

ROMPETROL RAFINARE S.A.

UNAUDITED INTERIM STANDALONE FINANCIAL STATEMENTS

Prepared in compliance with

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

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

30 SEPTEMBER 2021

ROMPETROL RAFINARE S.A.

Unaudited Interim Standalone Financial Statements

Prepared in compliance with the Order of the Minister of Public Finance no. 2844/2016
as at 30 September 2021

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ROMPETROL RAFINARE S.A.
INTERIM STATEMENT OF THE FINANCIAL POSITION
as at 30 September 2021
(all amounts expressed in Lei ("RON"), unless otherwise specified)

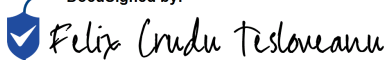
	Notes	September 30, 2021	December 31, 2020
Intangible assets	3	24,675,590	26,873,710
Goodwill	4	152,720	152,720
Property, plant and equipment	5	3,384,678,978	3,623,946,290
Rights of use assets	6	56,495,326	58,002,943
Investments in subsidiaries	7	1,629,023,359	1,629,020,055
Total non current assets		5,095,025,973	5,337,995,718
Inventories, net	8	1,244,253,934	527,073,050
Receivables and prepayments, net	9	1,455,901,745	1,167,390,890
Derivative Financial Instruments	30	227,072	-
Cash and cash equivalents	10	126,711,887	365,595,493
Total current assets		2,827,094,638	2,060,059,433
TOTAL ASSETS		7,922,120,611	7,398,055,151
Subscribed share capital	11	4,410,920,573	4,410,920,573
Share premium	11	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	11	489,582,196	509,938,277
Other reserves	11	3,385,030,886	3,395,246,289
Accumulated losses		(7,192,779,019)	(6,567,312,044)
Current year result		(554,543,739)	(645,823,057)
Total equity		770,848,004	1,335,607,145
Long-term borrowings from banks	15	613,832,513	570,759,324
Provisions	17	297,034,901	297,034,901
Long-term lease debts	16	56,791,371	56,981,732
Deferred tax liability	23	9,417,626	9,417,626
Total non-current liabilities		977,076,411	934,193,583
Trade and other payables	12	5,739,100,538	4,774,877,899
Contract liabilities	13	75,940,971	91,363,247
Short-term lease debts	16	2,635,322	2,542,555
Derivatives	30	54,234,660	617,651
Short-term borrowings from related parties	14	-	48,949,030
Short-term borrowings from banks	14	302,284,705	209,904,041
Total current liabilities		6,174,196,196	5,128,254,423
TOTAL LIABILITIES AND EQUITY		7,922,120,611	7,398,055,151

YEDIL UTEKOV
Chairman of the Board of Directors

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FELIX CRUDU-TESLOVEANU
General Manager

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RAMONA GEORGIANA GALATEANU
Financial Manager

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Prepared by, Alexandru Cornel Anton
Chief Accountant

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ROMPETROL RAFINARE S.A.
INTERIM INCOME STATEMENT
for the financial year ended 30 September 2021
(all amounts expressed in Lei ("RON"), unless otherwise specified)

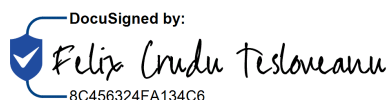
	Notes	January - September 2021	January - September 2020
Net revenues from contracts with customers	18	8,296,080,222	6,072,976,894
Cost of sales	19	(8,064,291,660)	(6,403,128,312)
Gross profit / (loss)		231,788,562	(330,151,418)
Selling, general and administrative expenses	20	(329,369,203)	(269,373,394)
Other operating expenses	21	(92,906,541)	(166,555,181)
Other operating income	21	19,794,663	178,046,949
Operating loss		(170,692,519)	(588,033,044)
Financial expenses	22	(124,661,921)	(137,692,401)
Financial revenues	22	7,949,706	13,480,883
Net foreign exchange gains / (losses)	22	(267,139,004)	59,238,130
Loss before income tax		(554,543,739)	(653,006,432)
Deferred tax	23	-	-
Net Loss		(554,543,739)	(653,006,432)
Earnings per share (bani/share) Basis	26	(1.26)	(1.48)

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Chief Accountant

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ROMPETROL RAFINARE S.A.
INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
for the financial year ended 30 September 2021
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	January - September 2021	January - September 2020
Net Loss	(554,543,739)	(653,006,432)
Other comprehensive income	-	-
<i>Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):</i>	-	-
Gains / (losses) from derivatives	(10,215,402)	3,646,826
Total comprehensive income to be reclassified to income statement in subsequent periods (net of tax):	(10,215,402)	3,646,826
Total other comprehensive result for the year, net of tax	(10,215,402)	3,646,826
Total comprehensive result for the year, net of tax	(564,759,141)	(649,359,606)

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Chairman of the Board of Directors

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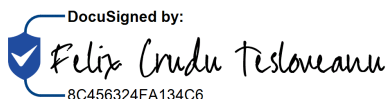
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Chief Accountant

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ROMPETROL RAFINARE S.A.
INTERIM STATEMENT OF CASH FLOWS
For the financial year ended 30 September 2021
(all amounts expressed in Lei ("RON"), unless otherwise specified)


	Notes	September 30, 2021	September 30, 2020
Net result before income tax		(554,543,739)	(653,006,432)
<i>Adjustments for:</i>			
Depreciation and amortisation	19,20	290,922,771	261,307,369
Provisions for receivables and inventories (incl write-off)	21	4,242,081	(11,137,711)
Impairment for property, plant and equipment (incl write-off)		42,072,894	-
Expenses with penalties		6,326,866	48,546
Interest expenses		124,661,921	137,692,401
Inrerest income	22	(7,949,707)	(12,671,257)
Income from dividends		-	(809,625)
(Gain)/Loss on sale or disposal of assets		(1,050)	-
Other non-monetary adjustments		(86,043)	1,334,665
Unrealised foreign exchange (gain)/loss	22	216,552,299	(28,205,561)
Cash generated from / (used in) operations before working capital changes		122,198,294	(305,447,605)
<i>Net working capital changes in:</i>			
Receivables and prepayments		(279,724,397)	569,396,927
Inventories		(723,362,902)	297,843,815
Trade and other payables and contract liabilities, including payables variation for capital expenditures		758,675,932	355,894,936
Change in working capital		(244,411,367)	1,223,135,678
Net cash provided by / (used in) operating activities		(122,213,074)	917,688,073
Cash flows from investing activities			
Purchase of property, plant and equipment		(84,940,532)	(433,139,048)
Purchase of intangible assets		(4,012,441)	(7,836,740)
Purchase of investments		(3,304)	-
Dividends received		-	809,625
Receipts from selling of assets		1,050	-
Net cash used in investing activities		(88,955,227)	(440,166,163)
Cash flows from financing activities			
Cash pooling movement		55,356,438	(38,736,222)
Short - term loans (paid to) / received from banks		78,100,982	9,323,793
Long - term loans received from banks		-	(178,367,646)
Short - term loans repaid to shareholders and related parties		(34,452,042)	(43,677,500)
Lease repayments		(3,499,781)	(5,327,394)
Interest and bank charges paid, net		(123,220,902)	(137,422,324)
Net cash used in financing activities		(27,715,305)	(394,207,292)
Increase / (Decrease) in cash and cash equivalents		(238,883,606)	83,314,617
Cash and cash equivalents at the beginning of period		365,595,493	22,373,528
Cash and cash equivalents at the end of the period		126,711,887	105,688,145

YEDIL UTEKOV
Chairman of the Board of Directors

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FELIX CRUDU-TESLOVEANU
General Manager

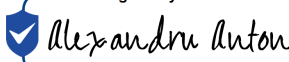
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Explanatory notes from 1 to 31 are part of these financial statements
English translation is for information purposes only. Romanian language text is the official text for submission.

