediate recovery measures in 2021 with profits starting with 2022.

However, considering the persistence of Covid's effects in the financial year 2021 as well as the Company's accounting results in the first quarter of 2021, we consider a prudent approach for the Company to take into account a larger reduction in share capital than the amount of 1,379 million lei presented in Scenario 5A below, so as to cover potential risks that are difficult to estimate under these circumstances.

Scenario 5A alternative - increase in net assets as a result of the valuation of property, plant and equipment at fair values as of 31 December 2020 with the simultaneous application of measures to reduce the share capital (the net assets at 31 December 2021 = 50% of share capital under a pessimistic scenario)

- amounts in Millions unless otherwise stated -

Indicators	**Equity as of 31 December 2020 (initial situation)** *(1)*	**Increase of net assets** *(2)*	**Equity as of 31 December 2020 after increase of net assets** *(3) = (1) + (2)*	**Budgeted net loss in 2021** *(4)*	**Expected equity at 31 December 2021 based on budgeted figures** *(5) = (3) + (4)*	**Expected net loss in 2021 – based on the pessimistic scenario** *(6)*	**Expected equity at 31 December 2021 based on the pessimistic scenario** *(7) = (3) + (6)*
Share capital	4,411	(1,379)	3,032	-	3,032	-	3,032
Share premiums	233	-	233	-	233	-	233
Revaluation reserves, net of deferred tax	510	869	1,379	-	1,379	-	1,379
Legal reserve	40	-	40	-	40	-	40
Other reserves	3,356		3,356		3,356	-	3,356
Retained earnings	(7,213)	1,379	(5,834)	(276)*	(6,110)	(680)*	(6,515)
Equity	**1,336**	**869**	**2,204**	**(276)**	**1,929**	**(680)**	**1,524**
% share capital	30%	-	73%	-	63.6%		50%
No of shares	44,109	(13,788)	30,321	-	30,321	-	30,321
Book value per share	0.0303	-	0.0727	-	0.06361	-	0.05025
Nominal value per share	0.1	-	0.1	-	0.1	-	0.1

*The budgeted amounts, as well as the expected amounts from the pessimistic scenario include the effect of the increase of the amortisation expense in 2021 as a result of the revaluation of fixed assets on December 31, 2020. It was determined an increase of the amortisation expense in the amount of Lei 41 million for the revalued assets by considering an average remaining useful life of about 25 years, to which 16% reduction from the deferred tax was applied, resulting a net impact of Lei 35 million lei excess over the budgeted or expected loss in 2021.

4. Financial indicators

The comparative statement of financial indicators, determined on the basis of preliminary financial information as of 31 December 2020, considering each of the possible scenarios identified in section 3, is presented **in Appendix 3**.

A comparison of advantages and disadvantages of each scenario is presented in **Appendix 4**.

The comparative situation of the reduction of the share capital at the level of shareholders / group of shareholders is presented in **Appendix 5**.

General Manager

Rompetrol Rafinare S.A.

Felix Crudu Tesloveanu

Finance Manager

Rompetrol Rafinare S.A.

Ramona Galateanu

Appendix 1 – Extracts from "Order no. 1917 s of 12 December 2005 for the approval of the Methodological Norms regarding the organization and management of the accounting of public institutions, the Chart of Accounts for public institutions and the instructions for its application" ("Order 1917")

CHAPTER III: PROVISIONS REGARDING BALANCE SHEET ITEMS

1.3. Financial assets

1.3.2.1. Participation titles
The participation titles represent the rights in the form of shares held by the state or the administrative-territorial units according to the law, in the capital of some commercial companies or international bodies, whose holding for a long period brings income in the form of dividends (account 260)

1.3.3. Time of recognition
Financial assets of the nature of participation titles and other fixed assets are registered at the moment of their acquisition, under the conditions provided by law.

1.3.4. Measurement

1.3.4.1. Initial measurement
The financial assets are valued at the acquisition cost or the value determined by the contract of their acquisition.

