ROMPETROL RAFINARE SA

CONSOLIDATED FINANCIAL STATEMENTS

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

31 DECEMBER 2021

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
				(supplementary info – see Note 2(e))	
Intangible assets	3	9,469,707	10,970,907	41,389,248	47,950,543
Goodwill	4	82,871,706	82,871,706	362,207,365	362,207,365
Property, plant and equipment	5	1,261,644,352	1,168,350,972	5,514,268,958	5,106,511,584
Right of use Assets	7	109,604,968	76,543,589	479,050,434	334,549,067
Long-term receivable		3,139,455	4,143,035	13,721,616	18,107,963
Total non current assets		**1,466,730,188**	**1,342,880,209**	**6,410,637,622**	**5,869,326,523**
Inventories, net	9	329,204,005	202,167,399	1,438,851,943	883,613,051
Trade and other receivables	10	690,550,529	553,555,615	3,018,189,197	2,419,425,526
Derivative financial instruments	32.5	23,958,794	209,030	104,716,702	913,607
Cash and cash equivalents	11	50,091,261	100,655,956	218,933,873	439,936,987
Total current assets		**1,093,804,589**	**856,588,000**	**4,780,691,714**	**3,743,889,172**
TOTAL ASSETS		**2,560,534,777**	**2,199,468,209**	**11,191,329,336**	**9,613,215,695**
Share capital	12	881,102,250	1,463,323,897	3,851,033,605	6,395,749,756
Share premium	12	74,050,518	74,050,518	323,652,598	323,652,599
Revaluation reserve, net	12	311,636,330	125,410,659	1,362,068,909	548,132,367
Other reserves	12	14,810,715	(15,503,101)	64,733,194	(67,759,404)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,629,821,296	4,629,821,296
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,608,576,503)	(2,608,576,503)
Accumulated losses		(1,112,612,836)	(1,506,582,395)	(4,862,896,922)	(6,584,819,674)
Current year result		(185,855,572)	(199,779,921)	(812,318,947)	(873,178,101)
Equity attributable to equity holders of the parent		**445,584,742**	**403,372,993**	**1,947,517,230**	**1,763,022,338**
Non-Controlling interest		16,995,744	17,924,067	74,283,295	78,340,718
Total equity		**462,580,486**	**421,297,060**	**2,021,800,525**	**1,841,363,055**
Long-term borrowings from banks	13	191,729,052	240,000,000	837,990,167	1,048,968,000
Obligations under lease agreements	14	108,237,081	81,816,635	473,071,809	357,595,967
Deferred tax liabilities	15	72,659,146	4,339,808	317,571,328	18,967,999
Provisions	19	84,606,213	79,332,744	369,788,374	346,739,624
Other non-current liabilities		173,749	356,061	759,407	1,556,236
Total non-current liabilities		**457,405,240**	**405,845,248**	**1,999,181,085**	**1,773,827,825**
Trade and other payables	16	1,543,053,293	1,267,733,760	6,744,223,017	5,540,883,945
Contract liabilities	17	44,880,252	30,912,849	196,158,115	135,110,789
Derivative financial instruments	32.5	3,478,830	375,916	15,204,923	1,643,016
Obligations under lease agreements	14	3,679,908	4,003,884	16,083,774	17,499,776
Short-term borrowings from shareholders and related parties	18	-	12,342,166	-	53,943,905
Short-term borrowings from banks	18	42,421,794	52,949,083	185,412,936	231,424,556
Profit tax payable		3,034,974	4,008,243	13,264,959	17,518,828
Total current liabilities		**1,640,549,051**	**1,372,325,901**	**7,170,347,726**	**5,998,024,814**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,560,534,777**	**2,199,468,209**	**11,191,329,336**	**9,613,215,695**

The consolidated financial statements have been endorsed by the Board of Directors on 25 March 2022 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2022 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS

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Yedil Utekov
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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER

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FELIX CRUDU-TESLOVEANU
GENERAL MANAGER

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Felix Crudu Tesloveanu
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The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements.

ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2021
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
				(supplementary info – see Note 2(e))	
Revenues from contracts with customers	20	3,348,256,153	2,334,222,534	14,634,223,169	10,202,186,429
Cost of sales	21	(3,141,182,174)	(2,243,249,528)	(13,729,164,926)	(9,804,570,713)
Gross profit		**207,073,980**	**90,973,006**	**905,058,243**	**397,615,716**
Selling, general and administrative expenses, including logistic costs	22	(233,309,032)	(216,271,006)	(1,019,723,787)	(945,255,686)
Other operating income	23	23,918,589	107,398,286	104,540,975	469,405,689
Other operating expenses	23	(104,216,987)	(110,051,303)	(455,501,183)	(481,001,230)
Operating profit / (loss)		**(106,533,450)**	**(127,951,017)**	**(465,625,752)**	**(559,235,511)**
Finance cost	24	(71,830,430)	(59,560,773)	(313,949,260)	(260,322,271)
Finance income	24	19,778,380	32,898,826	86,445,368	143,790,899
Foreign exchange loss, net	24	6,082,694	(9,867,013)	26,585,630	(43,125,755)
(Loss) / Profit before income tax		**(152,502,806)**	**(164,479,977)**	**(666,544,014)**	**(718,892,637)**
Income tax	25	(34,281,089)	(34,107,415)	(149,832,356)	(149,073,279)
(Loss) / Profit for the year		**(186,783,895)**	**(198,587,392)**	**(816,376,370)**	**(867,965,916)**
Attributable to:					
Equity holders of the parent		(185,855,572)	(199,779,921)	(812,318,947)	(873,178,101)
Non-Controlling interests		(928,323)	1,192,529	(4,057,423)	5,212,185
Earnings per share *(US cents/share)*					
Basic	28	(0.700)	(0.453)	(3.059)	(1.979)

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2021
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	2021 USD	2020 USD	2021 RON	2020 RON
			(supplementary info – see Note 2(e))	
(Loss) / Profit for the year	**(186,783,895)**	**(198,587,392)**	**(816,376,370)**	**(867,965,916)**
Other comprehensive income				
Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):				
Net gain / (loss) on cash flow hedges	23,600,512	-	103,150,762	-
Net other comprehensive income to be reclassified to income / (loss) statement in subsequent periods	**23,600,512**	**-**	**103,150,762**	**-**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):				
Actuarial gains / (losses) on defined benefit pension plans	6,713,304	(3,054,281)	29,341,838	(13,349,347)
Revaluation of lands, buildings and equipment category in property plant and equipment	233,240,215	2,501,751	1,019,423,007	10,934,403
Deferred income tax related to revaluation, recognized in equity	(37,331,164)	(400,280)	(163,163,320)	(1,749,504)
Net other comprehensive income / (loss) not to be reclassified to income statement in subsequent periods	**202,622,355**	**(952,810)**	**885,601,525**	**(4,164,448)**
Total other comprehensive income / (loss) for the year, net of tax	**226,222,867**	**(952,810)**	**988,752,287**	**(4,164,448)**
Total comprehensive result for the year, net of tax	**39,438,972**	**(199,540,202)**	**172,375,917**	**(872,130,364)**
Attributable to:				
Equity holders of the parent	40,367,295	(200,732,731)	176,433,340	(877,342,548)
Non-Controlling interests	(928,323)	1,192,529	(4,057,423)	5,212,185
Total comprehensive result for the year	**39,438,972**	**(199,540,202)**	**172,375,917**	**(872,130,364)**

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
				(supplementary info – see Note 2(e))	
(Loss) / Profit before income tax		**(152,502,806)**	**(164,479,977)**	**(666,544,014)**	**(718,892,637)**
Adjustments for:					
Depreciation and amortization of property, plant and equipment and intangibles assets	21, 22	121,267,412	119,980,126	530,023,478	524,397,138
Depreciation of right-of-use assets	7	7,724,983	5,453,070	33,763,584	23,833,732
Provisions for receivables and inventories (incl write-off)	23	4,247,835	(2,059,849)	18,566,013	(9,002,982)
Impairment for property, plant and equipment (incl write-off)	23	(38,117,185)	8,629,499	(166,598,784)	37,716,951
Loss on revaluation of tangible assets	23	105,845,408	-	462,618,523	-
Provision for environmental and other liabilities		11,066,581	(2,905,236)	48,368,705	(12,697,915)
Retirement benefit provisions	19	920,191	(1,178,141)	4,021,879	(5,149,301)
Late payment interest	24	2,759,225	12,740	12,059,745	55,683
Other financial income	24	(2,072,081)	(57,466)	(9,056,444)	(251,167)
Unwinding of discount leasing	24	7,991,671	4,644,298	34,929,196	20,298,833
Interest income	24	(17,706,299)	(32,841,360)	(77,388,923)	(143,539,732)
Interest expense and bank charges		50,446,390	31,993,702	220,486,039	139,834,873
Adjustments for gain loss on disposals of property, plant and equipment	23	(280,855)	(699,648)	(1,227,534)	(3,057,952)
Unrealized foreign exchange (gain)/loss		(11,902,815)	8,773,829	(52,023,635)	38,347,774
Cash from operations before working capital changes		**89,687,654**	**(24,734,413)**	**391,997,828**	**(108,106,701)**
Net working capital changes:					
Receivables and prepayments		(25,522,388)	(23,536,846)	(111,550,701)	(102,872,492)
Inventories		(132,471,117)	64,011,173	(578,991,510)	279,773,634
Trade and other payables and contract liabilities		290,272,610	84,895,180	1,268,694,493	371,051,367
Change in working capital		**132,279,104**	**125,369,507**	**578,152,282**	**547,952,509**
Net cash inflow from operating activities		**221,966,759**	**100,635,094**	**970,150,109**	**439,845,808**
Cash flows from investing activities					
Purchase of property, plant and equipment		(49,419,894)	(119,491,275)	(215,999,532)	(522,260,518)
Purchase of intangible assets		(1,476,713)	(2,989,101)	(6,454,270)	(13,064,464)
Proceeds from sale of property, plant and equipment		3,462,540	6,133,353	15,133,724	26,807,046
Net cash (outflow) from investing activities		**(47,434,067)**	**(116,347,023)**	**(207,320,078)**	**(508,517,935)**
Cash flows from financing activities					
Cash pooling movement		(106,256,793)	98,870,784	(464,416,558)	432,134,536
Long - term loans received from banks		(0)	63,756,436	(0)	278,660,255
Long - term loans repaid to banks		(48,270,948)	(63,756,436)	(210,977,833)	(278,660,255)
Short - term loans (repaid to) / received from related parties		(10,655,710)	(10,733,365)	(46,572,912)	(46,912,318)
Short - term loans (repaid to) / received from banks, net		(10,448,419)	41,577,124	(45,666,906)	181,721,136
Lease repayments		(14,777,789)	(9,283,821)	(64,589,282)	(40,576,796)
Interest and bank charges paid, net		(34,687,728)	(17,259,261)	(151,609,654)	(75,435,052)
Net cash inflow (outflow) from financing activities		**(225,097,387)**	**103,171,461**	**(983,833,145)**	**450,931,505**
Net increase (decrease) in cash and cash equivalents		**(50,564,695)**	**87,459,532**	**(221,003,114)**	**382,259,378**
Cash and cash equivalents at the beginning of the year		**100,655,956**	**13,196,424**	**439,936,987**	**57,677,609**
Cash and cash equivalents at the end of the year		**50,091,261**	**100,655,956**	**218,933,873**	**439,936,987**

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The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements.

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

Amount in USD

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2019	**1,463,323,897**	**74,050,518**	**(1,514,772,382)**	**155,307,411**	**(25,118,634)**	**(596,832,659)**	**1,046,837,175**	**602,795,326**	**16,731,538**	**619,526,864**
Net loss for 2020	-	-	(199,779,921)	-	-	-	-	(199,779,921)	1,192,529	(198,587,392)
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	(3,054,281)	(3,054,281)	-	(3,054,281)
Revaluation surplus	-	-	-	2,501,751	-	-	-	2,501,751	-	2,501,751
Deferred tax related to revaluation surplus	-	-	-	-	(400,280)	-	-	(400,280)	-	(400,280)
Total other comprehensive income	**-**	**-**	**-**	**2,501,751**	**(400,280)**	**-**	**(3,054,281)**	**(952,810)**	**-**	**(952,810)**
Total comprehensive income	**-**	**-**	**(199,779,921)**	**2,501,751**	**(400,280)**	**-**	**(3,054,281)**	**(200,732,731)**	**1,192,529**	**(199,540,202)**
Transfer of realized revaluation reserve to Retained Earnings	-	-	8,189,987	(8,189,987)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	1,310,398	-	-	1,310,398	-	1,310,398
December 31, 2020	**1,463,323,897**	**74,050,518**	**(1,706,362,316)**	**149,619,175**	**(24,208,516)**	**(596,832,659)**	**1,043,782,894**	**403,372,993**	**17,924,067**	**421,297,060**
31 December 2020	**1,463,323,897**	**74,050,518**	**(1,706,362,316)**	**149,619,175**	**(24,208,516)**	**(596,832,659)**	**1,043,782,894**	**403,372,993**	**17,924,067**	**421,297,060**
Net loss for 2021	-	-	(185,855,572)	-	-	-	-	(185,855,572)	(928,323)	(186,783,895)
Revaluation surplus	-	-	-	233,240,215	-	-	-	233,240,215	-	233,240,215
Deferred tax related to revaluation surplus	-	-	-	-	(37,331,164)	-	-	(37,331,164)	-	(37,331,164)
Hedging reserves	-	-	-	-	-	-	23,600,512	23,600,512	-	23,600,512
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	6,713,304	6,713,304	-	6,713,304
Total other comprehensive income	**-**	**-**	**-**	**233,240,215**	**(37,331,164)**	**-**	**30,313,816**	**226,222,867**	**-**	**226,222,867**
Total comprehensive income	**-**	**-**	**(185,855,572)**	**233,240,215**	**(37,331,164)**	**-**	**30,313,816**	**40,367,295**	**(928,323)**	**39,438,972**
Transfer of realized revaluation reserve to Retained Earnings	-	-	11,527,833	(11,527,833)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	1,844,454	-	-	1,844,454	-	1,844,454
Share capital decrease	(582,221,647)	-	582,221,647	-	-	-	-	-	-	-
31 December 2021	**881,102,250**	**74,050,518**	**(1,298,468,408)**	**371,331,557**	**(59,695,226)**	**(596,832,659)**	**1,074,096,710**	**445,584,742**	**16,995,744**	**462,580,486**

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YEDIL UTEKOV
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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 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))

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2019	**6,395,749,757**	**323,652,598**	**(6,620,615,647)**	**678,802,101**	**(109,786,014)**	**(2,608,576,503)**	**4,575,411,236**	**2,634,637,530**	**73,128,533**	**2,707,766,063**
Net loss for 2020	-	-	(873,178,101)	-	-	-	-	(873,178,101)	5,212,185	(867,965,916)
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	(13,349,347)	(13,349,347)	-	(13,349,347)
Revaluation surplus	-	-	-	10,934,403		-	-	10,934,403	-	10,934,403
Deferred tax related to revaluation surplus	-	-	-	-	(1,749,504)	-		(1,749,504)	-	(1,749,504)
Total other comprehensive income	**-**	**-**	**-**	**10,934,403**	**(1,749,504)**	**-**	**(13,349,347)**	**(4,164,448)**	**-**	**(4,164,448)**
Total comprehensive income	**-**	**-**	**(873,178,101)**	**10,934,403**	**(1,749,504)**	**-**	**(13,349,347)**	**(877,342,548)**	**5,212,185**	**(872,130,364)**
Transfer of realized revaluation reserve to Retained Earnings	-	-	35,795,976	(35,795,976)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	5,727,357	-	-	5,727,357	-	5,727,357
December 31, 2020	**6,395,749,757**	**323,652,598**	**(7,457,997,771)**	**653,940,528**	**(105,808,161)**	**(2,608,576,503)**	**4,562,061,890**	**1,763,022,338**	**78,340,718**	**1,841,363,055**
31 December 2020	**6,395,749,757**	**323,652,598**	**(7,457,997,771)**	**653,940,528**	**(105,808,161)**	**(2,608,576,503)**	**4,562,061,890**	**1,763,022,338**	**78,340,718**	**1,841,363,055**
Net loss for 2021	-	-	(812,318,947)	-	-	-	-	(812,318,947)	(4,057,423)	(816,376,370)
Revaluation surplus	-	-	-	1,019,423,007	-	-	-	1,019,423,007	-	1,019,423,007
Deferred tax related to revaluation surplus	-	-	-	-	(163,163,320)	-	-	(163,163,320)	-	(163,163,320)
Hedging reserves	-	-	-		-	-	103,150,762	103,150,762	-	103,150,762
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	29,341,838	29,341,838	-	29,341,838
Total other comprehensive income	**-**	**-**	**-**	**1,019,423,007**	**(163,163,320)**	**-**	**132,492,600**	**988,752,287**	**-**	**988,752,287**
Total comprehensive income	**-**	**-**	**(812,318,947)**	**1,019,423,007**	**(163,163,320)**	**-**	**132,492,600**	**176,433,340**	**(4,057,423)**	**172,375,917**
Transfer of realized revaluation reserve to Retained Earnings	-	-	50,384,697	(50,384,697)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	8,061,552	-	-	8,061,552	-	8,061,552
Share capital decrease	(2,544,716,152)	-	2,544,716,152	-	-	-	-	-	-	-
31 December 2021	**3,851,033,605**	**323,652,598**	**(5,675,215,870)**	**1,622,978,838**	**(260,909,929)**	**(2,608,576,503)**	**4,694,554,490**	**1,947,517,230**	**74,283,295**	**2,021,800,525**

The consolidated financial statements have been endorsed by the Board of Directors on 25 March 2022 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2022 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS

DocuSigned by:
Yedil Utekov
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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER

DocuSigned by:
Ramona Galateanu
13328E857004454...