ROMPETROL RAFINARE S.A.
INTERIM STATEMENT OF CHANGES IN EQUITY
for the financial years ended 30 September 2021 and 30 September 2020
(All amounts expressed in Lei ("RON"), unless otherwise specified)


	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
1st of January 2020	4,410,920,573	232,637,107	(6,595,240,857)	634,998,190	(101,599,711)	3,386,268,737	1,967,984,039
Net loss for the first 9 months 2020	-	-	(653,006,432)	-	-	-	(653,006,432)
Revaluation reserves	-	-	21,017,333	(21,017,333)	-	-	-
Gains/losses related to derivative financial instruments	-	-	-	-	-	3,646,826	3,646,826
Total other comprehensive income for the first 9 months 2020	-	-	-	-	-	3,646,826	3,646,826
Total comprehensive income for the first 9 months 2020	-	-	(653,006,432)	-	-	3,646,826	(649,359,606)
30st of September 2020	4,410,920,573	232,637,107	(7,227,229,956)	613,980,857	(101,599,711)	3,389,915,563	1,318,624,433
1st of January 2021	4,410,920,573	232,637,107	(7,213,135,101)	607,069,377	(97,131,100)	3,395,246,289	1,335,607,145
Net loss for the first 9 months 2021	-	-	(554,543,739)	-	-	-	(554,543,739)
Gains/losses related to derivative financial instruments	-	-	-	-	-	(10,215,402)	(10,215,402)
Total other comprehensive income for the first 9 months 2021	-	-	-	-	-	(10,215,402)	(10,215,402)
Total comprehensive income for the first 9 months 2021	-	-	(554,543,739)	-	-	(10,215,402)	(564,759,141)
Revaluation reserves transferred to retained earnings	-	-	20,356,082	(20,356,082)	-	-	-
30st of September 2021	4,410,920,573	232,637,107	(7,747,322,758)	586,713,296	(97,131,100)	3,385,030,886	770,848,004

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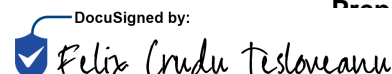
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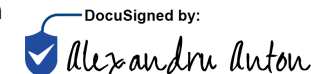
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1. GENERAL

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

Rompotrol Rafinare S.A. production facilities are located in Romania. The number of employees of the Company as at 30 September 2021 is 1,130, respectively 1,119 as at 31 December 2020.

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

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

The Company is a part of the KMG International N.V Group. The consolidated financial statements are prepared at the level of the parent company KMG International N.V., with the head office located at World Trade Center, Strawinskylaan 807, Tower A, 8th Floor, 1077 XX, Amsterdam, The Netherlands. These annual financial statements are public.

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

The company also prepares consolidated financial statements that have a public character and are available on the website of the company, <https://rompetrol-rafinare.kmginternational.com/>, at the section Relation with Investors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) The going concern

The financial statements of the Company are prepared on a going concern basis. As at 30 September 2021 and 31 December 2020, the Company net assets amount to RON 771 million and RON 1,336 million, respectively. For the periods ending 30 September 2021 and 31 December 2020, the Company reported losses of RON 554.5 million and RON 645.8 million, respectively.

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

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

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

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

The Company's net asset amounting to RON 771 million as at 30 September 2021 (2020: RON 1.336 million) continues to be at a level lower than a half of the value of share capital (amounting to RON 4,410 as at 30 September 2021) and the Company's management takes the necessary steps to regulate this situation within the timeframe stipulated by the law, based on the stipulations of art.153.24 of company Law no.31/1990, as subsequently amended and in accordance with the statutory decisions adopted. In this regard, the Company's management prepared a plan with several proposed options in order to remediate the situation, endorsed by the Company's Board of Directors and submitted to the shareholders' decision.

The Extraordinary General Meeting of Shareholders („EGMS”) of Rompetrol Rafinare held on August 06, 2021 approved the following decision for net asset remediation: The Company's share capital will be reduced by 1,755,000,000 RON from 4,410,920,572.60 RON to 2,655,920,572.60 RON by reducing the number of shares by 17,550,000,000 shares, respectively from 44,109,205,726 shares to 26,559,205,726 shares according to the art. 207 (1) (a) of the Companies Law no. 31/1990. The decision was published on September 03, 2021 into the Official Gazette of Romania with the date of entry into force after the expiration of the two-month period from the day on which the decision was published in the Official Gazette of Romania. Also the EGMS of Rompetrol Rafinare acknowledged the revaluation of tangible assets and, as the case may be, of financial investments at fair value and the related changes in the accounting policies as a net asset remediation measure endorsed by the the Company's Board of Directors.

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

The Company is planning to change the Company's accounting policy for valuation of the Company's tangible non-current assets from the historic cost model to the revaluation model and for investments in subsidiaries from historic cost to fair value, so that the information included and presented in the annual financial statements to be as much relevant and useful to all users of the Company's financial statements starting with the financial year ended 31 December 2021.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective as of 1 January 2021:

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management is in process of assessing the impact at Company's level from application of this amendments.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

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

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

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022.
- There is no substantive change to other terms and conditions of the lease.

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

e) Significant professional judgements, estimates and assumptions

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

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

The matters presented below are considered to be the most important in understanding the professional judgments that affect the preparation of these financial statements and the uncertainties that could affect the result of the operations, the financial position and the cash flows.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Impairment of non-financial assets

The Company assesses annually at December 31 whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are tested for impairment.

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

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

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

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

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

- Provision for environmental liability

The Company is involved in refining and petrochemicals. Environmental damage caused by such activities may require the Company to incur restoration costs to comply with the regulations in force. Analysis and estimates are performed by the Company together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which cash outflow may be probable, are recognized as a provision in the Company's financial statements. When the final determination of such obligations differs from the recognized provisions, difference is registered in the Company's Income statement.

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

- Deferred tax assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Further details on deferred tax assets and for those losses carried forward for which deferred tax assets has and has not been recognized are provided in Note 23.

- Carrying value of trade and other receivables

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

- Provision for litigations

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

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

- Hybrid loan interest payable

The Company has unsecured hybrid loans subscribed by its parent company for which interest is computed based on the company's annual EBIT (operational profit) and becomes payable if the below conditions are met cumulatively:

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

At maturity the loan can be repaid in cash or fully or partially converted into shares at the option of the issuer. The estimated future payments of interest are classified as liability, as the Company cannot avoid making these payments if conditions are met, while the remaining balance of the loan is classified in equity and not subsequently remeasured. On annual basis, a reassessment of the future estimated interest payments is performed with direct impact in the current year result. Further details on the hybrid loan interest payable are provided in Notes 11.4.

f) Financial instruments

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

a. Financial assets

Initial recognition and measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

- The rights to receive cash flows from the asset have expired

Or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets

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

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

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

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

b. Financial liabilities

Initial recognition and measurement

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss
- Loans and Credits

Derecognition

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

c. Offsetting of financial instruments

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

d. Impairment of financial assets

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

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

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

g) Property plant and equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings, unless a transfer hasn't been already made during utilization period of the revaluated asset.

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

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

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

Following the change in accounting policy regarding recognition of buildings category from cost to revaluation method, also the economic remaining life utilization of the buildings were revalued at 31 December 2017. The depreciation of buildings category based on the revaluated remaining life utilization applies starting 1 January 2018. Before this date (i.e. 1 January 2018) the buildings category was stated at cost. The change from cost to revaluation provide a more transparent and up to date picture of the value of the Company's assets.

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

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

h) Intangible assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets consist of software and licenses and are amortized on a straight-line basis over 3 - 5 years, respectively 24 - 25 years for the licenses for transmission of technological data from the plant to the Refinery command center.

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

i) Investments in subsidiaries

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

Further details on financial assets are provided in Note 7.

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

At December 31, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and right of use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the respective asset belongs.

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

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

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

k) Provisions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Environmental obligations

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

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

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

l) Leases

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

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

i. Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

ii. Lease liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

A lessee shall determine the lease term as a non-cancellable period of a lease, together with both:

- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option

The Company's lease liabilities are included in Lease (see Note 16).

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

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

m) Inventories

Inventories, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

n) Trade receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

p) Revenue from contracts with customers

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

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

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

(i) Variable consideration

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

(ii) Volume rebates

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

(iii) Significant financing component

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

q) Interest bearing loans

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

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

r) Borrowings costs

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

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

s) Retirement benefit costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Company has no other liabilities with respect to future pensions, health plans and other costs for its employees.

t) Taxes

- Current income tax

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

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

- Deferred tax

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

- Sales (revenues) related tax

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

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

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

u) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Foreign Currency Transactions

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

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

Currency	<u>30 September 2021</u>	<u>31 December 2020</u>
RON/USD	4.2653	3.9660
RON/EUR	4.9471	4.8694

The Company translates its transactions and balances in foreign currency, in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of transaction.

Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the income statement in the period they arise.

w) Derivative financial instruments

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fair value hedge

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

Hedge accounting is applied for the futures instruments. The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognised in the statement of profit or loss as Cost of Sales. If the hedged item is derecognised, the unamortized fair value is recognised immediately in profit or loss (see note 19).

