

**ROMPETROL RAFINARE SA**

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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

**30 SEPTEMBER 2021**

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED FINANCIAL STATEMENTS**

Prepared in accordance with

**International Financial Reporting Standards as endorsed by the European Union (EU)**  
**as at 30 September 2021**

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**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**for the period ended 30 September 2021**

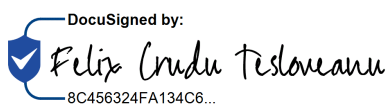
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
		USD	USD	RON	RON
				(supplementary info – see Note 2(e))	
Intangible assets	3	9,902,950	10,970,907	42,239,052	46,794,210
Goodwill	4	82,871,706	82,871,706	353,472,688	353,472,688
Property, plant and equipment	5	1,093,651,059	1,168,350,972	4,664,749,849	4,983,367,392
Right of use assets	7	80,489,797	76,543,589	343,313,132	326,481,373
Available for sale investments	8	18,623	18,583	79,432	79,262
Long-term receivable		3,663,259	4,143,035	15,624,900	17,671,287
<b>Total non current assets</b>		<b><u>1,270,597,394</u></b>	<b><u>1,342,898,792</u></b>	<b><u>5,419,479,051</u></b>	<b><u>5,727,866,212</u></b>
Inventories, net	9	391,994,233	202,167,399	1,671,973,001	862,304,607
Trade and other receivables	10	635,060,507	553,537,032	2,708,723,581	2,361,001,503
Derivative financial instruments	32.5	221,780	209,030	945,959	891,576
Cash and cash equivalents	11	57,410,115	100,655,956	244,871,364	429,327,849
<b>Total current assets</b>		<b><u>1,084,686,635</u></b>	<b><u>856,569,417</u></b>	<b><u>4,626,513,905</u></b>	<b><u>3,653,525,534</u></b>
<b>TOTAL ASSETS</b>		<b><u>2,355,284,029</u></b>	<b><u>2,199,468,209</u></b>	<b><u>10,045,992,956</u></b>	<b><u>9,381,391,746</u></b>
Share capital	12	1,463,323,897	1,463,323,897	6,241,515,417	6,241,515,417
Share premium	12	74,050,518	74,050,518	315,847,674	315,847,674
Revaluation reserve, net	12	120,627,907	125,410,659	514,514,211	534,914,084
Other reserves	12	(17,822,724)	(15,503,101)	(76,019,265)	(66,125,377)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,518,172,552	4,518,172,553
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,545,670,340)	(2,545,670,340)
Accumulated losses		(1,700,668,563)	(1,506,582,395)	(7,253,861,622)	(6,426,025,889)
Current year result		(57,008,477)	(199,779,921)	(243,158,256)	(852,121,297)
<b>Equity attributable to equity holders of the parent</b>		<b><u>344,955,893</u></b>	<b><u>403,372,993</u></b>	<b><u>1,471,340,371</u></b>	<b><u>1,720,506,825</u></b>
Non-Controlling interest		17,136,083	17,924,067	73,090,531	76,451,520
<b>Total equity</b>		<b><u>362,091,977</u></b>	<b><u>421,297,060</u></b>	<b><u>1,544,430,902</u></b>	<b><u>1,796,958,345</u></b>
Long-term borrowings from banks	13	240,000,000	240,000,000	1,023,672,000	1,023,672,000
Obligations under lease agreements	14	81,818,946	81,816,635	348,982,351	348,972,493
Deferred tax liabilities	15	3,428,809	4,339,808	14,624,897	18,510,583
Provisions	19	79,332,744	79,332,744	338,377,953	338,377,953
Other non-current liabilities		177,420	356,061	756,751	1,518,707
<b>Total non-current liabilities</b>		<b><u>404,757,919</u></b>	<b><u>405,845,248</u></b>	<b><u>1,726,413,952</u></b>	<b><u>1,731,051,736</u></b>
Trade and other payables	16	1,457,135,266	1,267,733,760	6,215,119,042	5,407,264,807
Contract liabilities	17	35,749,843	30,912,849	152,483,803	131,852,575
Derivative financial instruments	32.5	12,971,720	375,916	55,328,279	1,603,395
Obligations under lease agreements	14	4,488,899	4,003,884	19,146,501	17,077,766
Short-term borrowings from shareholders and related parties	18	-	12,342,166	-	52,643,041
Short-term borrowings from banks	18	70,878,245	52,949,083	302,316,977	225,843,723
Profit tax payable		7,210,161	4,008,243	30,753,499	17,096,359
<b>Total current liabilities</b>		<b><u>1,588,434,133</u></b>	<b><u>1,372,325,901</u></b>	<b><u>6,775,148,101</u></b>	<b><u>5,853,381,665</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>2,355,284,029</u></b>	<b><u>2,199,468,209</u></b>	<b><u>10,045,992,956</u></b>	<b><u>9,381,391,746</u></b>

**YEDIL UTEKOV**  
**CHAIRMAN of the BOARD of DIRECTORS**

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**GENERAL MANAGER**

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**FINANCE MANAGER**

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**ROMPETROL RAFINARE SA**  
**CONSOLIDATED INCOME STATEMENT**  
**for the period ended 30 September 2021**


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

	Notes	<u>September 30,</u> <u>2021</u> USD	<u>September 30,</u> <u>2020</u> USD	<u>September 30,</u> <u>2021</u> RON	<u>September 30,</u> <u>2020</u> RON
				(supplementary info – see Note 2(e))	
Revenues from contract with customers	20	2,332,998,503	1,698,220,175	9,950,938,515	7,243,418,512
Cost of sales	21	(2,155,620,951)	(1,645,203,106)	(9,194,370,041)	(7,017,284,809)
<b>Gross profit</b>		<b><u>177,377,552</u></b>	<b><u>53,017,069</u></b>	<b><u>756,568,474</u></b>	<b><u>226,133,703</u></b>
Selling, general and administrative expenses, including logistic costs	22	(182,065,406)	(162,559,328)	(776,563,576)	(693,364,302)
Other operating income	23	9,016,045	48,866,960	38,456,137	208,432,244
Other operating expenses	23	(28,722,310)	(51,371,514)	(122,509,268)	(219,114,918)
<b>Operating profit/(loss)</b>		<b><u>(24,394,118)</u></b>	<b><u>(112,046,813)</u></b>	<b><u>(104,048,232)</u></b>	<b><u>(477,913,273)</u></b>
Finance cost	24	(45,255,119)	(44,393,939)	(193,026,661)	(189,353,468)
Finance income	24	13,465,010	9,404,708	57,432,307	40,113,901
Foreign exchange loss, net	24	3,104,940	(7,000,627)	13,243,501	(29,859,775)
<b>(Loss)/Profit before income tax</b>		<b><u>(53,079,287)</u></b>	<b><u>(154,036,671)</u></b>	<b><u>(226,399,085)</u></b>	<b><u>(657,012,615)</u></b>
Income tax	25	(4,717,172)	(2,151,694)	(20,120,155)	(9,177,620)
<b>(Loss)/Profit for the period</b>		<b><u>(57,796,460)</u></b>	<b><u>(156,188,365)</u></b>	<b><u>(246,519,239)</u></b>	<b><u>(666,190,235)</u></b>
<i>Attributable to:</i>					
Equity holders of the parent		(57,008,477)	(156,462,255)	(243,158,256)	(667,358,456)
Non-Controlling interests		(787,983)	273,890	(3,360,984)	1,168,221
<b>Earnings per share (US cents/share)</b>					
Basic	28	(0.1292)	(0.3547)	(0.5513)	(1.5129)

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**FINANCE MANAGER**

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**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the period ended 30 September 2021**

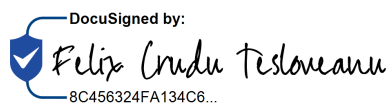
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	<b>2021</b> <b>USD</b>	<b>2020</b> <b>USD</b>	<b>2021</b> <b>RON</b> <i>(supplementary info – see Note 2(e))</i>	<b>2020</b> <b>RON</b>
<b>Net Gain/ (Loss) for the period</b>	<b><u>(57,796,460)</u></b>	<b><u>(156,188,365)</u></b>	<b><u>(246,519,239)</u></b>	<b><u>(666,190,235)</u></b>
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified income statement in subsequent periods (net of tax):</i>				
Hedge reserve	(2,319,623)	875,000	(9,893,888)	3,732,138
<b>Net other comprehensive income to be reclassified to income/(loss) statement in subsequent periods</b>	<b><u>(2,319,623)</u></b>	<b><u>875,000</u></b>	<b><u>(9,893,888)</u></b>	<b><u>3,732,138</u></b>
<b>Total other comprehensive income/ (loss) for the period, net of tax</b>	<b><u>(2,319,623)</u></b>	<b><u>875,000</u></b>	<b><u>(9,893,888)</u></b>	<b><u>3,732,138</u></b>
<b>Total comprehensive result for the period, net of tax</b>	<b><u>(60,116,083)</u></b>	<b><u>(155,313,365)</u></b>	<b><u>(256,413,127)</u></b>	<b><u>(662,458,098)</u></b>
<i>Attributable to:</i>				
Equity holders of the parent	(59,328,100)	(155,587,255)	(253,052,144)	(663,626,319)
Non-Controlling interests	(787,983)	273,890	(3,360,984)	1,168,221
<b>Total comprehensive result for the period</b>	<b><u>(60,116,083)</u></b>	<b><u>(155,313,365)</u></b>	<b><u>(256,413,127)</u></b>	<b><u>(662,458,098)</u></b>

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**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the period ended 30 September 2021**

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

	Notes	September 30, 2021 USD	September 30, 2020 USD	September 30, 2021 RON (supplementary info – see Note 2(e))	September 30, 2020 RON
<b>Result before income tax</b>		<b>(53,079,287)</b>	<b>(154,036,671)</b>	<b>(226,399,085)</b>	<b>(657,012,615)</b>
<i>Adjustments for:</i>					
Depreciation and impairment of property, plant and equipment and intangibles assets	21, 22	91,300,235	84,510,131	389,422,892	360,461,060
Depreciation and amortization of right-of-use assets	7	4,671,074	3,699,853	19,923,533	15,780,985
Provisions for receivables and inventories (incl write-off)	23	3,250,927	(1,782,911)	13,866,181	(7,604,650)
Impairment for property, plant and equipment (incl write-off)	23	10,207,621	8,260	43,538,566	35,231
Late payment interest	24	1,705,265	6,713	7,273,467	28,633
Other financial income	24	(2,033,592)	(1,258,603)	(8,673,880)	(5,368,319)
Unwinding of discount leasing	24	3,945,784	3,514,331	16,829,952	14,989,676
Interest income	24	(11,431,418)	(8,146,105)	(48,758,427)	(34,745,582)
Interest expense and bank charges		26,093,658	38,044,227	111,297,278	162,270,041
Gain on sale or disposal of property, plant and equipment	23	(316,860)	(317,360)	(1,351,501)	(1,353,636)
Unrealised foreign exchange (gain)/loss		(7,005,170)	2,834,509	(29,879,151)	12,090,031
<b>Cash from operations before working capital changes</b>		<b>67,308,238</b>	<b>(32,923,626)</b>	<b>287,089,826</b>	<b>(140,429,144)</b>
<i>Net working capital changes:</i>					
Receivables and prepayments		(70,336,708)	25,667,121	(300,007,158)	109,477,972
Inventories		(194,084,794)	88,795,228	(827,829,870)	378,738,286
Trade and other payables and contract liabilities		93,039,819	159,876,098	396,842,737	681,919,525
<b>Change in working capital</b>		<b>(171,381,683)</b>	<b>274,338,447</b>	<b>(730,994,292)</b>	<b>1,170,135,783</b>
<b>Net cash provided by/(used in) operating activities</b>		<b>(104,073,445)</b>	<b>241,414,821</b>	<b>(443,904,465)</b>	<b>1,029,706,639</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(25,994,294)	(108,075,631)	(110,873,463)	(460,974,991)
Purchase of intangible assets		(1,104,786)	(2,195,284)	(4,712,244)	(9,363,545)
Proceeds from sale of property, plant and equipment		1,515,902	5,743,960	6,465,776	24,499,713
<b>Net cash used in investing activities</b>		<b>(25,583,178)</b>	<b>(104,526,955)</b>	<b>(109,119,931)</b>	<b>(445,838,823)</b>
<b>Cash flows from financing activities</b>					
Cash pooling movement		103,663,563	(13,100,711)	442,156,200	(55,878,463)
Long - term loans received from banks		30,131,418	23,418,026	128,519,539	99,884,906
Long - term loans repaid to banks		(30,131,418)	(63,756,436)	(128,519,539)	(271,940,326)
Short - term loans (repaid to) / received from related parties		(10,655,710)	(10,733,359)	(45,449,800)	(45,780,996)
Short - term loans (repaid to) / received from banks, net		18,008,233	2,508,635	76,810,515	10,700,081
Lease repayments		(7,998,897)	(6,859,776)	(34,117,694)	(29,259,003)
Interest and bank charges paid, net		(16,606,407)	(31,198,021)	(70,831,310)	(133,068,919)
<b>Net cash from/ (used) in financing activities</b>		<b>86,410,782</b>	<b>(99,721,642)</b>	<b>368,567,911</b>	<b>(425,342,720)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>(43,245,841)</b>	<b>37,166,224</b>	<b>(184,456,485)</b>	<b>158,525,096</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>100,655,956</b>	<b>13,196,424</b>	<b>429,327,849</b>	<b>56,286,706</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>57,410,115</b>	<b>50,362,648</b>	<b>244,871,364</b>	<b>214,811,803</b>

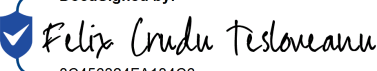
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**FELIX CRUDU TESLOVEANU**  
**GENERAL MANAGER**

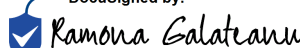
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**RAMONA-GEORGIANA GALATEANU**  
**FINANCE MANAGER**

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**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the period ended 30 September 2021**

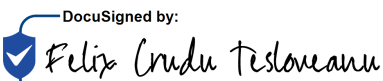
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

**Amount in USD**

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated losses</u>	<u>Revaluation reserves</u>	<u>Deferred income tax related to revaluation, recognised in equity</u>	<u>Effect of transfers with equity holders</u>	<u>Other reserves</u>	<u>Equity attributable to equity holders of the parent</u>	<u>Non-Controlling interest</u>	<u>Total equity</u>
<b>31 December 2019</b>	<b><u>1,463,323,897</u></b>	<b><u>74,050,518</u></b>	<b><u>(1,514,772,382)</u></b>	<b><u>155,307,411</u></b>	<b><u>(25,118,634)</u></b>	<b><u>(596,832,659)</u></b>	<b><u>1,046,837,175</u></b>	<b><u>602,795,326</u></b>	<b><u>16,731,538</u></b>	<b><u>619,526,864</u></b>
Net loss for 2020	-	-	(156,462,255)	-	-	-	-	(156,462,255)	273,890	(156,188,365)
Hedging reserves	-	-	-	-	-	-	875,000	875,000	-	875,000
<b>Total other comprehensive income</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b><u>875,000</u></b>	<b><u>875,000</u></b>	<b>≡</b>	<b><u>875,000</u></b>
<b>Total comprehensive income</b>	<b>≡</b>	<b>≡</b>	<b><u>(156,462,255)</u></b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b><u>875,000</u></b>	<b><u>(155,587,255)</u></b>	<b><u>273,890</u></b>	<b><u>(155,313,365)</u></b>
Effect of applying IFRS 16	-	-	(379,489)	-	-	-	-	(379,489)	-	(379,489)
Transfer of realised revaluation reserve to Retained Earnings	-	-	5,812,912	(5,812,912)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	840,226	-	-	840,226	-	840,226
<b>30 September 2020</b>	<b><u>1,463,323,897</u></b>	<b><u>74,050,518</u></b>	<b><u>(1,665,801,214)</u></b>	<b><u>149,494,499</u></b>	<b><u>(24,278,408)</u></b>	<b><u>(596,832,659)</u></b>	<b><u>1,047,712,175</u></b>	<b><u>447,668,808</u></b>	<b><u>17,005,428</u></b>	<b><u>464,674,236</u></b>
<b>31 December 2020</b>	<b><u>1,463,323,897</u></b>	<b><u>74,050,518</u></b>	<b><u>(1,706,362,316)</u></b>	<b><u>149,619,175</u></b>	<b><u>(24,208,516)</u></b>	<b><u>(596,832,659)</u></b>	<b><u>1,043,782,894</u></b>	<b><u>403,372,993</u></b>	<b><u>17,924,067</u></b>	<b><u>421,297,060</u></b>
Net loss for 2021	-	-	(57,008,477)	-	-	-	-	(57,008,477)	(787,983)	(57,796,460)
Hedging reserves	-	-	-	-	-	-	(2,319,623)	(2,319,623)	-	(2,319,623)
<b>Total other comprehensive income</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b><u>(2,319,623)</u></b>	<b><u>(2,319,623)</u></b>	<b>≡</b>	<b><u>(2,319,623)</u></b>
<b>Total comprehensive income</b>	<b>≡</b>	<b>≡</b>	<b><u>(57,008,477)</u></b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b><u>(2,319,623)</u></b>	<b><u>(59,328,100)</u></b>	<b><u>(787,983)</u></b>	<b><u>(60,116,083)</u></b>
Transfer of realised revaluation reserve to Retained Earnings	-	-	5,693,752	(5,693,752)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	911,000	-	-	911,000	-	911,000
<b>30 September 2021</b>	<b><u>1,463,323,897</u></b>	<b><u>74,050,518</u></b>	<b><u>(1,757,677,040)</u></b>	<b><u>143,925,423</u></b>	<b><u>(23,297,516)</u></b>	<b><u>(596,832,659)</u></b>	<b><u>1,041,463,271</u></b>	<b><u>344,955,893</u></b>	<b><u>17,136,083</u></b>	<b><u>362,091,977</u></b>