1.3.4.2. Measurement at the balance sheet date
Financial assets must be presented in the balance sheet at the entry value less the accumulated adjustments for impairment.

1.3.5. Impairment adjustments
Public institutions may adjust for the loss of value of financial assets at the end of the financial year on account of expenses (account 296).
If the adjustment becomes totally or partially irrelevant, as the reasons which led to its reflection have ceased to exist to a certain extent, then that adjustment must be reduced or canceled by an appropriate return to revenue.
If an additional impairment is identified, the adjustment should be increased

CHAPTER VII: INSTRUCTIONS FOR USING ACCOUNTING RECORDS

Group 26 "Financial assets"

Group 26 "Financial assets" includes the following accounts: 260 "Participation titles", 265 "Other immovable assets", 267 "Immovable assets" and 269 "Payments for financial assets".

Account 260 "Participation titles"
With the help of this account, the participation titles are represented representing shares taken over by the state on account of budgetary receivables, as well as the participation titles held by public institutions in the share capital of some commercial companies or in the capital of some international financial bodies.

Account 260 "Participation titles" is an asset account. The debit of the account records the titles taken over in the records, and in the credit the value of the participation titles deducted from the records.
The debit balance of the account represents the value of the held participation titles
The account is detailed on the following synthetic grade II accounts:
2601 "Listed participation titles";
2602 "Unlisted participation titles";

Account 260 "Participation titles" is debited by crediting the accounts:
265 "Other immovable assets"
- with the value of other immovable assets (bonds) not repurchased at maturity and converted into participation titles.
269 "Payments to be made for financial assets"
- with the amounts due for the financial assets acquired (subscribed and unpaid shares).
463 "State budget receivables"
- with the value of the participation titles resulted from the conversion of the state budget receivables.
465 "Receivables from the state social insurance budget"
- with the value of the participation titles resulted from the conversion of the receivables of the state social insurance budget.
466 "Special Fund Budget Receivables"
- with the value of the participation titles resulted from the conversion of the receivables of the budgets of the special funds.
765 "Income from exchange rate differences"
- at the end of the period with favourable exchange rate differences resulting from the revaluation of participation titles denominated in foreing currencies.

Account 260 "Participation titles" is credited by debiting the accounts:
520 "Available from the state budget"
- with the amounts collected representing the book value of the participation titles sold;
- with favorable differences between the book value of the participation titles and the transfer price.
525 "Available from the state social insurance budget"
- with the amounts collected representing the book value of the participation titles sold;
- with favorable differences between the book value of the participation titles and the transfer price.
571 "Available from the revenues of the Single National Health Insurance Fund"
- with the amounts collected representing the book value of the participation titles sold;
- with favorable differences between the book value of the participation titles and the transfer price.
574 "Available from unemployment insurance budget revenues"
- with the amounts collected representing the book value of the participation titles sold;
- with favorable differences between the book value of the participation titles and the transfer price.
664 "Expenditure on assigned financial investments"
- with the value of the participation titles ceded or deducted from the records.
665 "Expenses from exchange rate differences"
- at the end of the period, with unfavorable exchange rate differences resulting from the revaluation of participation titles denominated in foreign currencies.

Account 296 "Adjustments for impairment of financial assets"

With the help of this account, the record of adjustments for the loss of value of financial assets is kept, according to the legal provisions.
Account 296 "Adjustments for impairment of financial assets" is a liability account, adjusting the carrying amount of financial assets. The credit of the account records the value of the adjustments for the loss of value of the financial assets, and in the debit the amounts representing the decrease or cancellation of the adjustments for the loss of value of the financial assets.
The credit balance of the account represents the adjustments for the loss of value of the financial assets existing at a given moment.
The account is detailed on the following synthetic grade II accounts:
2961 "Adjustments for impairment of shares";
2962 "Adjustments for impairment of other financial assets".
Analytical accounting is kept on types of financial assets subject to depreciation.
Account 296 "Adjustments for impairment of financial assets" is credited to the account debit:
686 "Financial expenses related to depreciation, provisions and adjustments for impairment"
- with the amounts determining or increase of the adjustments for the loss of value of the financial assets.
Account 296 "Adjustments for impairment of financial assets" shall be debited from the account credit:
786 "Financial income from impairment adjustments"
- with the amounts representing the decrease or cancellation of the adjustments for the loss of value of the financial assets.