Cash Flow Hedge

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

Hedge accounting is applied for the refinery margin Swap instruments. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see Note 19).

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

x) Emission Rights

CO2 emission rights quota are allocated to the Company's refining and petrochemicals operations. For the period 2021-2025 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. The Company accounts for the liability resulting from generating of these emissions using the net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective company. Income is recognized only when excess certificates are sold on the market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

y) Fair value measurement

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

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

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

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

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

z) Current versus non-current classification

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

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

Or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

aa) Contingencies

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

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

3. INTANGIBLE ASSETS

	Software / Licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2020	49,688,870	837,856	14,906,754	65,433,480
Additions	1,285,736	-	7,668,687	8,954,422
Transfers*	9,668,988	4,261,351	(12,914,034)	1,016,304
Closing balance as of December 31, 2020	60,643,593	5,099,207	9,661,407	75,404,206
Additions	-	-	3,890,886	3,890,886
Transfers, reclassifications and adjustments*	12,579,453	5,109	(12,463,007)	121,555
Closing balance as of September 30, 2021	73,223,046	5,104,316	1,089,284	79,416,646
Accumulated amortization				
Opening balance as of January 1, 2020	(42,432,013)	(287,668)	-	(42,719,681)
Charge for the year	(4,892,037)	(918,779)	-	(5,810,816)
Closing balance as of December 31, 2020	(47,324,051)	(1,206,446)	-	(48,530,497)
Charge for the year	(5,467,893)	(742,668)	-	(6,210,561)
Closing balance as of September 30, 2021	(52,791,944)	(1,949,112)	-	(54,741,056)
Net book value				
As of December 31, 2020	13,319,543	3,892,760	9,661,407	26,873,710
As of September 30, 2021	20,431,102	3,155,204	1,089,284	24,675,590

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

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

4. GOODWILL

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

ROMPETROL RAFINARE S.A.
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(All amounts expressed in Lei ("RON"), unless otherwise specified)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
Cost or valuation						
As of January 1, 2020	192,480,007	1,762,169,291	3,731,408,099	17,048,063	324,239,464	6,027,344,924
Acquisitions	-	-	1,534,479	120,752	470,955,562	472,610,794
Transfers from CIP	-	100,231,607	355,910,326	2,185,864	(459,344,101)	(1,016,304)
Disposals	-	-	(48,927,472)	-	-	(48,927,472)
Transfers and reclassifications*	-	-	4,433	-	-	4,433
As of December 31, 2020	192,480,007	1,862,400,897	4,039,929,864	19,354,680	335,850,926	6,450,016,375
Acquisitions	-	-	618,024	-	84,485,978	85,104,002
Transfers from CIP	-	72,896,313	211,594,196	31,466	(284,561,197)	(39,222)
Transfers and reclassifications*	-	-	470	-	(124,247)	(123,777)
As of September 30, 2021	192,480,007	1,935,297,210	4,252,142,554	19,386,146	135,651,459	6,534,957,377
Accumulated depreciation & Impairment						
As of January 1, 2020	(29,214,330)	(209,545,798)	(2,259,606,879)	(8,954,926)	(3,171,485)	(2,510,493,418)
Charge for the year	(1,656,751)	(102,471,417)	(259,279,306)	(1,092,233)	-	(364,499,706)
Accumulated depreciation of disposals	-	-	48,927,472	-	-	48,927,472
Transfers and reclassifications*	-	-	(4,433)	-	-	(4,433)
As of December 31, 2020	(30,871,081)	(312,017,215)	(2,469,963,145)	(10,047,159)	(3,171,485)	(2,826,070,085)
Charge for the year	(1,242,563)	(89,243,787)	(190,911,450)	(737,149)	-	(282,134,950)
Impairment	-	-	(42,072,894)	-	-	(42,072,894)
Transfers and reclassifications*	-	-	(470)	-	-	(470)
As of September 30, 2021	(32,113,645)	(401,261,002)	(2,702,947,959)	(10,784,308)	(3,171,485)	(3,150,278,399)
Net book value as of December 31, 2020	161,608,926	1,550,383,682	1,569,966,719	9,307,521	332,679,441	3,623,946,290
Net book value as of September 30, 2021	160,366,362	1,534,036,208	1,549,194,595	8,601,837	132,479,974	3,384,678,978

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- Impairment

On July 2, 2021 there was an explosion followed by a fire at Petromidia refinery, Diesel Hydrotreater Unit (in Romanian "instalatia Hidrofinare Petrol Motorina" hereinafter HPM plant), which affected both HPM unit and Kerosene Hydrotreater ("HPR") and Catalytic Reformer ("RC") units.

As a consequence of this event, starting July 2, 2021 the entire Petromidia Refinery production has been temporarily stopped, in order to carry out the necessary repairs for the safe restart of the damaged units.

The production activities of the Petromidia refinery restarted at the end of September 2021, the technological installations being restarted in stages until reaching the optimal operating efficiencies. As for the Diesel Hydrotreating Unit (HPM), it has been technologically isolated, the completion of the reconstruction and restart will take place during 2022.

At September 30, 2021 the company has recorded in the accounting records a reserve for impairment of tangible assets in the amount of RON 42.1 million calculated based on preliminary estimates regarding the degree of damage to the installations affected as a result of the incident from July 02, 2021 occurred at HPM plant.

The value of the impairment reserve is to be updated until the reference date 31.12.2021 together with the completion of the detailed analysis regarding the degree of damage of the installations affected by the mentioned incident.

No depreciation adjustments were recorded in first 9 months of year 2020.

- Construction in progress

In the first 9 months of the year 2021, the significant contribution to the total acquisitions for construction in progress is represented by the restarting the refinery after the incident of July 2021 project (about RON 48.3 million), the replace heater in VD unit, Vega Platform (about RON 13.8 million), the projects of replacement catalysts (approximately RON 9.0 million), and the ISCIR projects within the two refineries (about RON 6.1 million).

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

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

- Disposal

No asset disposals were recorded in the first 9 months of the year 2021.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

- Capitalization of borrowing costs

The Company finances its activities including through loans and the cost of debt for the acquisition of assets is capitalized in the cost of the asset, when specific loans have been obtained (investment). In the first 9 months of the year 2021 and 2020 the interest was not capitalized.

- Revaluation of buildings category

Starting 31 December 2017, the Company changed its accounting policies regarding the recognition and measurement of its non-current assets, for buildings category, from cost model to the revaluation model.

The change from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Company's assets. Fair value of the buildings category was determined using the depreciated replacement cost method. The valuations have been performed by a specialized valuer.

Reconciliation of carrying amount

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

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

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

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

- Fixed assets pledged

The company pledged assets with a net carrying amount of RON 1,008,667,237 (2020: RON 1,011,352,595), as follows:

- guarantees in favor of banks: RON 804,994,212 (2020: RON 806,134,270);
- guarantees in favor of ANAF: RON 203,673,025 (2020: RON 205,218,325).

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (See Note 28). Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to an asset freeze.

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

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

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

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

Faber submitted a civil claim to the Bucharest court against both the Group companies and defendants. On May 25, the Bucharest Court rejected the request of Faber for settlement of the stamp fee that Faber should pay for its claim (for the time being is USD 530,000). On July 8, Bucharest Court annulled Faber's claim as unstamped.

On the other hand, Faber resumed one of the older files by which Faber challenged the increasing of the Rompetrol Rafinare S.A. share capital back in 2003 - 2005. The hearing was scheduled for April 14 but the case has been suspended due to the emergency enforced since 16 March 2020. On July 20, 2021, Ialomita Tribunal rejected Faber's and Balkan's claim.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Also, please note that in December 2020, Faber resumed some files out of those suspended back in 2005/2006. The hearings are scheduled during May 2021. By the Decisions pronounced by the Constanta Tribunal, respectively the Constanta Court of Appeal, the exceptions invoked by Rompetrol Rafinare were admitted, the actions were found as obsolete and the requests for resuming the claims as being formulated by a person without quality. Briefly, the files regard the followings:

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

Plus, Faber submitted a request for the revision of a decision by which the court closed a file being out of date/obsolete (when Court asked the plaintiff to do something and it doesn't within 6 months /1 year). On April 28, 2021, Constanta Tribunal admitted the exception raised by Rompetrol Rafinare and decided that the revision filed by Faber is late.