**YEDIL UTEKOV**  
**CHAIRMAN of the BOARD of DIRECTORS**

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**FELIX CRUDU-TESTOVEANU**  
**GENERAL MANAGER**

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**FELIX CRUDU-TESTOVEANU**

**RAMONA-GEORGIANA GALATEANU**  
**FINANCE MANAGER**

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

**ROMPETROL RAFINARE SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the period ended 30 September 2021**

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

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated losses</u>	<u>Revaluation reserves</u>	<u>Deferred income tax related to revaluation, recognised in equity</u>	<u>Effect of transfers with equity holders</u>	<u>Other reserves</u>	<u>Equity attributable to equity holders of the parent</u>	<u>Non-Controlling interest</u>	<u>Total equity</u>
<b>31 December 2019</b>	<b><u>6,241,515,417</u></b>	<b><u>315,847,674</u></b>	<b><u>(6,460,958,641)</u></b>	<b><u>662,432,700</u></b>	<b><u>(107,138,510)</u></b>	<b><u>(2,545,670,340)</u></b>	<b><u>4,465,074,603</u></b>	<b><u>2,571,102,903</u></b>	<b><u>71,365,029</u></b>	<b><u>2,642,467,932</u></b>
Net loss for 2020	-	-	(667,358,456)	-	-	-	-	(667,358,456)	1,168,221	(666,190,235)
Hedging reserves	-	-	-	-	-	-	3,732,138	3,732,138	-	3,732,138
<b>Total other comprehensive income</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b><u>3,732,138</u></b>	<b><u>3,732,138</u></b>	<b>≡</b>	<b><u>3,732,138</u></b>
<b>Total comprehensive income</b>	<b>≡</b>	<b>≡</b>	<b><u>(667,358,456)</u></b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b><u>3,732,138</u></b>	<b><u>(663,626,319)</u></b>	<b><u>1,168,221</u></b>	<b><u>(662,458,098)</u></b>
Effect of applying IFRS 16	-	-	(1,618,634)	-	-	-	-	(1,618,634)	-	(1,618,634)
Transfer of realised revaluation reserve to Retained Earnings	-	-	24,793,814	(24,793,814)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	3,583,816	-	-	3,583,816	-	3,583,816
<b>30 September 2020</b>	<b><u>6,241,515,417</u></b>	<b><u>315,847,674</u></b>	<b><u>(7,105,141,918)</u></b>	<b><u>637,638,887</u></b>	<b><u>(103,554,694)</u></b>	<b><u>(2,545,670,340)</u></b>	<b><u>4,468,806,740</u></b>	<b><u>1,909,441,765</u></b>	<b><u>72,533,250</u></b>	<b><u>1,981,975,015</u></b>
<b>31 December 2020</b>	<b><u>6,241,515,417</u></b>	<b><u>315,847,674</u></b>	<b><u>(7,278,147,184)</u></b>	<b><u>638,170,667</u></b>	<b><u>(103,256,583)</u></b>	<b><u>(2,545,670,340)</u></b>	<b><u>4,452,047,175</u></b>	<b><u>1,720,506,826</u></b>	<b><u>76,451,514</u></b>	<b><u>1,796,958,340</u></b>
Net loss for 2021	-	-	(243,158,256)	-	-	-	-	(243,158,256)	(3,360,984)	(246,519,239)
Hedging reserves	-	-	-	-	-	-	(9,893,888)	(9,893,888)	-	(9,893,888)
<b>Total other comprehensive income</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b><u>(9,893,888)</u></b>	<b><u>(9,893,888)</u></b>	<b>≡</b>	<b><u>(9,893,888)</u></b>
<b>Total comprehensive income</b>	<b>≡</b>	<b>≡</b>	<b><u>(243,158,256)</u></b>	<b>≡</b>	<b>≡</b>	<b>≡</b>	<b><u>(9,893,888)</u></b>	<b><u>(253,052,144)</u></b>	<b><u>(3,360,984)</u></b>	<b><u>(256,413,127)</u></b>
Transfer of realised revaluation reserve to Retained Earnings	-	-	24,285,562	(24,285,562)	-	-	-	-	-	-
Deferred tax related to realised revaluation reserve transferred to Retained Earnings	-	-	-	-	3,885,689	-	-	3,885,689	-	3,885,689
<b>30 September 2021</b>	<b><u>6,241,515,417</u></b>	<b><u>315,847,674</u></b>	<b><u>(7,497,019,878)</u></b>	<b><u>613,885,106</u></b>	<b><u>(99,370,895)</u></b>	<b><u>(2,545,670,340)</u></b>	<b><u>4,442,153,287</u></b>	<b><u>1,471,340,371</u></b>	<b><u>73,090,531</u></b>	<b><u>1,544,430,902</u></b>

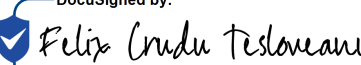
YEDIL UTEKOV  
CHAIRMAN of the BOARD of DIRECTORS

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RAMONA-GEORGIANA GALATEANU  
FINANCE MANAGER

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GENERAL MANAGER

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



**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 September 2021**

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

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**1. GENERAL**

Rompetrol Rafinare SA (hereinafter referred to as “the Parent Company” or “the Company” or “the Parent” or “RRC”) is a company incorporated under Romanian law. The Parent Company operates Petromidia and Vega refineries. Petromidia refinery, located on the Black Sea coast, processes imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975 - 1977 and was further modernized in the early 1990's and from 2005 to 2012.

Rompetrol Rafinare SA and its subsidiaries (hereinafter referred to as “the Group”) are involved in refining of oil, production of petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 8). The number of employees of the Group at the end of September 2021 and December 2020 was 1,853 and 1,848 respectively.

The registered address of Rompetrol Rafinare SA is Bd. Navodari no. 215, Navodari, Constanta, Romania. Rompetrol Rafinare SA and its subsidiaries are part of KMG International N.V. group with its registered address located at World Trade Centre, Strawinskylaan 807, Tower A, 8th floor, 1077 XX Amsterdam, the Netherlands.

The Group's ultimate parent company is “National Welfare Fund Samruk Kazyna” JSC, an entity with its headquarters in Kazakhstan, owned company of the Republic of Kazakhstan.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), effective as of 30 September 2021, as endorsed by the European Union (“EU”).

The consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments and buildings and constructions that have been measured at fair value.

The consolidated financial statements provide comparative information in respect of the previous period.

**b) Going concern**

The financial statements of the Group are prepared on a going concern basis. As at 30 September 2021 and 31 December 2020 the Group reported net assets including non-controlling interest, of USD 362.1 million and 421.3 million respectively. For the period ended 30 September 2021, the Group recorded losses in amount of USD 57 million (30 September 2020: loss of USD 156.5 million) and net current liabilities of USD 503.7 million (31 December 2020: net current liability of USD 515.8 million). The losses incurred during 2021 arise from operational losses USD 24.4 million (30 September 2020: operational loss USD 112 million) and financial losses USD 28.7 million (30 September 2020: financial loss USD 42 million).

The Parent Company, Rompetrol Rafinare SA has 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.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 September 2021**

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

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

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 and it will take effect 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 Company's Board of Directors.

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

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.

**c) Changes in accounting policies**

**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 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 has assessed there is no material impact at Group level from application of this standard.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 September 2021**

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

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

**d) Standards issued but not yet effective and not early adopted'**

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

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

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

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

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

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

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

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

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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 September 2021**

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

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

• **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 Group level from application of this amendments.

**e) Foreign currency translation**

The group's presentation currency is the US Dollar (or "USD") that is the functional currency of the Parent and is the currency of the industry in which the Group operates.

Transactions and balances not already denominated in USD, and that are measured in RON or other currencies, have been measured in USD as follows:

Monetary assets and liabilities

Cash and cash equivalents, receivables, payables and short-term loans have been translated into USD at the period-end exchange rate. Gain or loss on translation of these assets and liabilities is recorded in the income statement.

Non-monetary assets and liabilities

Non-monetary assets and liabilities are translated from their historical cost or valuation by applying the exchange rate USD / RON from the date of acquisition, valuation or contribution to the statement of financial position.

Consolidated statement of income

Consolidated statement of income items has been translated applying the exchange rate from the month when the items were initially recorded to the consolidated income statement.

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

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 September 2021**

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

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

Other matters

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

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

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 30 September 2021 closing exchange rate published by Romanian national Bank of RON 4.2653 = USD 1, for both 2021 and 2020 amounts. Translation is performed for all primary statements using the closing exchange rate.

**f) Significant accounting judgments, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the assets or liabilities affected in the future periods.

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

The matters presented below are considered to be the most important in understanding the judgments that are involved in preparing these consolidated financial statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cash flows.

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

- Impairment of Goodwill on acquisitions

The Group's annual impairment test at 31 December for goodwill is based on fair value less costs to sell calculations that use a discounted cash flow model for the CGU to which Goodwill has been allocated. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to undertake. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes (Note 4).

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 September 2021**

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

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

- Impairment of non-financial assets

The Group assesses annual at 31 December whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment and right of use assets are tested for impairment. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

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

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

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

- Provision for environmental liability

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

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

- Deferred tax assets

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

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

Further details on deferred tax assets and for those losses carried forward for which deferred tax assets has not been recognized are provided in Notes 15 and 25.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 September 2021**

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

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

- Carrying value of trade and other receivables

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

- Provision for litigations

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

Further details on the provisions relating to litigations are provided in Notes 19, 23 and 30.

- Hybrid loan interest payable

The Group has unsecured hybrid loans subscribed by KMG International N.V., for which interest is computed based on the company's annual EBIT (operational profit) and becomes payable if the below conditions are met cumulatively:

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

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

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

**g) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 30 September 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If a Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

**h) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquired a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group analyses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.



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

**i) Financial instruments**

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

*i. Financial assets*

**Initial recognition and measurement**

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

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

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

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

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

**Subsequent measurement**

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

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

**Financial assets at fair value through profit or loss**

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

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

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

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

**Derecognition**

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

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

Or

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

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

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

**Impairment of financial assets**

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

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

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

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

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

*ii. Financial liabilities*

**Initial recognition and measurement**

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

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

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

**Subsequent measurement**

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

- Financial liabilities at fair value through profit or loss;
- Loans and borrowings at amortized cost.

**Derecognition**

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

*iii. Offsetting of financial instruments*

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

**j) Property, plant and equipment**

Property, plant and equipment of the Company are stated at cost less cumulative depreciation, except for buildings that are periodically (not later than 5 years) revalued and measured at fair value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been commissioned, such as repairs and maintenance are charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

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

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

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes cost of construction and other direct costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation for property, plant and equipment except land and construction in progress is computed using the straight-line method over the following estimated useful lives.

	<u>Years</u>
Buildings and other constructions	10 to 100
Storage tanks	20 to 30
Tank cars	25
Machinery and other equipment	3 to 20
Gas pumps	8 to 12
Vehicles	5
Furniture and office equipment	3 to 10
Computers	3

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

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

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

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

**k) Intangible assets**

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

Intangible assets consist of software and licenses and are amortized on a straight-line basis over 3 to 5 years.

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

**l) Impairment of non-financial assets**

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

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

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

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

*Goodwill*

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicated that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

**m) Provisions**

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

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Additional comments on the following specific liabilities are:

- *Environmental liabilities*

Environmental expenditure that relates to current or future revenues is expensed or capitalized as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is expensed.

The Group has an environmental policy which complies with existing legislation and any obligations resulting from its environmental and operational licenses. In order to comply with all rules and regulations the Group has set up a monitoring system in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements.

The above-mentioned expenses are estimated based on the relevant environmental studies.

Liabilities for environmental remediation costs are recognized when environmental assessments or clean-ups are probable, and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

**n) Leases**

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

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

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

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

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The most significant category in right-of-used-assets refers to gas station buildings and equipment, land (on which the gas station is located) or rent for road utilization (for access to the gas station), for which the depreciation period is the lease contract term, from 25 up to 30 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section I) Impairment of non-financial assets.

**ii. Lease liabilities**

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

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

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

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

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

The Group's lease liabilities are included in Lease (see Note 14).

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

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

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

**o) Inventories**

Inventories of raw material, petroleum products, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, minus the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

**p) Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 9.

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

**q) Cash and cash equivalents**

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

**r) Revenue from contracts with customers**

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

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

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

*(i) Variable consideration*

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



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

*(ii) Volume rebates*

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

*(iii) Significant financing component*

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

**Contract balances**

Contract assets

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

Trade receivables

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

Contract liabilities

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

**s) Interest bearing loans and borrowings**

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

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

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

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

**t) Borrowings costs**

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

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

**u) Retirement benefit costs**

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

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

The Group has no other liabilities with respect to future pension, health and other costs for its employees.

**v) Taxes**

- *Current income tax*

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

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

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

- *Deferred tax*

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

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

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

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

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

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

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

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

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

- *Sales tax*

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

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

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

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

**w) Dividends**

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

**x) Foreign Currency Transactions**

The Group translates its foreign currency transactions and balances into functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of transaction. Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the consolidated income statement in the period they arise.

**y) Derivative Financial Instruments**

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

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

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

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

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

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

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

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

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

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

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

*Fair value hedge*

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

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

*Cash Flow Hedge*

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

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

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

**z) Emission Rights**

CO2 emission rights quota are allocated to the Group'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 Group accounts for the liability resulting from generating of these emissions using the net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective group companies. Income is recognized only when excess certificates are sold on the market.

**aa) Fair value measurement**

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

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

- In the principal market for the asset or liability;

Or

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

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

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

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

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

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

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

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

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

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

**ab) Current versus non-current classification**

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

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

**ac) Contingencies**

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

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

**3. INTANGIBLE ASSETS**

**Amounts in USD**

	<u>Software</u>	<u>Other</u>	<u>Intangibles in progress</u>	<u>Total</u>
<b>Cost</b>				
<b>Opening balance as of January 1, 2020</b>	<b><u>35,864,711</u></b>	<b><u>40,209,168</u></b>	<b><u>5,296,415</u></b>	<b><u>81,370,294</u></b>
Additions	10,278	306,183	2,672,640	2,989,101
Transfers from CIP	2,424,150	3,076,550	(5,500,700)	-
Transfers and reclassifications*	-	-	1,727,341	1,727,341
<b>Closing balance as of December 31, 2020</b>	<b><u>38,299,139</u></b>	<b><u>43,591,901</u></b>	<b><u>4,195,696</u></b>	<b><u>86,086,736</u></b>
Additions	-	-	1,104,786	1,104,786
Transfers from CIP	3,225,370	394,712	(3,620,082)	-
Transfers and reclassifications*	-	-	117,057	117,057
<b>Closing balance as of September 30, 2021</b>	<b><u>41,524,509</u></b>	<b><u>43,986,613</u></b>	<b><u>1,797,457</u></b>	<b><u>87,308,579</u></b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2020</b>	<b><u>(35,070,216)</u></b>	<b><u>(37,252,098)</u></b>	<b><u>(523,380)</u></b>	<b><u>(72,845,694)</u></b>
Charge for the year	(1,290,912)	(979,223)	-	(2,270,135)
<b>Closing balance as of December 31, 2020</b>	<b><u>(36,361,128)</u></b>	<b><u>(38,231,321)</u></b>	<b><u>(523,380)</u></b>	<b><u>(75,115,829)</u></b>
Charge for the year	(1,281,184)	(1,008,616)	-	(2,289,800)
<b>Closing balance as of September 30, 2021</b>	<b><u>(37,642,312)</u></b>	<b><u>(39,239,937)</u></b>	<b><u>(523,380)</u></b>	<b><u>(77,405,629)</u></b>
<b>Net book value</b>				
<b>As of December 31, 2020</b>	<b><u>1,938,011</u></b>	<b><u>5,360,580</u></b>	<b><u>3,672,316</u></b>	<b><u>10,970,907</u></b>
<b>As of September 30, 2021</b>	<b><u>3,882,197</u></b>	<b><u>4,746,676</u></b>	<b><u>1,274,077</u></b>	<b><u>9,902,950</u></b>

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

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

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**3. INTANGIBLE ASSETS (continued)**

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

	<u>Software</u>	<u>Other</u>	<u>Intangibles in progress</u>	<u>Total</u>
<b>Cost</b>				
<b>Opening balance as of January 1, 2020</b>	<b><u>152,973,752</u></b>	<b><u>171,504,164</u></b>	<b><u>22,590,799</u></b>	<b><u>347,068,715</u></b>
Additions	43,839	1,305,962	11,399,611	12,749,412
Transfers from CIP	10,339,727	13,122,409	(23,462,136)	-
Transfers and reclassifications*	-	-	7,367,628	7,367,628
<b>Closing balance as of December 31, 2020</b>	<b><u>163,357,318</u></b>	<b><u>185,932,535</u></b>	<b><u>17,895,902</u></b>	<b><u>367,185,755</u></b>
Additions	-	-	4,712,244	4,712,244
Transfers from CIP	13,757,171	1,683,565	(15,440,736)	-
Transfers and reclassifications*	-	-	499,282	499,282
<b>Closing balance as of September 30, 2021</b>	<b><u>177,114,488</u></b>	<b><u>187,616,100</u></b>	<b><u>7,666,693</u></b>	<b><u>372,397,281</u></b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2020</b>	<b><u>(149,584,992)</u></b>	<b><u>(158,891,373)</u></b>	<b><u>(2,232,373)</u></b>	<b><u>(310,708,738)</u></b>
Charge for the year	(5,506,127)	(4,176,681)	-	(9,682,808)
<b>Closing balance as of December 31, 2020</b>	<b><u>(155,091,119)</u></b>	<b><u>(163,068,053)</u></b>	<b><u>(2,232,373)</u></b>	<b><u>(320,391,545)</u></b>
Charge for the year	(5,464,634)	(4,302,050)	-	(9,766,684)
<b>Closing balance as of September 30, 2021</b>	<b><u>(160,555,753)</u></b>	<b><u>(167,370,103)</u></b>	<b><u>(2,232,373)</u></b>	<b><u>(330,158,229)</u></b>
<b>Net book value</b>				
<b>As of December 31, 2020</b>	<b><u>8,266,198</u></b>	<b><u>22,864,482</u></b>	<b><u>15,663,529</u></b>	<b><u>46,794,210</u></b>
<b>As of September 30, 2021</b>	<b><u>16,558,735</u></b>	<b><u>20,245,997</u></b>	<b><u>5,434,320</u></b>	<b><u>42,239,052</u></b>

**4. GOODWILL**

The carrying value of goodwill as of 30 September 2021 and 31 December 2020 was USD 82,871,706 (RON: 353,472,688).