FINANCIAL ASSETS (over 1 year)
2601 Listed shares
260 01 00 Listed shares

Appendix 2 – The List of Financial Indicators

- EPS „Earnings per share", calculated as: Net profit /no of shares,
- BVPS „Book value per share", calculated as: Equity/ no of shares,
- „Dividend value per share", calculated as: Dividends/no of shares
- „Dividend yield", calculated as: dividend per share/share price
- ROE „Return on Equity", calculated as: Net profit /Equity *100
- ROCE „Return on capital employed", calculated as: Operational net profit/ (Long term debts + Equity)
- D/E „Debt to Equity ratio", calculated as: Long term debts /Equity
- „Equity ratio", calculated as: Equity/Total Assets
- PER „Price earnings ratio", determined as: Share price/ (P/EPS); or Capitalisation/ Net profit. Capitalisation means market value of the company (no of shares * share price).
- P/S – price to sales, calculated as: Share price / Turnover; or Market capitalisation/ Turnover
- P/BV „Price to book value", calculated as: Share price / Accounting value per share; or Market capitalisation/ Equity
- P/CF „Price to cash flow", calculated as: Share price/ Cash flows

Appendix 3 - Comparative statement of financial indicators, determined on the basis of financial information as of 31 December 2020, considering each of the possible scenarios identified

- Scenario 1 – reduction of the share capital (net assets = 50% of the share capital)
- Scenario 2 – reduction of the share capital (the accounting value of the share is equal to the nominal value of the share)
- Scenario 3 – increase of net assets as an effect of the valuation of both the tangible fixed assets and the financial investments at fair values on 31 December 2020
- Scenario 4 - the increase of the company's net assets as an effect of the valuation of both the tangible assets and the financial investments at fair values on 31 December 2020 with the simultaneous application of the measures to reduce the share capital (the book value of the share is equal to the nominal value of the share)
- Scenario 4A - the increase of the company's net assets as an effect of the valuation of both the tangible assets and the financial investments at fair values on 31 December 2020 with the simultaneous application of the measures to reduce the share capital (the net assets at 31 December 2021 = 50% of share capital under a pessimistic scenario)
- Scenario 5 - increase in net assets as a result of the valuation of property, plant and equipment at fair values as of 31 December 2020 with the simultaneous application of measures to reduce the share capital (the book value of the share is equal to the nominal value of the share)
- Scenario 5A - increase in net assets as a result of the valuation of property, plant and equipment at fair values as of 31 December 2020 with the simultaneous application of measures to reduce the share capital (the net assets at 31 December 2021 = 50% of share capital under a pessimistic scenario)

- *amounts in Millions unless otherwise stated* -

		Reduction of share capital to cover losses		Increase of net assets' value					
Indicators	**Current situation**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 4A**	**Scenario 5**	**Scenario 5A**
Net current year losses	(646)	(646)	(646)	(646)	(646)	(646)	(646)	(646)
Equity	1,336	1,336	1,336	2,656	2,656	2,656	2,204	2,204
Operational net loss	(635)	(635)	(635)	(635)	(635)	(635)	(635)	(635)
Long term debts	637	637	637	803	803	803	803	803
Provisions	297	297	297	297	297	297	297	297
Capital employed	2,270	2,270	2,270	3,755	3,755	3,755	3,304	3,304
Total Assets	7,398	7,398	7,398	8,884	8,884	8,884	8,432	8,432
Turnover	8,275	8,275	8,275	8,275	8,275	8,275	8,275	8,275
Market value	2,183	2,183	2,183	2,183	2,183	2,183	2,183	2,183