FELIX CRUDU-TESLOVEANU
GENERAL MANAGER

DocuSigned by:
Felix Crudu Tesloveanu
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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 2021 and 2020 was 1,832 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 31 December 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 property, plant and equipment that have been measured at fair value through other comprehensive income.

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

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As at 31 December 2021 and 31 December 2020 the Group reported net assets including non-controlling interest, of USD 462.6 million and 421.3 million respectively. For the year ended 31 December 2021, the Group recorded losses in amount of USD 185.9 million (2020: loss of USD 199.8 million) and net current liabilities of USD 546.8 million (2020: net current liabilities of USD 515.8 million). The losses incurred during 2021 arise from operational losses USD 106.5 million (2020: operational losses USD 127.95 million) and financial losses USD 46 million (2020: USD 36.5 million). The accumulated losses recorded until present are due to the fact that the Company was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years, but, considering the massive investment trend of the last periods combined with an improvement in market conditions the Company has achieved and is aiming for future positive financial results which will decrease the cumulated loss recorded so far.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Also, on 6 August 2021, parent company's shareholders approved the reduction of the share capital by RON 1,755 million (USD 582.2 million) from RON 4,411million to RON 2,656 million 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 (Equity Note).

In 2021 the Group has updated its medium-term development Strategy. The strategy assessed development perspectives of the oil and gas industry and the current trends in the downstream sector, both in the region and internationally. It is reaffirming the confidence that the downstream business will remain highly attractive in the mid-term, especially in the CEE/Mediterranean/Black Sea areas. The Group has a strong position and assets in CEE and is optimally positioned to capture the positive market trends in the mid-term. As a result of modernization and major historical investments, Petromidia refinery stands in the top-quartile state and performance versus its direct competitors. Thus, in the following period the main investment focus would be on the retail network development in Romania and other countries of presence; in projects aimed for energy efficiency and sustainable development.

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

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

On 21 March 2022, 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.

Considering the Group's budget for 2022, its medium term development strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

Voluntary change of accounting policy for property, plant and equipment

As of 31 December 2021, the Group re-assessed its accounting for property, plant and equipment with respect to measurement of property, plant and equipment after initial recognition. The Group had previously measured all property, plant and equipment, except for buildings, using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the assets were carried at cost less accumulated depreciation and accumulated impairment losses. Buildings category are measured at fair value less accumulated depreciation and impairment losses recognized after the date of revaluation.

Starting with financial year ended 31 December 2021, the Group elected to change the method of accounting for property plant and equipment and applied the revaluation model prospectively, except for construction in progress which is measured at cost less any impairment.

With regards the Group operations, reasons for the voluntary change the accounting policy are as following:

- The transition from cost to revaluation will provide a more transparent and up-to-date picture of the value of the Group's assets.
- The revaluation model provides users with information about the real value of the Group's assets, since fair value reflects the market value. Following the listing on the stock exchange, the parent - company is already exposed to indicators determined based on the market value (Price earnings ratio (PER = Price / EPS), Price / Sales (P/S), Price / Book value (P/BV - price to book value), Price / Cash flow (P/CF - price to cash flow = Price / Cash flow).
- The Group will measure its assets to reflect any increase or decrease in the market price.
- Shareholders are interested in the future performance of the Group. The fair value measurement of tangible assets dynamically reflects the evolution of their value in close correlation with trend in oil prices, providing investors with long and medium-term outlook of investment performance.

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. 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. 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 these amendments.

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 there is no material impact at Group level from application of these amendments.

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

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.
In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted.

The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU. Management is in process of assessing the impact at Group level from application of these amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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

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

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.
Management has assessed there is no material impact at Group level from application of this amendment.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. Management assessed there is no material impact at Group level from application of this amendments.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Management has assessed there is no material impact at Group level from application of this amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. 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.

e) Foreign currency translation

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

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

<u>Monetary assets and liabilities</u>

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Other matters

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

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

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 31 December 2021 closing exchange rate published by Romanian national Bank of RON 4.3707 = 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Impairment of Goodwill on acquisitions

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

- Impairment of non- financial assets

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

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

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

The energy transition is likely to impact future prices of oil and crack level which may affect the recoverable amount of property plant and equipment. Management's best estimate of oil price assumptions used for impairment testing were revised downwards in 2021 and sit within the range of external forecasts.

Though the energy transition may impact demand for certain refined products in the future, management anticipates robust demand for the remaining useful life of its refinery assets.

The Group constantly monitors the latest government legislation in relation to climate related matters as well as the developments in the sector with respect to energy transition. The significant accounting estimates made by management incorporate the future effects of the Group's own strategic decisions and commitments on having its portfolio adhered to the energy transition targets, medium and long-term impacts of climate-related matters and energy transition to lower carbon energy sources. The Group will adjust the key assumptions used in fair value less cost of disposal calculations and sensitivity to changes in assumptions should a change be required.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

The climate change and energy transition may bring forward additional environmental cost for oil and gas industry assets thereby increasing the present value of associated environmental provisions, however considering the ongoing process to analyze the potential impact of the climate change, Management does not expect any reasonable change in the expected timeframe to have a material effect on the environmental provisions.

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.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business.

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.

- 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 considers trade and other receivables 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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, considering also the external lawyers' advice, 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.

g) Basis of consolidation

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:
- Financial liabilities at fair value through profit or loss;
- Loans and 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

After initial recognition, property plant and equipment, except for construction in progress, are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

The revaluation surplus of property, plant and equipment for the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the initial cost of the asset will be transferred to retained earnings while the assets are used by the Group.

Upon derecognition of property, plant and equipment, any revaluation surplus related to that asset is transferred to retained earnings, to the extent that such transfer has not already been made during the use of the revalued asset.

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.

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. A negative revaluation reserve cannot be created.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

	Years
Buildings and other constructions	5 to 50
Storage tanks	5 to 40
Tank cars	5 to 30
Machinery and other equipment	1 to 30
Gas pumps	5 to 20
Vehicles	1 to 5
Furniture and office equipment	1 to 20
Computers	1 to 10

Following the change in the accounting policy regarding property, plant and equipment from historic cost model to revaluation method, also the economic remaining useful life of the property, plant and equipment was revised as at 31 December 2021. The depreciation of property, plant and equipment based on the revaluated remaining useful life applies starting 1 January 2022. The change from cost to revaluation provide a more transparent and up to date picture of the value of the Group assets.

The Group reviews the estimated residual values and expected useful lives of assets with a certain regularity. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

l) Impairment of non-financial assets

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

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

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

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

Goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Provisions

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

Provisions are not recognized for future operating losses.

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

Additional comments on the following specific liabilities are:

- *Environmental liabilities*

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

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

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

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

n) Leases

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Right-of-use assets

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

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

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

ii. Lease liabilities

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

t) Borrowings costs

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

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

u) Retirement benefit costs

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

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

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 5.20% (2020: 2.97%) for Romanian subsidiaries with an expected rate of long-term salary increase 2.90% (2020: 2.31%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

- *Deferred tax*

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, oil products and CO2 emission rights (CO2 allowances) 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 and volatility of the price for EUA certificates. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:
- the hedging relationship consists only of eligible hedging instruments and eligible hedged items
- at the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. Documentation shall include 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
- the hedging relationship meets the following hedge effectiveness requirements:
  - existence of 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 Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the quantity of hedged item.

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.

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).

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.

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. Hedging instruments are considered to be highly effective when the effectiveness is between 80% - 125%.

Effectiveness should be recognized to the extent the notional amount of the hedging instrument after considering tax effects.

Hedge effective is assessed based on:
- prospective testing performed at the time when the transactions are executed, based on hypothetical derivative method;
- retrospective testing at balance sheet date.

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

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or a previously unrecognized firm commitment or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk and could affect profit or loss.

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). The Group also acquires CO2 emission rights for the purpose of meeting the annual quota in accordance with the European Union legislation related to Carbon Emissions, trading and delivering.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group hedges priced inventories (both raw materials and finished products) above BOS (basis operating stock) and CO2 emission rights 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 32.5).

Cash Flow Hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that:
- is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction;
  and
- could affect profit or loss.

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.) and EUA certificates. 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). Also, the volatility of CO2 emission rights may expose the Group to significant cash flow variability. To reduce these volatilities, the Group hedges the margin with a swap on a hedged basket as relevant for the period and CO2 emission rights.

Cash flow hedge is applied for the refinery margin Swap instruments and CO2 emission rights futures instruments.

Cash flow hedge is accounted as following:

- The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in the Equity;
- as Other Comprehensive Income;
- 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 32.5).

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 (certificates) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

ac) Contingencies

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2020	**35,864,711**	**40,209,168**	**5,296,415**	**81,370,294**
Additions	10,278	306,183	2,672,640	2,989,101
Transfers from CIP	2,424,150	3,076,550	(5,500,700)	-
Transfers and reclassifications*	-	-	1,727,341	1,727,341
Closing balance as of December 31, 2020	**38,299,139**	**43,591,901**	**4,195,696**	**86,086,736**
Additions	1,566	-	1,475,147	1,476,713
Transfers from CIP	3,341,459	528,540	(3,869,999)	-
Transfers and reclassifications*	-	-	117,442	117,442
Closing balance as of December 31, 2021	**41,642,164**	**44,120,441**	**1,918,286**	**87,680,891**
Accumulated amortization				
Opening balance as of January 1, 2020	**(35,070,216)**	**(37,252,098)**	**(523,380)**	**(72,845,694)**
Charge for the year	(1,290,912)	(979,223)	-	(2,270,135)
Closing balance as of December 31, 2020	**(36,361,128)**	**(38,231,321)**	**(523,380)**	**(75,115,829)**
Charge for the year	(1,741,555)	(1,353,800)	-	(3,095,355)
Closing balance as of December 31, 2021	**(38,102,683)**	**(39,585,121)**	**(523,380)**	**(78,211,184)**
Net book value				
As of December 31, 2020	**1,938,011**	**5,360,580**	**3,672,316**	**10,970,907**
As of December 31, 2021	**3,539,481**	**4,535,320**	**1,394,906**	**9,469,707**

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

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

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

3. INTANGIBLE ASSETS (continued)

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

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2020	**156,753,892**	**175,742,211**	**23,149,041**	**355,645,144**
Additions	44,922	1,338,234	11,681,308	13,064,464
Transfers from CIP	10,595,232	13,446,677	(24,041,909)	-
Transfers and reclassifications*	-	-	7,549,689	7,549,689
Closing balance as of December 31, 2020	**167,394,047**	**190,527,122**	**18,338,129**	**376,259,297**
Additions	6,845	-	6,447,425	6,454,270
Transfers from CIP	14,604,515	2,310,090	(16,914,605)	-
Transfers and reclassifications*	-	-	513,302	513,302
Closing balance as of December 31, 2021	**182,005,406**	**192,837,211**	**8,384,252**	**383,226,870**
Accumulated amortization				
Opening balance as of January 1, 2020	**(153,281,393)**	**(162,817,744)**	**(2,287,537)**	**(318,386,674)**
Charge for the year	(5,642,189)	(4,279,891)	-	(9,922,080)
Closing balance as of December 31, 2020	**(158,923,582)**	**(167,097,635)**	**(2,287,537)**	**(328,308,754)**
Charge for the year	(7,611,814)	(5,917,054)	-	(13,528,868)
Closing balance as of December 31, 2021	**(166,535,397)**	**(173,014,688)**	**(2,287,537)**	**(341,837,622)**
Net book value				
As of December 31, 2020	**8,470,465**	**23,429,487**	**16,050,592**	**47,950,543**
As of December 31, 2021	**15,470,010**	**19,822,523**	**6,096,715**	**41,389,248**

4. GOODWILL

The carrying value of goodwill as of 31 December 2021 and 2020 was USD 82,871,706 (RON: 362,207,365).

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 SA.

Impairment test

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2021 on the Downstream Romania cash generating units (“CGU”). Based on the impairment test no impairment has been identified. For further details see Note 6.

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

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2020	**69,198,085**	**686,315,654**	**1,286,858,834**	**131,776,943**	**151,573,371**	**2,325,722,887**
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)
As of December 31, 2020	**69,571,034**	**714,782,694**	**1,358,802,528**	**134,907,320**	**146,499,171**	**2,424,562,747**
Additions	-	758,002	415,441	58,957	48,187,494	49,419,894
Transfers from CIP	22,060	21,656,927	70,555,351	5,189,096	(97,423,434)	-
Revaluation adjustment	32,463,419	(60,308,925)	149,974,537	5,265,777	-	127,394,807
Disposals	(372,949)	(1,908,114)	(519,906)	(625,661)	(21,459)	(3,448,089)
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	(9,903,032)	(132,330,620)	(880,994,848)	(117,982,853)	(379,948)	(1,141,591,300)
As of December 31, 2021	**91,780,532**	**542,649,964**	**698,233,103**	**26,812,635**	**96,861,824**	**1,456,338,059**
Accumulated depreciation & Impairment						
As of January 1, 2020	**(78,373)**	**(182,861,249)**	**(830,162,192)**	**(103,169,761)**	**(29,496,409)**	**(1,145,767,984)**
Charge for the year	-	(39,163,338)	(70,182,127)	(8,364,526)	-	(117,709,991)
Accumulated depreciation of disposals	-	609,792	13,213,862	1,611,693	-	15,435,347
Impairment	(1,885,934)	(2,896,746)	(110,903)	-	(3,273,976)	(8,167,559)
Transfers and reclassifications*	-	-	(1,253)	(335)	-	(1,588)
As of December 31, 2020	**(1,964,307)**	**(224,311,541)**	**(887,242,613)**	**(109,922,929)**	**(32,770,385)**	**(1,256,211,775)**
Charge for the year	-	(40,418,849)	(69,580,852)	(8,172,356)	-	(118,172,057)
Accumulated depreciation of disposals	-	59,585	51,175	151,990	-	262,750
Impairment	2,078,779	23,175,047	12,815,192	24,362	27,460	38,120,839
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	9,903,032	132,328,350	881,093,611	117,981,544	-	1,141,306,536
As of December 31, 2021	**10,017,503**	**(109,167,409)**	**(62,863,488)**	**62,611**	**(32,742,925)**	**(194,693,707)**
Net book value as of December 31, 2020	**67,606,727**	**490,471,153**	**471,559,915**	**24,984,391**	**113,728,786**	**1,168,350,972**
Net book value as of December 31, 2021	**101,798,036**	**433,482,555**	**635,369,615**	**26,875,247**	**64,118,899**	**1,261,644,352**

*) *Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments in amount of USD 284 thousand (2020: USD 1.8 mill)*