The whole carrying amount of goodwill has been allocated to Downstream Romania Cash Generating Unit ("Downstream Romania CGU"). Two other cash generating units in the Group are: Refineries and Petrochemicals.

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

**Impairment test**

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2020 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.



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**5. PROPERTY, PLANT AND EQUIPMENT**

**Amounts in USD**

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost</b>						
<b>As of January 1, 2020</b>	<b><u>69,198,085</u></b>	<b><u>686,315,654</u></b>	<b><u>1,286,858,834</u></b>	<b><u>131,776,943</u></b>	<b><u>151,573,371</u></b>	<b><u>2,325,722,887</u></b>
Acquisitions	-	590,394	491,896	176,696	118,232,289	119,491,275
Transfers from CIP	372,949	29,943,496	85,530,114	5,586,894	(121,433,453)	-
Revaluation adjustment	-	2,501,751	-	-	-	2,501,751
Disposals	-	(4,568,601)	(14,078,619)	(2,634,497)	(49,275)	(21,330,992)
Transfers and reclassifications*	-	-	303	1,284	(1,823,761)	(1,822,174)
<b>As of December 31, 2020</b>	<b><u>69,571,034</u></b>	<b><u>714,782,694</u></b>	<b><u>1,358,802,528</u></b>	<b><u>134,907,320</u></b>	<b><u>146,499,171</u></b>	<b><u>2,424,562,747</u></b>
Additions	(2,150)	337,368	192,078	44,936	25,422,062	25,994,294
Transfers from CIP	22,060	20,630,154	52,230,121	4,545,703	(77,428,038)	-
Revaluation adjustment	-	-	-	-	-	-
Disposals	-	(774,788)	(223,647)	(277,633)	(21,459)	(1,297,527)
Transfers and reclassifications*	-	(2,270)	98,763	1,670	(375,272)	(277,109)
<b>As of September 30, 2021</b>	<b><u>69,590,944</u></b>	<b><u>734,973,158</u></b>	<b><u>1,411,099,843</u></b>	<b><u>139,221,996</u></b>	<b><u>94,096,464</u></b>	<b><u>2,448,982,405</u></b>
<b>Accumulated depreciation &amp; Impairment</b>						
<b>As of January 1, 2020</b>	<b><u>(78,373)</u></b>	<b><u>(182,861,249)</u></b>	<b><u>(830,162,192)</u></b>	<b><u>(103,169,761)</u></b>	<b><u>(29,496,409)</u></b>	<b><u>(1,145,767,984)</u></b>
Charge for the year	-	(39,163,338)	(70,182,127)	(8,364,526)	-	(117,709,991)
Accumulated depreciation of disposals	-	609,792	13,213,862	1,611,693	-	15,435,347
Impairment	(1,885,934)	(2,896,746)	(110,903)	-	(3,273,976)	(8,167,559)
Transfers and reclassifications*	-	-	(1,253)	(335)	-	(1,588)
<b>As of December 31, 2020</b>	<b><u>(1,964,307)</u></b>	<b><u>(224,311,541)</u></b>	<b><u>(887,242,613)</u></b>	<b><u>(109,922,929)</u></b>	<b><u>(32,770,385)</u></b>	<b><u>(1,256,211,775)</u></b>
Charge for the year	-	(30,216,871)	(52,688,872)	(6,104,692)	-	(89,010,435)
Accumulated depreciation of disposals	-	22,271	25,409	50,805	-	98,485
Impairment	-	-	(10,207,621)	-	-	(10,207,621)
<b>As of September 30, 2021</b>	<b><u>(1,964,307)</u></b>	<b><u>(254,506,141)</u></b>	<b><u>(950,113,697)</u></b>	<b><u>(115,976,816)</u></b>	<b><u>(32,770,385)</u></b>	<b><u>(1,355,331,346)</u></b>
<b>Net book value as of December 31, 2020</b>	<b><u>67,606,727</u></b>	<b><u>490,471,153</u></b>	<b><u>471,559,915</u></b>	<b><u>24,984,391</u></b>	<b><u>113,728,786</u></b>	<b><u>1,168,350,972</u></b>
<b>Net book value as of September 30, 2021</b>	<b><u>67,626,637</u></b>	<b><u>480,467,017</u></b>	<b><u>460,986,146</u></b>	<b><u>23,245,180</u></b>	<b><u>61,326,079</u></b>	<b><u>1,093,651,059</u></b>

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

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

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

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost</b>						
<b>As of January 1, 2020</b>	<b>295,150,592</b>	<b>2,927,342,159</b>	<b>5,488,838,985</b>	<b>562,068,195</b>	<b>646,505,899</b>	<b>9,919,905,830</b>
Acquisitions	-	2,518,208	2,098,084	753,661	504,296,182	509,666,135
Transfers from CIP	1,590,739	127,717,993	364,811,595	23,829,779	(517,950,107)	-
Revaluation adjustment	-	10,670,719	-	-	-	10,670,719
Disposals	-	(19,486,454)	(60,049,534)	(11,236,920)	(210,173)	(90,983,080)
Transfers and reclassifications*	-	-	1,292	5,477	(7,778,899)	(7,772,130)
<b>As of December 31, 2020</b>	<b>296,741,331</b>	<b>3,048,762,625</b>	<b>5,795,700,423</b>	<b>575,420,192</b>	<b>624,862,903</b>	<b>10,341,487,474</b>
Additions	(9,170)	1,438,976	819,270	191,666	108,432,720	110,873,461
Transfers from CIP	94,093	87,993,796	222,777,135	19,388,787	(330,253,810)	-
Revaluation adjustment	-	-	-	-	-	-
Disposals	-	(3,304,703)	(953,922)	(1,184,188)	(91,529)	(5,534,342)
Transfers and reclassifications*	-	(9,682)	421,254	7,123	(1,600,649)	(1,181,954)
<b>As of September 30, 2021</b>	<b>296,826,253</b>	<b>3,134,881,011</b>	<b>6,018,764,160</b>	<b>593,823,580</b>	<b>401,349,635</b>	<b>10,445,644,639</b>
<b>Accumulated depreciation &amp; Impairment</b>						
<b>As of January 1, 2020</b>	<b>(334,284)</b>	<b>(779,958,085)</b>	<b>(3,540,890,798)</b>	<b>(440,049,982)</b>	<b>(125,811,033)</b>	<b>(4,887,044,182)</b>
Charge for the year	-	(167,043,386)	(299,347,826)	(35,677,213)	-	(502,068,425)
Accumulated depreciation of disposals	-	2,600,946	56,361,086	6,874,354	-	65,836,386
Impairment	(8,044,074)	(12,355,491)	(473,035)	-	(13,964,488)	(34,837,087)
Transfers and reclassifications*	-	-	(5,344)	(1,429)	-	(6,773)
<b>As of December 31, 2020</b>	<b>(8,378,359)</b>	<b>(956,756,016)</b>	<b>(3,784,355,917)</b>	<b>(468,854,269)</b>	<b>(139,775,521)</b>	<b>(5,358,120,082)</b>
Charge for the year	-	(128,884,020)	(224,733,846)	(26,038,343)	-	(379,656,208)
Accumulated depreciation of disposals	-	94,992	108,377	216,697	-	420,066
Impairment	-	-	(43,538,566)	-	-	(43,538,566)
<b>As of September 30, 2021</b>	<b>(8,378,359)</b>	<b>(1,085,545,043)</b>	<b>(4,052,519,952)</b>	<b>(494,675,915)</b>	<b>(139,775,521)</b>	<b>(5,780,894,790)</b>
<b>Net book value as of December 31, 2020</b>	<b>288,362,973</b>	<b>2,092,006,609</b>	<b>2,011,344,505</b>	<b>106,565,923</b>	<b>485,087,382</b>	<b>4,983,367,392</b>
<b>Net book value as of September 30, 2021</b>	<b>288,447,895</b>	<b>2,049,335,968</b>	<b>1,966,244,209</b>	<b>99,147,664</b>	<b>261,574,113</b>	<b>4,664,749,849</b>

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

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

In 2021, out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: restarting the refinery after the incident of July 2021 amounting to USD 12.1 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 1.3 million, USD 3 million Replace heater in VD unit, Vega Platform and in respect of Rompetrol Downstream also an amount of USD 4,2 million.

In 2020, out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: Replacement of Catalyst amounting to USD 13.65 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 21.84 million, Tank rehabilitation amounting to USD 2.73 million, 2020 General Turnaround PEM & PET USD 40.31 million, Fluid Catalytic Cracking (FCC) Unit Rehabilitation USD 6 million, replacement of reactor, improve cocker operation, modernization IPPA system and CF ramp, replace old switches and relays, detailed design engineering for firefighting system and other small project totaling USD 18,47 million. Total acquisitions for construction in progress for Vega refinery in amount of USD 5.6 million, for Rompetrol Downstream in amount of USD 5.5 million, for Romoil in amount of USD 2.9 million and for Rompetrol Gas in amount of USD 1 million. Part of these projects have been transferred to the other property, plant and equipment categories.

- *Construction in progress*

At the end of 30 September 2021 form USD 77.4 million transfer from CIP to PPE, USD 58.8 million are in respect of Rompetrol Rafinare: USD 27.6 million representing State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations, APC (i.e. Advance Process Control) in all refinery unit amounting to USD 3.05 million, propylene tank rehabilitation amounting to USD 3.5 million, replacement of reactor in amount of USD 3.5 million, improve cocker operation, modernization IPPA system and CF ramp, replace old switches and relays, detailed design engineering for firefighting system, new pipelines, maximize usage unit condensate, replacement for electrical in coke unit totaling USD 16,7 million, other ongoing projects in refinery amounting to USD 21 million; in respect of Vega refinery amounting to USD 7.5 million, in Rompetrol Downstream amounting to USD 8.2 million, in respect of Romoil amounting to USD 1.5 million and in respect of Rompetrol Gas amounting to USD 1.2 million.

At the end of 2020 the main projects remaining in construction in progress refers to the following: Tank rehabilitation amounting to USD 4.4 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 27.07 million, APC (i.e. Advance Process Control) in all refinery unit amounting to USD 3.05 million, replacement of reactor, improve cocker operation, modernization IPPA system and CF ramp, replace old switches and relays, detailed design engineering for firefighting system, new pipelines, maximize usage unit condensate, replacement for electrical in coke unit totaling USD 16,8 million, spare parts capex in amount of USD 4.5 million and other refinery ongoing project totaling USD 13.9 million.

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

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

- *Disposals*

In 2021 assets disposed in Rompetrol Downstream in amount of USD 1.3 million.

In 2020, out of the total USD 21.3 million disposed assets, USD 12.4 million refers to catalysts replacement in units in Rompetrol Rafinare SA, and USD 5.37 million for Rompetrol Downstream referring to sales of 4 gas stations to Rompetrol Development as part of Kazakh – Romanian Energy Investment Found.

- *Borrowing costs capitalized*

The 2021 capital projects were financed from Groups' operating cash flow, therefore no borrowing cost was capitalized during 2021 (2020: USD nil).

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

- *Impairment*

On July 2, 2021 there was an incident at the Petromidia refinery Diesel Hydrotreater Unit (in Romanian "instalatie Hidrofinare Petrol Motorina" hereinafter HPM unit), 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, so that they reach the optimal operating efficiencies. As for the Diesel Hydrotreater Unit (HPM), it has been technologically isolated, the completion of the reconstruction and restart will take place during 2022.

On September 30, 2021, Rompetrol Rafinare has booked a provision for the depreciation of tangible assets amounting to USD 10.21 million calculated based on preliminary estimates of the degree of damage of the affected units in the July 2, 2021 incident at the HPM unit. The value of the provision will be updated until the reference date 31.12.2021 once the detailed analysis, regarding the degree of damage of the affected units by the mentioned incident, is completed.

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

- *Revaluation of buildings category*

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

The change from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Group's assets. Fair value of the buildings category was determined using the market comparable method. The valuations were performed by an independent appraiser and are based on proprietary databases of prices for properties of similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value was classified as a Level 3 measurement.

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

**Reconciliation of carrying amount**

	<b>Buildings</b>	
	<b>mUSD</b>	<b>mRON</b> <small>(supplementary info – see Note 2(e))</small>
<b>Carrying amount as at December 31, 2017</b>	<b><u>541.26</u></b>	<b><u>2,308.64</u></b>
Revaluation gain recognised due to change in accounting policy to revaluation model	3.73	15.91
Revaluation loss recognised	(11.17)	(47.64)
Depreciation for the year	(36.98)	(157.73)
Additions/Disposals/Transfers and reclassifications	25.51	108.81
Impairment	8.94	38.13
<b>Carrying amount and fair value as at 31 December 2018</b>	<b><u>531.29</u></b>	<b><u>2,266.12</u></b>
Depreciation for the year	(40.76)	(173.85)
Additions/Disposals/Transfers and reclassifications	12.93	55.15
<b>Carrying amount and fair value as at 31 December 2019</b>	<b><u>503.46</u></b>	<b><u>2,147.42</u></b>
Depreciation for the year	(39.16)	(167.03)
Additions/Disposals/Transfers and reclassifications	26.58	113.37
Impairment	(2.90)	(12.37)
Revaluation adjustment	2.50	10.66
<b>Carrying amount and fair value as at 31 December 2020</b>	<b><u>490.48</u></b>	<b><u>2,092.05</u></b>
Depreciation for the year	(30.22)	(128.90)
Additions/Disposals/Transfers and reclassifications	20.21	86.20
<b>Carrying amount and fair value as at 30 September 2021</b>	<b><u>480.47</u></b>	<b><u>2,049.35</u></b>

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

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

	<b>Buildings 2021</b>		<b>Buildings 2020</b>	
	<b>mUSD</b>	<b>mRON</b>	<b>mUSD</b>	<b>mRON</b>
Cost	1,007.37	4,296.74	987.18	4,210.62
Accumulated depreciation and impairment	(627.74)	(2,677.50)	(601.86)	(2,567.11)
<b>Net carrying amount</b>	<b><u>379.63</u></b>	<b><u>1,619.24</u></b>	<b><u>385.32</u></b>	<b><u>1,643.51</u></b>

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment with a carrying value of USD 380 million (2020: USD 390 million) net, for securing banking facilities granted to Group entities.

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

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

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

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

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (See Note 30). Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to an asset freeze.

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

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

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

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

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

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 is scheduled for 14 April but the case has been suspended due to the emergency enforced since 16 March, 2020. The next hearing was settled for 8 June 2021. On July 20, 2021, Ialomita Tribunal rejected Faber's claim.

Also, please note that in December 2020, Faber resumed some files out of those suspended back in 2005/2006. The hearings were 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.

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

Briefly, the files regard the followings:

1. Cancellation of the statutory documents issued in 2001 when the share capital was increased due to the evaluation of fixed assets. The first stage of the file was won, now Faber is asking to resume the appeal;
2. Cancellation of the statutory documents issued in 2001 regarding the change of the name of the company (Romp petrol Rafinare S.A.), additional activities and change the Article of Association ("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 Rompetrol S.A. ("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 Rompetrol Downstream ("DWS"), Rompetrol Well Services ("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 and the High Court of Justice, with trial terms being established during November and December 2021.