		Reduction of share capital to cover losses		Increase of net assets' value				
Indicators	**Current situation**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 4A**	**Scenario 5**	**Scenario 5A**
Share capital	4,411	2,671	1,336	4,411	2,656	4,182	2,204	3,032
No of shares	44,109	26,712	13,356	44,109	26,556	41,821	22,044	30,321
Average price per share (BVB: 4/1/2021 10:33:51 AM)	0.0495	0.0817	0.1635	0.0495	0.0822	0.0522	0.0990	0.0720
Book value per actiune	0.0303	0.0500	0.1000	0.0602	0.1000	0.0635	0.1000	0.0727
Nominal value per share	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Earnings per share (EPS)	(0.0146)	(0.0242)	(0.0484)	(0.0146)	(0.0243)	(0.0154)	(0.0293)	(0.0213)
Book value per share (BVPS)	0.0303	0.0500	0.1000	0.0602	0.1000	0.0635	0.1000	0.0727
Dividend value per share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend yield	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Return on Equity (ROE)	-48%	-48%	-48%	-24%	-24%	-24%	-29%	-29%
Return on capital employed (ROCE)	-28%	-28%	-28%	-17%	-17%	-17%	-19%	-19%
Debt to equity ratio (D/E)	70%	70%	70%	41%	41%	41%	50%	50%
Equity ratio (ER)	18%	18%	18%	30%	30%	30%	26%	26%
Price earnings ratio (PER)	(3.3808)	(3.3808)	(3.3808)	(3.3808)	(3.3808)	(3.3808)	(3.3808)	(3.3808)
P/S – price to sales (P/S)	0.2639	0.2639	0.2639	0.2639	0.2639	0.2639	0.2639	0.2639
Price to book value per share	1.6348	1.6348	1.6348	0.8222	0.8222	0.8222	0.9905	0.9905

Appendix 4 – Comparison of advantages and disadvantages of each of the possible scenarios identified

	Reduction of share capital to cover accumulated losses		Increase in net assets value		
	Scenario 1	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**
Method	reduction of the number of shares to cover losses so that the Company's net assets to be at the minimum level of 50% of share capital as required by law	reduction of the share capital (the accounting value of the share is equal to the nominal value of the share)	increase of net assets as an effect of the valuation of both the tangible fixed assets and of the financial investments at fair values on 31 December 2020	Increase of net assets' value through the valuation of both non-financial and financial investments combined with the reduction of share capital to cover losses so that the accounting value per share to be equal to nominal value per share	Increase of net assets' value through the valuation of non-financial investments only combined with the reduction of share capital to cover losses so that the accounting value per share to be equal to nominal value per share
Advantages	• it solves relatively quickly the issue of restoring the Company's net assets to the level of at least 50% of the share capital as required by law • reduced costs as there is no valuation of the non-current assets • the total value of the equity (net assets) does not change	• it solves relatively quickly the issue of restoring the Company's net assets as the law requires • reduced costs as there is no valuation of the non-current assets • the total value of the equity (net assets) does not change	• it solves relatively quickly the issue of restoring the Company's net assets within the limit required by law without the reduction of share capital • the equity value increases through the incorporation of internal growth; the equity structure changes by increasing the reserves or the retained earnings.	• it solves the issue of restoring the Company's net assets as the law requires by using combined measures • the book value of a share reaches the par value of a share • it ensures that the net assets value is	• it solves the issue of restoring the Company's net assets as the law requires by using combined measures • it implies lower costs as compared to scenario 4, as it maintains the policy of presenting financial investments at historical cost. This avoids the costs to