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2020	**302,444,070**	**2,999,679,829**	**5,624,473,906**	**575,957,485**	**662,481,733**	**10,165,037,022**
Acquisitions	-	2,580,435	2,149,930	772,285	516,757,866	522,260,516
Transfers from CIP	1,630,048	130,874,038	373,826,469	24,418,638	(530,749,193)	-
Revaluation adjustment	-	10,934,403	-	-	-	10,934,403
Disposals	-	(19,967,984)	(61,533,420)	(11,514,596)	(215,366)	(93,231,367)
Transfers and reclassifications*	-	-	1,324	5,612	(7,971,123)	(7,964,187)
As of December 31, 2020	**304,074,118**	**3,124,100,721**	**5,938,918,209**	**589,639,424**	**640,303,916**	**10,597,036,387**
Additions	-	3,312,999	1,815,768	257,683	210,613,080	215,999,530
Transfers from CIP	96,418	94,655,931	308,376,273	22,679,982	(425,808,603)	-
Revaluation adjustment	141,887,866	(263,592,220)	655,493,708	23,015,130	-	556,804,484
Disposals	(1,630,048)	(8,339,794)	(2,272,353)	(2,734,577)	(93,791)	(15,070,563)
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	(43,283,180)	(578,377,439)	(3,850,564,181)	(515,667,657)	(1,660,640)	(4,989,553,097)
As of December 31, 2021	**401,145,173**	**2,371,760,198**	**3,051,767,423**	**117,189,986**	**423,353,962**	**6,365,216,742**
Accumulated depreciation & Impairment						
As of January 1, 2020	**(342,545)**	**(799,231,661)**	**(3,628,389,893)**	**(450,924,074)**	**(128,919,955)**	**(5,007,808,128)**
Charge for the year	-	(171,171,201)	(306,745,022)	(36,558,834)	-	(514,475,058)
Accumulated depreciation of disposals	-	2,665,218	57,753,827	7,044,227	-	67,463,271
Impairment	(8,242,852)	(12,660,808)	(484,724)	-	(14,309,565)	(35,697,948)
Transfers and reclassifications*	-	-	(5,476)	(1,464)	-	(6,941)
As of December 31, 2020	**(8,585,397)**	**(980,398,452)**	**(3,877,871,289)**	**(480,440,146)**	**(143,229,520)**	**(5,490,524,803)**
Charge for the year	-	(176,658,663)	(304,117,031)	(35,718,916)	-	(516,494,610)
Accumulated depreciation of disposals	-	260,428	223,671	664,301	-	1,148,399
Impairment	9,085,719	101,291,177	56,011,359	106,479	120,019	166,614,752
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	43,283,180	578,367,518	3,850,995,844	515,661,936	-	4,988,308,478
As of December 31, 2021	**43,783,502**	**(477,137,993)**	**(274,757,446)**	**273,653**	**(143,109,500)**	**(850,947,784)**
Net book value as of December 31, 2020	**295,488,722**	**2,143,702,268**	**2,061,046,920**	**109,199,278**	**497,074,396**	**5,106,511,584**
Net book value as of December 31, 2021	**444,928,676**	**1,894,622,205**	**2,777,009,978**	**117,463,639**	**280,244,461**	**5,514,268,958**

**) Includes, transfer from property, plant and equipment, to inventories and intangible assets and other adjustments in amount of RON 1.24 million (2020: RON 7.87 million).*

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: Refinery Restart_ 2021 Incident amounting to USD 21.4 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 2.08 million, Replacement of PEM strategic equipment (rotors) amounting to USD 4.7 million, 2021 DHT Catalyst Replacement amounting USD 1.73 million, Fire-fighting Water Main Replacement Package 2021 amounting to USD 1.3 million, Swing HDPE to PP amounting to USD 0.5 million. Total acquisitions for construction in progress for Vega refinery in amount of USD 4.5 million, for Rompetrol Downstream in amount of USD 3.8 million, for Romoil in amount of USD 1.7 million and for Rompetrol Gas in amount of USD 1.1 million. Part of these projects have been transferred to the other property, plant and equipment categories.

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

- *Construction in progress*

At the end of 2021 the main projects remaining in construction in progress refers to the following: Refinery Restart_ 2021 Incident amounting to USD 8.54 million, Replacement of PEM strategic equipment amounting to USD 4.71 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 2.08 million, Fire-fighting Water Main Replacement Package 2021 amounting to USD 1.32 million, preparing for 2024 general turnaround and HPP Unit amounting to USD 1.86 million, Tank rehabilitation amounting to USD 0.9 million, Mild Hydrocracking Unit Reliability amounting to USD 0.97 million, and other refinery ongoing projects (approximately USD 10.5 million).

During 2021, Downstream continued the process of expanding the network by opening new stations. The value of investment was USD 17.75 million.

In balance as of December 31, 2021, USD 22.17 million represent assets in course of construction in regard to the retail network development.

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Disposals*

In 2021, USD 3.4 million disposed assets are in respect of Rompetrol Downstream referring to sales of 2 gas stations (Cluj Vuia and 1 Decembrie) to Rompetrol Development as part of Kazakh – Romanian Energy Investment Found.

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 directly attributable to the acquisition, construction or production of a qualifying assets was capitalized during 2021 (2020: USD nil). The Group's borrowing funds obtained for generally for the business are not used for the purpose of obtaining a qualifying asset, thus Management determined that no borrowing cost is considered eligible in 2021 and 2020 for capitalization by applying a capitalization rate to the expenditure on the asset.

- *Impairment*

The Group completes an annual assessment for any indication of impairment for all entities based on specific asset considerations, as applicable, and taking into consideration expectations on future estimated cash flows. Impairment tests have been performed by the Group for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2021 on the cash generating units ("CGUs") listed below in Note 6.

- *Revaluation of Property, plant and equipment*

Starting with the financial year ended December 31, 2021, the Group implements the voluntary change of the accounting policy regarding the measurement of equipment and land of the Group at fair value as the new method leads to obtaining more relevant and reliable information. Buildings are measured using revalued amount following the voluntary change of accounting as of 31 December 2017.

As at the date of revaluation on 31 December 2021, the properties' fair values are based on valuations performed by PricewaterhouseCoopers Management Consultants S.R.L., an accredited independent appraiser with experience on similar valuation exercises. Fair value of the properties was determined using net replacement cost approach for majority of assets, but also the market approach was applied for a number of assets like land and residential buildings. The valuations of equipment was performed by the appraiser based on net replacement cost method and subsequently the items were tested for impairment. A net gain from the revaluation of property plant and equipment of USD 233.2 million was recognized in OCI as of 31 December 2021.

The fair value measurement of property, plant and equipment is considered as Level 3 considering that valuation techniques use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Details about valuation techniques used and key inputs are detailed below.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Description of valuation techniques used and key inputs to valuation of Property, plant and equipment

Asset	Valuation technique	Significant unobservable input	Range (weighted average)
Petromidia Refinery	Net replacement cost	Projected crude oil processing capacity of the refinery	5,320K tons/year (110K bbl/day)
		The unit cost of an atmospheric distillation for a heavy crude oil refinery, assuming “ISBL” costs – Inside Battery Limit and “overnight” costs (excluding off-site, financing or other costs);	30.6 USD/ton
		The Nelson complexity factor	10.5
Vega Refinery	Net replacement cost	Projected crude oil processing capacity of the refinery	500K tons/year (11K bbl/day)
		The unit cost of an atmospheric distillation for a heavy crude oil refinery, assuming “ISBL” costs – Inside Battery Limit and “overnight” costs (excluding off-site, financing or other costs);	59.9 USD / ton
		The Nelson complexity factor	Vacuum distillation plant 2.0 n-Hexan 1.5 Rectification 1.0
Rompetrol Downstream	Net replacement cost	Tank - cost capacity method	16,624 USD – 19,102 USD
		Underground construction related to tank – cost capacity method	21,632 USD – 23,862 USD
		Pipelines and technological network – acquisition cost adjusted with CET index / inflation rate	623 USD/sqm – 1,084 USD/sqm
Rompetrol Gas	Net replacement cost	GPL and water tanks – cost capacity method	USD 158 thousand – USD 296 thousand
		Skid - cost capacity method	
RomOil	Net replacement cost	Tank – cost capacity method	352 USD for tanks with capacity of 1,000 cubic meter – 805 USD for tanks with capacity of 5,000 cubic meter
		Special construction (i.e. platforms) – replacement cost estimated based on IROVAL catalogue	99 USD/sqm

Petromida’s off-site secondary facilities and utilities account for approximately 42% of the total Inside Battery Limit (“ISBL”) costs of the main production facilities related to the Petromidia refinery. Off-site and productive assets are not part of the facilities for the Petromidia refinery.

Vega is currently a niche refinery specializing in the production of solvents and hexane and one of the oldest refineries in Romania. The assets under assessment are production facilities, warehouses for raw materials and (semi) finished products, secondary facilities and utilities. Off-site secondary installations and utilities including crude oil deposits and (semi) finished products - represent about 42% of the total ISBL costs of the main production facilities presented above. This percentage was adjusted by a factor of 1.9 given the technological process that involves much higher storage capacities compared to Petromidia and implicitly more extensive utility networks.

For both refineries, the gross replacement cost for special buildings and constructions, for which technical information was available, was estimated on the basis of technical characteristics, using catalogs for appropriate construction costs and adjustments.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The gross replacement cost for Petromidia railways, ramps and cooling towers and PEM and VEGA tanks were estimated on the basis of unit costs and volumes. Gross replacement cost for specialized assets resulted from updating the acquisition value / revalued value with specific indices or the consumer price index.

The fair value of the Group's land was estimated using the market-based approach, the method of direct comparison. For these the transactions and offers of industrial land or land, where industrial facilities are already in operation, were analyzed.

The estimate of impairment was based on the date of acquisition recorded in the accounts and subsequent upgrades, taking into account the environment of use and the normal / technical operating times for the different categories of assets.

Reconciliation of carrying amount

mill USD

	Land	Buildings	Plant and equipment	Furniture and others	Total
Carrying amount and fair value as at 31 December 2020	**67.61**	**490.47**	**471.56**	**24.98**	**1,054.62**
Gains from revaluation	37.49	90.73	204.38	10.28	342.87
Losses from revaluation	(5.03)	(151.04)	(54.40)	(5.01)	(215.48)
Depreciation for the year	-	(40.42)	(69.58)	(8.17)	(118.17)
Additions / Disposals / Impairment / Transfers and reclassifications	1.73	43.74	83.42	4.80	133.68
Carrying amount and fair value as at 31 December 2021	**101.80**	**433.48**	**635.37**	**26.88**	**1,197.53**

***** *Carrying amount as of 31 December 2020 include land measured at revalued value.*
***Carrying amount does not include Construction in progress in amount of USD 64.1 million (2021: RON 280.2 mill). Impact from transfers and reclassifications of USD 133.68 million is in Note 5 through Construction in progress.*

If the property, plant and equipment was measured using the cost model, the carrying amounts added would be, as follows:

mill USD

	Land	Buildings	Plant and equipment	Furniture and others	Total
At 31 December 2021					
Cost	69.22	735.29	1,429.25	139.53	2,373.29
Accumulated depreciation and impairment	(1.96)	(264.67)	(956.77)	(117.94)	(1,341.35)
Net carrying amount	**67.26**	**470.62**	**472.48**	**21.59**	**1,031.94**
At 31 December 2020					
Cost	69.57	714.78	1,358.80	134.91	2,278.06
Accumulated depreciation and impairment	(1.96)	(224.31)	(887.24)	(109.92)	(1,223.44)
Net carrying amount	**67.61**	**490.47**	**471.56**	**24.98**	**1,054.62**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment with a carrying value of USD 407 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.

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 million 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.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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, judging in the council chamber, was admitted in part, in contradictory AVAS, but was rejected in contradiction with Faber. Rompetrol Rafinare SA 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 2020 but the case has been suspended due to the emergency enforced since 16 March, 2020. The next hearing was settled for 27 April 2021. On July 20, 2021, Ialomita Tribunal rejected Faber's and Balkan's claim. On February 28, 2022, the Bucharest Court of Appeal admitted the appeal filed by Rompetrol Rafinare, changed the sentence in the sense of admitting the exceptions invoked by Rompetrol Rafinare and rejected the appeal filed by Balkan Petroleum.

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 2021 on the cash generating units (“CGUs”) Refining, Petrochemicals and Downstream Romania. Based on the impairment tests performed, no impairment has been identified.

As of 31 December 2021, the Group reversed specific impairment of USD 38.1 million recorded in previous periods through profit or loss. The reversal of impairment was triggered by the revaluation of property, plant and equipment carried out as of 31 December 2021 (Note 2 j).

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

As of 31 December 2021, the net book value of property plant and equipment including Goodwill for the cash generating units is the following: Refining USD 950.3 million, Petrochemicals USD 13.8 million, Downstream USD 310.3 million (of which USD 82.87 million represents Goodwill). The net book value of the right of use assets as of 31 December 2020 is of USD 109.6 million.

Refining

Refining CGU includes the operations of Petromidia Refinery, Polypropylene Installations, Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 11.4% (2020: 10.7%) and cash flows beyond the 5-year period are extrapolated using a 2.5% (2020: 2.2%) in line with the expected level of the annual inflation rate for USD. The capitalization rate used for residual values is 8.9% (2020: 8.5%).

Petrochemicals

Petrochemicals CGU includes the petrochemical business of the group, mainly Low Density Polyethylene Unit, which is included within the Rompetrol Rafinare, legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 11.4% (2020: 10.7%) and cash flows beyond the 5-year period are extrapolated using a 2.5% (2020: 2.2%) in line with the expected level of the annual inflation rate for USD. The capitalization rate used for residual values is 8.9% (2020: 8.5%).

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

6. IMPAIRMENT TEST (continued)

Downstream Romania

The 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 SA.

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 11.4% (2020: 10.7%) and cash flows beyond the 5-year period are extrapolated using a 2.5% (2020: 2.2%) in line with the expected level of the annual inflation rate for USD. The capitalization rate used for residual values is 8.9% (2020: 8.5%).

The Group constantly monitors the latest government legislation in relation to climate-related matters. The Group will adjust the key assumptions used in fair value less cost of disposal calculations and sensitivity to changes in assumptions should a change be required.

Key assumptions used in fair value less costs to sell calculations

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

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

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

	2022	**2023**	**2024**	**2025**	**2026**
	%	**%**	**%**	**%**	**%**
Rompetrol Refinery	(0.2)	1.6	2.5	3.7	3.6
Petrochemicals	1.2	2.7	1.6	2.8	3.5
Downstream Romania	1.6	2.1	2.1	2.1	2.2

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

Growth rate estimates - Rates are based on published industry research.

Sensitivity to changes in assumptions

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

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

6. IMPAIRMENT TEST (continued)

Rompetrol Refinery

The break-even point for the current model is achieved under a decrease of 6.9% of Operating profit, reaching the following Operating profit margins:

	2022	2023	2024	2025	2026
	%	%	%	%	%
Operating profit margin	(0.1)	1.6	2.5	3.5	3.5

Petrochemicals

The break-even point for the current model is achieved under a decrease of 15.3% of Operating profit, reaching the following Operating profit margins:

	2022	2023	2024	2025	2026
	%	%	%	%	%
Operating profit margin	1.0	2.3	1.3	2.4	3.0

Downstream Romania

The break-even point for the current model is achieved under a decrease of Operating profit of 2.7% reaching the following Operating profit margins:

	2022	2023	2024	2025	2026
	%	%	%	%	%
Operating profit margin	2.3	2.8	2.6	2.6	2.6

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

An increase / decrease of discount rate of 1% will generate the following changes with the CGU's fair value:

Change in discounts rates	**Refinery CGU**	**Refinery Petrochemicals CGU**	**Downstream Romania CGU**
	%	%	%
Change in fair value change at 1% increase in discount rate	(10.36)	(12.4)	(12.4)
Change in fair value change at 1% decrease in discount rate	13.2	15.1	15.5

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

6. IMPAIRMENT TEST (continued)

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

Change in growth rate	Refinery CGU	Refinery Petrochemicals CGU	Downstream Romania CGU
Change in fair value change at 1% increase in perpetuity growth rate	5.4%	6.0%	1.0%
Change in fair value change at 1% decrease in perpetuity growth rate	(4.4)%	(4.8)%	(9.7)%

7. RIGHT OF USE ASSETS

Amounts in USD

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2020	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
As of December 31, 2020	**84,953,488**	**376,141**	**1,458,595**	**86,788,224**
Additions	40,252,939	-	333,810	40,586,749
Disposals	(2,120)	-	(46,421)	(48,541)
Reclassifications and other transfers	41,239	-	(40,544)	696
Re-measurement	157,127	25,153	37,612	219,892
As of December 31, 2021	**125,402,673**	**401,294**	**1,743,053**	**127,547,020**
Depreciation and Impairment:				
As of January 1, 2020	**(4,607,506)**	**(10,707)**	**(193,582)**	**(4,811,795)**
Depreciation charge for the year	(5,112,757)	(111,244)	(229,069)	(5,453,070)
Accumulated depreciation of disposals	20,230	-	-	20,230
Reclassifications and other transfers	-	(86,090)	86,090	-
As of December 31, 2020	**(9,700,033)**	**(208,041)**	**(336,561)**	**(10,244,635)**
Depreciation charge for the yea	(7,092,151)	(123,872)	(508,960)	(7,724,983)
Accumulated depreciation of disposals	2,120	-	24,925	27,045
Reclassifications and other transfers	(8,257)	-	8,778	521
As of December 31, 2021	**(16,798,321)**	**(331,913)**	**(811,818)**	**(17,942,052)**
Net Book value at December 31, 2021	**108,604,352**	**69,381**	**931,235**	**109,604,968**
Net Book value at December 31, 2020	**75,253,455**	**168,100**	**1,122,034**	**76,543,589**