**6. IMPAIRMENT TEST**

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

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**7. RIGHT OF USE ASSETS**

**Amounts in USD**

	<b><u>Land, buildings and special constructions</u></b>	<b><u>Plant and equipment</u></b>	<b><u>Vehicles</u></b>	<b><u>Total</u></b>
<b>Cost:</b>				
<b>As of January 1, 2020</b>	67,216,970	24,817	413,829	67,655,616
Additions	8,841,467	41,527	1,154,322	10,037,316
Disposals	(1,387,940)	-	(7,745)	(1,395,685)
Reclassifications and other transfers	31,863	115,285	(119,528)	27,620
Re-measurement	10,251,128	194,512	17,717	10,463,357
<b>As of December 31, 2020</b>	<b>84,953,488</b>	<b>376,141</b>	<b>1,458,595</b>	<b>86,788,224</b>
Additions	8,452,756	-	259,106	8,711,862
Disposals	(2,120)	-	(46,421)	(48,541)
Reclassifications and other transfers	40,010	-	(40,010)	-
Re-measurement	(163,169)	24,700	36,361	(102,108)
<b>As of September 30, 2021</b>	<b>93,280,965</b>	<b>400,841</b>	<b>1,667,631</b>	<b>95,349,438</b>
<b>Depreciation and Impairment:</b>				
<b>As of January 1, 2020</b>	<b>(4,607,506)</b>	<b>(10,707)</b>	<b>(193,582)</b>	<b>(4,811,795)</b>
Depreciation and amortization	(5,112,757)	(111,244)	(229,069)	(5,453,070)
Accumulated depreciation of disposals	20,230	-	-	20,230
Reclassifications and other transfers	-	(86,090)	86,090	-
<b>As of December 31, 2020</b>	<b>(9,700,033)</b>	<b>(208,041)</b>	<b>(336,561)</b>	<b>(10,244,635)</b>
Depreciation and amortization	(4,222,822)	(92,876)	(355,376)	(4,671,074)
Accumulated depreciation of disposals	31,144	-	24,925	56,069
Reclassifications and other transfers	(8,256)	-	8,256	-
<b>As of September 30, 2021</b>	<b>(13,899,968)</b>	<b>(300,917)</b>	<b>(658,756)</b>	<b>(14,859,640)</b>
<b>Net Book value at September 30, 2021</b>	<b>79,380,998</b>	<b>99,924</b>	<b>1,008,875</b>	<b>80,489,797</b>
<b>Net Book value at December 31, 2020</b>	<b>75,253,455</b>	<b>168,100</b>	<b>1,122,034</b>	<b>76,543,589</b>

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

	<b><u>Land, buildings and special constructions</u></b>	<b><u>Plant and equipment</u></b>	<b><u>Vehicles</u></b>	<b><u>Total</u></b>
<b>Cost:</b>				
<b>As of January 1, 2020</b>	286,700,542	105,852	1,765,105	288,571,499
Additions	37,711,511	177,125	4,923,530	42,812,166
Disposals	(5,919,980)	-	(33,035)	(5,953,015)
Reclassifications and other transfers	135,905	491,725	(509,823)	117,808
Re-measurement	43,724,136	829,652	75,568	44,629,357
<b>As of December 31, 2020</b>	<b>362,352,114</b>	<b>1,604,354</b>	<b>6,221,345</b>	<b>370,177,814</b>
Additions	36,053,539	-	1,105,166	37,158,705
Disposals	(9,042)	-	(197,998)	(207,040)
Reclassifications and other transfers	170,655	-	(170,655)	-
Re-measurement	(695,964)	105,354	155,089	(435,520)
<b>As of September 30, 2021</b>	<b>397,871,302</b>	<b>1,709,708</b>	<b>7,112,947</b>	<b>406,693,958</b>
<b>Depreciation and Impairment:</b>				
<b>As of January 1, 2020</b>	<b>(19,652,395)</b>	<b>(45,669)</b>	<b>(825,685)</b>	<b>(20,523,749)</b>
Depreciation and amortization	(21,807,441)	(474,489)	(977,048)	(23,258,978)
Accumulated depreciation of disposals	86,287	-	-	86,287
Reclassifications and other transfers	-	(367,200)	367,200	-
<b>As of December 31, 2020</b>	<b>(41,373,550)</b>	<b>(887,357)</b>	<b>(1,435,534)</b>	<b>(43,696,441)</b>
Depreciation and amortization	(18,011,605)	(396,143)	(1,515,786)	(19,923,535)
Accumulated depreciation of disposals	132,837	-	106,313	239,149
Reclassifications and other transfers	(35,216)	-	35,216	-
<b>As of September 30, 2021</b>	<b>(59,287,535)</b>	<b>(1,283,501)</b>	<b>(2,809,791)</b>	<b>(63,380,826)</b>
<b>Net Book value at September 30, 2021</b>	<b>338,583,768</b>	<b>426,208</b>	<b>4,303,156</b>	<b>343,313,132</b>
<b>Net Book value at December 31, 2020</b>	<b>320,978,565</b>	<b>716,997</b>	<b>4,785,812</b>	<b>326,481,373</b>

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

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



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**7. RIGHT OF USE ASSETS (continued)**

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

- Rent agreements for gas stations - in Rompetrol Downstream, in this category are included rent agreements for gas station buildings, land (on which the gas station is located) or rent for road utilization (for access to the gas station);
- Rental of administrative buildings;
- Rent for usage of maritime port - berths of Midia Port used by Rompetrol Rafinare;
- Depots rent – used for storage of petroleum products.

USD	Net book value at September 30, 2021	Net book value at December 31, 2020
Rent agreements for gas stations	64,712,257	59,549,633
Rental of administrative buildings	707,290	986,309
Rent for usage of maritime port	12,864,736	13,265,255
Depots rent	1,096,714	1,452,258
<b>Total</b>	<b>79,380,998</b>	<b>75,253,455</b>

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

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

**8. INVESTMENTS**

**Investments in Consolidated Subsidiaries**

Details of the Group consolidated subsidiaries at 30 September 2021 and 31 December 2020 are as follows:

Company name	Country of incorporation	Range of activity	Effective ownership 30 September 2021 %	Control 30 September 2021 %	Effective ownership 31 December 2020 %	Control 31 December 2020 %
Rompetrol Downstream SRL	Romania	Retail Trade of Fuels and Lubricants	100	100	100	100
Rom Oil S.A.	Romania	Wholesale of Fuels; fuel storage	100	100	100	100
Rompetrol Logistics SRL	Romania	Logistics operations	66.19	100	66.19	100
Rompetrol Petrochemicals SRL	Romania	Petrochemicals	100	100	100	100
Rompetrol Quality Control SRL	Romania	Quality Control Services	100	100	100	100
Rompetrol Gas SRL	Romania	LPG Sales	66.19	100	66.19	100

Effective ownership interests for the Group takes into consideration indirect shareholding weighted with corresponding Group ownership in the intermediate shareholder and this percentage is used for consolidation, while the control percent takes into consideration the total interest controlled directly and indirectly.

- *Disposals through sales of subsidiaries and liquidations*

During 2021 and 2020, there was no disposal of companies.

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**9. INVENTORIES, NET**

	<u>September 30,</u> <u>2021</u> USD	<u>December 31,</u> <u>2020</u> USD	<u>September 30,</u> <u>2021</u> RON	<u>December 31,</u> <u>2020</u> RON
			(supplementary info – see Note 2(e))	
Crude oil and other feedstock materials	209,070,956	66,430,951	891,750,348	283,347,935
Petroleum and petrochemical products	114,617,296	95,372,383	488,877,153	406,791,825
Work in progress	52,937,994	19,014,944	225,796,428	81,104,441
Spare parts	15,461,828	15,619,558	65,949,337	66,622,101
Consumables and other raw materials	6,417,829	6,073,618	27,373,965	25,905,803
Merchandises	11,514,268	13,838,181	49,111,809	59,023,993
Other inventories	7,650,699	7,666,692	32,632,527	32,700,741
Inventories write-down	(25,676,638)	(21,848,928)	(109,518,565)	(93,192,233)
	<b><u>391,994,233</u></b>	<b><u>202,167,399</u></b>	<b><u>1,671,973,001</u></b>	<b><u>862,304,607</u></b>

The inventories provision movement in 2021 and 2020 is provided below:

**Movements in inventories reserve:**

	<u>September 30,</u> <u>2021</u> USD	<u>December 31,</u> <u>2020</u> USD	<u>September 30,</u> <u>2021</u> RON	<u>December 31,</u> <u>2020</u> RON
			(supplementary info – see Note 2(e))	
<b>Reserve at the beginning of the year</b>	<b>(21,848,928)</b>	<b>(26,408,965)</b>	<b>(93,192,233)</b>	<b>(112,642,158)</b>
Accrued provision	(7,811,777)	(47,344,879)	(33,319,574)	(201,940,112)
Write off	4,414	10,886	18,826	46,432
Reversal of provision	3,979,653	51,894,030	16,974,415	221,343,606
<b>Reserve at the end of the year</b>	<b>(25,676,638)</b>	<b>(21,848,928)</b>	<b>(109,518,565)</b>	<b>(93,192,233)</b>

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

The Group has pledged inventories in gross amount of USD 318 million (2020: USD 172 million) to secure banking facilities.

**10. TRADE AND OTHER RECEIVABLES**

As mentioned in Note 1 the Parent company and its subsidiaries are part of KMG International Group. The balances with related parties are disclosed in Note 27.

	<u>September 30,</u> <u>2021</u> USD	<u>December 31,</u> <u>2020</u> USD	<u>September 30,</u> <u>2021</u> RON	<u>December 31,</u> <u>2020</u> RON
			(supplementary info – see Note 2(e))	
Trade receivables	189,877,083	194,100,203	809,882,723	827,895,596
Advances to suppliers	50,341,621	8,011,509	214,722,118	34,171,489
Sundry debtors	106,668,403	119,603,528	454,972,740	510,144,928
VAT to be recovered	22,492	415,186	95,934	1,770,893
Other receivables	329,916,479	278,598,734	1,407,192,756	1,188,307,180
Provision for expected credit losses related to trade receivables	(41,765,571)	(47,192,128)	(178,142,689)	(201,288,584)
	<b><u>635,060,507</u></b>	<b><u>553,537,032</u></b>	<b><u>2,708,723,581</u></b>	<b><u>2,361,001,503</u></b>

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

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**10. TRADE AND OTHER RECEIVABLES (continued)**

Included in Sundry debtors in 2021 is an amount of USD 5.96 million (2020: USD 6.4 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2007 - 2010 and 2011 - 2015 period, and an additional USD 2.15 million (2020: USD 3.46 million) for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) (see Note 30). Also, included in Sundry debtors category is an amount of USD 67.2 million (2020: USD 76.5 million) relating to Rompetrol Petrochemicals SRL receivables against KMGI as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts (see Note 12).

In 2021, out of the total amount of USD 50.3 million (2020: USD 8 million) representing advances to suppliers, USD 44.3 million (2020: USD 5.7 million) are in respect of other raw materials, investment projects and management fees services in Rompetrol Rafinare and USD 2.9 million (2020: USD 2 million) are in respect of investment projects related to the construction of new stations, rebranding process and petroleum product in Rompetrol Downstream, and USD 3 million are in respect of Rompetrol Gas.

Out of the total balance for other receivables of USD 329.9 million (2020: USD 278.6 million), an amount of USD 306.6 million (2020: USD 238.7) million relates to cash pooling receivables for: Rompetrol Downstream USD 220.3 million (2020: USD 175.5 million), Rompetrol Rafinare USD 17.9 million (2020: USD 19.1 million), Rompetrol Gas USD 60.3 million (2020: USD 43.7 million), Rompetrol Quality Control USD 0.6 million (2020: USD 0.3 million), Rompetrol Logistics USD 0.4 million, Rompetrol Petrochemicals USD 7.1 million. Also, in other receivables an amount of USD 10.2 million (2020: USD 22 million) refers to excise receivables in Rompetrol Rafinare.

	<b><u>September</u></b> <b><u>30, 2021</u></b>	<b><u>December</u></b> <b><u>31, 2020</u></b>	<b><u>September</u></b> <b><u>30, 2021</u></b>	<b><u>December</u></b> <b><u>31, 2020</u></b>
	<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
			<i>(supplementary info – see Note 2(e))</i>	
Sundry debtors	106,668,403	119,603,528	454,972,740	510,144,928
Other receivables	329,916,479	278,598,734	1,407,192,756	1,188,307,180
Provision for sundry debtors and other receivables	(5,378,346)	(5,654,824)	(22,940,262)	(24,119,525)

Out of the total amount of other receivables and sundry debtors of USD 436.6 million (2020: USD 398.2 million) an amount of USD 5.4 million (2020: USD 5.7 million) is provisioned.

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**10. TRADE AND OTHER RECEIVABLES (continued)**

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

<b><u>Movements in receivables reserve:</u></b>	<b><u>September 30,</u></b> <b><u>2021</u></b> <b><u>USD</u></b>	<b><u>December 31,</u></b> <b><u>2020</u></b> <b><u>USD</u></b>	<b><u>September 30,</u></b> <b><u>2021</u></b> <b><u>RON</u></b>	<b><u>December 31,</u></b> <b><u>2020</u></b> <b><u>RON</u></b>
			<i>(supplementary info – see Note 2(e))</i>	
<b>Balance at the beginning of the year</b>	<b><u>(47,192,128)</u></b>	<b><u>(46,982,359)</u></b>	<b><u>(201,288,584)</u></b>	<b><u>(200,393,855)</u></b>
Charge for the year	(565,035)	(2,368,205)	(2,410,045)	(10,101,106)
Utilised	-	4,914,449	-	20,961,600
Unused amounts reversed	2,828,321	393,920	12,063,637	1,680,188
Reclassification between categories trade receivables and other receivables	-	1,055	-	4,500
Exchange rate differences	3,163,271	(3,150,988)	13,492,302	(13,439,910)
<b>Balance at the end of the year</b>	<b><u>(41,765,571)</u></b>	<b><u>(47,192,128)</u></b>	<b><u>(178,142,689)</u></b>	<b><u>(201,288,584)</u></b>

Trade receivables totaling USD 113.5 million as at 30 September 2021 and USD 115.2 million as at 31 December 2020 are pledged to obtain credit facilities (see Notes 12 and 18).

**11. CASH AND CASH EQUIVALENTS**

	<b><u>September</u></b> <b><u>30, 2021</u></b> <b><u>USD</u></b>	<b><u>December</u></b> <b><u>31, 2020</u></b> <b><u>USD</u></b>	<b><u>September</u></b> <b><u>30, 2021</u></b> <b><u>RON</u></b>	<b><u>December 31,</u></b> <b><u>2020</u></b> <b><u>RON</u></b>
			<i>(supplementary info – see Note 2(e))</i>	
Cash at bank	55,753,785	99,203,775	237,806,621	423,133,862
Cash on hand	1,574,127	1,396,775	6,714,125	5,957,664
Cash equivalents	82,202	55,406	350,617	236,323
	<b><u>57,410,115</u></b>	<b><u>100,655,956</u></b>	<b><u>244,871,364</u></b>	<b><u>429,327,849</u></b>

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

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## 12. EQUITY

As of 30 September 2021 and 31 December 2020, the share capital consisted of 44,109,205,726, authorized, issued and fully paid ordinary shares with a face value of RON 0.1 each.

Shareholders' structure as at 30 September 2021 is as follows:

### 30 September 2021

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	2,122,250,643	704,057,130	3,003,014,876
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,789,701,854
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	403,856,821
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	3,110,244
Others (not State or KMGI Group)	0.67%	29,562,687	9,807,428	41,831,623
<b>Total</b>	<b>100%</b>	<b>4,410,920,573</b>	<b>1,463,323,897</b>	<b>6,241,515,417</b>

Shareholders' structure as at 31 December 2020 was as follows:

### 31 December 2020

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	2,122,250,643	704,057,130	3,003,014,876
Romanian State represented by Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,789,701,854
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	403,856,821
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	3,110,244
Others (not State or KMGI Group)	0.67%	29,562,687	9,807,428	41,831,623
<b>Total</b>	<b>100%</b>	<b>4,410,920,573</b>	<b>1,463,323,897</b>	<b>6,241,515,417</b>

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2021 and 2020.

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.

#### Share premium and effect of transfers with equity holders

Share premium and effect of transfers with equity holders are the result of conversion of bonds into ordinary shares as at 30 September 2010 in favor of the Romanian State represented by the Ministry of Finance, based on the Emergency Ordinance (“EGO”) 118/2003 ratified by Law 89/2005.

The transactions resulted in an impact on the Effect of transfer with equity holders reserve amounting USD 596.83 million and share premium of USD 74 million.

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**12. EQUITY (continued)**

*Hybrid Loan*

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into an unsecured hybrid loan, repayable after 51 years. During 2013, an additional USD 200 million were converted (USD 150 million related to Rompetrol Rafinare and USD 50 million to Rompetrol Downstream), the hybrid loan amounting to USD 1,000 million. The loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares at the option of the issuer. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively (as per the addendum to the hybrid loan contract concluded in May 2021):

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

In 2017, an additional USD 72.2 million related to Rompetrol Rafinare SA were converted to hybrid loan repayable after 51 years. As of 31 December 2017, the total value of the hybrid loan is amounting USD 1,072 million. The additional loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 2% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively as per the addendum to the hybrid loan contract concluded in May 2021):

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

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

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

*Revaluation reserve*

As of 30 September 2021, the balance of the revaluation reserves is affected by the transfer in retained earnings of the difference between depreciation based on revalued carrying amount and depreciation based on the initial cost of assets in the buildings category. Under the accounting policy adopted by the Group as of 31 December 2017, the revaluation surplus included in the revaluation reserve is capitalized by the transfer in retained earnings as a result of the use of the asset or disposal, insofar as that transfer has not already been made during the use of the asset reassessed. Thus, as of 30 September 2021, the revaluation surplus transferred to retained earnings was USD 5.7 million (31 December 2020: USD 8.2 million).