	Reduction of share capital to cover accumulated losses		Increase in net assets value		
	Scenario 1	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**
	• it does not involve cash outflows (cash payments) • the structure of the Company's shareholders does not change; each shareholder will subsequently have the same shareholding in the share capital as the one held prior to the share capital reduction operation; • the reduction is merely a restructuring of the balance sheet so that it reflects the reality of the company's financial and trading position; • the reduced number of shares will lead to an increase in financial indicators such as: net earnings per share, net assets per share, dividend per share, return on shares (Price/Earnings per share)	• there is no dilution or reduction of ownership; so the shareholders maintain the same powers to vote on important company decisions • it does not involve cash outflows (cash payments) • this scenario may be applied without other measures to increase the value of the net assets in the current and / or subsequent periods • the book value of a share is brought to the nominal value of a share on December 31, 2020, which allows the net assets to be maintained above the limit of 50% of the share capital for an average period of time (1-2 years) • the reduced number of shares will lead to an increase in financial indicators such as: net earnings per share, net assets per share, dividend per share, return on shares	• it does not involve cash inflows/ cash contributions • the number of shares and the structure of shareholders remain unchanged; there is no dilution or reduction of ownership; so the shareholders maintain the same powers to vote on important company decisions • the debt to equity ratio decreases from 70% to 41% as the business uses more equity than debt (a lower risk of bankruptcy)	maintained above the 50% limit for the following periods • there is no dilution or reduction of ownership; so the shareholders maintain the same powers to vote on important company decisions • increase of the equity value through the incorporation of internal growth; • the debt to equity ratio decreases from 70% to 41% as the business uses more equity than debt (a lower risk of bankruptcy)	justify the relevance of the change in accounting policy and the costs with the yearly valuation of the investments that are not listed on the stock exchange. • the book value of a share reaches the par value of a share keeping the net assets value above the limit of 50% od share capital for the immediately following few years • there is no dilution or reduction of ownership; so the shareholders maintain the same powers to vote on important company decisions • increase of the equity value through the incorporation of internal growth; • the debt to equity ratio decreases from 70% to 50% (a lower risk of bankruptcy)

	Reduction of share capital to cover accumulated losses		Increase in net assets value		
	Scenario 1	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**
		(Price / Earnings per share)			• the volatility of the fair values for PPE is be lower than the volatility of the fair value for the financial investments;
Disadvantages	• the carrying amount of a share remains below the nominal value of a share. • In the absence of other measures to increase the value of the net assets, the Company's obligation to have the net assets within the limit required by law will be fulfilled only for the financial year 2020 • the shareholders with a small number of shares may risk losing shareholder status		• the book value of a share remains below the par value of a share • the costs for the revaluation of tangible assets that must be carried out with sufficient regularity may increase substantially in the future, given that RRC increases the number of fixed assets to which it will apply the revaluation model (by including also categories such as: land, equipment, installations, furniture etc.) and the annual revaluation may be necessary in the case of assets with significant and volatile fluctuations in value • the rate of return on shareholder's investments decreases as the increased is due to	• the rate of return on shareholder's investments decreases as the increased is due to valuation and not by performance of the company • the costs for the revaluation of tangible assets that must be carried out with sufficient regularity may increase substantially in the future, given that RRC increases the number of fixed assets to which it will apply the revaluation model (by including also categories such as: land, equipment, installations, furniture etc.) and the annual revaluation may be necessary in the	• the costs for the revaluation of tangible assets that must be carried out with sufficient regularity may increase substantially in the future, given that RRC increases the number of fixed assets to which it will apply the revaluation model (by including also categories such as: land, equipment, installations, furniture etc.) and the annual revaluation may be necessary in the case of assets with significant and volatile fluctuations in value • the rate of return on shareholder's investments decreases as the increased is due to valuation and