Against the Decisions pronounced in the above cases, Faber together with Balkan filed appeals, some of them being already registered with the Constanta Court of Appeal, with trial terms being established during November and December 2021.

On 30 September 2021 no enforcement process has been made.

6. RIGHTS OF USE ASSETS

	Land, building and special constructions	Plant and equipment	Vehicles and others	Total
Initial cost / revalued				
Opening balance at January 01, 2020	7,019,607	7,526,480	298,832	14,844,919
Additions	3,272,548	-	1,395,558	4,668,106
Reclassifications and other transfers	497,618	(528,911)	31,293	-
Re-measurement and other adjustments	49,857,211	937,527	(33,875)	50,760,863
Disposals	(103,790)	(6,199,685)	(46,016)	(6,349,491)
Closing balance at December 31, 2020	60,543,194	1,735,411	1,645,792	63,924,397
Additions	-	-	965,977	965,977
Re-measurement and other adjustments	-	103,665	-	103,665
Disposals	(9,165)	-	(87,408)	(96,573)
Closing balance at September 30, 2021	60,534,029	1,839,076	2,524,362	64,897,467
Accumulated depreciation & Impairment				
Opening balance at January 01, 2020	(2,218,171)	(3,466,623)	(141,226)	5,826,020)
Charge for the year	(2,318,164)	(609,002)	(219,673)	(3,146,839)
Reclassifications and other transfers	(186,607)	205,382	(18,776)	-
Re-measurement and other adjustments	60,647	(31)	5,575	66,190
Accumulated depreciation of ceased rights of use assets	77,805	2,861,393	46,016	2,985,214
Closing balance at December 31, 2020	(4,584,490)	(1,008,881)	(328,084)	(5,921,455)
Charge for the year	(1,803,224)	(424,668)	(349,366)	(2,577,259)
Accumulated depreciation of ceased rights of use assets	9,165	-	87,408	96,573
Closing balance at September 30, 2021	(6,378,549)	(1,433,549)	(590,042)	(8,402,140)
Net book value as of December 31, 2020	55,958,704	726,530	1,317,708	58,002,943
Net book value as of September 30, 2021	54,155,480	405,527	1,934,320	56,495,326

The additions during the year represent mainly contracts concluded by the Company for car leasing.

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

Land, buildings and special construction category includes mainly:

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

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

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

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7. FINANCIAL ASSETS

	30 September 2021	31 December 2020
Investments in subsidiaries	1,629,023,359	1,629,020,055
Total	1,629,023,359	1,629,020,055

Investments in subsidiaries

Details regarding subsidiaries at 30 September 2021 and 31 December 2020 are as follows:

	Range of activity	Ownership at 30 September 2021	Ownership at 31 December 2020	Balance as at 30 September 2021	Balance as at 31 December 2020
Rompetrol Downstream S.R.L.	Fuel sales	99,99%	99,99%	1,090,406,067	1,090,406,067
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100,00%	100,00%	311,698,295	311,698,295
Rom Oil S.A.	Rental services	99,99%	99,99%	191,219,964	191,216,660
Rompetrol Logistics S.R.L.	Logistics operations	66,19%	66,19%	24,349,123	24,349,123
Rompetrol Quality Control S.R.L.	Quality Control Services for oil products	70,91%	70,91%	11,349,910	11,349,910
Total of equity investments				1,629,023,359	1,629,020,055

**Note: all subsidiaries are Romanian companies*

8. INVENTORIES, NET

	September 30, 2021	December 31, 2020
Crude oil and other feedstock materials	859,703,483	263,186,771
Finished products	151,261,024	168,531,778
Work in progress	217,757,958	76,351,113
Spare parts	49,446,950	49,793,286
Other consumables	25,215,403	24,081,215
Merchandises	63,503	775,593
Other inventories	6,235,176	3,600,839
Inventories reserve	(65,429,563)	(59,247,545)
Total	1,244,253,934	527,073,050

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

The movement of the provision for inventories in the first 9 months of the year 2021 and 2020 is presented below:

	September 30, 2021	December 31, 2020
Reserve at the beginning of the year	(59,247,545)	(72,021,952)
Accrued provision	(23,557,532)	(194,249,538)
Reversal provision inventories reserve	17,375,514	207,023,945
Reserve at the end of the period	(65,429,563)	(59,247,545)

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

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9. RECEIVABLES AND PREPAYMENTS, NET

	September 30, 2021	December 31, 2020
Trade receivables	1,035,979,692	843,739,582
Advances to suppliers	184,744,526	25,878,282
Sundry debtors	163,199,236	165,294,207
VAT to be recovered	(17,167,103)	1,806,438
Other receivables	145,898,961	189,366,503
Reserve for bad and doubtful debts	(56,753,567)	(58,694,122)
Total	1,455,901,745	1,167,390,890

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

	September 30, 2021	December 31, 2020
Sundry debtors	163,199,236	165,294,207
Other receivables	145,898,961	189,366,503
Provision for sundry debtors and other receivables	(14,874,573)	(14,874,573)

Out of the total amount of other receivables and sundry debtors of RON 309.1 million (2020: RON 354.7 million) an amount of RON 14.9 million (2020: RON 14.9 million) is provisioned.

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

	September 30, 2021	December 31, 2020
Balance at the beginning of the year	(58,694,122)	(54,732,427)
Charge for the year	(389,970)	(5,280,964)
Utilized	2,329,907	1,318,071
Exchange rate differences	618	1,198
Balance at the end of the period	(56,753,567)	(58,694,122)

As at 30 September 2021 and 31 December 2020, the aging analysis of trade receivables and the respective balance of expected credit loss is as follows:

		Trade receivables					
		Days past due					
30 September 2021	Total	Current	1-30 days	30-60 days	60-90 days	90-120 days	>120 days
Expected credit loss rate	3.51%	0.00%	6.17%	3.87%	44.24%	33.38%	71.02%
Estimated total gross carrying amount at default	1,035,960,540	982,127,635	2,588,706	269,501	39,701	66,712	50,868,285
Expected credit loss	36,338,939	-	159,631	10,418	17,562	22,271	36,129,057

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

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9. RECEIVABLES AND PREPAYMENTS, NET (continued)

	Total	Neither past due not impaired	Past due but not impaired				>120 days
			1-30 days	30-60 days	60-90 days	90-120 days	
30-Sep-21	999,621,601	982,127,635	2,429,075	259,083	22,138	44,441	14,739,229
31-Dec-20	805,438,218	746,411,840	21,323,167	28,626,555	2,137,069	849,955	6,089,633

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

At 30 September 2021, the trade receivables at the initial value of RON 36.34 million (2020 RON 38.28 million) have been considered uncertain and provisioned. The movement of the receivable provision is to be found below:

	Collectively impaired
At January 1, 2020	(34,317,985)
Value adjustments for impairment of receivables	(5,280,779)
Reversed provisions	1,318,071
Exchange rate difference	1,198
At December 31, 2020	(38,279,495)
Value adjustments for impairment of receivables	(389,970)
Reversed provisions	2,329,907
Exchange rate difference	618
At September 30, 2021	(36,338,940)

10. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020
Cash at bank	109,750,783	365,496,314
Cash on hand	3,559	11,119
Transitory amounts	16,634,670	-
Other cash equivalents	322,875	88,060
Total	126,711,887	365,595,493

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

11. EQUITY

11.1 SHARE CAPITAL

As at 30 September 2021 and 31 December 2020, the share capital consists in 44,109,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 per each share.

The shareholder structure at 30 September 2021 and 31 December 2020:

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

11. EQUITY (continued)

The total value of the Company's share capital remained unchanged in the first 9 months of the year 2021 and 2020.

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

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

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

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

The Extraordinary General Meeting of Shareholders („EGMS”) of Rompetrol Rafinare held on August 06, 2021 approved the following decision for net asset remediation: The Company's share capital will be reduced by 1,755,000,000 RON from 4,410,920,572.60 RON to 2,655,920,572.60 RON by reducing the number of shares by 17,550,000,000 shares, respectively from 44,109,205,726 shares to 26,559,205,726 shares according to the art. 207 (1) (a) of the Companies Law no. 31/1990. The decision was published on September 03, 2021 into the Official Gazette of Romania with the date of entry into force after the expiration of the two-month period from the day on which the decision was published in the Official Gazette of Romania.