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

7. RIGHT OF USE ASSETS (continued)

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

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2020	**293,785,211**	**108,468**	**1,808,722**	**295,702,401**
Additions	38,643,402	181,502	5,045,195	43,870,099
Disposals	(6,066,269)	-	(33,851)	(6,100,120)
Reclassifications and other transfers	139,264	503,876	(522,421)	120,719
Re-measurement	44,804,605	850,154	77,436	45,732,194
As of December 31, 2020	**371,306,212**	**1,643,999**	**6,375,081**	**379,325,293**
Additions	175,933,520	-	1,458,985	177,392,505
Disposals	(9,265)	-	(202,891)	(212,156)
Reclassifications and other transfers	180,244	1	(177,204)	3,041
Re-measurement	686,755	109,934	164,392	961,082
As of December 31, 2021	**548,097,466**	**1,753,935**	**7,618,362**	**557,469,763**
Depreciation and Impairment:				
As of January 1, 2020	**(20,138,026)**	**(46,797)**	**(846,089)**	**(21,030,912)**
Depreciation charge for the year	(22,346,326)	(486,214)	(1,001,192)	(23,833,732)
Accumulated depreciation of disposals	88,419	-	-	88,419
Reclassifications and other transfers	-	(376,274)	376,274	-
As of December 31, 2020	**(42,395,933)**	**(909,285)**	**(1,471,007)**	**(44,776,225)**
Depreciation charge for the year	(30,997,670)	(541,407)	(2,224,508)	(33,763,586)
Accumulated depreciation of disposals	9,265	-	108,940	118,205
Reclassifications and other transfers	(36,087)	-	38,364	2,277
As of December 31, 2021	**(73,420,425)**	**(1,450,692)**	**(3,548,212)**	**(78,419,329)**
Net Book value at December 31, 2021	**474,677,041**	**303,243**	**4,070,151**	**479,050,434**
Net Book value at December 31, 2020	**328,910,279**	**734,715**	**4,904,074**	**334,549,067**

The additions during the year represent mainly contracts concluded by Rompetrol Downstream for the rental of gas stations from Rompetrol Development (USD 40 million).

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

Land, buildings and special construction category includes mainly:

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

USD	Net book value at 31 December 2021	Net book value at 31 December 2020
Rent agreements for gas stations	94,290,441	59,549,633
Rental of administrative buildings	615,320	986,309
Rent for usage of maritime port	12,731,229	13,265,255
Depots rent	967,362	1,452,258
Total	**108,604,352**	**75,253,455**

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

7. RIGHT OF USE ASSETS (continued)

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

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

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

8. INVESTMENTS

Investments in Consolidated Subsidiaries

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

Company name	Country of incorporation	Range of activity	Effective ownership 31 December 2021	Control 31 December 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 SA	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.

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

9. INVENTORIES, NET

The inventories movement in 2021 and 2020 is provided below:

	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
			(supplementary info – see Note 2(e))	
Crude oil and other feedstock materials (at lower of cost and net realisable value)	130,548,331	63,607,277	570,587,592	278,008,326
Petroleum and petrochemical products (at lower of cost and net realisable value)	137,131,456	93,997,400	599,360,453	410,834,436
Work in progress (at cost)	34,001,462	19,014,944	148,610,191	83,108,616
Spare parts (at cost less inventories write-down)	4,321,124	4,509,895	18,886,337	19,711,398
Consumables and other raw materials (at cost less inventories write-down)	4,732,824	5,732,734	20,685,755	25,056,060
Merchandises (at cost less inventories write-down)	15,443,052	13,838,181	67,496,949	60,482,538
Other inventories (at cost less inventories write-down)	3,025,755	1,466,968	13,224,666	6,411,677
	329,204,005	**202,167,399**	**1,438,851,943**	**883,613,051**

Movements in inventories reserve:

	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
			(supplementary info – see Note 2(e))	
Reserve as of January 1	**(21,848,928)**	**(26,408,965)**	**(95,495,110)**	**(115,425,663)**
Accrued provision	(10,903,582)	(47,344,879)	(47,656,286)	(206,930,263)
Write off	1,427,889	10,886	6,240,875	47,579
Reversal of provision	4,390,528	51,894,030	19,189,681	226,813,237
Reserve as of December 31	**(26,934,093)**	**(21,848,928)**	**(117,720,840)**	**(95,495,110)**

The inventories provisions mainly represent the provision for net realizable value (USD 6.8 million) in relation to refineries and petrochemical plant inventories (such as petroleum and petrochemicals products from production and trading, raw materials).

The Group has pledged inventories in gross amount of USD 282 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.

	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
			(supplementary info – see Note 2(e))	
Trade receivables	219,302,251	194,100,203	958,504,351	848,353,757
Advances to suppliers	46,632,884	8,011,509	203,818,347	35,015,902
Sundry debtors	93,054,030	119,603,528	406,711,248	522,751,140
VAT to be recovered	29,386	415,186	128,436	1,814,653
Other receivables	371,875,651	278,617,317	1,625,356,907	1,217,752,707
Provision for expected credit losses	(40,343,673)	(47,192,128)	(176,330,091)	(206,262,634)
	690,550,529	**553,555,615**	**3,018,189,197**	**2,419,425,526**

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

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

10. TRADE AND OTHER RECEIVABLES (continued)

Included in Sundry debtors in 2021 is an amount of USD 5.8 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 1.94 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 65.7 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).

During 2021 an amount of USD 11 million was cashed in from Ministry of Environment, Water and Forests, thus decreasing the receivables from Romanian state for CO2 certificates litigation.

In 2021, out of the total amount of USD 46.3 million (2020: 8 million) representing advances to suppliers, USD 40 million (2020: 5.7 million) are in respect of other raw materials, investment projects, management fees services and CO2 certificates acquisition in Rompetrol Rafinare and USD 3.7 million (2020: 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 3.2 million in Rompetrol Gas.

Out of the total balance for other receivables of USD 371.9 million (2020: USD 278.6 million), an amount of USD 341.8 million (2020: USD 238.7) million relates to cash pooling receivables for: Rompetrol Downstream USD 180.9 million (2020: USD 175.5 million), Rompetrol Rafinare USD 65.8 million (2020: USD 19.1 million), Rompetrol Gas USD 79.8 million (2020: USD 43.7 million), Rompetrol Quality Control USD 0.8 million (2020: USD 0.3 million), Rompetrol Logistics USD 6.4 million and Rompetrol Petrochemicals USD 8 million. Also, in other receivables an amount of USD 14.7 million (2020: USD 22.5 million) refers to excise receivables in Rompetrol Rafinare.

	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Sundry debtors	93,054,030	119,603,528	406,711,248	522,751,140
Other receivables	371,875,651	278,598,734	1,625,356,907	1,217,671,487
Provision for sundry debtors and other receivables	(5,382,267)	(5,654,824)	(23,524,275)	(24,715,541)

Out of the total amount of other receivables and sundry debtors of USD 464.9 million (2020: USD 398.2 million) an amount of USD 5.4 million (2020: USD 5.7 million) is provisioned.

No additional provision was considered in respect of 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.

The movement in provision for expected credit losses is as follows:

	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Balance at the beginning of the year	**(47,192,128)**	**(46,982,359)**	**(206,262,634)**	**(205,345,796)**
Charge for the year	(467,049)	(2,368,205)	(2,041,330)	(10,350,714)
Utilised	2,598,573	4,914,449	11,357,583	21,479,582
Unused amounts reversed	562,610	393,920	2,458,998	1,721,706
Reclassification between categories trade receivables and other receivables	-	1,055	-	4,611
Exchange rate differences	4,154,321	(3,150,988)	18,157,291	(13,772,023)
Balance at the end of the year	**(40,343,673)**	**(47,192,128)**	**(176,330,091)**	**(206,262,634)**

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

10. TRADE AND OTHER RECEIVABLES (continued)

2021 USD		**Trade receivables**						
		Days past due						
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.21%**	**0.17%**	**7.93%**	**34.50%**	**1.05%**	**94.87%**	
Estimated total gross carrying amount at default	161,462,434	18,442,776	294,220	84,324	2,510,561	36,507,936	**219,302,251**
Expected credit loss	337,782	31,026	23,331	29,091	26,255	34,636,671	**35,084,157**

2021 RON		**Trade receivables**					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.21%**	**0.17%**	**7.93%**	**34.50%**	**1.05%**	**94.87%**	
Estimated total gross carrying amount at default	705,703,862	80,607,842	1,285,946	368,556	10,972,910	159,565,235	**958,504,351**
Expected credit loss	1,476,345	135,604	101,974	127,149	114,751	151,386,499	**153,342,323**

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

2020 RON		**Trade receivables**					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.62%**	**0.17%**	**1.83%**	**4.78%**	**27.81%**	**94.72%**	
Estimated total gross carrying amount at default	289,935,607	342,007,424	9,905,103	14,997,589	4,671,159	186,836,874	**848,353,757**
Expected credit loss	1,790,099	586,758	181,279	716,978	1,298,880	176,973,098	**181,547,093**

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

10. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2021, trade receivables at initial value of USD 35.1 million (2020: USD 41.5 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

	Individually impaired USD	Collectively impaired USD	Total USD
At 1 January 2020	**35,961,862**	**5,735,182**	**41,697,044**
Charge for the year	709,382	1,658,640	2,368,022
Utilised	(4,161,107)	(753,342)	(4,914,449)
Unused amounts reversed	(3,640)	(388,949)	(392,589)
Reclassification between categories trade receivables and other receivables	(43,841)	42,786	(1,055)
Exchange rate differences	2,034,239	746,092	2,780,331
At 31 December 2020	**34,496,895**	**7,040,409**	**41,537,304**
Charge for the year	233,302	350,811	584,114
Utilised	(2,145,800)	(452,773)	(2,598,573)
Unused amounts reversed	(49,495)	(629,216)	(678,711)
Reclassification between individually and collectively	-	(100,215)	(100,215)
Exchange rate differences	(2,567,505)	(1,092,255)	(3,659,760)
At 31 December 2021	**29,967,398**	**5,116,761**	**35,084,159**

(supplementary info – see Note 2(e))

	Individually impaired RON	Collectively impaired RON	Total RON
At 1 January 2020	**157,178,510**	**25,066,760**	**182,245,270**
Charge for the year	3,100,496	7,249,418	10,349,914
Utilised	(18,186,950)	(3,292,632)	(21,479,582)
Unused amounts reversed	(15,909)	(1,699,979)	(1,715,889)
Reclassification between categories trade receivables and other receivables	(191,616)	187,005	(4,611)
Exchange rate differences	8,891,048	3,260,944	12,151,993
At 31 December 2020	**150,775,579**	**30,771,516**	**181,547,095**
Charge for the year	1,019,695	1,533,290	2,552,986
Utilised	(9,378,648)	(1,978,935)	(11,357,583)
Unused amounts reversed	(216,327)	(2,750,116)	(2,966,443)
Reclassification between individually and collectivelly	-	(438,009)	(438,009)
Exchange rate differences	(11,221,795)	(4,773,918)	(15,995,713)
At 31 December 2021	**130,978,505**	**22,363,828**	**153,342,332**

Trade receivables totaling USD 144 million as at 31 December 2021 and USD 115.2 million as at 31 December 2020 are pledged to obtain credit facilities (see Notes 12 and 18).

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

11. CASH AND CASH EQUIVALENTS

	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
			(supplementary info – see Note 2(e))	
Cash at bank	48,442,660	99,203,775	211,728,334	433,589,939
Cash on hand	1,573,582	1,396,775	6,877,656	6,104,884
Cash equivalents	75,018	55,406	327,883	242,163
Total	**50,091,261**	**100,655,956**	**218,933,873**	**439,936,987**

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

12. EQUITY

On 06 August 2021, parent company's shareholders approved the reduction of the share capital by RON 1,755 million (USD 582.2 million) from RON 4,411 million to RON 2,656 million 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.

Shareholders' structure as at 31 December 2021 is as follows:

31 December 2021

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	1,277,857,773	423,929,605	1,852,869,125
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,721,254,353
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	249,180,861
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	1,919,029
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	25,810,237
Total	**100%**	**2,655,920,573**	**881,102,250**	**3,851,033,605**

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	3,077,222,497
Romanian State represented by the Ministry of Energy	44.70%	1,971,500,905	654,045,871	2,858,638,288
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	413,836,543
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	3,187,101
Others (not State or KMGI Group)	0.67%	29,562,687	9,807,428	42,865,326
Total	**100%**	**4,410,920,573**	**1,463,323,897**	**6,395,749,756**

12. EQUITY (continued)

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.

Hybrid Loan

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

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

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

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

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

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

In May 2021, the parent company concluded addendums to the hybrid loan agreements stating that interest will be computed and becomes payable when:

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

Revaluation reserve

As of 31 December 2021, the balance of the revaluation reserves is affected by revaluation surplus of USD 233.2 million due to voluntary change of accounting policy for property, plant and equipment. The above impact is partially offset 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. 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. Thus, as of 31 December 2021, the revaluation surplus transferred to retained earnings was USD 11.5 million (2020: USD 8.2 million).

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

13. LONG-TERM BORROWINGS FROM BANKS

	2021 USD	2020 USD	2021 RON (supplementary info – see Note 2(e))	2020 RON (supplementary info – see Note 2(e))
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2022 and (III) USD 120 million uncommitted with the maturity date is April 23, 2022. The facility is secured by: inventories, receivables, gas stations, depots and current accounts.	96,109,744	96,110,111	420,066,856	420,068,463
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2022 and (III) USD 120 million uncommitted with the maturity date is April 23, 2022. The facility is secured by: inventories, receivables, gas stations, depots and current accounts.	95,668,569	143,994,567	418,138,614	629,357,053
Amount payable within one year principal	**(49,261)**	**(104,678)**	**(215,304)**	**(457,516)**
Total	**191,729,052**	**240,000,000**	**837,990,167**	**1,048,968,000**

	2021 USD	2020 USD	2021 RON (supplementary info – see Note 2(e))	2020 RON (supplementary info – see Note 2(e))
One year or less – principal	49,261	104,678	215,304	457,516
Between two and five years	191,729,052	240,000,000	837,990,167	1,048,968,000
Total	**191,778,312**	**240,104,678**	**838,205,470**	**1,049,425,516**

The loans are secured with pledges on property plant and equipment of USD 407 million (2020: USD 390), inventories of USD 282 million (2020: USD 172 million) and trade receivables of USD: 144 million (2020: USD 115 million).

At the level of KMG International NV, loan covenants are tested for the syndicated loan every 6 months. EBITDA/Bank Interest for the 12 months of 2021 is above the minimum threshold. In respect of debt, the balance at the end of 2021 is below the maximum threshold.

Based on the testing performed as of 31 December 2021, there are no instances of non-compliance with loan covenants.

Next covenants testing date is 30 June 2022 and based on the approved budgets and cash flows, the Management of KMG International consider that the financial covenants will be met.