	Reduction of share capital to cover accumulated losses		Increase in net assets value		
	Scenario 1	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**
			valuation and not by performance of the company; • considering that the book value of a share is lower than the nominal value of a share, the Company must consider other measures to maintain the net assets value at the level of at least 50% of the share capital value for future periods; • increased costs - considering that at 31 December 2020 the Company modifies the accounting policy applied to its financial investments in subsidiaries by changing from the cost model to the fair value model, the modification of the accounting policy must be applied retrospectively. The evaluations and feasibility studies will imply higher costs, considering that the fair value measurements of the financial investments will	case of assets with significant and volatile fluctuations in value • increased costs - considering that at 31 December 2020 the Company modifies the accounting policy applied to its financial investments in subsidiaries by changing from the cost model to the fair value model, the modification of the accounting policy must be applied retrospectively. The evaluations and feasibility studies will imply higher costs, considering that the fair value measurements of the financial investments will have to be performed annually in accordance with the new chosen accounting policy • volatility of the fair values may also lead	not by performance of the company; the reduction of share capital has no impact on the value of equity • besides valuation costs, it also incurs costs with the legal proceedings to reduce the share capital to cover the losses • nevertheless, it should not be ignored that any decrease in the fair value of an item of property, plant and equipment at subsequent revaluations will have the effect of reducing equity.

	Reduction of share capital to cover accumulated losses		Increase in net assets value		
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
			have to be performed annually in accordance with the new chosen accounting policy.	to decreases of net assets in future periods	

Appendix 5 – Comparison of reduction of share capital under each of the possible scenarios identified

- amounts in Millions unless otherwise stated -

	TOTAL		***KMG International N.V. ("KMGI")***		***Romanian State Roman (Ministry of Energy)***		***Romanian entities belonging to KMGI Group****		***Others*****	
	Total value	*Total number of shares*	*Value*	*Number of shares*	*Value*	*Number of shares*	*Value*	*Number of shares*	*Value*	*Number of shares*
Current situation	**4,411**	**44,109**	**2,122**	**21,223**	**1,972**	**19,715**	**288**	**2,882**	**29**	**289**
Scenario 1										
Reduction of share capital	(1,740)	(17,397)	(837)	(8,370)	(778)	(7,776)	(114)	(1,137)	(11)	(114)
Share capital after reduction	2,671	26,712	1,285	12,852	1,194	11,939	174	1,745	18	175
Scenario 2										
Reduction of share capital	(3,075)	(30,753)	(1,480)	(14,796)	(1,375)	(13,745)	(201)	(2,009)	(20)	(202)
Share capital after reduction	1,336	13,356	643	6,426	597	5,970	87	873	9	88
Scenario 4										

	TOTAL		***KMG International N.V. ("KMGI")***		***Romanian State Roman (Ministry of Energy)***		***Romanian entities belonging to KMGI Group****		***Others*****	
	Total value	*Total number of shares*	*Value*	*Number of shares*	*Value*	*Number of shares*	*Value*	*Number of shares*	*Value*	*Number of shares*
Reduction of share capital	(1,755)	(17,553)	(845)	(8,445)	(785)	(7,845)	(115)	(1,147)	(12)	(115)
Share capital after reduction	2,656	26,556	1,278	12,777	1,187	11,870	173	1,735	17	174
<u>Scenario 4A</u>										
Reduction of share capital	(229)	(2,288)	(110)	(1,101)	(102)	(1,023)	(15)	(149)	(2)	(15)
Share capital after reduction	4,182	41,821	2,012	20,122	1,869	18,692	274	2,733	27	274
<u>Scenario 5</u>										
Reduction of share capital	(2,207)	22,066	(1,062)	(10,617)	(986)	(9,862)	(144)	(1,442)	(14)	(145)
Share capital after reduction	2,204	22,044	1,061	10,606	985	9,853	144	1,440	14	145
<u>Scenario 5A</u>										
Reduction of share capital	(1,379)	13,788	(663)	(6,634)	(616)	(6,163)	(90)	(901)	(9)	(90)
Share capital after reduction	3,032	30,321	1,459	14,589	1,355	13,552	198	1,981	20	199

***Romanian entities belonging to KMGI Group** includ: Rompetrol Financial Grup SRL, Rompetrol Well Services S.A. si Rompetrol Rafinare S.A.