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**13. LONG-TERM BORROWINGS FROM BANKS**

	<b><u>2021</u></b> <b><u>USD</u></b>	<b><u>2020</u></b> <b><u>USD</u></b>	<b><u>2021</u></b> <b><u>RON</u></b> <i>(supplementary info – see Note 2(e))</i>	<b><u>2020</u></b> <b><u>RON</u></b> <i>(supplementary info – see Note 2(e))</i>
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank</b>	96,094,472	96,110,111	409,871,752	409,938,457
Romp petrol Downstream: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity October 28, 2021 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.				
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank</b>	143,950,998	143,994,567	613,994,190	614,180,026
Romp petrol Rafinare: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity October 28, 2021 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.				
<b>Amount payable within one year principal</b>	<b>(45,470)</b>	<b>(104,678)</b>	<b>(193,943)</b>	<b>(446,483)</b>
<b>Total</b>	<b><u>240,000,000</u></b>	<b><u>240,000,000</u></b>	<b><u>1,023,672,000</u></b>	<b><u>1,023,672,000</u></b>
	<b><u>2021</u></b> <b><u>USD</u></b>	<b><u>2020</u></b> <b><u>USD</u></b>	<b><u>2021</u></b> <b><u>RON</u></b> <i>(supplementary info – see Note 2(e))</i>	<b><u>2020</u></b> <b><u>RON</u></b> <i>(supplementary info – see Note 2(e))</i>
One year or less - principal	45,470	104,678	193,943	446,483
Between two and five years	<u>240,000,000</u>	<u>240,000,000</u>	<u>1,023,672,000</u>	<u>1,023,672,000</u>
<b>Total</b>	<b><u>240,045,470</u></b>	<b><u>240,104,678</u></b>	<b><u>1,023,865,943</u></b>	<b><u>1,024,118,483</u></b>

The loans are secured with pledges on property plant and equipment of USD 380 million (2020: USD 390), inventories of USD 318 million (2020: USD 172 million) and trade receivables of USD: 113 million (2020: USD 115 million).

At the level of KMG International NV, loan covenants are tested for the syndicated loan every 6 months. KMG International NV's manages its capital structure aiming to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings.

As of 30 September 2021 and based on the approved budgets and cash flows, the management of KMG International considers that the financial covenants are met.

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**14. OBLIGATIONS UNDER LEASE AGREEMENTS**

	2021 USD	2020 USD	2021 RON (supplementary info – see Note 2(e))	2020 RON (supplementary info – see Note 2(e))
<b>As at 1 January</b>	<b>85,820,519</b>	<b>66,076,256</b>	<b>366,050,261</b>	<b>281,835,055</b>
Additions	8,687,385	9,955,900	37,054,302	42,464,900
Remeasurement	(305,888)	8,854,342	(1,304,702)	37,766,425
Payments	(7,998,903)	(9,283,822)	(34,117,721)	(39,598,285)
Interest accrued	3,945,784	4,644,299	16,829,954	19,809,329
Exchange rate impact	(3,841,892)	5,349,584	(16,386,822)	22,817,581
Other changes	839	223,960	3,579	955,256
<b>As at 30 September / 31 December</b>	<b>86,307,845</b>	<b>85,820,519</b>	<b>368,128,852</b>	<b>366,050,260</b>
Non-current	81,818,946	81,816,635	348,982,351	348,972,493
Current	4,488,899	4,003,884	19,146,501	17,077,766

The following amounts were recognized in profit or loss:

	2021 USD	2020 USD	2021 RON (supplementary info – see Note 2(e))	2020 RON (supplementary info – see Note 2(e))
Depreciation expense of right-of-use assets	4,671,074	5,453,070	19,923,531	23,258,979
Interest expense on lease liabilities	3,945,783	4,644,298	16,829,950	19,809,324
Variable lease payments (included in selling and distribution)	3,869,789	5,428,099	16,505,811	23,152,471
<b>Total amount recognised in profit or loss</b>	<b>12,486,646</b>	<b>15,525,467</b>	<b>53,259,292</b>	<b>66,220,774</b>

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

	2021		2020	
USD	Fixed payments	Variable payments	Fixed payments	Variable payments
Fixed rent	7,998,903	-	8,863,890	-
Variable rent with minimum payment	-	3,869,789	419,932	5,428,099
<b>Total</b>	<b>7,998,903</b>	<b>3,869,789</b>	<b>9,283,822</b>	<b>5,428,099</b>



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**15. DEFERRED TAX ASSETS AND LIABILITIES**

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

	<u>September</u> <u>30, 2021</u> <u>USD</u>	<u>December</u> <u>31, 2020</u> <u>USD</u>	<u>September</u> <u>30, 2021</u> <u>RON</u>	<u>December</u> <u>31, 2020</u> <u>RON</u>
			(supplementary info – see Note 2(e))	
Deferred tax liabilities	<u>3,428,809</u>	<u>4,339,808</u>	<u>14,624,897</u>	<u>18,510,583</u>
<b>Deferred tax (asset) / liability, net</b>	<b><u>3,428,809</u></b>	<b><u>4,339,808</u></b>	<b><u>14,624,897</u></b>	<b><u>18,510,583</u></b>

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

**USD**

<u>2021</u>	<u>Opening</u> <u>balance</u>	<u>Charged /</u> <u>(Credited)</u> <u>to income</u>	<u>Charged /</u> <u>(Credited)</u> <u>to equity</u>	<u>Closing</u> <u>balance</u>
<b>Temporary differences</b>				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	303,369,770	-	(5,693,752)	297,676,018
Inventories	82,619	-	-	82,619
Provisions	(59,203,562)	-	-	(59,203,562)
Tax losses	(217,173,599)	-	-	(217,173,599)
Other	(663)	-	-	(663)
<b>Total temporary differences</b>	<b><u>27,123,803</u></b>	<b>=</b>	<b><u>(5,693,752)</u></b>	<b><u>21,430,051</u></b>
<b>Deferred tax effect</b>				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	48,539,163	-	(911,000)	47,628,163
Inventories	13,219	-	-	13,219
Provisions	(9,472,570)	-	-	(9,472,570)
Tax losses	(34,747,776)	-	-	(34,747,776)
Other	(106)	-	-	(106)
<b>Deferred tax (asset)/liability recognized</b>	<b><u>4,339,808</u></b>	<b>=</b>	<b><u>(911,000)</u></b>	<b><u>3,428,809</u></b>

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**15. DEFERRED TAX ASSETS AND LIABILITIES (continued)**

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

<b><u>2021</u></b>	<b><u>Opening balance</u></b>	<b><u>Charged / (Credited) to income</u></b>	<b><u>Charged / (Credited) to equity</u></b>	<b><u>Closing balance</u></b>
<b><i>Temporary differences</i></b>				
Intangible assets	210,012	-	-	210,012
Property, plant and equipment	1,293,963,075	-	(24,285,560)	1,269,677,515
Inventories	352,394	-	-	352,394
Provisions	(252,520,956)	-	-	(252,520,956)
Tax losses	(926,310,556)	-	-	(926,310,556)
Other	(2,826)	-	-	(2,826)
<b><i>Total temporary differences (asset)/liability</i></b>	<b><u>115,691,143</u></b>	<b>-</b>	<b><u>(24,285,560)</u></b>	<b><u>91,405,583</u></b>
<b><i>Deferred tax effect</i></b>				
Intangible assets	33,602	-	-	33,602
Property, plant and equipment	207,034,092	-	(3,885,689)	203,148,403
Inventories	56,383	-	-	56,383
Provisions	(40,403,353)	-	-	(40,403,353)
Tax losses	(148,209,689)	-	-	(148,209,689)
Other	(452)	-	-	(452)
<b>Deferred tax (asset)/liability recognized</b>	<b><u>18,510,583</u></b>	<b>-</b>	<b><u>(3,885,689)</u></b>	<b><u>14,624,897</u></b>

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

**USD**

<b>Deferred tax (asset)/liability recognized</b>	<b><u>Opening balance</u></b>	<b><u>Charged / (Credited) to income</u></b>	<b><u>Charged / (Credited) to equity</u></b>	<b><u>Closing balance</u></b>
Rompotrol Rafinare SA	250,183	-	(684,026)	(433,843)
Rompotrol Downstream S.R.L.	1,246,280	-	(122,033)	1,124,247
Rom Oil S.A.	1,918,708	-	(104,940)	1,813,768
Rompotrol Gas S.R.L.	342,992	-	-	342,992
Rompotrol Logistics S.R.L.	581,645	-	-	581,645
<b>Deferred tax (asset)/liability recognized</b>	<b><u>4,339,808</u></b>	<b>-</b>	<b><u>(911,000)</u></b>	<b><u>3,428,809</u></b>

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

<b>Deferred tax (asset)/liability recognized</b>	<b><u>Opening balance</u></b>	<b><u>Charged / (Credited) to income</u></b>	<b><u>Charged / (Credited) to equity</u></b>	<b><u>Closing balance</u></b>
Rompotrol Rafinare SA	1,067,106	-	(2,917,579)	(1,850,473)
Rompotrol Downstream S.R.L.	5,315,755	-	(520,507)	4,795,248
Rom Oil S.A.	8,183,866	-	(447,602)	7,736,264
Rompotrol Gas S.R.L.	1,462,964	-	-	1,462,964
Rompotrol Logistics S.R.L.	2,480,892	-	-	2,480,892
<b>Deferred tax (asset)/liability recognized</b>	<b><u>18,510,583</u></b>	<b>-</b>	<b><u>(3,885,689)</u></b>	<b><u>14,624,897</u></b>

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**15. DEFERRED TAX ASSETS AND LIABILITIES (continued)**

**USD**

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

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

<u>2020</u>	<u>Opening balance</u>	<u>Charged / (Credited) to income</u>	<u>Charged / (Credited) to equity</u>	<u>Closing balance</u>
<b>Temporary differences</b>				
Intangible assets	210,012	-	-	210,012
Property, plant and equipment	1,312,171,397	6,053,718	(24,262,039)	1,293,963,075
Inventories	352,394	-	-	352,394
Provisions	(272,076,132)	19,555,176	-	(252,520,956)
Tax losses	(1,624,872,353)	698,561,797	-	(926,310,556)
Other	(2,826)	-	-	(2,826)
<b>Total temporary differences (asset)/liability</b>	<b><u>(584,217,509)</u></b>	<b><u>724,170,691</u></b>	<b><u>(24,262,039)</u></b>	<b><u>115,691,143</u></b>
<b>Deferred tax effect</b>				
Intangible assets	33,602	-	-	33,602
Property, plant and equipment	209,947,424	968,594	(3,881,926)	207,034,092
Inventories	56,383	-	-	56,383
Provisions	(43,532,181)	3,128,828	-	(40,403,353)
Tax losses	(259,979,576)	111,769,888	-	(148,209,689)
Other	(452)	-	-	(452)
<b>Deferred tax (asset)/liability recognized</b>	<b><u>(93,474,800)</u></b>	<b><u>115,867,310</u></b>	<b><u>(3,881,926)</u></b>	<b><u>18,510,583</u></b>

The ability of the Group to obtain recovery of its deferred tax asset depends on the entities ability, where tax losses have arisen to generate sufficient taxable income to cover the applicable tax losses available. Management considers that future taxable income will be generated for recovery of the available tax losses where it has recognized a corresponding deferred tax asset.

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**15. DEFERRED TAX ASSETS AND LIABILITIES (continued)**

See also note 25 for details for the income tax rate and other related matters.

Deferred tax assets and liabilities cannot be offset between the companies from Romania. The local fiscal law does not define the concept of "Fiscal Group", therefore the fiscal losses cannot be offset between companies within the same country either.

**16. TRADE AND OTHER PAYABLES**

	<b><u>September 30,</u></b> <b><u>2021</u></b> <b><u>USD</u></b>	<b><u>December 31,</u></b> <b><u>2020</u></b> <b><u>USD</u></b>	<b><u>September 30,</u></b> <b><u>2021</u></b> <b><u>RON</u></b>	<b><u>December 31,</u></b> <b><u>2020</u></b> <b><u>RON</u></b>
			<i>(supplementary info – see Note 2(e))</i>	
Trade payables	887,137,702	651,293,146	3,783,908,434	2,777,960,657
Excise taxes	1,073	1,036	4,578	4,418
Special fund tax for oil products	6,461,590	6,948,356	27,560,620	29,636,823
VAT payable	130,791,624	186,126,448	557,865,516	793,885,139
Other taxes payable	(47,567)	(53,617)	(202,887)	(228,693)
Employees and social obligations	5,238,264	7,473,168	22,342,766	31,875,303
Other liabilities	427,552,579	415,945,223	1,823,640,016	1,774,131,160
<b>Total</b>	<b><u>1,457,135,266</u></b>	<b><u>1,267,733,760</u></b>	<b><u>6,215,119,042</u></b>	<b><u>5,407,264,807</u></b>

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL ("Master Company"). The amounts in balance as of 30 September 2021 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 367.9 million, Romoil USD 15.5 million and Rompetrol Gas USD 39.4 million.

Also in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 4.46 million (2020: USD 4.24 million).

As of 30 September 2021 and 31 December 2020, deferred revenue in amount of USD 5,764,527 (2020: USD 5,941,032) was reclassified under Contract liabilities line.

As of 30 September 2021 and 31 December 2020, profit tax payable in amount of USD 7,210,161 (2020: USD 4,008,243) was reclassified as a separate line in Consolidated Statement of Financial Position.

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**17. CONTRACT LIABILITIES**

	<b><u>September 30,</u></b> <b><u>2021</u></b> <b><u>USD</u></b>	<b><u>December 31,</u></b> <b><u>2020</u></b> <b><u>USD</u></b>	<b><u>September 30,</u></b> <b><u>2021</u></b> <b><u>RON</u></b>	<b><u>December 31,</u></b> <b><u>2020</u></b> <b><u>RON</u></b>
			<i>(supplementary info – see Note 2(e))</i>	
Short-term advances from wholesale customers	17,146,445	19,570,720	73,134,731	83,474,992
Short-term advances from other customers	12,838,871	5,401,097	54,761,637	23,037,299
Deferred revenues	<u>5,764,527</u>	<u>5,941,032</u>	<u>24,587,436</u>	<u>25,340,284</u>
<b>Total short-term advances</b>	<b><u>35,749,843</u></b>	<b><u>30,912,849</u></b>	<b><u>152,483,803</u></b>	<b><u>131,852,575</u></b>

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

The disclosed amounts refers to advances from customers is in respect of petroleum products sales and excises.

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**18. SHORT-TERM DEBT**

	<b><u>2021</u></b> <b>USD</b>	<b><u>2020</u></b> <b>USD</b>	<b><u>2021</u></b> <b>RON</b>	<b><u>2020</u></b> <b>RON</b>
			<i>(supplementary info – see Note 2(e))</i>	
<b>Banca Transilvania</b>	16,820,858	30,131,421	71,746,006	128,519,549
Rompetrol Rafinare S.A.: Two revolving credit ceiling on short term credit facility, one up to EUR 30 million and the second up to EUR 27.96 million, for issue of letters of credit and letters of guarantee. Maturity date is January 31, 2022. Drawings in USD/EUR/RON.				
<b>Unicredit Bank, ING Bank, BCR, Raiffeisen Bank</b>	54,008,328	22,689,532	230,361,720	96,777,661
Rompetrol Rafinare: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity October 28, 2021 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.				
Accrued interest	3,589	23,452	15,308	100,030
<b>Current portion of long-term debt</b>	<b>45,470</b>	<b>104,678</b>	<b>193,943</b>	<b>446,483</b>
	<b>70,878,245</b>	<b>52,949,083</b>	<b>302,316,977</b>	<b>225,843,723</b>

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**18. SHORT-TERM DEBT (continued)**

	<u>2021</u> USD	<u>2020</u> USD	<u>2021</u> RON <i>(supplementary info – see Note 2(e))</i>	<u>2020</u> RON
<b><u>Borrowings from shareholders and related parties</u></b>				
<b>KMG International N.V.</b>	-	10,655,710	-	45,449,800
Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - December 31, 2020, assignment of receivables, real movable security interest over movable assets; real movable security interest over the investments in Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. The facility has been fully repaid on February 18, 2021.				
<b>Accrued interest</b>	-	<b>1,686,456</b>	-	<b>7,193,241</b>
	-	<b>12,342,166</b>	-	<b>52,643,041</b>

At the level of KMG International NV, loan covenants are tested for the syndicated loan every 6 months.

KMG International NV's manages its capital structure aiming to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings.

As at 30 September 2021 and based on the approved budgets and cash flows, the management of KMG International considers that the financial covenants are met.

The loans are secured with pledges on property plant and equipment of USD 380 million (2020: USD 390 million), inventories of USD 318 million (2020: USD 172 million) and trade receivables of USD 113 million (2020: USD 115 million).