11.2 SHARE PREMIUM

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

11.3 REVALUATION RESERVES

At 30 September 2021, the Revaluation reserves balance (presented in net of RON 490 million) is affected by the transfer to retained earnings of the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the assets included in the building category. In compliance with OMFP 2844/2016 and with the accounting policies adopted by the Company as of 31 December 2017 the revaluation surplus included in the revaluation reserves is capitalized by transferring it to retained earnings as the use of the asset or upon disposal of the asset, unless a transfer hasn't been already made during utilization period of the revaluated asset. Therefore at 30 September 2021 the revaluation surplus transferred to retained earnings is in amount of RON 128 million. Also the Company recognized a positive effect on the deferred tax asset in amount of RON 17.3 million related to the temporary differences resulting from the revaluation surplus, due to revaluation surplus transferred to retained earnings in 2018, 2019 and 2020.

11. EQUITY (continued)

11.4 OTHER RESERVES

Hybrid Loan

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

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into an unsecured hybrid loan, repayable after 51 years. During 2013, an additional USD 150 million were converted, the hybrid loan amounting to USD 950 million. The loan is unsecured, subordinated to any present and future liability of the company. At maturity the loan can be repaid in cash or fully or partially converted into shares at the option of the issuer. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively (as per the addendum to the hybrid loan contract concluded in May 2021):

- the company records net profit after tax for that year;
- the company will distribute dividends.

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

In 2017, an additional USD 72.2 million were converted to hybrid loan by conversion of a debt held in front of KMG International NV. The additional loan is unsecured, repayable after 51 years and subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 2% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively (as per the addendum to the hybrid loan contract concluded in May 2021):

- the company records net profit after tax for that year;
- the company will distribute dividends.

In 2017, the management carried out an assessment on the potential hybrid loan interest liability and recorded an amount of RON 57.2 million, based on the projected profitability of the business for the upcoming period. This liability was updated in 2018 to RON 69.3 million and no change in the interest assessment resulted for 2019. On annual basis, a reassessment of the future interest is performed with direct impact in the current year result.

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

12. TRADE AND OTHER PAYABLES

	September 30, 2021	December 31, 2020
Trade payables	3,566,468,780	2,475,463,085
VAT payable	557,366,890	737,727,968
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	(36,235)	(1,180)
Employees and social obligations	11,800,582	17,878,248
Other liabilities	1,575,939,889	1,516,249,146
Total	5,739,100,538	4,774,877,899

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

The cash pooling debt amounts to RON 1,569.32 million (2020: RON 1,511.15 million) and is recognised in "Other liabilities".

13. CONTRACT LIABILITIES

	September 30, 2021	December 31, 2020
Short-term advances from other customers	75,940,971	91,363,247
Total short-term advances	75,940,971	91,363,247

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

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14. SHORT-TERM LOANS

Short-term loan from related parties:

	September 30, 2021	December 31, 2020
KMG International N.V.	-	42,260,547
Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - 31 December 2020, assignment of receivables; real movable security interest over the investments in Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. The facility has been fully reimbursed in February 2021.		
Interest due	-	6,688,483
	-	48,949,030

Short-term loan from banks

	September 30, 2021	December 31, 2020
Banca Transilvania (overtaken from Bancpost)	67,944,577	90,353,995
Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is January 31, 2022; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m ² ; assignment of rights from insurance compensation.		
Banca Transilvania (overtaken from Bancpost)	3,801,424	29,147,217
Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on January 31, 2022; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS = EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.		
Interest due	176,986	416,143
	71,922,986	119,917,355
Syndicated loan – through Unicredit Bank as payer agent (Facility C)	213,265,000	89,986,686
Syndicated loan – auxiliary component representing overdraft loan granted by Unicredit Bank	9,360,083	-
Syndicated loan – auxiliary component representing overdraft loan granted by ING BANK	7,736,636	-
TOTAL	302,284,705	209,904,041

15. LONG-TERM LOANS

	September 30, 2021	December 31, 2020
Syndicated loan – through Unicredit Bank as payer agent		
Up to USD 435 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Rompetro Rafinare, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2022 and (III) USD 120 million uncommitted with the maturity date is April 23, 2022. The facility is secured by: inventories, receivables, gas stations, depots and current accounts.		
	613,832,513	570,759,324

The movement of loans in the first 9 months of the year 2021 is presented below:

	At January 01, 2021	Movement	At September 30, 2021
Long-term borrowings from banks	570,759,324	43,073,189	613,832,513
Short-term borrowings from banks	209,487,898	92,619,821	302,107,719
Short-term borrowings from shareholders and related parties	42,260,547	(42,260,547)	-
Total	822,507,769	93,432,463	915,940,232
Interest short-term borrowings from banks	416,143	(239,157)	176,986
Interest short-term borrowings from shareholders and related parties	6,688,483	(6,688,483)	-
Total	7,104,626	(6,927,640)	176,986

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16. LEASE DEBTS

	2021	2020
Opening balance at 01 January	59,524,287	11,820,321
Additions	879,934	920,685
Re-measurement	103,665	46,855,278
Payments	(3,499,781)	(4,383,624)
Interest accrued	1,441,019	619,635
Exchange rate impact	977,568	194,647
Other changes	-	3,497,345
As at 30 September / 31 December	59,426,692	59,524,287
Non-current	56,791,371	56,981,732
Current	2,635,322	2,542,555

17. PROVISIONS

The movement of the provisions is presented below:

	As at 1 January 2021	Other comprehensive income	Arising during the year	Unwinding of discount	As at 30 September 2021
Provision for litigations	1,705,380	-	-	-	1,705,380
Retirement benefit provision	55,555,814	-	-	-	55,555,814
Environmental provision	239,773,706	-	-	-	239,773,706
Total	297,034,901	-	-	-	297,034,901

Environmental provision

As of 31 December 2020, the Company recognized an environmental provision of RON 239.8 million. Total costs incurred during 2020: RON 25.8 million. At the end of 2020, a re-assessment of the site restoration provision was performed by considering the work done during the year, the updated variable indicators (e.g. exchange rate and discount rate) and the purchase prices (estimated for the full project by using the actual prices from the agreements in place for lagoons 16 and 17). The results of the reassessment lead to a reversal of provision in amount of RON 32.0 million being mainly generated by the actual costs incurred during 2020, partially offset by the unwinding effect of RON 8.2 million.

Retirement obligations provision

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

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

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18. NET REVENUES FROM CONTRACT WITH CUSTOMERS

	January - September 2021		TOTAL January - September 2021	January - September 2020		TOTAL January - September 2020
	Refining	Petrochemicals		Refining	Petrochemicals	
Gross revenues from the sale of finished oil products	10,594,263,979	596,171,745	11,190,435,724	8,406,526,265	426,800,738	8,833,327,003
Revenues from petroleum products trading	265,470,240	-	265,470,240	-	-	-
Revenues from petrochemicals trading	-	2,974,712	2,974,712	-	1,417,816	1,417,816
Revenues from other merchandise sales	1,132,484	-	1,132,484	1,258,355	-	1,258,355
Revenues from utilities sold	6,987,766	-	6,987,766	6,457,124	-	6,457,124
Revenues from the sale other products	894,462	-	894,462	398,214	-	398,214
Revenues from other services	11,666,854	-	11,666,854	11,751,344	-	11,751,344
Gross Revenues	10,880,415,785	599,146,457	11,479,562,242	8,426,391,302	428,218,553	8,854,609,856
Less sales taxes	(3,183,482,021)	-	(3,183,482,021)	(2,781,632,961)	-	(2,781,632,961)
Total	7,696,933,764	599,146,457	8,296,080,222	5,644,758,341	428,218,553	6,072,976,894

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19. COST OF SALES

	January - September 2021	January - September 2020
Crude oil and other raw materials	7,190,266,586	5,657,841,382
Consumables and other materials	32,678,069	39,906,806
Utilities	282,140,147	304,724,833
Staff costs	63,716,682	78,439,728
Transportation	58,787	49,489
Maintenance	57,756,645	73,911,986
Insurance	4,112,303	4,992,197
Environmental expenses	21,362,376	31,949,315
Other	34,178,829	38,845,142
Cash production cost	7,686,270,425	6,230,660,878
Depreciation and amortization	200,434,557	204,513,979
Production costs	7,886,704,983	6,435,174,857
Less: Change in inventories	(176,854,750)	208,062,585
Less: Own production of property, plant & equipment	(1,963,288)	(20,836,055)
Cost of petroleum products trading	274,329,674	-
Cost of petrochemicals trading	2,568,190	1,875,608
Cost of other merchandise sales	1,070,624	1,199,890
Cost of utilities sold	7,170,423	5,817,603
Realised (gains)/losses on derivatives	71,265,803	(228,166,176)
Total	8,064,291,660	6,403,128,312