****Others** includ: individuals and legal entities, others than entities in KMGI Group and Romanian State

Appendix 6 – Scenario 4B mixt

The increase of the company's net assets as an effect of the valuation of both the tangible assets and the financial investments at fair values on 31 December 2020 with the simultaneous application of the measures to reduce the share capital (the net assets is 65% of share capital under a pessimistic scenario in 2021)

- *amounts in Millions unless otherwise stated* -

Indicators	**Equity as of 31 December 2020 (current situation)**	**Increase of net assets**	**Equity as of 31 December 2020 after increase of net assets**	**Budgeted net loss in 2021**	**Expected equity at 31 December 2021 based on budgeted figures**	**Expected net loss in 2021 – based on the pessimistic scenario**	**Expected equity at 31 December 2021 based on the pessimistic scenario**
	(1)	*(2)*	*(3) = (1) + (2)*	*(4)*	*(5) = (3) + (4)*	*(6)*	*(7) = (3) + (6)*
Share capital	4,411	(1,179)	3,232	-	3,232	-	3,232
Share premiums	233	-	233	-	233	-	233
Revaluation reserves, net of deferred tax	510	869	1,379	-	1,379	-	1,379
Legal reserve	40	-	40	-	40	-	40
Other reserves	3,356	451	3,807	125	3,932	125	3,932
Retained earnings	(7,213)	1,179	(6,034)	(276)*	(6,309)	(680)*	(6,714)
Equity	**1,336**	**1,320**	**2,656**	**(150)**	**2,505**	**(555)**	**2,101**
% share capital	**30%**	**-**	**82%**	**-**	**77.5%**		**65%**
No of shares	44,109	(11,793)	32,316	-	32,316	-	32,316
Book value per share	0.0303	-	0.08	-	0.0775	-	0.0650
Nominal value per share	0.1	-	0.1	-	0.1	-	0.1

*The budgeted amounts, as well as the expected amounts from the pessimistic scenario include the effect of the increase of the amortisation expense in 2021 as a result of the revaluation of fixed assets on December 31, 2020. It was determined an increase of the amortisation expense in the amount of Lei 41 million for the revalued assets by considering an average remaining useful life of about 25 years, to which 16% reduction from the deferred tax was applied, resulting a net impact of Lei 35 million lei excess over the budgeted or expected loss in 2021.

1. Considerations regarding Scenario 4B

Assumptions:

- The net assets' value is increased through the valuation of both non-financial and financial investments (for investments in subsidiaries, it is presumed an increase in value of RON 125 million in 2021 by using the same valuation methodology as of 31 December 2020).

- Simultaneously the share capital is reduced to cover losses so that the net assets to be 65% of share capital under a pessimist scenario when the Company registers losses in 2021 at the level of the losses of year 2020 as a result of persistent effects of covid 19- crisis in 2021 inclusive.

Implications of capital reduction process on shareholders's investment

- It solves the issue of restoring the Company's net assets as the law requires by using combined measures
- The book value of a share reaches 65% of the par value of a share under the pessimist scenario when the Company registers a loss of RON 680 million in 2021 (or 77.5% of the par value of a share under scenario when the Company registers the budgeted losses of RON 276 million in 2021)
- It ensures that the net assets value is maintained above the 50% limit for the following periods
- The structure of the Company's shareholders and the shareholding do not change as a result of the reduction of the share capital to cover losses, each shareholder will subsequently have the same shareholding in the share capital as the one held prior to the share capital reduction operation as shown below:

	Share capital					***Number of shares***		
	Share capital (current situation)	*% initial*	*Reduction of share capital*	*Share capital after reduction*	*% after reduction*	*Number of shares (current situation)*	*Reduction of number of shares*	*Number of shares after reduction*
KMG International N.V. ("KMGI")	2.122	48,11%	(567)	1.555	48,11%	21.223	(5.674)	15.548
Statul Roman (Ministerul Energiei)	1.972	44,7%	(527)	1.444	44,7%	19.715	(5.271)	14.444
*Entitatile romane din Grup KMGI**	288	6,53%	(77)	211	6,53%	2.882	(771)	2.111