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**18. SHORT-TERM DEBT (continued)**

The movement in loans is presented below:

<b>USD</b>	<b><u>At 1 January 2021</u></b>	<b><u>Drawings</u></b>	<b><u>Repayment</u></b>	<b><u>Interest accrual</u></b>	<b><u>Exchange rate impact</u></b>	<b><u>At 30 September 2021</u></b>
Long-term borrowings from banks	240,000,000	-	-	-	-	240,000,000
Short-term borrowings from banks	52,820,953	48,749,685	(30,131,418)	-	(610,034)	70,829,185
Short term borrowings from related parties	10,655,710	-	(10,655,710)	-	-	-
Interest Long-term borrowings banks	-	-	(5,814,394)	5,814,394	-	-
Interest Short term borrowings from related parties	1,686,456	-	(1,724,709)	38,253	-	-
Interest Short-term borrowings from banks	<u>128,130</u>	-	<u>(6,930,840)</u>	<u>6,851,768</u>	-	<u>49,059</u>
<b>Total</b>	<b><u>305,291,249</u></b>	<b><u>48,749,685</u></b>	<b><u>(55,257,071)</u></b>	<b><u>12,704,416</u></b>	<b><u>(610,034)</u></b>	<b><u>310,878,244</u></b>
<b>RON (supplementary info – see Note 2(e))</b>	<b><u>At 1 January 2021</u></b>	<b><u>Drawings</u></b>	<b><u>Repayment</u></b>	<b><u>Interest accrual</u></b>	<b><u>Exchange rate impact</u></b>	<b><u>At 30 September 2021</u></b>
Long-term borrowings from banks	1,023,672,000	-	-	-	-	1,023,672,000
Short-term borrowings from banks	225,297,211	207,932,030	(128,519,537)	-	(2,601,978)	302,107,726
Short term borrowings from related parties	45,449,800	-	(45,449,800)	-	-	-
Interest Long-term borrowings banks	-	-	(24,800,135)	24,800,135	-	-
Interest Short term borrowings from related parties	7,193,240	-	(7,356,401)	163,162	-	-
Interest Short-term borrowings from banks	<u>546,513</u>	-	<u>(29,562,109)</u>	<u>29,224,847</u>	-	<u>209,251</u>
<b>Total</b>	<b><u>1,302,158,763</u></b>	<b><u>207,932,030</u></b>	<b><u>(235,687,982)</u></b>	<b><u>54,188,144</u></b>	<b><u>(2,601,978)</u></b>	<b><u>1,325,988,977</u></b>



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**19. PROVISIONS**

Provisions comprise the following:

	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>	<u>2021</u> <u>RON</u> (supplementary info – see Note 2(e))	<u>2020</u> <u>RON</u>
Non-current provisions	79,332,744	79,332,744	338,377,953	338,377,953
<b>Total Provisions</b>	<b><u>79,332,744</u></b>	<b><u>79,332,744</u></b>	<b><u>338,377,953</u></b>	<b><u>338,377,953</u></b>

The movement in provisions is presented below:

<b>USD</b>	<u>At 1 January</u> <u>2021</u>	<u>At 30</u> <u>September 2021</u>
Provision for retirement benefit	18,361,742	18,361,742
Provision for restructuring	13,486	13,486
Environmental provisions	60,527,516	60,527,516
Other provisions	430,000	430,000
<b>Total</b>	<b><u>79,332,744</u></b>	<b><u>79,332,744</u></b>

<b>RON (supplementary info – see Note 2(e))</b>	<u>At 1 January</u> <u>2021</u>	<u>At 30</u> <u>September 2021</u>
Provision for retirement benefit	78,318,338	78,318,338
Provision for restructuring	57,522	57,522
Environmental provisions	258,168,014	258,168,014
Other provisions	1,834,079	1,834,079
<b>Total</b>	<b><u>338,377,953</u></b>	<b><u>338,377,953</u></b>

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

<b>RON (supplementary info – see Note 2(e))</b>	<u>At 1</u> <u>January</u> <u>2020</u>	<u>Charged</u> <u>to equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>Utilised</u>	<u>Unwinding</u> <u>of discount</u>	<u>At 31</u> <u>December</u> <u>2020</u>
Provision for retirement benefit	70,316,038	13,027,425	5,092,116	(10,117,240)	-	78,318,338
Provision for restructuring	57,522	-	-	-	-	57,522
Environmental provisions	272,393,796	-	-	(23,032,142)	8,806,360	258,168,014
Other provisions	-	-	1,834,079	-	-	1,834,079
<b>Total</b>	<b><u>342,767,356</u></b>	<b><u>13,027,425</u></b>	<b><u>6,926,195</u></b>	<b><u>(33,149,383)</u></b>	<b><u>8,806,360</u></b>	<b><u>338,377,953</u></b>

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**19. PROVISIONS (continued)**

Environmental provision

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

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

Retirement benefit provision

Under the collective labor agreements that certain of the Group's entities have in force, employees are entitled to specific retirement benefits that are payable upon retirement, if the employees are employed with Group entities at the date of their retirement. The level of benefits provided depends on the member's length of service, the employees is entitled to a fix amount per each year of service. A corresponding provision has been recognized based on: the specific benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions on future liabilities. These liabilities are recorded at their fair values as of the balance sheet date. For the computation an actuarial valuation is involved making various assumptions that may differ from actual developments in the future. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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**20. REVENUES FROM CONTRACTS WITH CUSTOMERS**

**2021**

<b>USD</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Gross revenues from petroleum products production	2,552,454,125	-	-	338,180,788	2,890,634,913
Less sales taxes from petroleum products production	(775,532,320)	-	-	762,866,318	(12,666,002)
<b>Net revenues from petroleum products production</b>	<b><u>1,776,921,805</u></b>	<b>-</b>	<b>-</b>	<b><u>1,101,047,105</u></b>	<b><u>2,877,968,910</u></b>
Gross revenues from petroleum products trading	71,184,742	-	2,183,407,590	(2,154,500,284)	100,092,049
Less sales taxes petroleum products trading	-	-	(798,582,389)	3,026,854	(795,555,534)
Less commercial discounts petroleum products trading	-	-	(141,759,837)	5,283,714	(136,476,123)
<b>Net revenues from petroleum products trading</b>	<b><u>71,184,742</u></b>	<b>-</b>	<b><u>1,243,065,365</u></b>	<b><u>(2,146,189,715)</u></b>	<b><u>(831,939,608)</u></b>
Revenues from petrochemicals production	-	145,554,248	-	-	145,554,248
Revenues from petrochemicals trading	-	738,682	-	-	738,682
Revenues from merchandise sales	277,287	-	124,398,008	(31)	124,675,264
Revenues from utilities sold	1,718,451	-	-	(93,726)	1,624,725
Revenues from transportation fees	-	-	2,662,797	-	2,662,797
Revenues from rents and other services	<u>2,836,856</u>	-	<u>15,200,523</u>	<u>(6,323,894)</u>	<u>11,713,485</u>
<b>Total Net Revenues</b>	<b><u>1,852,939,141</u></b>	<b><u>146,292,930</u></b>	<b><u>1,385,326,693</u></b>	<b><u>(1,051,560,261)</u></b>	<b><u>2,332,998,503</u></b>

<b>RON (supplementary info – see Note 2(e))</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Gross revenues from petroleum products production	10,886,982,579	-	-	1,442,442,513	12,329,425,093
Less sales taxes from petroleum products production	(3,307,878,006)	-	-	3,253,853,705	(54,024,300)
<b>Net revenues from petroleum products production</b>	<b><u>7,579,104,574</u></b>	<b>-</b>	<b>-</b>	<b><u>4,696,296,218</u></b>	<b><u>12,275,400,792</u></b>
Gross revenues from petroleum products trading	303,624,282	-	9,312,888,397	(9,189,590,060)	426,922,618
Less sales taxes petroleum products trading	-	-	(3,406,193,462)	12,910,441	(3,393,283,021)
Less commercial discounts petroleum products trading	-	-	(604,648,233)	22,536,626	(582,111,607)
<b>Net revenues from petroleum products trading</b>	<b><u>303,624,282</u></b>	<b>-</b>	<b><u>5,302,046,702</u></b>	<b><u>(9,154,142,993)</u></b>	<b><u>(3,548,472,010)</u></b>
Revenues from petrochemicals production	-	620,832,534	-	-	620,832,534
Revenues from petrochemicals trading	-	3,150,699	-	-	3,150,699
Revenues from merchandise sales	1,182,712	-	530,594,825	(131)	531,777,406
Revenues from utilities sold	7,329,710	-	-	(399,771)	6,929,939
Revenues from transportation fees	-	-	11,357,627	-	11,357,627
Revenues from rents and other services	<u>12,100,042</u>	-	<u>64,834,789</u>	<u>(26,973,304)</u>	<u>49,961,528</u>
<b>Total Net Revenues</b>	<b><u>7,903,341,319</u></b>	<b><u>623,983,233</u></b>	<b><u>5,908,833,942</u></b>	<b><u>(4,485,219,980)</u></b>	<b><u>9,950,938,515</u></b>

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**20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)**

**2020**

<b>USD</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Gross revenues from petroleum products production	1,958,716,693	-	-	275,104,822	2,233,821,515
Less sales taxes from petroleum products production	(651,881,321)	-	-	650,419,432	(1,461,889)
<b>Net revenues from petroleum products production</b>	<b><u>1,306,835,372</u></b>	<b>-</b>	<b>-</b>	<b><u>925,524,254</u></b>	<b><u>2,232,359,626</u></b>
Gross revenues from petroleum products trading	9,464,670	-	1,671,569,431	(1,604,967,452)	76,066,649
Less sales taxes petroleum products trading	-	-	(692,284,727)	2,332,069	(689,952,658)
Less commercial discounts petroleum products trading	-	-	(126,164,927)	4,197,067	(121,967,860)
<b>Net revenues from petroleum products trading</b>	<b><u>9,464,670</u></b>	<b>-</b>	<b><u>853,119,777</u></b>	<b><u>(1,598,438,316)</u></b>	<b><u>(735,853,869)</u></b>
Revenues from petrochemicals production	-	99,780,113	-	-	99,780,113
Revenues from petrochemicals trading	-	342,376	-	-	342,376
Revenues from merchandise sales	294,644	-	87,494,467	-	87,789,111
Revenues from utilities sold	1,517,641	-	-	(83,683)	1,433,958
Revenues from transportation fees	-	-	2,280,493	-	2,280,493
Revenues from rents and other services	<u>2,735,782</u>	-	<u>13,478,739</u>	<u>(6,126,154)</u>	<u>10,088,367</u>
<b>Total Net Revenues</b>	<b><u>1,320,848,109</u></b>	<b><u>100,122,489</u></b>	<b><u>956,373,476</u></b>	<b><u>(679,123,899)</u></b>	<b><u>1,698,220,175</u></b>

<b>RON (supplementary info – see Note 2(e))</b>	<b>Refining</b>	<b>Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Gross revenues from petroleum products production	8,354,514,311	-	-	1,173,404,597	9,527,918,908
Less sales taxes from petroleum products production	(2,780,469,398)	-	-	2,774,234,003	(6,235,395)
<b>Net revenues from petroleum products production</b>	<b><u>5,574,044,912</u></b>	<b>-</b>	<b>-</b>	<b><u>3,947,638,601</u></b>	<b><u>9,521,683,513</u></b>
Gross revenues from petroleum products trading	40,369,657	-	7,129,745,094	(6,845,667,673)	324,447,078
Less sales taxes petroleum products trading	-	-	(2,952,802,046)	9,946,974	(2,942,855,072)
Less commercial discounts petroleum products trading	-	-	(538,131,263)	17,901,750	(520,229,513)
<b>Net revenues from petroleum products trading</b>	<b><u>40,369,657</u></b>	<b>-</b>	<b><u>3,638,811,785</u></b>	<b><u>(6,817,818,949)</u></b>	<b><u>(3,138,637,507)</u></b>
Revenues from petrochemicals production	-	425,592,116	-	-	425,592,116
Revenues from petrochemicals trading	-	1,460,336	-	-	1,460,336
Revenues from merchandise sales	1,256,745	-	373,190,150	-	374,446,895
Revenues from utilities sold	6,473,194	-	-	(356,933)	6,116,261
Revenues from transportation fees	-	-	9,726,987	-	9,726,987
Revenues from rents and other services	<u>11,668,931</u>	-	<u>57,490,865</u>	<u>(26,129,885)</u>	<u>43,029,912</u>
<b>Total Net Revenues</b>	<b><u>5,633,813,439</u></b>	<b><u>427,052,452</u></b>	<b><u>4,079,219,787</u></b>	<b><u>(2,896,667,166)</u></b>	<b><u>7,243,418,512</u></b>

Total Revenues increased mainly due to the volatility of oil and gas market environment resulting in higher quotations vs same period last year alongside a slightly higher volumes sold.

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

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**21. COST OF SALES**

	<u>September 30,</u> <u>2021</u> <u>USD</u>	<u>September 30,</u> <u>2020</u> <u>USD</u>	<u>September 30,</u> <u>2021</u> <u>RON</u>	<u>September 30,</u> <u>2020</u> <u>RON</u>
			(supplementary info – see Note 2(e))	
Crude oil and other raw materials	1,758,364,679	1,326,904,761	7,499,952,863	5,659,646,878
Consumables and other materials	7,075,061	8,008,911	30,177,260	34,160,408
Utilities	58,852,780	59,487,439	251,024,764	253,731,774
Staff costs	18,663,970	21,359,019	79,607,429	91,102,624
Transportation	156,085	138,952	665,748	592,672
Maintenance and repairs	14,217,891	17,495,276	60,643,570	74,622,601
Insurance	994,012	1,116,496	4,239,759	4,762,190
Environmental expenses	4,458,277	5,319,856	19,015,890	22,690,782
Other	8,757,022	8,711,606	37,351,326	37,157,613
<b>Cash production cost</b>	<b>1,871,539,777</b>	<b>1,448,542,316</b>	<b>7,982,678,610</b>	<b>6,178,467,541</b>
Depreciation and amortization	50,320,296	52,877,359	214,631,159	225,537,799
<b>Production costs</b>	<b>1,921,860,073</b>	<b>1,501,419,675</b>	<b>8,197,309,768</b>	<b>6,404,005,341</b>
Plus: Change in inventories	(50,056,285)	65,548,139	(213,505,071)	279,582,477
Less: Own production of property, plant & equipment	(490,611)	(4,783,298)	(2,092,605)	(20,402,201)
Cost of petroleum products trading	161,579,350	69,014,687	689,184,404	294,368,344
Cost of petrochemicals trading	662,571	478,216	2,826,063	2,039,735
Cost of merchandise sold	99,827,351	69,561,031	425,793,600	296,698,666
Cost of utilities resold	1,025,485	775,112	4,374,003	3,306,085
Realised (gains)/losses on derivatives	21,213,016	(56,810,456)	90,479,878	(242,313,638)
<b>Total</b>	<b><u>2,155,620,951</u></b>	<b><u>1,645,203,106</u></b>	<b><u>9,194,370,041</u></b>	<b><u>7,017,284,809</u></b>

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

	<u>September 30,</u> <u>2021</u> <u>USD</u>	<u>September 30,</u> <u>2020</u> <u>USD</u>	<u>September 30,</u> <u>2021</u> <u>RON</u>	<u>September 30,</u> <u>2020</u> <u>RON</u>
			(supplementary info – see Note 2(e))	
Staff costs	20,542,919	18,977,872	87,621,711	80,946,317
Utilities	5,073,253	4,819,014	21,638,947	20,554,540
Transportation	46,317,584	38,592,288	197,558,390	164,607,686
Professional and consulting fees	22,699,102	27,566,722	96,818,479	117,580,339
Royalties and rents	4,979,765	3,918,497	21,240,193	16,713,565
Consumables	260,853	610,907	1,112,617	2,605,702
Marketing	2,006,082	2,137,400	8,556,543	9,116,652
Taxes	1,468,784	1,560,345	6,264,803	6,655,340
Communications	650,468	746,863	2,774,441	3,185,595
Insurance	986,292	897,059	4,206,832	3,826,226
IT related expenditures	6,359,261	6,082,941	27,124,157	25,945,568
Environmental expenses	1,615,122	910,586	6,888,982	3,883,922
Maintenance and repairs	9,316,018	7,273,248	39,735,613	31,022,585
Other expenses	14,138,889	13,132,961	60,306,604	56,016,019
<b>Costs before depreciation</b>	<b>136,414,393</b>	<b>127,226,703</b>	<b>581,848,310</b>	<b>542,660,056</b>
Depreciation and amortisation	45,651,013	35,332,625	194,715,267	150,704,245
<b>Total</b>	<b><u>182,065,406</u></b>	<b><u>162,559,328</u></b>	<b><u>776,563,576</u></b>	<b><u>693,364,302</u></b>

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

	<u>September</u> <u>30, 2021</u> USD	<u>September</u> <u>30, 2020</u> USD	<u>September</u> <u>30, 2021</u> RON	<u>September</u> <u>30, 2020</u> RON
			<i>(supplementary info – see Note 2(e))</i>	
Net gain /(loss) on disposal of assets	316,860	317,360	1,351,501	1,353,636
Reserve for impairment of tangible assets, net	(10,207,621)	(8,260)	(43,538,566)	(35,231)
Provision for receivables and write-off, net	1,167,085	(438,689)	4,977,969	(1,871,140)
Provision for inventories and write-off, net	(4,418,013)	2,221,600	(18,844,150)	9,475,790
Other provisions, net	(1,649,005)	(4,777,088)	(7,033,500)	(20,375,713)
Other, net	<u>(4,915,571)</u>	<u>180,523</u>	<u>(20,966,384)</u>	<u>769,985</u>
<b>Total</b>	<b><u>(19,706,265)</u></b>	<b><u>(2,504,554)</u></b>	<b><u>(84,053,130)</u></b>	<b><u>(10,682,674)</u></b>

As a result of the incident of July 2, 2021, a reserve for impairment of tangible assets in amount of USD 10.21 million was booked in Rompetrol Rafinare.