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

	January - September 2021	January - September 2020
Staff costs	37,439,978	32,595,304
Utilities	40,192,592	14,738,179
Transportation	30,757,876	35,314,541
Professional and consulting fees	35,865,733	45,740,073
Consumables	1,510,108	1,212,180
Marketing	3,835	106,325
Taxes	3,232,900	3,224,911
Communications	32,200	37,102
Insurance	2,179,167	2,157,720
IT related expenditures	5,701,818	5,463,453
Environmental expenses	14,738,133	19,140,164
Maintenance	19,402,059	12,382,072
Fees and penalties	11,202,458	9,671,207
Other expenses	36,622,134	30,796,773
Costs before depreciation	238,880,990	212,580,004
Depreciation and amortisation	90,488,213	56,793,389
Total	329,369,203	269,373,394

21. OTHER OPERATING (INCOME) / EXPENSES, NET

	January - September 2021	January - September 2020
Loss / (gain) from impairment of tangible assets, net	42,072,894	-
Loss / (gain) from receivables (including provisions and write-off), net	(1,939,937)	(131,862)
Loss / (gain) from provision for inventories and write-off, net	6,182,018	(11,005,849)
Other expenses / (income), net	26,796,904	(354,056)
Total	73,111,878	(11,491,767)

As a result of the incident at Petromidia refinery from July 02, 2021, a reserve for impairment of tangible assets in amount of RON 42.1 million was booked in the Company's accounting.

22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January - September 2021	January - September 2020
Finance cost		
Interest expense	34,401,236	29,490,435
Interest expense shareholders and related parties	47,202,820	35,699,964
Other financial expense	43,057,866	72,502,002
	124,661,921	137,692,401
Finance income		
Interest income	(5,764,373)	(3,452,120)
Other financial income	(2,185,333)	(10,028,762)
	(7,949,706)	(13,480,883)
Finance cost / (income), net	116,712,216	124,211,519
Unrealized net foreign exchange losses/(gains)	216,552,298	(28,205,561)
Realized net foreign exchange losses/(gains)	50,586,706	(31,032,569)
Foreign exchange (gain)/loss, net	267,139,004	(59,238,130)
Total	383,851,220	64,973,388

23. INCOME TAX

The income tax rate was 16% in first 9 months of the year 2021 and 2020.

DEFERRED TAX

	Balance at 1 January 2021	Charged to Profit & loss	Charged to Equity	Balance at 30 September 2021
Temporary differences				
Asset/Liability				
Property, plant and equipment	1,148,740,095	-	-	1,148,740,095
Provisions	(239,773,708)	-	-	(239,773,708)
Fiscal loss	(850,106,219)	-	-	(850,106,219)
Total temporary differences (Asset) / Liability	58,860,169	-	-	58,860,169
Property, plant and equipment	183,798,415	-	-	183,798,415
Provisions	(38,363,793)	-	-	(38,363,793)
Fiscal loss	(136,016,995)	-	-	(136,016,995)
Deferred tax (assets)/ liability recognised	9,417,626	-	-	9,417,626

Contingencies related to taxation

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

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

24. OPERATING SEGMENT INFORMATION

Geographical segments

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

	January - September 2021	January - September 2020
Romania	5,781,955,438	4,070,672,593
Europe	2,413,040,527	1,892,314,616
Asia	97,141,708	92,580,126
America	3,942,548	17,409,559
Total	8,296,080,222	6,072,976,894

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25. RELATED PARTIES

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

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

Note: there are also 9 branches and representatives

25. RELATED PARTIES (continued)

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

A. At 30 September 2021 and 31 December 2020, Rompetrol Rafinare had the following balances with the related parties:

	Receivables and other assets	
	September 30, 2021	December 31, 2020
KazMunayGas Trading AG	133,559,078	123,320,649
Rompetrol Downstream S.R.L	855,561,125	509,401,057
Rompetrol Petrochemicals S.R.L.	481	481
KMG International N.V.	7,077,355	10,150,180
Rompetrol Moldova ICS	28,454,937	-
Rompetrol Bulgaria JSC	10,842,444	2,110,141
Rominserv S.R.L.	900,283	9,474,667
Rompetrol Quality Control S.R.L.	148,556	145,177
Rompetrol Logistics S.R.L	2,864	3,015
Midia Marine Terminal S.R.L.	670,575	899,856
Uzina Termoelectrica Midia S.A.	4,244,031	8,964,455
KMG Rompetrol SRL	78,060,091	78,840,453
Global Security Systems S.A.	607,539	606,223
Kazmunaygas – Engineering LLP (former Rominserv Kazakhstan(RKZ))	717,283	666,950
Palplast S.A.	2,648,458	2,800,002
Byron Shipping Ltd.	1,977	2,802
Rompetrol Ukraina	16,151	15,018
Oilfield Exploration Business Solutions S.A.	3,019,804	3,026,298
Rompetrol Financial Group SRL	11,039	10,760
KMG Rompetrol Services Center SRL	53,913	50,933
KMG ROMPETROL DEVELOPMENT (RDV)	636,114	-
Total	1,127,234,098	750,489,117

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25. RELATED PARTIES (continued)

	Payables, loans and other liabilities	
	September 30, 2021	December 31, 2020
KazMunayGas Trading AG	3,258,185,191	1,979,547,932
Rompetrol Downstream S.R.L	20,175,771	66,410,166
Rompetrol Petrochemicals S.R.L.	8,315,590	1,334,066
KMG International N.V.- loans(note14)	-	42,260,547
KMG International N.V.-interest	-	6,688,483
KMG International N.V.-trade debts	16,402,573	20,814,163
Rompetrol Gas SRL	19,389,101	19,021,537
Rompetrol Moldova ICS	44,000,445	13,299,899
Rominerv S.R.L.	66,831,412	80,239,429
Rompetrol Quality Control S.R.L.	14,305,243	15,608,669
Rompetrol Logistics S.R.L	16,295	859,818
Midia Marine Terminal S.R.L.-trade debts	36,267,908	33,332,021
Uzina Termoelectrica Midia S.A.	11,992,051	22,657,670
KMG Rompetrol SRL- debt cash pooling	1,564,155,992	1,507,235,473
KMG Rompetrol SRL-interest cash pooling	5,162,349	3,911,685
KMG Rompetrol SRL-trade debts	4,695,812	11,172,810
Global Security Systems S.A.	617,912	614,628
Global Security Systems Fire Services S.R.L.	1,199,341	856,705
KMG Rompetrol Development	-	371,820
Rompetrol Exploration & Production S.R.L.	66	66
Palplast S.A.	3,304	-
Rompetrol Energy S.A.	3,907,662	-
KMG Rompetrol Services Center SRL	2,007,774	2,471,892
TRG Petrol Ticaret Anonim Sirketi	10,346	10,346
Total	5,077,642,138	3,828,719,827

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "Coordinating company" and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2022.

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25. RELATED PARTIES (continued)

In the first 9 months of the year 2021, respectively in the first 9 months of the year 2020, Rompetrol Rafinare had the following transactions with the related parties:

Name of related party	Nature of transaction , sales / purchases	Sales		Purchases	
		January - September 2021	January - September 2020	January - September 2021	January - September 2020
KazMunayGas Trading AG	Raw materials / Petroleum products	1,388,176,092	1,123,445,107	7,680,052,183	4,841,529,841
Rompetrol Downstream S.R.L.	Petroleum products, rent, utilities and other	4,177,868,875	2,669,606,377	1,617,210	1,650,393
KMG International N.V.	Loan interest, management services	-	-	6,885,294	8,967,867
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	212,229,271	205,005,961	436,222	2,417,244
Rompetrol Moldova ICS	Sales intermediary services	382,757,101	324,748,545	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	89,619,282	59,135,968	-	-
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	1,955,210	2,001,497	151,931,113	443,468,931
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services	1,058,397	1,895,890	22,688,223	22,758,399
Rompetrol Logistics S.R.L.	Transport, rent/Rent, utilities	11,022	8,610	123,243	123,243
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, re-invoicing, loan interest ,others	1,020,753	890,409	41,519,513	49,619,585
Rompetrol Well Services S.A.	Loan interest	-	-	155	387
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	44,397,571	50,137,467	75,678,847	87,251,263
KMG Rompetrol S.R.L.	Loan interest, management services	4,641,132	3,405,631	76,601,078	74,296,207
Global Security Systems S.A.	Security and protection services	1,106	1,293	6,177,628	6,123,859
Global Security Systems Fire Services S.R.L.	Security and protection services	-	-	5,476,803	-
Byron Shipping S.R.L.	Demurrage /Rent, re-invoices of other services	16,840	16,783	57,795	76,401
Rompetrol Financial Group SRL	Loan interest	-	-	-	63,517
Romol S.A.	Re-invoicing bank loan fees	-	-	3,304	-
KMG Rompetrol Services Center SRL	Shared services	396,281	416,951	13,027,721	13,098,473
TRG Petrol Ticaret Anonim Sirketi	Petroleum products	-	-	-	517
		6,304,148,934	4,440,716,489	8,082,276,332	5,551,446,127

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, based on a Government Ordinance, the Ministry of Economy Trade and Business Environment ("MECMA") became shareholder until May 2013 when, following the reorganization of MECMA, the Ministry of Economy ("ME") became the new shareholder. The ministry was later renamed as Ministry of Energy, Small- and Medium-sized Enterprises and Business Environment, afterwards renamed as Ministry of Economy, Energy and Business Environment according to the OUG 68/11.06.2019. Its current name is Ministry of Energy according to the OUG 212/2020.