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

14. OBLIGATIONS UNDER LEASE AGREEMENTS

	2021 USD	2020 USD	2021 RON	2020 RON
			(supplementary info – see Note 2(e))	
As at 1 January	**85,820,519**	**66,076,256**	**375,095,744**	**288,799,492**
Additions	40,411,215	9,955,900	176,625,298	43,514,252
Re-measurement	219,443	8,854,342	959,118	38,699,673
Payments	(14,777,795)	(9,283,822)	(64,589,308)	(40,576,800)
Interest accrued	7,991,671	4,644,299	34,929,198	20,298,838
Exchange rate impact	(7,748,098)	5,349,584	(33,864,611)	23,381,427
Other changes	33	223,960	145	978,861
As at 31 December	**111,916,989**	**85,820,519**	**489,155,583**	**375,095,742**
Non-current	108,237,081	81,816,635	473,071,809	357,595,967
Current	3,679,908	4,003,884	16,083,774	17,499,776

The following amounts were recognized in profit or loss:

	2021 USD	2020 USD	2021 RON	2020 RON
			(supplementary info – see Note 2(e))	
Depreciation expense of right-of-use assets	7,724,983	5,453,070	33,763,584	23,833,733
Interest expense on lease liabilities	7,991,671	4,644,299	34,929,198	20,298,838
Variable lease payments (included in selling and distribution)	6,183,461	5,428,099	27,026,051	23,724,592
Total amount recognized in profit or loss	**21,900,115**	**15,525,468**	**95,718,833**	**67,857,163**

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	14,777,795	-	8,863,890	-
Variable rent with minimum payment	-	6,183,461	419,932	5,428,099
Total	**14,777,795**	**6,183,461**	**9,283,822**	**5,428,099**

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

15. DEFERRED TAX ASSETS AND LIABILITIES

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

	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
			(supplementary info – see Note 2(e))	
Deferred tax liabilities	72,659,146	4,339,808	317,571,328	18,967,999
Deferred tax (asset) / liability, net	**72,659,146**	**4,339,808**	**317,571,328**	**18,967,999**

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

USD

2021	**Opening balance**	**Charged / (Credited) to income**	**Charged / (Credited) to equity**	**Closing balance**
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	303,369,770	350,646	221,791,941	525,512,357
Inventories	82,619	-	-	82,619
Provisions	(59,203,562)	(12,320,332)	-	(71,523,893)
Tax losses	(217,173,599)	217,173,599	-	-
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**27,123,803**	**205,203,913**	**221,791,941**	**454,119,656**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	48,539,163	56,103	35,486,711	84,081,977
Inventories	13,219	-	-	13,219
Provisions	(9,472,570)	(1,971,253)	-	(11,443,823)
Tax losses	(34,747,776)	34,747,776	-	-
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**4,339,808**	**32,832,627**	**35,486,711**	**72,659,146**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

2021	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	215,201	-	-	215,201
Property, plant and equipment	1,325,938,249	1,532,569	969,386,035	2,296,856,853
Inventories	361,102	-	-	361,102
Provisions	(258,761,011)	(53,848,475)	-	(312,609,486)
Tax losses	(949,200,653)	949,200,653	-	-
Other	(2,896)	-	-	(2,896)
Total temporary differences (asset)/liability	**118,549,992**	**896,884,747**	**969,386,035**	**1,984,820,774**
Deferred tax effect				
Intangible assets	34,432	-	-	34,432
Property, plant and equipment	212,150,120	245,212	155,101,768	367,497,100
Inventories	57,776	-	-	57,776
Provisions	(41,401,762)	(8,615,757)	-	(50,017,518)
Tax losses	(151,872,105)	151,872,105	-	-
Other	(463)	-	-	(463)
Deferred tax (asset)/liability recognized	**18,967,999**	**143,501,560**	**155,101,768**	**317,571,328**

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

USD

Deferred tax (asset)/liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare SA	250,183	32,832,627	24,876,433	57,959,242
Rompetrol Downstream SRL	1,246,280	-	4,618,417	5,864,697
Rom Oil SA	1,918,708	-	4,519,817	6,438,525
Rompetrol Gas SRL	342,992	-	543,456	886,448
Rompetrol Logistics SRL	581,645	-	823,658	1,405,303
Rompetrol Quality Control SRL	-	-	104,930	104,930
Deferred tax (asset)/liability recognized	**4,339,808**	**32,832,627**	**35,486,711**	**72,659,146**

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

Deferred tax (asset)/liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare SA	1,093,475	143,501,560	108,727,424	253,322,459
Rompetrol Downstream SRL	5,447,116	-	20,185,714	25,632,830
Rom Oil SA	8,386,097	-	19,754,766	28,140,863
Rompetrol Gas SRL	1,499,115	-	2,375,284	3,874,399
Rompetrol Logistics SRL	2,542,196	-	3,599,964	6,142,160
Rompetrol Quality Control SRL	-	-	458,616	458,616
Deferred tax (asset)/liability recognized	**18,967,999**	**143,501,560**	**155,101,768**	**317,571,328**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

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

RON <u>(supplementary info – see Note 2(e))</u>

2020	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	215,202	-	-	215,202
Property, plant and equipment	1,344,596,517	6,203,312	(24,861,580)	1,325,938,249
Inventories	361,102	-	-	361,102
Provisions	(278,799,417)	20,038,405	-	(258,761,011)
Tax losses	(1,665,024,639)	715,823,986	-	(949,200,653)
Other	(2,896)	-	-	(2,896)
Total temporary differences (asset)/liability	**(598,654,131)**	**742,065,703**	**(24,861,580)**	**118,549,992**
Deferred tax effect				
Intangible assets	34,432	-	-	34,432
Property, plant and equipment	215,135,443	992,529	(3,977,853)	212,150,120
Inventories	57,776	-	-	57,776
Provisions	(44,607,906)	3,206,145	-	(41,401,761)
Tax losses	(266,403,942)	114,531,838	-	(151,872,105)
Other	(463)	-	-	(463)
Deferred tax (asset)/liability recognized	**(95,784,660)**	**118,730,512**	**(3,977,853)**	**18,967,999**

Deferred tax asset was recognized for the provision related to Vega Environmental project and Vadu cassettes. The reassessment of the provision as of 31 December 2021 (Note 19), lead to an increase of USD 1.97 million in the related deferred tax asset.

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.

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

As of 31 December 2021 the Group reviewed the carrying amount of deferred tax assets and reduced it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax to be utilized. In this respect, Group Management performed an assessment for recoverability of deferred tax considering projections which are consistent with the business plans used for Impairment test adjusted for tax purposes and historical results recorded by the Group.

Based on the assessment performed, a reversal of deferred tax asset in amount of USD 34.7 million (RON 217.2 million) recognized in relation to fiscal losses carried forward.

The Group has USD 387.56 million (2020: USD 492.96 million) of tax losses carried forward, for which no deferred tax asset was recognized as of 31 December 2021 (2020: USD 217 million).

As of 31 December 2021 the Group has made an assessment of unrecognized deferred tax assets and such items are related to deductible temporary differences generated by retirement benefits and inventories allowance (NRV assessment) amounting USD 6.3 million (2020: 2.86 million).

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

	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
			(supplementary info – see Note 2(e))	
Trade payables	1,022,468,222	651,293,146	4,468,901,847	2,846,606,954
Excise taxes	1,319	1,036	5,766	4,527
Special fund tax for oil products	6,305,873	6,948,356	27,561,077	30,369,180
VAT payable	93,392,700	186,126,448	408,191,472	813,502,866
Other taxes payable	(67,710)	(53,617)	(295,941)	(234,344)
Employees and social obligations	6,604,702	7,473,168	28,867,171	32,662,975
Other liabilities	414,348,188	415,945,223	1,810,991,624	1,817,971,786
Total	**1,543,053,293**	**1,267,733,760**	**6,744,223,017**	**5,540,883,945**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL (“Master Company”). The amounts in balance as of 31 December 2021 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 342.6 million, Romoil USD 14.4 million and Rompetrol Gas USD 51.1 million.

Also in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 4.78 million (2020: USD 4.24 million).

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

17. CONTRACT LIABILITIES

	31 December 2021 USD	31 December 2020 USD	31 December 2021 RON	31 December 2020 RON
			(supplementary info – see Note 2(e))	
Short-term advances from wholesale customers	16,996,514	19,570,720	74,286,662	85,537,746
Short-term advances from other customers	21,509,334	5,401,097	94,010,847	23,606,575
Deferred revenues	6,374,404	5,941,032	27,860,606	25,966,469
Total short-term advances	**44,880,252**	**30,912,849**	**196,158,115**	**135,110,789**

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.

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

18. SHORT-TERM BORROWINGS FROM BANKS

	2021 USD	2020 USD	2021 RON	2020 RON
			(supplementary info – see Note 2(e))	
Banca Transilvania Rompetrol Rafinare SA: 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.	42,372,534	30,131,421	185,197,633	131,695,401
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 435,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2022 and (III) USD 120 million uncommitted with the maturity date is April 23, 2022. The facility is secured by: inventories, receivables, gas stations, depots and current accounts.	-	22,689,532	-	99,169,138
Accrued interest	-	23,452	-	102,502
Current portion of long-term debt	**49,261**	**104,678**	**215,304**	**457,516**
Total	**42,421,794**	**52,949,083**	**185,412,936**	**231,424,556**

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

	2021 USD	2020 USD	2021 RON	2020 RON
Borrowings from shareholders and related parties			*(supplementary info – see Note 2(e))*	
KMG International N.V.	-	10,655,710	-	46,572,912
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.				
Accrued interest	**-**	**1,686,456**	**-**	**7,370,993**
Total	**-**	**12,342,166**	**-**	**53,943,905**

At the level of KMG International NV, loan covenants are tested for the syndicated loan every 6 months. Based on the testing performed as of 31 December 2021, there are no instances of non-compliance with loan covenants.

Next covenants testing date is 30 June 2022 and based on the approved budgets and cash flows, the Management of KMG International consider that the financial covenants will be met.

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 407 million (2020: USD 390), inventories of USD 282 million (2020: USD 172 million) and trade receivables of USD: 144 million (2020: USD 115 million).

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

The movement in loans is presented below:

USD	At 1 January 2021	Drawings	Repayment	Interest accrual	Exchange rate impact	At 31 December 2021
Long-term borrowings from banks	240,000,000	-	(48,270,948)	-	-	191,729,052
Short-term borrowings from banks	52,820,953	22,112,868	(31,551,578)	-	(1,009,710)	42,372,534
Short term borrowings from related parties	10,655,710	-	(10,655,710)	-	-	-
Interest Long-term borrowings banks	-	-	(7,932,624)	7,932,624	-	-
Interest Short term borrowings from related parties	1,686,456	-	(1,724,709)	38,253	-	-
Interest Short-term borrowings from banks	128,130	-	(6,733,820)	6,654,951	-	49,261
Total	**305,291,249**	**22,112,868**	**(106,869,390)**	**14,625,828**	**(1,009,710)**	**234,150,846**

RON (supplementary info – see Note 2(e))	At 1 January 2021	Drawings	Repayment	Interest accrual	Exchange rate impact	At 31 December 2021
Long-term borrowings from banks	1,048,968,000	-	(210,977,833)	-	-	837,990,167
Short-term borrowings from banks	230,864,539	96,648,714	(137,902,483)	-	(4,413,138)	185,197,633
Short term borrowings from related parties	46,572,912	-	(46,572,912)	-	-	-
Interest Long-term borrowings banks	-	-	(34,671,120)	34,671,120	-	-
Interest Short term borrowings from related parties	7,370,992	-	(7,538,185)	167,192	-	-
Interest Short-term borrowings from banks	560,018	-	(29,431,508)	29,086,794	-	215,304
Total	**1,334,336,461**	**96,648,714**	**(467,094,041)**	**63,925,106**	**(4,413,138)**	**1,023,403,103**

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

19. PROVISIONS

Provisions comprise the following:

	2021 USD	2020 USD	2021 RON	2020 RON
			(supplementary info – see Note 2(e))	
Non-current provisions	84,606,213	79,332,744	369,788,374	346,739,624
Total Provisions	**84,606,213**	**79,332,744**	**369,788,374**	**346,739,624**

The movement in provisions is presented below:

USD	At 1 January 2021	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2021
Provision for retirement benefit	18,361,742	(6,713,303)	2,305,523	(1,385,332)	-	12,568,630
Environmental provisions	60,527,516	-	20,282,844	(4,317,444)	(4,898,819)	71,594,097
Other provisions	443,486	-	-	-	-	443,486
Total	**79,332,744**	**(6,713,303)**	**22,588,367**	**(5,702,776)**	**(4,898,819)**	**84,606,213**

RON (supplementary info – see Note 2(e))	At 1 January 2021	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2021
Provision for retirement benefit	80,253,666	(29,341,833)	10,076,750	(6,054,873)	-	54,933,709
Environmental provisions	264,547,614	-	88,650,228	(18,870,254)	(21,411,268)	312,916,321
Other provisions	1,938,344	-	-	-	-	1,938,344
Total	**346,739,624**	**(29,341,833)**	**98,726,978**	**(24,925,127)**	**(21,411,268)**	**369,788,374**

USD	At 1 January 2021	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2021
Provision for retirement benefit	16,485,602	3,054,281	1,193,847	(2,371,988)	-	18,361,742
Environmental provisions	63,862,752	-	-	(5,399,888)	2,064,652	60,527,516
Other provisions	13,486	-	430,000	-	-	443,486
Total	**80,361,840**	**3,054,281**	**1,623,847**	**(7,771,876)**	**2,064,652**	**79,332,744**

RON (supplementary info – see Note 2(e))	At 1 January 2020	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2020
Provision for retirement benefit	72,053,621	13,349,346	5,217,947	(10,367,248)	-	80,253,666
Environmental provisions	279,124,930	-	-	(23,601,290)	9,023,974	264,547,614
Other provisions	58,943	-	1,879,401	-	-	1,938,344
Total	**351,237,494**	**13,349,346**	**7,097,348**	**(33,968,538)**	**9,023,974**	**346,739,624**

19. PROVISIONS (continued)

Environmental provision

Vega lagoons

As of 31 December 2021, the Group recognized an environmental provision of USD 66.56 million (2020: USD 60.5 million) based on reassessment of the site restoration provision. Reassessment was performed considering the following change in assumptions as compared with previous period:

- extended timeline for the rehabilitation plan until 30 June 2025, which is under advance discussions with the environmental authorities.
- updated prices for rehabilitation works related to lagoons 19-20, 7-12, 13-15 and remaining works for the rehabilitation of lagoons 16 and 17. The updated prices use as reference basis the prices included in the agreements concluded for the rehabilitation of lagoons already cleaned, or recent updates of such agreements, with an increase to reflect the evolution of construction price index and the specific increase of prices.
- rehabilitation works performed during the year.
- updated variable indicators over the project timeline (i.e. exchange rate, discount rate, inflation rate).

The results of the reassessment lead to an increased provision by USD 6.1 million (2020: USD 3.3 million decrease), being mainly generated by the additional costs of USD 15.3 million, impacted the unwinding of discount effect of USD 4.9 million (2020: USD 2.06 million) and the costs incurred of USD 4.3 million (2020: USD 6.5 million) related to the works performed during the 2021.

We analysed all the implication of the ongoing DIICOT investigation as described in Note 31 and determined that there is no impact on the assumptions considered for the provision computation as described above.

Vadu cassettes

During 2021, the Group has carried out the due diligence procedures in accordance with Law 74/2019 in relation to the storage area of the biological waste resulted from IAZ no.1 ("Vadu cassettes"). The process is ongoing and performed in accordance with the requirements of the competent environmental authorities ("EPA Constanta").

During 2021, a detailed investigation report was provided to the environmental authorities. The feasibility study was also contracted and completed, the next steps for remedial actions will be communicated by the competent authority. Based on the feasibility study and correspondence with environmental authorities, Management concluded that the parent company has a constructive obligation for the rehabilitation of the cassettes, thus an assessment of the obligation was performed as of 31 December 2021. In this respect, a provision of USD 4.9 million was recorded as of 31 December 2021(2020: USD 0).

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.

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

19. PROVISIONS (continued)

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 5.20% (2020: 2.97%) for Romanian subsidiaries with an expected rate of long-term salary increase 2.90% (2020: 2.31%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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

	31 December 2021	30 December 2020	31 December 2021	30 December 2020
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Interest on obligation	465,684	132,230	2,035,367	577,938
Service cost	1,839,839	1,061,617	8,041,384	4,640,009
Costs related to benefits granted	(1,385,332)	(2,371,988)	(6,054,872)	(10,367,248)
Total	**920,191**	**(1,178,141)**	**4,021,879**	**(5,149,301)**

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

	31 December 2021	30 December 2020	31 December 2021	30 December 2020
	USD	USD	RON	RON
Opening balance	**18,361,742**	**16,485,602**	**80,253,666**	**72,053,621**
Amounts recognized in income statement	920,191	(1,178,141)	4,021,879	(5,149,301)
Actuarial losses / (gains) recorded in the year (amounts recognized in "Other comprehensive income")	(6,713,303)	3,054,281	(29,341,833)	13,349,346
Closing balance	**12,568,630**	**18,361,742**	**54,933,711**	**80,253,666**

Actuarial gains refers to change in assumption in amount of USD 6.7 million (using a discount rate of 5.20%, with an expected rate of long-term salary increase of 2.90%), the charge for the year is included in the salaries expenses in the income statement for 2021, amounting to USD 0.9 million.

It is estimated that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2022.

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19. PROVISIONS (continued)

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

The other variables (exchange rate, mortality rate and turnover) had no significant impact in 2021.