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

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

	<b><u>September 30,</u></b> <b><u>2021</u></b> <b>USD</b>	<b><u>September 30,</u></b> <b><u>2020</u></b> <b>USD</b>	<b><u>September 30,</u></b> <b><u>2021</u></b> <b>RON</b>	<b><u>September 30,</u></b> <b><u>2020</u></b> <b>RON</b>
<b>Finance cost</b>			<i>(supplementary info – see Note 2(e))</i>	
Late payment interest	(1,705,265)	(6,713)	(7,273,467)	(28,633)
Interest expense	(25,813,130)	(20,438,856)	(110,100,743)	(87,177,852)
Interest expense shareholders	(38,253)	(344,755)	(163,161)	(1,470,484)
Unwinding of discount - lease	(3,945,784)	(3,514,331)	(16,829,952)	(14,989,676)
Other financial expense	(13,752,687)	(20,089,284)	(58,659,337)	(85,686,823)
	<b>(45,255,119)</b>	<b>(44,393,939)</b>	<b>(193,026,661)</b>	<b>(189,353,468)</b>
<b>Finance income</b>				
Interest income	11,431,418	8,146,105	48,758,427	34,745,582
Other financial income	2,033,592	1,258,603	8,673,880	5,368,319
<b>Total</b>	<b>13,465,010</b>	<b>9,404,708</b>	<b>57,432,307</b>	<b>40,113,901</b>
<b>Finance income/(cost) net</b>	<b>(31,790,109)</b>	<b>(34,989,231)</b>	<b>(135,594,353)</b>	<b>(149,239,567)</b>
Unrealized net foreign exchange (losses)/gains	8,306,761	(2,487,391)	35,430,827	(10,609,470)
Realized net foreign exchange (losses)/gains	(5,201,821)	(4,513,236)	(22,187,325)	(19,250,306)
<b>Foreign exchange gain/(loss), net</b>	<b>3,104,940</b>	<b>(7,000,627)</b>	<b>13,243,501</b>	<b>(29,859,775)</b>
<b>Total</b>	<b>(28,685,169)</b>	<b>(41,989,858)</b>	<b>(122,350,852)</b>	<b>(179,099,342)</b>

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**25. INCOME TAX**

a. The current income tax rate in 2021 was 16%, the same as in 2020.

	<u>September</u> <u>30, 2021</u> USD	<u>September</u> <u>30, 2020</u> USD	<u>September</u> <u>30, 2021</u> RON	<u>September</u> <u>30, 2020</u> RON
Tax expense comprises:				
Current tax expense	4,717,172	2,151,694	20,120,155	9,177,620
<b>Total tax expense/(income)</b>	<b><u>4,717,172</u></b>	<b><u>2,151,694</u></b>	<b><u>20,120,155</u></b>	<b><u>9,177,620</u></b>

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

**26. OPERATING SEGMENT INFORMATION**

**a. Operating Segments**

For management purposes the Group is currently organized in 3 segments – refining, petrochemicals and marketing. Refining comprises Petromidia and Vega refineries, Petrochemicals comprises petrochemical division of Rompetrol Rafinare SA and Rompetrol Petrochemicals operations and Marketing comprises the operations of Rompetrol Downstream, Rom Oil, Rompetrol Logistics, Rompetrol Gas and Rompetrol Quality Control SRL.

For the income statement, management analysis is made separately for the 3 segments: Refining, Petrochemicals and Marketing. The balance sheet is analyzed by management at cumulated level for Refining and Petrochemicals segments. As a result, the balance sheet information for segments Refining and Petrochemicals are presented together.



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**26. OPERATING SEGMENT INFORMATION (continued)**

**2021 Income Statement information**

<u>USD</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining &amp; Petrochemicals segments</u>	<u>Marketing</u>	<u>Impact from transactions between segments</u>	<u>Consolidated</u>
Net revenues "external customers"	807,294,300	146,292,930	-	1,379,411,274	-	2,332,998,503
Net revenues "Inter segment"	1,045,644,842	-	-	5,915,419	(1,051,560,261)	-
Cost of sales	<u>(1,845,827,577)</u>	<u>(139,530,853)</u>	-	<u>(1,246,911,598)</u>	<u>1,076,649,077</u>	<u>(2,155,620,951)</u>
<b>Gross margin</b>	<b>7,111,564</b>	<b>6,762,077</b>	-	<b>138,415,095</b>	<b>25,088,817</b>	<b>177,377,552</b>
Selling, general and administrative expenses	(57,758,643)	(9,927,750)	-	(89,093,015)	(25,285,997)	(182,065,406)
Other operating income/(expenses), net	<u>(21,042,716)</u>	<u>(4,982)</u>	-	<u>1,131,598</u>	<u>209,836</u>	<u>(19,706,265)</u>
<b>Operating margin (EBIT)</b>	<b>(71,689,795)</b>	<b>(3,170,656)</b>	-	<b>50,453,678</b>	<b>12,655</b>	<b>(24,394,118)</b>
Financial expenses, net	-	-	(27,264,636)	(4,522,484)	(2,990)	(31,790,109)
Net foreign exchange result	-	-	14,740,035	<u>(11,635,095)</u>	-	3,104,940
<b>Profit/(loss) before income tax</b>	<b>(71,689,795)</b>	<b>(3,170,656)</b>	<b>(12,524,600)</b>	<b>34,296,099</b>	<b>9,665</b>	<b>(53,079,287)</b>
Income tax	-	-	-	<u>(4,717,172)</u>	-	<u>(4,717,172)</u>
<b>Net Profit/(Loss)</b>	<b>(71,689,795)</b>	<b>(3,170,656)</b>	<b>(12,524,600)</b>	<b>29,578,926</b>	<b>9,665</b>	<b>(57,796,460)</b>

<u>RON (supplementary info – see Note 2(e))</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining &amp; Petrochemicals segments</u>	<u>Marketing</u>	<u>Impact from transactions between segments</u>	<u>Consolidated</u>
Net revenues "external customers"	3,443,352,377	623,983,233	-	5,883,602,905	-	9,950,938,515
Net revenues "Inter segment"	4,459,988,943	-	-	25,231,037	(4,485,219,980)	-
Cost of sales	<u>(7,873,008,365)</u>	<u>(595,140,948)</u>	-	<u>(5,318,452,037)</u>	<u>4,592,231,309</u>	<u>(9,194,370,041)</u>
<b>Gross margin</b>	<b>30,332,954</b>	<b>28,842,285</b>	-	<b>590,381,905</b>	<b>107,011,329</b>	<b>756,568,474</b>
Selling, general and administrative expenses	(246,357,940)	(42,344,834)	-	(380,008,438)	(107,852,365)	(776,563,576)
Other operating income/(expenses), net	<u>(89,753,495)</u>	<u>(21,252)</u>	-	<u>4,826,605</u>	<u>895,012</u>	<u>(84,053,130)</u>
<b>Operating margin (EBIT)</b>	<b>(305,778,481)</b>	<b>(13,523,800)</b>	-	<b>215,200,072</b>	<b>53,977</b>	<b>(104,048,232)</b>
Financial expenses, net	-	-	(116,291,850)	(19,289,751)	(12,752)	(135,594,353)
Net foreign exchange result	-	-	62,870,673	<u>(49,627,172)</u>	-	13,243,501
<b>Profit/(loss) before income tax</b>	<b>(305,778,481)</b>	<b>(13,523,800)</b>	<b>(53,421,178)</b>	<b>146,283,149</b>	<b>41,224</b>	<b>(226,399,085)</b>
Income tax	-	-	-	<u>(20,120,155)</u>	-	<u>(20,120,155)</u>
<b>Net Profit/(Loss)</b>	<b>(305,778,481)</b>	<b>(13,523,800)</b>	<b>(53,421,178)</b>	<b>126,162,995</b>	<b>41,224</b>	<b>(246,519,239)</b>

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

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**26. OPERATING SEGMENT INFORMATION (continued)**

**2021 Statement of financial position information**

<u>USD</u>	<u>Refining &amp; Petrochemicals</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Total non current assets	1,608,463,374	259,130,829	(596,996,809)	1,270,597,394
Total current assets	714,926,500	549,904,092	(180,143,957)	1,084,686,635
<b>TOTAL ASSETS</b>	<b><u>2,323,389,874</u></b>	<b><u>809,034,921</u></b>	<b><u>(777,140,767)</u></b>	<b><u>2,355,284,029</u></b>
Total equity	649,111,501	307,348,004	(594,367,529)	362,091,977
Total non-current liabilities	231,680,220	173,391,684	(313,984)	404,757,919
Total current liabilities	1,442,598,153	328,295,234	(182,459,254)	1,588,434,133
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>2,323,389,874</u></b>	<b><u>809,034,921</u></b>	<b><u>(777,140,767)</u></b>	<b><u>2,355,284,029</u></b>
Capital expenditure	21,378,198	5,720,882	-	27,099,080

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

	<u>Refining &amp; Petrochemicals</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Total non current assets	6,860,578,819	1,105,270,725	(2,546,370,492)	5,419,479,051
Total current assets	3,049,376,001	2,345,505,925	(768,368,021)	4,626,513,905
<b>TOTAL ASSETS</b>	<b><u>9,909,954,819</u></b>	<b><u>3,450,776,650</u></b>	<b><u>(3,314,738,513)</u></b>	<b><u>10,045,992,956</u></b>
Total equity	2,768,655,281	1,310,931,441	(2,535,155,820)	1,544,430,902
Total non-current liabilities	988,185,640	739,567,548	(1,339,236)	1,726,413,952
Total current liabilities	6,153,113,898	1,400,277,661	(778,243,458)	6,775,148,101
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>9,909,954,819</u></b>	<b><u>3,450,776,650</u></b>	<b><u>(3,314,738,513)</u></b>	<b><u>10,045,992,956</u></b>
Capital expenditure	91,184,426	24,401,279	-	115,585,705

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**26. OPERATING SEGMENT INFORMATION (continued)**

**2020 Income Statement information**

<u>USD</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining &amp; Petrochemicals segments</u>	<u>Marketing</u>	<u>Impact from transactions between segments</u>	<u>Consolidated</u>
Net revenues "external customers"	647,415,124	100,122,489	-	950,682,562	-	1,698,220,175
Net revenues "Inter segment"	673,432,985	-	-	5,690,914	(679,123,899)	-
Cost of sales	<u>(1,379,104,005)</u>	<u>(122,349,527)</u>	-	<u>(843,606,319)</u>	<u>699,856,745</u>	<u>(1,645,203,106)</u>
<b>Gross margin</b>	<b>(58,255,896)</b>	<b>(22,227,038)</b>	-	<b>112,767,157</b>	<b>20,732,846</b>	<b>53,017,069</b>
Selling, general and administrative expenses	(48,720,176)	(9,174,680)	-	(85,968,691)	(18,695,781)	(162,559,328)
Other operating income/(expenses), net	(2,395,414)	623	-	(175,708)	65,945	(2,504,554)
<b>Operating margin (EBIT)</b>	<b>(109,371,486)</b>	<b>(31,401,095)</b>	-	<b>26,622,758</b>	<b>2,103,010</b>	<b>(112,046,813)</b>
Financial expenses, net	-	-	(30,032,904)	(4,687,488)	(268,839)	(34,989,231)
Net foreign exchange result	-	-	(9,990,262)	2,989,635	-	(7,000,627)
<b>Profit/(loss) before income tax</b>	<b>(109,371,486)</b>	<b>(31,401,095)</b>	<b>(40,023,166)</b>	<b>24,924,905</b>	<b>1,834,171</b>	<b>(154,036,671)</b>
Income tax	-	-	-	<u>(2,151,694)</u>	-	<u>(2,151,694)</u>
<b>Net Profit/(Loss)</b>	<b><u>(109,371,486)</u></b>	<b><u>(31,401,095)</u></b>	<b><u>(40,023,166)</u></b>	<b><u>22,773,211</u></b>	<b><u>1,834,171</u></b>	<b><u>(156,188,365)</u></b>

<u>RON (supplementary info – see Note 2(e))</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Amounts not allocated between Refining &amp; Petrochemicals segments</u>	<u>Marketing</u>	<u>Impact from transactions between segments</u>	<u>Consolidated</u>
Net revenues "external customers"	2,761,419,728	427,052,452	-	4,054,946,332	-	7,243,418,512
Net revenues "Inter segment"	2,872,393,711	-	-	24,273,455	(2,896,667,166)	-
Cost of sales	<u>(5,882,292,313)</u>	<u>(521,857,438)</u>	-	<u>(3,598,234,032)</u>	<u>2,985,098,973</u>	<u>(7,017,284,809)</u>
<b>Gross margin</b>	<b>(248,478,873)</b>	<b>(94,804,985)</b>	-	<b>480,985,755</b>	<b>88,431,807</b>	<b>226,133,703</b>
Selling, general and administrative expenses	(207,806,167)	(39,132,763)	-	(366,682,258)	(79,743,115)	(693,364,302)
Other operating income/(expenses), net	<u>(10,217,159)</u>	<u>2,657</u>	-	<u>(749,447)</u>	<u>281,275</u>	<u>(10,682,674)</u>
<b>Operating margin (EBIT)</b>	<b>(466,502,199)</b>	<b>(133,935,091)</b>	-	<b>113,554,050</b>	<b>8,969,968</b>	<b>(477,913,272)</b>
Financial expenses, net	-	-	(128,099,345)	(19,993,543)	(1,146,679)	(149,239,567)
Net foreign exchange result	-	-	(42,611,465)	12,751,689	-	(29,859,775)
<b>Profit/(loss) before income tax</b>	<b>(466,502,199)</b>	<b>(133,935,091)</b>	<b>(170,710,810)</b>	<b>106,312,196</b>	<b>7,823,289</b>	<b>(657,012,615)</b>
Income tax	-	-	-	<u>(9,177,620)</u>	-	<u>(9,177,620)</u>
<b>Net Profit/(Loss)</b>	<b><u>(466,502,199)</u></b>	<b><u>(133,935,091)</u></b>	<b><u>(170,710,810)</u></b>	<b><u>97,134,576</u></b>	<b><u>7,823,289</u></b>	<b><u>(666,190,235)</u></b>

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**26. OPERATING SEGMENT INFORMATION (continued)**

In total net revenues are included customers that own more than 10% of total sales (i.e. KazMunayGas Trading AG), their value amounting USD 340 million in the first 9 months 2021 and USD 261 million in the first 9 months of 2020.

**2020 Statement of financial position information**

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

<b>RON (supplementary info – see Note 2(e))</b>	<b>Refining &amp; Petrochemicals</b>	<b>Marketing</b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
Total non current assets	7,134,350,903	1,137,327,231	(2,543,811,923)	5,727,866,212
Total current assets	2,388,853,033	1,888,159,605	(623,487,103)	3,653,525,534
<b>TOTAL ASSETS</b>	<b><u>9,523,203,937</u></b>	<b><u>3,025,486,836</u></b>	<b><u>(3,167,299,027)</u></b>	<b><u>9,381,391,746</u></b>
Total equity	3,148,691,727	1,183,463,655	(2,535,197,037)	1,796,958,345
Total non-current liabilities	996,179,923	736,211,057	(1,339,243)	1,731,051,736
Total current liabilities	5,378,332,287	1,105,812,124	(630,762,746)	5,853,381,665
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>9,523,203,937</u></b>	<b><u>3,025,486,836</u></b>	<b><u>(3,167,299,027)</u></b>	<b><u>9,381,391,746</u></b>
Capital expenditure	473,795,963	48,640,381	(20,797)	522,415,548

- Inter - segment revenues are eliminated on consolidation.
- Transfer pricing between operating segments is determined based on market rules agreed between the segments. These transfer prices take in to account the latest Crude/Refined products prices on markets adjusted by various margins / discounts taking into account quantity, quality, payment terms, transportation costs etc.

**b. Geographical segments**

All the Group's production facilities are located in Romania. The following table provides an analysis of the Group's net revenues by geographical market (based on customers' location):

	<b>2021 USD</b>	<b>2020 USD</b>	<b>2021 RON</b>	<b>2020 RON</b>
<b>Romania</b>	<b>1,756,334,829</b>	<b>1,284,852,669</b>	<b>7,491,294,946</b>	<b>5,480,282,091</b>
<b>Export</b>	<b>576,663,674</b>	<b>413,367,506</b>	<b>2,459,643,570</b>	<b>1,763,136,422</b>
<i>out of which</i>				
Petroleum products	518,143,516	369,463,349	2,210,037,539	1,575,872,022
Petrochemical products	58,520,158	43,904,157	249,606,031	187,264,400
<b>Total</b>	<b><u>2,332,998,503</u></b>	<b><u>1,698,220,175</u></b>	<b><u>9,950,938,515</u></b>	<b><u>7,243,418,512</u></b>

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**27. RELATED PARTIES**

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

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

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

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**27. RELATED PARTIES (continued)**

Name of related party	<b>Receivables and other assets</b>			
	<b>30-Sep-21</b>	<b>31-Dec-20</b>	<b>30-Sep-21</b>	<b>31-Dec-20</b>
	<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
			<i>(supplementary info – see Note 2(e))</i>	
KazMunayGas Trading AG	30,651,176	2,735,609	130,736,463	11,668,193
Rominerv S.R.L.	215,804	2,588,730	920,470	11,041,710
KMG International N.V.	70,067,421	80,121,018	298,858,572	341,740,178
KMG Rompetrol S.R.L.	819,080	1,124,212	3,493,622	4,795,101
KMG Rompetrol SRL - cash pooling	306,598,903	238,725,868	1,307,736,303	1,018,237,445
Oilfield Exploration Business Solutions S.A.	1,115,702	1,181,252	4,758,806	5,038,394
Rompetrol Well Services S.A.	49,490	52,131	211,088	222,354
KMG Rompetrol Services Center	53,162	28,044	226,752	119,616
Palplast S.A.	622,557	705,993	2,655,391	3,011,272
Rompetrol Bulgaria JSC	2,591,265	1,341,387	11,052,524	5,721,418
Rompetrol Moldova SA	7,299,979	392,737	31,136,598	1,675,141
Rompetrol Financial Group S.R.L.	2,588	2,713	11,039	11,572
KazMunayGas Engineering B.V.	3,573	3,573	15,239	15,240
Rompetrol Energy S.A.	1,891	-	8,066	-
Byron Shipping SRL	1,591	707	6,786	3,016
Rompetrol Albania Wholesale Sh.A.	17,264	18,285	73,636	77,991
Midia Marine Terminal S.R.L.	163,382	227,374	696,874	969,818
Rominerv Valves Iaifo SRL	6,364	-	27,146	-
KazMunayGas –Engineering LLP	168,167	168,167	717,283	717,283
Rompetrol Georgia LLC	50	-	213	-
Uzina Termoelectrica Midia S.A.	995,691	2,261,869	4,246,919	9,647,550
KMG Rompetrol Development S.R.L.	2,775,242	-	11,837,241	-
Global Security Sistem S.A.	232,825	219,425	993,069	935,913
<b>Total</b>	<b><u>424,453,168</u></b>	<b><u>331,899,094</u></b>	<b><u>1,810,420,100</u></b>	<b><u>1,415,649,206</u></b>