	Share capital					Number of shares		
	Share capital (current situation)	*% initial*	*Reduction of share capital*	*Share capital after reduction*	*% after reduction*	*Number of shares (current situation)*	*Reduction of number of shares*	*Number of shares after reduction*
*Altii***	29	0,66%	(8)	21	0,66%	289	(77)	212
TOTAL	**4.411**	**100%**	**(1.179)**	**3.232**	**100%**	**44.109**	**(11.793)**	**32.316**

* Romanian entities belonging to KMGI Group includ: Rompetrol Financial Grup SRL, Rompetrol Well Services S.A. si Rompetrol Rafinare S.A.
** Others includ: individuals and legal entities, others than entities in KMGI Group and Romanian State

- The reduction of the share capital to cover the losses does not change the total value of the equity (net assets), but determines a restructuring of the equity components, respectively: the decrease of the share capital and the increase of the retained earnings. This method does not involve cash outflows (cash payments).
- Capital reduction allows partial elimination of accumulated losses, which prevent the payment of dividends.
- The reduction of number of shares will lead to an improvement of financial indicators such as: net earnings per share, net assets per share, dividend per share.
  In the same time, the increase of net assets' value as an effect of the fair value valuation of nonfinancial and financial investments will lead to an improvement of the indicators such as: debt/equity ratio, equity ratio, price to book value per share.

An analysis of the financial indicators before and after net assets modifications as of 31.12.2020 is shown below:

Indicators	**Current situation as of 31.12.2020**	**Scenario 4B as of 31.12.2020**
Net current year losses	(646)	(646)
Equity	1,336	2,656
Operational net loss	(635)	(635)
Long term debts	637	803
Provisions	297	297
Capital employed	2,270	3,755
Total Assets	7,398	8,884
Turnover	8,275	8,275

Market value	2,183	2,183
Share capital	4,411	3,232
No of shares	44,109	32,316
Average price per share (BVB: 4/1/2021 10:33:51 AM)	0.0495	0.0676
Book value per actiune	0.0303	0.0775
Nominal value per share	0.1000	0.1000
Earnings per share (EPS)	(0.0146)	(0.0200)
Book value per share (BVPS)	0.0303	0.0775
Dividend value per share	n/a	n/a
Dividend yield	n/a	n/a
Return on Equity (ROE)	-48%	-24%
Return on capital employed (ROCE)	-28%	-17%
Debt to equity ratio (D/E)	70%	41%
Equity ratio (ER)	18%	30%
Price earnings ratio (PER)	(3.3808)	(3.3808)
P/S – price to sales (P/S)	0.2639	0.2639
Price to book value per share	1.6348	0.8222

Consequences to be considered by the Company ("RRC") in case of implementing scenario 4B:

- the costs for the revaluation of tangible assets that must be carried out with sufficient regularity; these costs may increase in the future, given that RRC increases the number of fixed assets to which it will apply the revaluation model (by including also categories such as: land, equipment, installations, furniture etc.) and the annual revaluation may be necessary in the case of assets with significant and volatile fluctuations in value.
- the Company will modify the accounting policy applied to its financial investments in subsidiaries by changing from the cost model to the fair value model starting with 31 December 2021 and the modification of the accounting policy must be applied retrospectively. In this respect, the Company will have to perform the valuation of the financial investments for the prior periods (at 1 January 2020 and at 31 December 2020) to determine the effects of changes related to the comparative periods presented in the financial statements, as well as the cumulative effect at the beginning of the comparative period. The valuation and feasibility studies will imply higher costs, considering that the fair value measurements of the financial investments will have to be performed at each fincial reporting period in accordance with the new chosen accounting policy.
- the volatility of the fair values may also lead to decreases of net assets in future periods.