	Impact on defined benefit obligation 2021
Discount rate assumptions:	**USD million**
1% increase	(1.27)
1% decrease	1.48

	2021
Salary sensitivity assumption:	**USD million**
1% increase	1.27
1% decrease	(1.34)

	2021
Longevity sensitivity assumption:	**USD million**
1% increase	0.07

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2021

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	3,682,904,428	-	-	342,127,788	4,025,032,216
Less sales taxes from petroleum products production	(1,046,350,750)	-	-	1,028,878,390	(17,472,360)
Net revenues from petroleum products production	**2,636,553,678**	**-**	**-**	**1,371,006,178**	**4,007,559,856**
Gross revenues from petroleum products trading	76,437,807	-	3,053,186,318	(2,929,564,479)	200,059,646
Less sales taxes petroleum products trading	-	-	(1,070,368,475)	4,087,800	(1,066,280,675)
Less commercial discounts petroleum products trading	-	-	(194,228,900)	7,151,110	(187,077,790)
Net revenues from petroleum products trading	**76,437,807**	**-**	**1,788,588,942**	**(2,918,325,568)**	**(1,053,298,819)**
Revenues from petrochemicals production	-	185,552,642	-	-	185,552,642
Revenues from petrochemicals trading	-	843,737	-	-	843,737
Revenues from merchandise sales	381,697	-	168,207,905	(65)	168,589,537
Revenues from utilities sold	8,502,415	-	-	(161,167)	8,341,249
Revenues from transportation fees	-	-	3,616,729	-	3,616,729
Revenues from rents and other services	3,783,539	-	31,809,787	(8,542,104)	27,051,222
Total Net Revenues	**2,725,659,137**	**186,396,379**	**1,992,223,363**	**(1,556,022,726)**	**3,348,256,153**

2021

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	16,096,870,384	-	-	1,495,337,923	17,592,208,308
Less sales taxes from petroleum products production	(4,573,285,223)	-	-	4,496,918,779	(76,366,444)
Net revenues from petroleum products production	**11,523,585,161**	**-**	**-**	**5,992,256,702**	**17,515,841,863**
Gross revenues from petroleum products trading	334,086,723	-	13,344,561,439	(12,804,247,467)	874,400,695
Less sales taxes petroleum products trading	-	-	(4,678,259,494)	17,866,548	(4,660,392,947)
Less commercial discounts petroleum products trading	-	-	(848,916,254)	31,255,359	(817,660,895)
Net revenues from petroleum products trading	**334,086,723**	**-**	**7,817,385,691**	**(12,755,125,561)**	**(4,603,653,147)**
Revenues from petrochemicals production	-	810,994,934	-	-	810,994,934
Revenues from petrochemicals trading	-	3,687,721	-	-	3,687,721
Revenues from merchandise sales	1,668,283	-	735,186,290	(285)	736,854,288
Revenues from utilities sold	37,161,507	-	-	(704,411)	36,457,096
Revenues from transportation fees	-	-	15,807,638	-	15,807,638
Revenues from rents and other services	16,536,712	-	139,031,034	(37,334,972)	118,232,774
Total Net Revenues	**11,913,038,387**	**814,682,656**	**8,707,410,654**	**(6,800,908,527)**	**14,634,223,169**

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

2020

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	2,713,573,209	-	-	348,153,781	3,061,726,990
Less sales taxes from petroleum products production	(921,720,454)	-	-	916,329,087	(5,391,367)
Net revenues from petroleum products production	**1,791,852,755**	**-**	**-**	**1,264,482,868**	**3,056,335,623**
Gross revenues from petroleum products trading	13,076,200	-	2,301,556,077	(2,211,370,621)	103,261,656
Less sales taxes petroleum products trading	-	-	(960,635,229)	3,278,924	(957,356,305)
Less commercial discounts petroleum products trading	-	-	(174,593,096)	5,900,921	(168,692,175)
Net revenues from petroleum products trading	**13,076,200**	**-**	**1,166,327,752**	**(2,202,190,776)**	**(1,022,786,824)**
Revenues from petrochemicals production	-	146,907,912	-	-	146,907,912
Revenues from petrochemicals trading	-	2,263,959	-	-	2,263,959
Revenues from merchandise sales	428,599	-	123,457,586	(15)	123,886,170
Revenues from utilities sold	2,103,525	-	-	(113,856)	1,989,669
Revenues from transportation fees	-	-	3,233,112	-	3,233,112
Revenues from rents and other services	3,567,786	-	27,432,563	(8,607,436)	22,392,913
Total Net Revenues	**1,811,028,865**	**149,171,871**	**1,320,451,013**	**(946,429,215)**	**2,334,222,534**

2020

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	11,860,214,427	-	-	1,521,675,730	13,381,890,157
Less sales taxes from petroleum products production	(4,028,563,588)	-	-	4,004,999,541	(23,564,048)
Net revenues from petroleum products production	**7,831,650,838**	**-**	**-**	**5,526,675,271**	**13,358,326,109**
Gross revenues from petroleum products trading	57,152,147	-	10,059,411,144	(9,665,237,573)	451,325,718
Less sales taxes petroleum products trading	-	-	(4,198,648,395)	14,331,193	(4,184,317,202)
Less commercial discounts petroleum products trading	-	-	(763,094,045)	25,791,155	(737,302,889)
Net revenues from petroleum products trading	**57,152,147**	**-**	**5,097,668,704**	**(9,625,115,225)**	**(4,470,294,374)**
Revenues from petrochemicals production	-	642,090,411	-	-	642,090,411
Revenues from petrochemicals trading	-	9,895,086	-	-	9,895,086
Revenues from merchandise sales	1,873,278	-	539,596,071	(66)	541,469,283
Revenues from utilities sold	9,193,877	-	-	(497,630)	8,696,246
Revenues from transportation fees	-	-	14,130,963	-	14,130,963
Revenues from rents and other services	15,593,722	-	119,899,505	(37,620,522)	97,872,705
Total Net Revenues	**7,915,463,862**	**651,985,497**	**5,771,295,243**	**(4,136,558,172)**	**10,202,186,429**

Total Revenues increased mainly due to the volatility of oil and gas market environment resulting in higher quotations vs previous year alongside similar volumes sold.

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

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

21. COST OF SALES

	31 December 2021 USD	30 December 2020 USD	31 December 2021 RON	30 December 2020 RON
			(supplementary info – see Note 2(e))	
Crude oil and other raw materials	2,555,954,358	1,805,207,442	11,171,309,711	7,890,020,168
Consumables and other materials	10,565,959	11,476,116	46,180,638	50,158,660
Utilities	126,065,368	82,891,666	550,993,904	362,294,605
Staff costs	27,922,725	30,609,706	122,041,856	133,785,842
Transportation	203,554	189,046	889,672	826,263
Maintenance and repairs	22,208,440	23,398,038	97,066,431	102,265,805
Insurance	1,395,820	1,545,887	6,100,712	6,756,608
Environmental expenses	422,190	2,299,410	1,845,264	10,050,031
Other	23,017,346	19,740,272	100,601,913	86,278,807
Cash production cost	**2,767,755,760**	**1,977,357,583**	**12,097,030,100**	**8,642,436,789**
Depreciation and amortization	70,280,711	78,979,027	307,175,905	345,193,633
Production costs	**2,838,036,471**	**2,056,336,610**	**12,404,206,004**	**8,987,630,422**
Plus: Change in inventories	(63,273,466)	48,534,599	(276,549,339)	212,130,172
Less: Own production of property, plant & equipment	(3,550,153)	(5,885,037)	(15,516,656)	(25,721,731)
Cost of petroleum products trading	197,293,863	93,775,778	862,312,287	409,865,793
Cost of petrochemicals trading	761,397	3,163,286	3,327,836	13,825,774
Cost of merchandise sold	135,893,124	98,862,497	593,948,079	432,098,316
Cost of utilities resold	1,902,988	1,090,304	8,317,390	4,765,392
Realized (gains)/losses on derivatives	34,117,950	(52,628,509)	149,119,325	(230,023,424)
Total	**3,141,182,174**	**2,243,249,528**	**13,729,164,926**	**9,804,570,713**

Negative result of derivatives transactions recorded during 2021 is due to hedging for around Base Operating Stocks (BOS), done on the ICE Exchange Market using Futures contracts to protect the stock's value against decreasing of prices. During 2021 the average Futures quantity for hedging around BOS was 144 KT, higher against 2020 average quantity of 90.3 KT. When prices decrease the stocks depreciate, but the hedging instruments will have positive effect, offsetting the physical loss. But in 2021, Dated Brent increased by 50% from USD 50 to USD 77 / bbl., generating a loss on hedging instruments. Thus, the coverage during the market growth had a negative result of USD -24.3 million. Compared to 2020, a very strange year with huge volatility, market fluctuations and unpredictable events due to the blockages caused by COVID-19 and the huge shock of demand worldwide, 2021 has been characterized as a year of demand recovery at pre-pandemic (2019) levels, mainly due to the COVID vaccination program that led to the relaxation of restrictions around the world.

Also, in Q1 2021 Rompetrol Rafinare concluded swap transactions to hedge the difference between Urals - Dated Brent. The refinery, processing a higher percentage of Urals (approx. 70%), tries to set a level of the differential as negative as possible, which means a cheaper Urals than Dated Brent. With the swap instruments, the Urals-Dated Brent differential was set at -0.66 USD / bbl. compared to the budget of -0.28 USD / bbl. for 5.5 million barrels (19% of Urals processed in 2021). But during the year, the differential had a more negative value of -1.92 USD / bbl., resulting in losses of USD -7 million from swap instruments. Noticing the downward trend in the differential, no other swap transactions were concluded, leaving the refinery to benefit on the physical side from a cheaper Urals compared to Dated Brent for the difference of 81% of the processed of Urals. This impact is recorded as FV through PL.

In Rompetrol Downstream the significant loss recorded during 2021 is due to hedge around benchmark stocks in amount of USD -4.3 million (loss) for gasoline and diesel stocks in Downstream depots and forex hedging in amount of USD +1.2 million (gain). These are considered FV through PL.

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

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

	31 December 2021 USD	30 December 2020 USD	31 December 2021 RON	30 December 2020 RON
			(supplementary info – see Note 2(e))	
Staff costs	26,792,013	26,496,388	117,099,849	115,807,763
Utilities	8,511,483	6,469,760	37,201,139	28,277,380
Transportation	61,064,946	53,280,804	266,896,558	232,874,410
Professional and consulting fees	26,651,455	34,055,758	116,485,513	148,847,501
Royalties and rents	4,036,216	5,574,776	17,641,087	24,365,673
Consumables	651,476	702,654	2,847,408	3,071,090
Marketing	2,954,287	3,166,922	12,912,302	13,841,666
Taxes	2,036,590	2,222,840	8,901,326	9,715,367
Communications	821,106	967,870	3,588,807	4,230,269
Insurance	1,428,718	1,179,354	6,244,499	5,154,603
IT related expenditures	8,382,553	7,984,904	36,637,624	34,899,620
Environmental expenses	1,554,287	5,095	6,793,323	22,269
Maintenance and repairs	12,016,345	9,468,833	52,519,838	41,385,428
Other expenses	17,695,874	18,240,879	77,343,357	79,725,410
Costs before depreciation	**174,597,348**	**169,816,837**	**763,112,630**	**742,218,449**
Depreciation and amortization	58,711,684	46,454,169	256,611,158	203,037,236
Total	**233,309,032**	**216,271,006**	**1,019,723,787**	**945,255,686**

23. OTHER OPERATING INCOME / (EXPENSES), NET

	31 December 2021 USD	30 December 2020 USD	31 December 2021 RON	30 December 2020 RON
			(supplementary info – see Note 2(e))	
Net gain /(loss) on disposal of assets	280,855	699,648	1,227,534	3,057,952
Reversal of impairment for tangible assets, net	38,120,840	(8,167,559)	166,614,754	(35,697,950)
Provision for receivables and write-off, net	1,353,998	(2,348,409)	5,917,919	(10,264,191)
Provision for inventories, net	(6,513,051)	4,560,037	(28,466,594)	19,930,554
Tangible and intangible assets write-off	(3,654)	(461,940)	(15,970)	(2,019,001)
Loss from revaluation of non-current assets	(105,845,408)	-	(462,618,523)	-
Inventories write-off	(516,669)	(151,779)	(2,258,204)	(663,380)
Other provisions, net	(10,375,393)	(1,714,550)	(45,347,731)	(7,493,784)
Other, net	3,200,084	4,931,535	13,986,608	21,554,260
Total	**(80,298,398)**	**(2,653,017)**	**(350,960,208)**	**(11,595,541)**

In 2021, following the voluntary change of accounting policy for equipment and land, a revaluation exercise was conducted for property, plant and equipment, including buildings previously measured at revalued amount. Considering this, a loss was recorded in amount USD 105.8 million, being related to items for which the revalued amount was lower than the carrying amount and no previous revaluation reserve recorded.

The reversal reserve of impairment related to specific equipment in amount of USD 38.12 million is related to Rompetrol Petrochemicals USD 29.3 million, Rompetrol Logistics USD 2.3 million, Rompetrol Gas USD 0.18 million, Romoil USD 0.7 million, Rompetrol Downstream USD 5.7 million.

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

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

Other provisions, net in amount of USD 10.4 million mainly refers to environmental provision in respect of Vadu cassettes and Vega lagoons.

Other, net in amount of USD 3.2 million refer to revenue from claim to be received from the insurance company in relation to Petromidia incident occurred in 2 July 2021, amounting USD 8 mill, partially offset by USD 5 million representing reversal of accrual recorded for CO2 allowances related to 2020 quota.

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

24. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	31 December 2021	30 December 2020	31 December 2021	30 December 2020
	USD	USD	RON	RON
Finance cost			*(supplementary info – see Note 2(e))*	
Late payment interest	(2,759,225)	(12,740)	(12,059,745)	(55,683)
Interest expense	(35,909,924)	(27,669,469)	(156,951,505)	(120,934,948)
Interest expense shareholders	(38,253)	(416,845)	(167,192)	(1,821,904)
Unwinding of discount - lease	(7,991,671)	(4,644,298)	(34,929,196)	(20,298,833)
Unwinding of discount - environmental provision	(4,898,819)	(2,064,652)	(21,411,268)	(9,023,974)
Other financial expense	(20,232,538)	(24,752,769)	(88,430,353)	(108,186,927)
	(71,830,430)	**(59,560,773)**	**(313,949,260)**	**(260,322,271)**
Finance income				
Interest income	17,706,299	15,831,440	77,388,923	69,194,475
Interest Income - hybrid instrument	-	17,009,920	-	74,345,257
Other financial income	2,072,081	57,466	9,056,444	251,167
Total	**19,778,380**	**32,898,826**	**86,445,368**	**143,790,899**
Finance income/(cost) net	**(52,052,049)**	**(26,661,947)**	**(227,503,892)**	**(116,531,372)**
Unrealized net foreign exchange (losses)/gains	7,836,973	(3,827,296)	34,253,056,64	(16,727,964)
Realized net foreign exchange (losses)/gains	(1,754,279)	(6,039,717)	(7,667,427)	(26,397,791)
Foreign exchange gain/(loss), net	**6,082,694**	**(9,867,013)**	**26,585,630**	**(43,125,755)**
Total	**(45,969,356)**	**(36,528,960)**	**(200,918,262)**	**(159,657,126)**

In 2021 out of the total of USD 20.2 million (2020: USD 24.7 million) representing other financial expenses an amount of approximately USD 12.24 million (2020: USD 20.1 million) represents other financial expenses owed to KMG Trading for financing activities.

25. INCOME TAX

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

	31 December 2021 USD	30 December 2020 USD	31 December 2021 RON	30 December 2020 RON
			(supplementary info – see Note 2(e))	
Tax expense comprises:				
Current tax expense	1,448,463	6,942,313	6,330,796	30,342,767
Deferred tax credit relating to the origination and reversal of temporary differences	32,832,626	27,165,102	143,501,560	118,730,511
Total tax expense/(income)	**34,281,089**	**34,107,415**	**149,832,356**	**149,073,279**

The net effect of deferred tax in 2021 was in amount of USD 32.83 million.

As of 31 December 2021, the Group had the following total unused fiscal losses:

Entity	Carried forward fiscal losses 2021 USD million	Recognized Deferred Tax Asset 2021	Carry forward fiscal losses 2020 USD million	Recognized Deferred Tax Asset 2020
Rompetrol Rafinare SA	380.41	-	483.10	217.17
Rompetrol Petrochemicals SRL	3.18	-	3.56	-
Rompetrol Logistics SRL	2.91	-	5.13	-
Rom Oil SA	1.07	-	1.17	-
As at December 31	**387,56**	**-**	**492,96**	**217,17**

The Group has USD 387.56 million (2020: USD 492.96 million) of tax losses carried forward, for which no deferred tax asset was recognized as of 31 December 2021 (2020: USD 217 million) on the basis of the assessment made.