As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the The Group. There are no transactions, balance sheets at the year-end in relation with MFPR, MECMA, ME and other Romanian authorities during the time of their affiliation, other than those arising from Romanian fiscal and legislation requirements.

26. EARNINGS PER SHARE

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

	January - September 2021	January - September 2020
Net profit (+), loss (-)	(554,543,739)	(653,006,432)
Average number of shares	44,109,205,726	44,109,205,726
Result per share - base (bani/share)	(1.26)	(1.48)

27. CONTINGENT LIABILITIES

Rompetrol Rafinare SA - Distressed Assets - Hybrid Conversion

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

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

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

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

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

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

27. CONTINGENT LIABILITIES (continued)

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

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

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

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of Petromidia and therefore there is no amount payable by the Refinery to the state, there is no object for the seizure. The Group reverted again in February 2020 to ANAF for lifting the seizure and pointed out there is no legal rationale to be maintained. Besides all of these, the seizure is still in place.

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

Following the sign off of the association agreement for the establishment of The Kazakh - Romanian Energy Investment Fund (between KazMunayGas International (KMGI) and Societatea de Administrare a Participațiilor în Energie (SAPE)), in accordance with the provisions of the Memorandum of Understanding, in October 2018, the investment period of 7 years is established between 2019 – 2025.

Contingencies – risk management and internal control

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

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

Whistleblowing incidents are taken very seriously by the Company and its directors. Any complaints or allegations received are investigated properly by the assigned departments. Rompetrol Rafinare has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. The internal investigations conducted during 2021 did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations.

28. LEGAL MATTERS

Litigation with the State involving criminal charges

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

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

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

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

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

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

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

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

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

On 12 April 2017, the companies submitted also their application by which they asked the dismissals of the allegations regarding the OUG 248/200 (regarding the privatization of Rompetrol Rafinare S.A.) and OUG 118/2003 (the issuance of bonds) taking into consideration the recent Constitutional Court decision no. 68/2017 by which the Court settled that the legislative process, as well as the aspects regarding the opportunity and/or lawfulness of a deed issued either by the Parliament and Government cannot be subject of a criminal inquiry and the Constitution provides other leverages assigned to other public authorities to control such kind of things. No reply received yet from DIICOT on this topic.

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

28. LEGAL MATTERS (continued)

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

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

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

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

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

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

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

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

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

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

28. LEGAL MATTERS (continued)

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

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

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

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

Against the maintenance of the criminal seizure on four installations of Rompetrol Rafinare SA, worth USD 106 million, the company filed a civil action which, being judged in the council chamber, was admitted in part in contradiction with AVAS, but was rejected in contradiction with Faber. Rompetrol Rafinare S.A. filed an appeal against the rejection solution.

On the other hand, Faber resumed one of the older files by which Faber challenged the increasing of the Rompetrol Rafinare S.A. share capital back in 2003 - 2005. The hearing was scheduled for April 14 but the case has been suspended due to the emergency enforced since 16 March 2020. On July 20, 2021, Ialomita Tribunal rejected Faber's and Balkan's claim.

Also, please note that in December 2020, Faber resumed some files out of those suspended back in 2005/2006. The hearings are scheduled during May 2021. By the Decisions pronounced by the Constanta Tribunal, respectively the Constanta Court of Appeal, the exceptions invoked by Rompetrol Rafinare were admitted, the actions were found as obsolete and the requests for resuming the claims as being formulated by a person without quality. Briefly, the files regard the followings:

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

Plus, Faber submitted a request for the revision of a decision by which the court closed a file being out of date/obsolete (when Court asked the plaintiff to do something and it doesn't within 6 months /1 year). On April 28, 2021, Constanta Tribunal admitted the exception raised by Rompetrol Rafinare and decided that the revision filed by Faber is late.

28. LEGAL MATTERS (continued)

Against the Decisions pronounced in the above cases, Faber together with Balkan filed appeals, some of them being already registered with the Constanta Court of Appeal, with trial terms being established during November and December 2021.

Litigation regarding CO2 emission allowances.

On 28 February 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2,577,938 CO2 emission certificates for the entire period 2008 - 2012 (Decision 69/CA/2011). This first decision issued by the Constanta Court of Appeal was challenged by the Ministry of Environment and The Romanian Government, but the appeals were rejected by the High Court of Cassation and Justice on 30 October 2012 and the first court decision became final.

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

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

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

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

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

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

Litigation between Rompetrol Rafinare and Navodari City Hall

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

28. LEGAL MATTERS (continued)

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

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

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

- a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint leads to an investigation launched in April 2016 by the Competition Council. Competition Council is entitled to acknowledge the violation by Administrația Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, the obligations resting upon it as administrator of port areas and supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. By Decision 21/2018, the Competition Council rejected the complaints formulated by Rompetrol Rafinare SA and Midia Marine Terminal SRL. Both companies challenged this decision at Bucharest Court of Appeal, first term being scheduled for May 13, 2019, in order to communicate to the parties the statement of defense issued by National Company "Administratia Porturilor Maritime" SA. Next term was established October 21, 2019, when the court dismissed the complaints filed by the plaintiffs. The solution was appealed by Rompetrol Rafinare SA and the first hearing was set by the High Court on April 12, 2022.

28. LEGAL MATTERS (continued)

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

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

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

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

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

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

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

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

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

28. LEGAL MATTERS (continued)

On June 24, 2020 the company received the prosecutor indictment from the Constanta Court. Taking in consideration that the court has been notified with a new indictment, for the third time the preliminary chamber procedure is to be carried out. On September 17, 2020 the judge of preliminary chamber rejected as unfounded the claims and exceptions made by all defendants- i.e. RR, RIS and individuals involved- and noted the legality of court investment with the indictment no 586/P/ 2016 of the Prosecutor's office attached to the Constanta Court of Appeal, of the administration of evidences and of the performance of criminal investigation and ordered the commencing of the trial. The court decision was appealed, the appeals were rejected, and the next hearing scheduled by Constanta court (Judecatoria) is on February 8th, 2022.

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

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

As at current date the maximum exposure, for each company, is in amount of USD 1.5 million (RON 6 million).

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of RON 1.7 million.

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

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

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

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

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

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

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

28. LEGAL MATTERS (continued)

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

The file was suspended, based on art. 42 point 6 of the Decree of the President of Romania no. 195 / 16.03.2020 regarding the establishment of the state of emergency on the territory of Romania and of the Decision of the Board of Management no. 4/18.03.2020 of the Court of Appeal Constanta, without performing any procedural act. Following the submission of the Expertise Report, ANAF submitted objections, Constanta Court of Appeal establishing a trial term on March 24, 2021 in order to discuss them. On April 28, 2021, Constanta Court of Appeal rejected Rompetrol Rafinare claim as ungrounded. The Company will file an appeal in 15 days after the motivated Decision will be communicated.

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

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

On July 2, 2021 there was an explosion followed by a fire at Petromidia refinery, Diesel Hydrotreatment Unit (in Romanian "instalatie Hidrofinare Petrol Motorina" hereinafter HPM plant). As a result of the incident, 1 (one) employee of the company died and 4 (four) employees was hospitalized in Constanta. Out of four, two employees were transferred at an Emergency Clinical Hospital in Bucharest and then were transferred for medical treatment to a specialized clinic abroad. Despite all efforts of the medical staff, the two colleagues who were transferred to a specialized medical unit abroad died.