Name of related party	<b>Payables, loans and other liabilities</b>			
	<b>30-Sep-21</b>	<b>31-Dec-20</b>	<b>30-Sep-21</b>	<b>31-Dec-20</b>
	<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
			<i>(supplementary info – see Note 2(e))</i>	
KazMunayGas Trading AG	762,123,504	470,169,204	3,250,685,382	2,005,412,706
Rominerv S.R.L.	18,137,986	27,298,020	77,363,950	116,434,245
KMG International N.V.	6,134,604	8,001,539	26,165,925	34,128,964
KMG International N.V.- Short term debt - principal	-	10,655,710	-	45,449,800
KMG International N.V.- Short term debt - interest	-	1,686,454	-	7,193,232
KMG Rompetrol S.R.L.	5,512,166	6,932,425	23,511,043	29,568,872
KMG Rompetrol SRL - cash pooling	422,849,694	411,289,453	1,803,580,798	1,754,272,904
Oilfield Exploration Business Solutions S.A.	254,832	248,452	1,086,936	1,059,722
Rompetrol Well Services S.A.	130,706	100,342	557,500	427,989
KMG Rompetrol Services Center	1,233,201	1,649,652	5,259,971	7,036,261
Rompetrol Bulgaria JSC	143,434	137,134	611,790	584,918
Rompetrol Moldova SA	10,259,009	3,439,765	43,757,750	14,671,630
Byron Shipping SRL	2,248	2,379	9,587	10,147
Rompetrol Energy S.A.	915,813	-	3,906,216	-
Palplast S.A.	906	-	3,865	-
Midia Marine Terminal S.R.L.	8,505,413	8,410,459	36,278,138	35,873,131
Rominerv Valves Iaifo SRL	28,489	7,575	121,516	32,310
Rompetrol Georgia LLC	50	50	213	213
Uzina Termoelectrica Midia S.A.	5,983,227	8,953,547	25,520,259	38,189,564
Rompetrol Exploration and Production S.R.L.	-	17	-	73
KMG Rompetrol Development S.R.L.	2,273,700	93,751	9,698,011	399,876
Global Security Sistem S.A.	404,924	671,723	1,727,122	2,865,100
Global Security Systems Fire Services SRL	281,185	212,088	1,199,340	904,619
TRG Petrol Anonim Sirketi	2,538	2,538	10,825	10,825
<b>Total</b>	<b><u>1,245,177,628</u></b>	<b><u>959,962,277</u></b>	<b><u>5,311,056,138</u></b>	<b><u>4,094,527,100</u></b>

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**27. RELATED PARTIES (continued)**

During 2021 and 2020, Rompetrol Rafinare Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	<b>Sales and other revenues</b>			
		<b>30-Sep-21</b>	<b>30-Sep-20</b>	<b>30-Sep-21</b>	<b>30-Sep-20</b>
		<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
				<i>(supplementary info – see Note 2(e))</i>	
KazMunayGas Trading AG	Fuel	339,924,299	260,774,343	1,449,879,114	1,112,280,805
Rominerv S.R.L.	Fuel, utilities and other services	581,245	602,866	2,479,183	2,571,404
KMG International N.V.	Interest	2,965,650	-	12,649,387	-
KMG Rompetrol S.R.L.	Fuel and other services	83,549	57,186	356,362	243,915
Oilfield Exploration Business Solutions S.A.	Fuel	3,911	2,017	16,682	8,603
Rompetrol Well Services S.A.	Fuel and other services	426,060	284,373	1,817,273	1,212,936
Palplast S.A.	Fuel and other services	9,392	7,461	40,061	31,823
Rompetrol Bulgaria JSC	Fuel	33,771,601	22,387,736	144,046,008	95,490,410
Rompetrol Moldova SA	Fuel	95,923,132	77,724,306	409,140,933	331,517,482
KMG Rompetrol Services Center	Rent and other services	110,122	98,488	469,705	420,081
Midia Marine Terminal S.R.L.	Fuel, rent and other services	298,084	242,593	1,271,417	1,034,732
Byron Shipping SRL	Fuel and other services	13,207	11,057	56,331	47,161
Rominerv Valves Iaifo SRL	Fuel and other services	2,494	7,015	10,639	29,921
Uzina Termoelectrica Midia S.A.	Utilities and other services	10,852,600	11,717,187	46,289,595	49,977,318
Rompetrol Energy S.A.	Other services	7,774	524	33,158	2,235
Global Security Sistem S.A.	Fuel	63,247	50,886	269,767	217,044
KMG Rompetrol Development S.R.L.	PPE and other services	3,024,525	7,085,364	12,900,504	30,221,203
<b>Total</b>		<b><u>488,060,891</u></b>	<b><u>381,053,402</u></b>	<b><u>2,081,726,120</u></b>	<b><u>1,625,307,076</u></b>

Name of related party	Nature of transaction	<b>Purchases and other costs</b>			
		<b>30-Sep-21</b>	<b>30-Sep-20</b>	<b>30-Sep-21</b>	<b>30-Sep-20</b>
		<b>USD</b>	<b>USD</b>	<b>RON</b>	<b>RON</b>
				<i>(supplementary info – see Note 2(e))</i>	
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	1,801,877,110	1,166,385,659	7,685,546,436	4,974,984,751
Rominerv S.R.L.	Acquisition and maintenance of fixed assets	41,542,066	107,952,538	177,189,373	460,449,960
KMG International N.V.	Management services	6,759,509	8,100,519	28,831,334	34,551,144
KMG Rompetrol S.R.L.	Management services	20,778,531	24,293,346	88,626,669	103,618,409
Oilfield Exploration Business Solutions S.A.	Management services	40,519	31,528	172,827	134,476
Rompetrol Financial Group S.R.L.	Environmental services	-	14,629	-	62,397
Rompetrol Well Services S.A.	Interest on loan	96	89	408	380
Rompetrol Bulgaria JSC	Sales intermediary services	48,002	-	204,743	-
KMG Rompetrol Services Center	Shared services	5,099,278	5,338,313	21,749,950	22,769,506
Midia Marine Terminal S.R.L.	Handling services/Transit	10,089,531	11,588,933	43,034,879	49,430,276
Rominerv Valves Iaifo SRL	Valves	15,720	71,052	67,051	303,058
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	18,892,956	19,728,640	80,584,127	84,148,568
KMG Rompetrol Development S.R.L.	Retail	7,352,663	4,524,334	31,361,312	19,297,642
Global Security Sistem S.A.	Security and protection services	2,463,207	2,281,503	10,506,316	9,731,295
Global Security Systems Fire Services SRL	Fire protection services	1,337,882	1,173,474	5,706,468	5,005,219
<b>Total</b>		<b><u>1,916,297,069</u></b>	<b><u>1,351,484,557</u></b>	<b><u>8,173,581,890</u></b>	<b><u>5,764,487,081</u></b>

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

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**27. RELATED PARTIES (continued)**

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, through a Government Ordinance, the shareholder became Ministry of Economy Trade and Business Environment ("MECMA") until May 2013, when following MECMA reorganization the new holder became Ministry of Economy ("ME"). Later it was renamed the Ministry of Energy, Small and Medium Enterprises and Business Environment. As at December 31, 2019 it is named the Ministry of Energy, and during 2020 it was renamed Ministry of Economy, Energy and Business Environment. Its current name is Ministry of Energy according to the OUG 212/2020.

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

**28. EARNINGS PER SHARE**

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

	<u>September 30,</u> <u>2021</u> USD	<u>September 30,</u> <u>2020</u> USD	<u>September 30,</u> <u>2021</u> RON	<u>September 30,</u> <u>2020</u> RON
<b>Earnings</b>				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	(57,008,477)	(156,462,255)	(243,158,256)	(667,358,456)
<b>Number of shares</b>				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
<b>Earnings per share (US cents/share)</b>				
Basis	<b>(0.1292)</b>	<b>(0.3547)</b>	<b>(0.5513)</b>	<b>(1.5129)</b>



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## **29. CONTINGENCIES**

### **Rompetrol Rafinare SA- Distressed Assets - Hybrid Conversion**

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

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

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

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

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

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

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

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

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

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of

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**29. CONTINGENCIES (continued)**

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

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

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

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**30. LEGAL MATTERS**

**Litigation with the State involving criminal charges**

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

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

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

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

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

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

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

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

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

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

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

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**30. LEGAL MATTERS (continued)**

intra-companies transactions and budgetary taxes and duties.

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

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

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

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

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

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

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

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

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

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**30. LEGAL MATTERS (continued)**

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

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

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

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

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 14 April but the case has been suspended due to the emergency enforced since 16 March 2020. The next hearing was settled for 8 June 2021. On July 20, 2021, Ialomita Tribunal rejected Faber's claim.

Also, please note that in December 2020, Faber resumed some files out of those suspended back in 2005/2006. The hearings were 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 Article of Association ("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 Rompetrol S.A. ("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 Rompetrol Downstream ("DWS"), Rompetrol Well Services ("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;

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**30. LEGAL MATTERS (continued)**

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 and the High Court of Justice, with trial terms being established during November and December 2021.

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

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

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

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

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

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

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

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

The file was suspended, based on art. 42 point 6 of the Decree of the President of Romania no. 195 / 16.03.2020 regarding the establishment of the state of emergency on the territory of Romania and of the Decision of the Board of Management no. 4/18.03.2020 of the Court of Appeal Constanta, without

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**30. LEGAL MATTERS (continued)**

performing any procedural act. Following the submission of the Expertise Report, ANAF submitted objections, Constanta Court of Appeal establishing a trial term on 24 March 2021 in order to discuss them. 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 USD 3.2 million.

**Litigation regarding CO2 emission allowances**

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

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

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

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

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

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

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

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**30. LEGAL MATTERS (continued)**

**Litigation between Rompetrol Rafinare and Navodari City Hall**

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

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



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**30. LEGAL MATTERS (continued)**

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

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

- a) Complaint against National Company "Administratia Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint leads to an investigation launched in April 2016 by the Competition Council. Competition Council is entitled to acknowledge the violation by Administratia Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, the obligations resting upon it as administrator of port areas and supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. By Decision 21/2018, the Competition Council rejected the complaints formulated by Rompetrol Rafinare SA and Midia Marine Terminal SRL. Both companies challenged this decision at Bucharest Court of Appeal, first term being scheduled for 13 May 2019, in order to communicate to the parties the statement of defense issued by National Company "Administratia Porturilor Maritime" SA. Next term was established 21 October 2019, when the court dismissed the complaints filed by the plaintiffs. The solution was appealed by Rompetrol Rafinare SA and the first hearing was set by the High Court on 12 April 2022.
- b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 mil USD) and for restitution of dredging expenses (USD 1.7 million). On 19 May 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff:
  - The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
  - The amount of RON 0.079 million representing legal costs.

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

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**30. LEGAL MATTERS (continued)**

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

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

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

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

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

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

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

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

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

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

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**30. LEGAL MATTERS (continued)**

**Criminal case concerning Petromidia Refinery incident on July 2<sup>nd</sup> 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.

**31. COMMITMENTS**

**Environmental risks and obligation**

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

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

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

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

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## **32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **32.1. Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank debt and shareholder loans (see Note 18), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the "Consolidated Statement of Changes in the Shareholders' Equity".

### **32.2. Gearing ratio**

The gearing ratio at the year-end was as follows:

	<b><u>September 30,</u></b> <b><u>2021</u></b>	<b><u>December 31,</u></b> <b><u>2020</u></b>
Debt (excluding shareholder loans and related parties)	397,186,090	378,769,602
Cash and cash equivalents	<u>(57,410,115)</u>	<u>(100,655,956)</u>
<b>Net debt</b>	<b>339,775,975</b>	<b>278,113,646</b>
Equity (including shareholder loans and related parties)	362,091,977	433,639,226
<b>Net debt to equity ratio</b>	<b>0.94</b>	<b>0.64</b>

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

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

	<b><u>September</u></b> <b><u>30, 2021</u></b>	<b><u>December</u></b> <b><u>31, 2020</u></b>
<b>Financial assets</b>		
Trade and other receivables	572,672,118	521,560,690
Long-term receivables	3,663,259	4,143,035
Derivative financial instruments	221,780	209,030
Cash and cash equivalents	<u>57,410,115</u>	<u>100,655,956</u>
<b>TOTAL FINANCIAL ASSETS</b>	<b>633,967,272</b>	<b>626,568,711</b>
<b>Financial liabilities</b>		
Long-term borrowings	240,000,000	240,000,000
Derivative financial instruments	12,971,720	375,916
Short term borrowings from shareholders	-	12,342,166
Other non-current liabilities	177,420	356,061
Trade and other payables	1,314,690,281	1,067,238,369
Short-term borrowings banks	<u>70,878,245</u>	<u>52,949,083</u>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,638,717,666</b>	<b>1,373,261,595</b>

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

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

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

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

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Group enters into derivative financial instruments with various counterparties. As at 31 September 2021, the marked to market value of derivative position is for financial instruments recognized at fair value.

**32.4. Fair value hierarchy**

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

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

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

	<u>September 30,</u> <u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial assets</b>				
Trade and other receivables	572,672,118	-	572,672,118	-
Long-term receivables	3,663,259	-	3,663,259	-
Available for sale investments	18,623	-	18,623	-
Derivative financial instruments	221,780	-	221,780	-
Cash and cash equivalents	57,410,115	57,410,115	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b><u>633,985,895</u></b>	<b><u>57,410,115</u></b>	<b><u>576,575,780</u></b>	<b><u>=</u></b>
<b>Financial liabilities</b>				
Long-term borrowings	250,769,694	-	250,769,694	-
Derivative financial instruments	12,971,720	-	12,971,720	-
Other non-current liabilities	177,420	-	177,420	-
Trade and other payables	1,314,690,281	-	1,314,690,281	-
Short-term borrowings banks	70,878,245	-	70,878,245	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b><u>1,649,487,360</u></b>	<b><u>=</u></b>	<b><u>1,649,487,360</u></b>	<b><u>=</u></b>
	<u>December 31,</u> <u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial assets</b>				
Trade and other receivables	521,560,690	-	521,560,690	-
Long-term receivables	4,143,035	-	4,143,035	-
Available for sale investments	18,583	-	18,583	-
Derivative financial instruments	209,030	-	209,030	-
Cash and cash equivalents	100,655,956	100,655,956	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b><u>626,587,294</u></b>	<b><u>100,655,956</u></b>	<b><u>525,931,338</u></b>	<b><u>=</u></b>
<b>Financial liabilities</b>				
Long-term borrowings	256,223,200	-	256,223,200	-
Derivative financial instruments	375,916	-	375,916	-
Short term borrowings from shareholders	12,342,166	-	12,342,166	-
Other non-current liabilities	356,061	-	356,061	-
Trade and other payables	1,067,238,369	-	1,067,238,369	-
Short-term borrowings banks	52,949,083	-	52,949,083	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b><u>1,389,484,795</u></b>	<b><u>=</u></b>	<b><u>1,389,484,795</u></b>	<b><u>=</u></b>

During the reporting period ending 30 September 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

**32.5 Derivative financial instruments**

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

**Balance Sheet:**

	<b><u>September 30, 2021</u></b>	<b><u>December 31, 2020</u></b>
Derivative financial asset	221,780	209,030
Derivative financial liability	<u>(12,971,720)</u>	<u>(375,916)</u>
<b>Net position - asset/(liability)</b>	<b>(12,749,940)</b>	<b>(166,886)</b>

**Income Statement:**

	<b><u>September 30, 2021</u></b>	<b><u>September 30, 2020</u></b>
<b>Net position - (gain)/loss - in Cost of sales</b>	-	-
Realised (gains)/losses - net	21,213,016	(56,810,456)
<b>Total position - loss/(gain) - in Cost of sales</b>	<b>21,213,016</b>	<b>(56,810,456)</b>

	<b><u>September 30, 2021</u></b>	<b><u>December 31, 2020</u></b>
<b>Derivative asset/(liability) 2020</b>	<b>(166,886)</b>	<b>(2,533,340)</b>
Cash payments	(10,263,431)	2,366,454
Reserves	<b>(2,319,623)</b>	-
<b>Derivative asset/(liability) 2021</b>	<b>(12,749,940)</b>	<b>(166,886)</b>

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

**32.6 Market risk**

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

**32.7. Foreign currency risk management**

The Company's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products sales are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in other currencies, which are translated at the prevailing exchange rate at each balance sheet date. The unrealized differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

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

**32.8. Interest rate risk management**

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

**32.9. Commodity price risk**

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

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

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

**32.10. Credit risk**

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

**Trade receivables**

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 15% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

**Financial instruments and bank deposits**

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



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**33. 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 the existing Facility C in amount of USD 75,000,000 was prolonged 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**

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**FELIX CRUDU-TESLOVEANU**  
**GENERAL MANAGER**

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**RAMONA-GEORGIANA GALATEANU**  
**FINANCE MANAGER**

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