In these critical market conditions, Rompetrol Rafinare decreased as much possible market effects by insuring deliveries of fuel products to the most valuable distribution channels, mainly Romania market being in the same range as in 2021, and export of fuel oil was reduced. Also, Rompetrol Rafinare adapted the operation of the refinery to optimal valuable products structure, considering refining flexibility to react to the market changes; the main example is decreasing production of Jet A1, with the biggest dropdown in market cracks, and transferred into diesel yields.

25. INCOME TAX (continued)

Entity	Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
Rompetrol Rafinare SA			
2015	87.62	382.97	2022
2016	2.79	12.20	2023
2018	17.17	75.03	2025
2019	39.63	173.20	2026
2020	126.25	551.82	2027
2021	106.95	467.43	2028
	380.41	**1,662.65**	
Rompetrol Petrochemicals SRL			
2015	0.41	1.81	2022
2016	0.28	1.24	2023
2018	2.42	10.56	2025
2019	0.07	0.30	2026
	3.18	**13.91**	
Rom Oil SA			
2017	0.38	1.66	2024
2020	0.32	1.40	2027
2021	0.37	1.60	2028
	1.07	**4.66**	
Rompetrol Logistics SRL			
2015	0.27	1.19	2022
2016	0.28	1.23	2023
2017	1.54	6.73	2024
2018	0.34	1.47	2025
2019	0.31	1.36	2026
2020	0.17	0.73	2027
	2.91	**12.71**	
Total	**387.56**	**1,693.93**	

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

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

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

25. INCOME TAX (continued)

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

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

	31 December 2021 USD	30 December 2020 USD	31 December 2021 RON	30 December 2020 RON
Result before tax	(152,502,806)	(164,479,977)	(666,544,014)	(718,892,637)
of which				
Companies which recorded profit	31,369,466	41,561,308	137,106,525	181,652,009
Companies which recorded loss	(183,872,272)	(206,041,285)	(803,650,539)	(900,544,644)
Tax at prevailing tax rate (16%)	4,615,273	6,455,628	20,171,974	28,215,613
Effect of losses carried forward	(16,775,190)	(1,938,788)	(73,319,324)	(8,473,860)
Effect of statutory items non deductible / (not taxable) for tax purposes	13,608,379	2,425,473	59,478,142	10,601,015
Non-deductible expenses	(1,856,483)	(10,289,147)	(8,114,130)	(44,970,775)
Not - taxable income	15,464,862	12,714,620	67,592,272	55,571,790
Reversal of deferred tax recognized for fiscal losses carried forward	32,832,627	27,165,102	143,501,564	118,730,511
Income tax expense recognized in profit or loss	**34,281,089**	**34,107,415**	**149,832,356**	**149,073,279**

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.

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

26. OPERATING SEGMENT INFORMATION (continued)

2021 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	1,177,643,373	186,396,379	-	1,984,216,402	-	3,348,256,153
Net revenues "Inter segment"	1,548,015,764	-	-	8,006,962	(1,556,022,726)	-
Cost of sales	(2,709,250,090)	(191,041,191)	-	(1,832,519,863)	1,591,628,971	(3,141,182,174)
Gross margin	**16,409,047**	**(4,644,812)**	**-**	**159,703,500**	**35,606,245**	**207,073,980**
Selling, general and administrative expenses	(68,201,812)	(12,600,776)	-	(119,218,396)	(33,288,049)	(233,309,032)
Other operating income/(expenses), net	(86,669,210)	(12,294)	-	6,173,180	209,926	(80,298,398)
Operating margin (EBIT)	**(138,461,975)**	**(17,257,882)**	**-**	**46,658,284**	**2,528,123**	**(106,533,450)**
Financial expenses, net			(43,525,891)	(8,522,047)	(4,111)	(52,052,049)
Net foreign exchange result			18,166,418	(12,083,724)	-	6,082,694
Profit/(loss) before income tax	**(138,461,975)**	**(17,257,882)**	**(25,359,473)**	**26,052,512**	**2,524,011**	**(152,502,806)**
Income tax			(32,832,626)	(1,448,463)	-	(34,281,089)
Net Profit/(Loss)	**(138,461,975)**	**(17,257,882)**	**(58,192,099)**	**24,604,050**	**2,524,011**	**(186,783,895)**
Depreciation and amortization	80,580,556	18,510,955	-	29,004,806	896,078	128,992,395

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	5,147,125,887	814,682,656	-	8,672,414,626	-	14,634,223,169
Net revenues "Inter segment"	6,765,912,500	-	-	34,996,028	(6,800,908,527)	-
Cost of sales	(11,841,319,368)	(834,983,734)		(8,009,394,565)	6,956,532,742	(13,729,164,926)
Gross margin	**71,719,018**	**(20,301,079)**	**-**	**698,016,088**	**155,624,215**	**905,058,243**
Selling, general and administrative expenses	(298,089,658)	(55,074,212)	-	(521,067,844)	(145,492,074)	(1,019,723,787)
Other operating income/(expenses), net	(378,805,114)	(53,734)	-	26,981,116	917,525	(350,960,208)
Operating margin (EBIT)	**(605,175,754)**	**(75,429,025)**	**-**	**203,929,361**	**11,049,666**	**(465,625,752)**
Financial expenses, net			(190,238,612)	(37,247,311)	(17,969)	(227,503,892)
Net foreign exchange result			79,399,964	(52,814,334)	-	26,585,630
Profit/(loss) before income tax	**(605,175,754)**	**(75,429,025)**	**(110,838,648)**	**113,867,716**	**11,031,697**	**(666,544,014)**
Income tax			(143,501,560)	(6,330,796)	-	(149,832,356)
Net Profit/(Loss)	**(605,175,754)**	**(75,429,025)**	**(254,340,208)**	**107,536,920**	**11,031,697**	**(816,376,370)**
Depreciation and amortization	352,193,437	80,905,831	-	126,771,304	3,916,493	563,787,064

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

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

26. OPERATING SEGMENT INFORMATION (continued)

2021 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,704,935,022	359,012,762	(597,217,596)	1,466,730,188
Total current assets	730,333,591	549,375,427	(185,904,430)	1,093,804,588
TOTAL ASSETS	**2,435,268,613**	**908,388,189**	**(783,122,025)**	**2,560,534,777**
Total equity	688,923,225	365,510,442	(591,853,181)	462,580,486
Total non-current liabilities	248,093,715	209,544,373	(232,848)	457,405,240
Total current liabilities	1,498,251,673	333,333,374	(191,035,996)	1,640,549,051
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,435,268,613**	**908,388,189**	**(783,122,025)**	**2,560,534,777**
Capital expenditure	42,901,277	7,995,330	-	**50,896,607**

supplementary info – see Note 2(e))

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,451,759,494	1,569,137,080	(2,610,258,952)	6,410,637,622
Total current assets	3,192,069,025	2,401,155,180	(812,532,492)	4,780,691,714
TOTAL ASSETS	**10,643,828,520**	**3,970,292,260**	**(3,422,791,444)**	**11,191,329,336**
Total equity	3,011,076,737	1,597,536,490	(2,586,812,703)	2,021,800,525
Total non-current liabilities	1,084,343,200	915,855,592	(1,017,707)	1,999,181,085
Total current liabilities	6,548,408,583	1,456,900,177	(834,961,034)	7,170,347,726
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,643,828,520**	**3,970,292,260**	**(3,422,791,444)**	**11,191,329,336**
Capital expenditure	187,508,611	34,945,189	-	**222,453,800**

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

26. OPERATING SEGMENT INFORMATION (continued)

2020 Income Statement information

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

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	3,813,999,614	651,985,497	-	5,736,201,319	-	10,202,186,429
Net revenues "Inter segment"	4,101,464,248	-	-	35,093,924	(4,136,558,172)	-
Cost of sales	(8,181,544,327)	(786,031,880)	-	(5,091,966,061)	4,254,971,555	(9,804,570,713)
Gross margin	**(266,080,465)**	**(134,046,384)**	**-**	**679,329,181**	**118,413,383**	**397,615,716**
Selling, general and administrative expenses	(261,573,886)	(51,803,219)	-	(519,367,527)	(112,511,053)	(945,255,686)
Other operating income/(expenses), net	33,577,693	2,561	-	(45,757,116)	581,321	(11,595,541)
Operating margin (EBIT)	**(494,076,658)**	**(185,847,042)**	**-**	**114,204,538**	**6,483,651**	**(559,235,511)**
Financial expenses, net	-	-	(82,470,909)	(32,881,218)	(1,179,245)	(116,531,372)
Net foreign exchange result	-	-	(77,777,057)	34,651,302	-	(43,125,755)
Profit/(loss) before income tax	**(494,076,658)**	**(185,847,042)**	**(160,247,965)**	**115,974,622**	**5,304,405**	**(718,892,637)**
Income tax	-	-	(118,730,511)	(30,342,767)	-	(149,073,279)
Net Profit/(Loss)	**(494,076,658)**	**(185,847,042)**	**(278,978,477)**	**85,631,855**	**5,304,405**	**(867,965,916)**
Depreciation and amortization	365,254,335	66,148,795	-	115,494,602	1,333,138	548,230,870

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

26. OPERATING SEGMENT INFORMATION (continued)

In total net revenues are included customers that own more than 10% of total sales (i.e. KazMunayGas Trading AG), their value amounting USD 531 million in 2021 and USD 353 million in 2020.

2020 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,672,649,263	266,627,897	(596,396,951)	1,342,880,209
Total current assets	560,066,827	442,679,786	(146,176,613)	856,588,000
TOTAL ASSETS	**2,232,716,090**	**709,325,683**	**(742,573,564)**	**2,199,468,209**
Total equity	738,211,082	277,463,169	(594,377,191)	421,297,060
Total non-current liabilities	233,554,480	172,604,754	(313,986)	405,845,248
Total current liabilities	1,260,950,528	259,257,760	(147,882,387)	1,372,325,901
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,232,716,090**	**709,325,683**	**(742,573,564)**	**2,199,468,209**
Capital expenditure	111,081,509	11,403,743	(4,876)	**122,480,376**

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,310,648,136	1,165,350,549	(2,606,672,162)	5,869,326,523
Total current assets	2,447,884,077	1,934,899,213	(638,894,118)	3,743,889,172
TOTAL ASSETS	**9,758,532,213**	**3,100,249,763**	**(3,245,566,280)**	**9,613,215,695**
Total equity	3,226,499,175	1,212,708,273	(2,597,844,392)	1,841,363,055
Total non-current liabilities	1,020,796,565	754,403,598	(1,372,338)	1,773,827,825
Total current liabilities	5,511,236,473	1,133,137,892	(646,349,550)	5,998,024,814
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,758,532,213**	**3,100,249,763**	**(3,245,566,280)**	**9,613,215,695**
Capital expenditure	485,503,954	49,842,336	(21,311)	**535,324,979**

- 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):

	2021 USD	2020 USD	2021 RON	2020 RON
Romania	**2,499,848,602**	**1,763,494,139**	**10,926,088,287**	**7,707,703,833**
Export	**848,407,551**	**570,728,395**	**3,708,134,883**	**2,494,482,596**
out of which				
Petroleum products	775,540,762	502,888,156	3,389,656,008	2,197,973,263
Petrochemical products	72,866,789	67,840,239	318,478,875	296,509,333
Total	**3,348,256,153**	**2,334,222,534**	**14,634,223,169**	**10,202,186,429**

27. RELATED PARTIES

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

Name of related party	Nature of relationship
KMG International N.V.	Majority Shareholder
Byron Shipping SRL	Company owned by KMG International Group
Byron Shipping LTD	Company owned by KMG International Group
Global Security Sistem S.A.	Company owned by KMG International Group
Global Security Systems Fire Services SRL	Company owned by KMG International Group
KazMunayGas Engineering B.V.	Company owned by KMG International Group
KazMunayGas –Engineering LLP	Company owned by KMG International Group
KazMunayGas Trading AG	Company owned by KMG International Group
KMG Rompetrol S.R.L	Company owned by KMG International Group
KMG Rompetrol Services Center	Company owned by KMG International Group
KMG Rompetrol Development S.R.L.	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Oilfield Exploration Business Solutions S.A.	Company owned by KMG International Group
Palplast S.A.	Company owned by KMG International Group
Rominserv S.R.L	Company owned by KMG International Group
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
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
Oman J.V.	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.

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

27. RELATED PARTIES (continued)

	Receivables and other assets			
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	49,105,800	2,735,609	214,626,721	11,956,526
Rominserv S.R.L.	1,055,085	2,588,730	4,611,460	11,314,562
KMG International N.V.	69,011,806	80,121,018	301,629,899	350,184,933
KMG Rompetrol S.R.L	183,332	1,124,212	801,287	4,913,593
KMG Rompetrol SRL - cash pooling	341,818,192	238,725,868	1,493,984,773	1,043,399,151
Oilfield Exploration Business Solutions S.A.	1,092,813	1,181,252	4,776,357	5,162,898
Rompetrol Well Services S.A.	90,042	52,131	393,549	227,849
KMG Rompetrol Services Center	25,839	28,044	112,937	122,572
Palplast S.A.	-	705,993	-	3,085,684
Rompetrol Bulgaria JSC	2,099,100	1,341,387	9,174,534	5,862,800
Rompetrol Moldova SA	557,371	392,737	2,436,103	1,716,536
Rompetrol Financial Group S.R.L.	2,537	2,713	11,089	11,858
KazMunayGas Engineering B.V.	3,573	3,573	15,615	15,617
Rompetrol Energy S.A.	7,952,993	-	34,760,147	-
Byron Shipping SRL	2,095	707	9,155	3,090
Midia Marine Terminal S.R.L.	224,814	227,374	982,593	993,784
KazMunayGas –Engineering LLP	168,167	168,167	735,008	735,008
Rompetrol Georgia LLC	50	-	219	-
Uzina Termoelectrica Midia S.A.	1,071,666	2,261,869	4,683,930	9,885,951
KMG Rompetrol Development S.R.L.	15,808,957		69,096,209	-
Global Security Sistem S.A.	251,144	219,425	1,097,676	959,041
Total	**490,525,376**	**331,880,809**	**2,143,939,262**	**1,450,551,452**

	Payables, loans and other liabilities			
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	831,104,808	470,169,204	3,632,509,783	2,054,968,540
Rominserv S.R.L.	20,837,780	27,298,020	91,075,684	119,311,456
KMG International N.V.	5,816,786	8,001,539	25,423,425	34,972,327
KMG International N.V.- Short term debt - principal	-	10,655,710	-	46,572,912
KMG International N.V.- Short term debt - interest	-	1,686,454	-	7,370,984
KMG Rompetrol S.R.L	752,997	6,932,425	3,291,124	30,299,550
KMG Rompetrol SRL - cash pooling	408,124,986	411,289,453	1,783,791,876	1,797,622,812
Oilfield Exploration Business Solutions S.A.	269,948	248,452	1,179,863	1,085,909
Rompetrol Well Services S.A.	159,451	100,342	696,912	438,565
KMG Rompetrol Services Center	976,952	1,649,652	4,269,964	7,210,134
Rompetrol Bulgaria JSC	90,163	137,134	394,075	599,372
Rompetrol Moldova SA	3,651,514	3,439,765	15,959,673	15,034,181
Byron Shipping SRL	2,167	2,379	9,470	10,398
Rompetrol Energy S.A.	11,677,401	-	51,038,418	-
Palplast S.A.	888		3,879	-
Midia Marine Terminal S.R.L.	10,171,077	8,410,459	44,454,725	36,759,593
Rominserv Valves Iaifo SRL	1,882	7,575	8,225	33,108
Rompetrol Georgia LLC	50	50	219	219
Uzina Termoelectrica Midia S.A.	5,020,865	8,953,547	21,944,693	39,133,268
Rompetrol Exploration and Production S.R.L	-	17	-	74
KMG Rompetrol Development S.R.L.	2,163,113	93,751	9,454,318	409,757
Global Security Sistem S.A.	402,760	671,723	1,760,342	2,935,900
Global Security Systems Fire Services SRL	125,220	212,088	547,297	926,973
TRG Petrol Anonim Sirketi	2,538	2,538	11,092	11,093
Total	**1,301,353,343**	**959,962,277**	**5,687,825,055**	**4,195,707,124**