The criminal investigations are carried out by the Prosecutor's Office attached to the Constanta Tribunal; a technical expertise is being carried out by INCD INSEMEX Petrosani, at the request of the criminal investigation bodies; in the criminal case the company has the quality of a civilly responsible party; hearings of the employees involved in the event are held. At the same time, the collective work accident is being investigated by the Territorial Labor Inspectorate according to the incident legislation.

29. COMMITMENTS

Environmental risks and obligation

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

Although Rompetrol Rafinare has provided for known environmental obligations that are probable and reasonably estimable, it is possible that the Company will continue to incur additional liabilities. The amount of additional future costs is not fully determinable due to factors such as unknown timing and extent of the corrective actions that may be required, if the case.

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

During 2019 and 2020, the Company advanced with the greening process of Vega lagoons and some major phases have been finalized while the foreseen completion date of the project is 30 June 2022. Progress and status of the project is reported on a regular basis to the environmental competent authorities. A revised environmental agreement for the project was issued in January 2021 out of which there are no material additional obligations for the Company. In August 2021, a new selection procedure was initiated in order to assign the rehabilitation works of lagoons 7-15 respectively 19-20, to 2 contractors in order to optimize the rehabilitation works.

During 2020, Rompetrol Rafinare has carried out the due diligence procedures in accordance with Law 74/2019 (for contaminated site) near the area of IAZ no.1 ("Vadu cassettes"). The process is ongoing and performed in accordance with the requirements of the competent environmental authorities ("EPA Constanta"). During 2021, a detailed investigation report was provided by the Company to the environmental authorities. Also, a decision which classify the area as a contaminated site was communicated by the competent authority for environmental protection and a feasibility study is being carried out.

As of 30 September 2021, the Company recognized a provision for restoration costs related to Vega Refinery, see Note 17.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

A. CAPITAL RISK

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of bank debt and shareholder loans (see Notes 14 and 15), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the "Statement of Changes in the Shareholders' Equity".

B. GEARING RATIO

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

	September 30, 2021	December 31, 2020
Long-term borrowings	613,832,513	570,759,324
Total equity	770,848,004	1,335,607,145
Gearing ratio	79.63%	42.73%

C. FINANCIAL INSTRUMENTS

	September 30, 2021	December 31, 2020
Financial assets		
Trade receivables and other receivables	1,142,425,361	950,339,667
Derivatives	227,072	-
Cash and bank accounts	126,711,887	365,595,493
TOTAL FINANCIAL ASSETS	1,269,364,320	1,315,935,160

	September 30, 2021	December 31, 2020
Financial liabilities		
Short term borrowings from shareholders and related parties	-	48,949,030
Derivatives	54,234,660	617,651
Commercial liabilities and other liabilities	5,149,380,409	4,002,009,686
Short term loans	302,284,705	209,904,041
Long term borrowings from banks	613,832,513	570,759,324
Lease debts	59,426,692	59,524,286
TOTAL FINANCIAL LIABILITIES	6,179,158,979	4,891,764,019

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

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

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

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

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Company enters into derivative financial instruments with various counterparties. As at 30 September 2021, the marked to market value of derivative position is for financial instruments recognised at fair value.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

Fair value hierarchy

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

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

	30 September 2021	Level 1	Level 2	Level 3
Financial assets				
Trade receivables and other receivables	1,142,425,361	-	1,142,425,361	-
Derivatives	227,072	-	227,072	-
Cash and bank accounts	126,711,887	126,711,887	-	-
TOTAL FINANCIAL ASSETS	1,269,364,320	126,711,887	1,142,652,433	-
Financial liabilities				
Derivatives	54,234,660	-	54,234,660	-
Commercial liabilities and other liabilities	5,149,380,409	-	5,149,380,409	-
Short term loans	302,284,705	-	302,284,705	-
Long term borrowings from banks	613,832,513	-	613,832,513	-
Lease debts	59,426,692	-	59,426,692	-
TOTAL FINANCIAL LIABILITIES	6,179,158,979	-	6,179,158,979	-

	31 December 2020	Level 1	Level 2	Level 3
Financial assets				
Trade receivables and other receivables	950,339,667	-	950,339,667	-
Cash and bank accounts	365,595,493	365,595,493	-	-
TOTAL FINANCIAL ASSETS	1,315,935,160	365,595,493	950,339,667	-
Financial liabilities				
Short term borrowings from shareholders and related parties	48,949,030	-	48,949,030	-
Derivatives	617,651	-	617,651	-
Commercial liabilities and other liabilities	4,002,009,686	-	4,002,009,686	-
Short term loans	209,904,041	-	209,904,041	-
Long term borrowings from banks	570,759,324	-	570,759,324	-
Lease debts	59,524,287	-	59,524,287	-
TOTAL FINANCIAL LIABILITIES	4,891,764,019	-	4,891,764,019	-

At 30 September 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

D. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

E. MARKET RISK

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

F. FOREIGN CURRENCY RISK MANAGEMENT

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

Crude oil imports, loans and a significant part of petroleum products are all denominated principally in US Dollars. Therefore, in respect of liabilities the Company is exposed to the risk of US dollar appreciation to the detriment of local currency, while in respect of foreign currency receivables, exposure arises in the context of depreciation of US dollar currency. Moreover, certain assets and liabilities are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Company Treasury is responsible for handling the Company foreign currency transactions.

G. FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

	USD		EUR	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
RON				
5%	(197,188,253)	(155,214,504)	2,847,895	9,902,374
-5%	197,188,253	155,214,504	(2,847,895)	(9,902,374)

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

H. INTEREST RATE RISK MANAGEMENT

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Company's borrowings, are provided in Note 14 and 15.

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

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 30 September 2021 would increase / decrease by RON 26.3 million (2020: increase / decrease by RON 21.2 million).

I. OIL PRODUCTS and RAW MATERIAL PRICE RISK

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

The operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as for the supply of petroleum products to its customers. Due to significantly increased volatility of crude oil prices, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Company started on January 2011 to hedge commodities held by Rompetrol Rafinare.

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

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

J. CREDIT RISK

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

Trade receivables

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

Financial instruments and bank deposits

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

31. SUBSEQUENT EVENTS

On 05 November 2021 The Extraordinary General Meeting of Shareholders („EGMS”) of Rompetrol Rafinare approved amendment and updating of the Articles of Incorporation of the Company as a result of the reduction of the share capital of the Company in accordance with the approvals of EGMS Resolution no. 7/2021 as of August 6, 2021 published in the Official Gazette of Romania, on 03 September 2021, for:

- reflecting the new shareholdings of significant shareholders of the Company, as follows:

„Art.1. Shareholders

1.1. The Shareholders of the Company are:

A. Significant Shareholders:

1) KMG International N.V. holds 12,778,577,732 shares, fully paid, amounting to 1,277,857,773.20 RON, representing 48.1136% of the share capital;

2) The Romanian State represented by the Ministry of Energy holds 11,870,877,580 shares, shares, fully paid, amounting to 1,187,087,758 RON, representing 44.6959% of the share capital.

B. Shareholders, each holding less than 10% of the share capital, holding together a number of 1,909,750,414 shares, fully paid, amounting to RON 190,975,041.40, representing 7.1905% of the share capital.”

- reflecting the new values of the Company's share capital:

“Art. 6. Share capital

6.1. The share capital of the company, fully subscribed and fully paid, is RON 2,655,920,572.60, of which RON 1,430,099,335.48 in-kind contribution and RON 1,225,821,237.12 cash contribution.

6.2. The share capital is represented by 26,559,205,726 registered shares, issued in dematerialized form, fully covered, each share having a nominal value of 0.1 RON.”

On 28 October 2021 was prolonged the existing Facility C in amount of USD 75,000,000 until 23 April 2022, facility which is part of the USD 435,000,000 syndicated facility agreement concluded with Unicredit, ING Bank, BCR and Raiffeisen Bank.

YEDIL UTEKOV
Chairman of the Board of Directors

DocuSigned by:

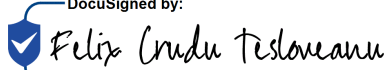
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RAMONA GEORGIANA GALATEANU
Financial Manager

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FELIX CRUDU-TESLOVEANU
General Manager

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Prepared by, Alexandru Cornel Anton
Chief Accountant

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