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

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	Sales and other revenues			
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		USD	USD	RON	RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Fuel	531,143,618	352,942,845	2,321,469,411	1,542,607,293
Rominserv S.R.L.	Fuel, utilities and other services	844,085	913,564	3,689,243	3,992,914
KMG International N.V.	Interest	4,021,143	21,564,786	17,575,210	94,253,210
KMG Rompetrol S.R.L	Fuel and other services	116,589	72,674	509,575	317,636
Oilfield Exploration Business Solutions S.A.	Fuel	5,126	2,810	22,404	12,282
Rompetrol Well Services S.A.	Fuel and other services	616,233	395,152	2,693,370	1,727,091
Palplast S.A.	Fuel and other services	10,978	9,255	47,982	40,451
Rompetrol Bulgaria JSC	Fuel	47,596,754	31,018,753	208,031,132	135,573,664
Rompetrol Moldova SA	Fuel	144,300,147	111,255,033	630,692,654	486,262,373
KMG Rompetrol Services Center	Rent and other services	147,089	133,912	642,881	585,289
Midia Marine Terminal S.R.L.	Fuel, rent and other services	416,151	337,195	1,818,870	1,473,778
Byron Shipping SRL	Fuel and other services	17,837	15,092	77,961	65,963
Rominserv Valves Iaifo SRL	Fuel and other services	2,494	7,295	10,901	31,884
Uzina Termoelectrica Midia S.A.	Utilities and other serices	17,865,245	15,969,117	78,083,627	69,796,220
Rompetrol Energy S.A.	Other services	6,699,169	464	29,280,056	2,028
Global Security Sistem S.A.	Fuel	87,612	69,927	382,924	305,630
KMG Rompetrol Development S.R.L.	PPE and other services	16,263,996	16,044,109	71,085,048	70,123,987
Total		**770,154,266**	**550,751,983**	**3,366,113,252**	**2,407,171,692**

Name of related party	Nature of transaction	Purchases and other costs			
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		USD	USD	RON	RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	2,465,656,573	1,589,577,068	10,776,645,182	6,947,564,491
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	67,812,546	128,101,135	296,388,296	559,891,631
KMG International N.V.	Management services	6,019,435	6,682,115	26,309,145	29,205,520
KMG Rompetrol S.R.L	Management services	26,849,418	32,178,603	117,350,753	140,643,020
Oilfield Exploration Business Solutions S.A.	Management services	54,134	44,694	236,604	195,344
Rompetrol Financial Group S.R.L.	Environmental services	-	14,629	-	63,939
Rompetrol Well Services S.A.	Interest on loan	121	116	530	507
Palplast S.A.	HDPE pipes and fittings	-	7	-	31
Rompetrol Bulgaria JSC	Sales intermediary services	72,090		315,082	-
KMG Rompetrol Services Center	Shared services	7,057,579	7,608,803	30,846,561	33,255,795
Midia Marine Terminal S.R.L.	Handling services/Transit	14,759,470	15,973,568	64,509,213	69,815,674
Rominserv Valves Iaifo SRL	Valves	15,720	94,588	68,707	413,416
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	25,191,253	28,035,173	110,103,408	122,533,331
Rompetrol Energy S.A.	Acquisition of utilities	8,301,739	-	36,284,411	-
KMG Rompetrol Development S.R.L.	Retail	10,073,548	6,692,197	44,028,456	29,249,585
Global Security Sistem S.A.	Security and protection services	3,213,345	3,151,955	14,044,565	13,776,250
Global Security Systems Fire Services SRL	Fire protection services	1,713,327	1,575,245	7,488,438	6,884,923
Total		**2,636,790,297**	**1,819,729,896**	**11,524,619,351**	**7,953,493,456**

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

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

27. RELATED PARTIES (continued)

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

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

The amount of remuneration for key management personnel for 2021 was of USD 1.8 million (2020: USD 1.3 million), representing short term benefits and bonuses.

28. EARNINGS PER SHARE

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

	31 December 2021	30 December 2020	31 December 2021	30 December 2020
	USD	USD	RON	RON
Earnings				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	(185,855,572)	(199,779,921)	(812,318,947)	(873,178,101)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	26,559,205,726	44,109,205,726	26,559,205,726	44,109,205,726
Earnings per share *(US cents/share)*				
Basic	**(0.700)**	**(0.453)**	**(3.059)**	**(1.979)**

29. CONTINGENCIES

a) Related to the Parent's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 11.08 million) to be paid by the Parent based on an inspection carried out in 2003. A suspension of the tax audit has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.). Also, the settlement of the administrative appeal has been suspended until the final sentence regarding the related criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see first case in note 30). The management is confident that the Parent is able to defend itself and the likelihood of a negative outcome is considered remote. On December 5, 2019 DIICOT issued the Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. In such situation, the reason for which the settlement of the administrative appeal has been suspended, has ceased. The appeal was resolved by Decision no. 238/29.10.2020 in favors of Rompetrol Rafinare, following which it was established that Rompetrol Rafinare S.A. does not owe any amount of money to ANAF.

29. CONTINGENCIES (continued)

b) In 2001, the Parent processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Parent were challenged in front of the court by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Parent cancelled such invoices. The Parent is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Parent liable for paying such excises; the Parent appealed the tax audit, which was suspended as for the same reason described in the paragraph above. The amount noted in the minutes issued by D.G.F.P Constanta is RON 9.5 million (USD 2.3 million). The management is confident that the likelihood of reversal of the earlier court decision is very low. On 5 December 2019 DIICOT issued the Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. In such situation, the reason for which the settlement of the administrative appeal has been suspended, has ceased. The appeal was resolved by Decision no. 238/29.10.2020 in favor of Rompetrol Rafinare, following which it was established that Rompetrol Rafinare S.A. does not owe any amount of money to ANAF.

c) Rompetrol Rafinare SA- Distressed Assets - Hybrid Conversion

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

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

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

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

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

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

29. CONTINGENCIES (continued)

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

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

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

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of Petromidia and therefore there is no amount payable by the Refinery to the state, there is no object for the seizure. The Group reverted again in February 2020 to ANAF for lifting the seizure and pointed out there is no legal rationale to be maintained. Besides all of these, the seizure is still in place. On June 15, 2021, Rompetrol Rafinare SA submitted to Court of Appeal Constanta a request to order ANAF-General Directorate for the Administration of Large Tax Payers to issue the decision to lift the seizure imposed on the assets of the applicant Rompetrol Rafinare SA by the Decision establishing the insurance measures no. 1059301/10.09.2010 and to issue the decision revoking the enforcement Title No 8993/17.11.2010. On December 21, 2021, the court admitted the request made by Rompetrol Rafinare SA. This court decision could be subject to appeal.

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

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

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. The Group has internal standards and guidelines on due diligence with third parties, conflicts of interest, gifts and hospitality, which focus on mitigating potential corruption risks.

Rompetrol's Code of Ethics and Conduct is approved by the Board of Directors and applies to all directors, executives and employees, whatever the nature of their contractual relationship with the Group. The Code creates a frame of reference for understanding and putting into practice the Group's expectations as to each person's behaviour, in light of the Group's principles of action. Rompetrol's employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct.

29. CONTINGENCIES (continued)

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. In line with Irregularity Reporting Policy, the internal investigations conducted during 2021 and up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations. The results of all internal investigations were discussed with the Company's statutory bodies, which concluded that the warnings were not confirmed.

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.

30. LEGAL MATTERS (continued)

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), 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.

30. LEGAL MATTERS (continued)

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.

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

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

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

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

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, judging in the council chamber, was admitted in part, in contradictory AVAS, but was rejected in contradiction with Faber. Rompetrol Rafinare SA 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 27 April 2021. On July 20, 2021, Ialomita Tribunal rejected Faber's and Balkan's claim. On February 28, 2022, the Bucharest Court of Appeal admitted the appeal filed by Rompetrol Rafinare, changed the sentence in the sense of admitting the exceptions invoked by Rompetrol Rafinare and rejected the appeal filed by Balkan Petroleum.

30. LEGAL MATTERS (continued)

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

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

Against the Decisions pronounced in the above cases, Faber together with Balkan filed appeals, the files 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. Following the admission of the appeals filed by Faber, the files are to be registered with the Constanta Tribunal and Court of Appeal in order to resume the trial on merits. Some of the Cases were registered and the first trial terms were set during March and May 2022.

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

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

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

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

30. LEGAL MATTERS (continued)

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

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

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

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

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

The file was suspended, based on art. 42 point 6 of the Decree of the President of Romania no. 195 / 16.03.2020 regarding the establishment of the state of emergency on the territory of Romania and of the Decision of the Board of Management no. 4/18.03.2020 of the Court of Appeal Constanta, without performing any procedural act. Following the submission of the Expertise Report, ANAF submitted objections, Constanta Court of Appeal establishing a trial term on 24 March 2021 in order to discuss them.

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 3.12 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 CO_2 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.

30. LEGAL MATTERS (continued)

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

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

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

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

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

At the beginning of September, RRC sent a new letter to the Ministry of Environment to proceed with the full payment until 1st of November.

On 10 December the Ministry of Environment paid another RON 36.2 million and on 24 December another RON 12 million.

On 4 March 2022 the Ministry of Environment paid an amount of EUR 12 million, remaining amount not paid being of EUR 3.9 million.

30. LEGAL MATTERS (continued)

Litigation between Rompetrol Rafinare and Navodari City Hall

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

a) Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by Rompetrol Rafinare S.A. was dismissed as being lack of object, without any judgment pronounced on the merits of the case. Rompetrol Rafinare submitted in court the challenge against this decision. This judicial procedure was under court investigation proceedings with Constanta Court of Appeal who has completed judicial investigation into the case and delivered a sentence on 16 March 2017, when the challenge submitted by Rompetrol Rafinare was rejected. The solution has been appealed by Rompetrol Rafinare. The appeal is in currently pending court investigation proceedings, and the first hearing term before the High Court of Cassation and Justice is established for 30 January 2020. At the request of the legal representative of Navodari City Hall, the Court set a new trial term for 7 May 2020. The next term in the case file was set for July 16, 2020, when the appeal filed by Rompetrol Rafinare was judged, the ruling being postponed until July 21, 2020. At that time, the Supreme Court admitted the appeal and completely change the solution of the first court, admitting the action filed by Rompetrol Rafinare SA. The Decision will be enforced for obtaining the amount granted. Also the Supreme Court admitted Rompetrol Rafinare S.A.’s request for clarifications and decided to complete the Decision with the clear obligation of City Hall of Navodari to pay back Rompetrol Rafinare S.A. the amounts paid by the Company. The company already executed part of the sum by various operations of compensations with Navodari City Hall in amount of RON 5,259,449.54 from a total of RON 13,722,110.

b) Because the decision issued by Navodari City Hall of rejection the administrative complaint as being lack of object is based on Navodari Local Council Decision no.435/21 December 2015, under which Rompetrol Rafinare has obtain the annulment of 73% of penalties, Rompetrol Rafinare submitted a second action for partial annulment of Navodari Local Council Decision no. 435/21 December 2015. This action was admitted by Constanta Tribunal. This solution has been appealed by Navodari Local Council on Constanta Court of Appeal, where the first hearing term was set on 16 January 2017, when the appeal was rejected. The solution is final.

c) Rompetrol Rafinare also filed the request for suspension the enforceable effects of the imposing decision, pursuant to the Law 554/2004 and Government Ordinance 92/2003, file no.788/36/2015. The statement of defense was submitted by Navodari City Hall and the first hearing term was established for 22 February 2016. The court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on 19 November 2015. The solution was appealed by Navodari City Hall. On 2 November 2018, the case has been suspended. On 10 January 2020, by Decision 73/2020, the High Court of Cassation and Justice found the appeal filed by the Navodari City Hall outdated. The solution is final.

30. LEGAL MATTERS (continued)

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

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

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

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

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

30. LEGAL MATTERS (continued)

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

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

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

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

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

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

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

On 24 June 2020 the company received the prosecutor indictment from the Constanta Court. Taking in consideration that the court has been notified with a new indictment, for the third time the preliminary chamber procedure is to be carried out. On 17 September 2020 the judge of preliminary chamber rejected as unfounded the claims and exceptions made by all defendants- i.e. RR, RIS and individuals involved- and noted the legality of court investment with the indictment no 586/P/ 2016 of the Prosecutor's office attached to the Constanta Court of Appeal, of the administration of evidences and of the performance of criminal investigation and ordered the commencing of the trial. The court decision was appealed, the appeals were rejected, and the next hearing scheduled by Constanta court (Judecatoria) is on 12 April 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.

30. LEGAL MATTERS (continued)

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

On July 2, 2021 there was an explosion followed by a fire at Petromidia refinery, Diesel Hydrotreatment Unit (in Romanian "instalatia Hidrofinare Petrol Motorina" hereinafter HPM plant). As a result of the incident, 3 employees of the company died and one employee was hospitalized due to a hip fracture. The criminal investigations are carried out by the Prosecutor's Office attached to the Constanta Tribunal, was finalised and communicated to the Company the technical expertise carried out by INCD INSEMEX Petrosani, at the request of the criminal investigation bodies, the document will be analysed by the criminal lawyers, the party expert and the company's specialists; the company has the quality of a civilly responsible party, hearings of the employees involved in the incident were performed. At the same time, the collective work accident is being investigated by the Territorial Labour Inspectorate according to the incident legislation.

DIICOT Criminal Investigation File

During the investigation carried out by the Directorate for the Investigation of Organized Crime and Terrorism ("DIICOT"), investigation which is the subject of criminal case 279 / D / P / 2020, to the Company were communicated during 2021 a series of ordinances by which was requested to provide the documents to the criminal investigation bodies in connection with the works contracted for the greening of the lagoon 18 from the Vega refinery. For all 14 lagoons, the Company obtained the Environmental Agreement no. 1 / 18.02.2015, revised on 14.01.2021, issued by the competent environmental authority for the execution of greening. At the date of preparation of these financial statements, the company has no quality in the criminal case. The suspicions of the criminal investigation bodies concern the alleged fictitious character of some services for which the Company would have unjustifiably paid the amount of approximately 10 million RON. On 23.02.2022, DIICOT informed the Company if it intends to become a civil party in the criminal proceedings mentioned above, the Company reserve right in relation to the evolution of the criminal case that is the subject of criminal case 279 / D / P / 2020, to make such a request to become a civil party, if the case.

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, the extent of the corrective actions that may be required, if the case, as well as the unpredictable increase in costs generated by the increase in utility prices, evolution of construction price index and the overall increase of prices. As a result of these risks, environmental liabilities could be substantial and incur additional costs that may impact the Group's results of operations and cash flow.

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

The Group has continued with the greening process of Vega lagoons, progress and status of the project being reported on a regular basis to the environmental competent authorities. During 2021 the Group has initiated discussions with the environmental authorities for the extension of the rehabilitation plan until 30 June 2025, the initial deadline being 30 June 2022. The extension of the timeline for the rehabilitation works has not yet been approved and is in an advance stage of discussions with the environmental authorities.

31. COMMITMENTS (continued)

In 2021, the Group has carried out the due diligence procedures in accordance with Law 74/2019 in relation to the storage area of the biological waste resulted from IAZ no.1 ("Vadu cassettes"). The process is ongoing and performed in accordance with the requirements of the competent environmental authorities ("EPA Constanta"). During 2021, an external expert performed a feasibility study and the results were communicated to the environmental authorities. Next steps for remedial actions are expected to be communicated by the competent authority in the following period.

As of 31 December 2021, the Group has recognized a provision for restoration costs related to Vega Refinery and also for Vadu cassettes, see Note 19.

Climate change and energy transition

The oil and gas industry is facing new challenges as the world transitions to a low-carbon economy. The world is undergoing rapid changes as the sustainability and, primarily, the climate agenda come into force. In this context, the change is expected to bring both threats and additional opportunities, as the world needs to reduce greenhouse emissions while continuing sustainable economic growth.

KMGI Group is aware of the importance of climate matters and supports European commitments for emissions reduction set out in the Paris Agreement and is aiming to build a sustainable, resilient business in the long run and to reduce CO2 emissions. Estimating global energy demand towards 2050 is an extremely difficult mission. The Group's business plans are built for a period of 5 years and consider certain actions taken to reach its net-zero emissions target by 2050. Our business plans reflect the current economic environment and Group's reasonable expectations of how the next 5 years will progress.

The Group is focused on increasing resilience and profitability by diversification and further transition from diversified downstream player to energy provider. To address these objectives, projects have been defined, corresponding to different time horizons, with highest priority on the short to mid-term projects implemented in the existing markets with the production and distribution capacity already planned. However, meeting the goals of the low-carbon economy is a global aspiration that must be cemented in reality. This requires the world economy to transform in complex and connected ways and Group's consolidated Financial Statements for the year ended 31 December 2021 reflect the world as it currently exists and what Management reasonably expects in the foreseeable future based on current facts and evidence.

On the mid-term, it is expected a favourable economic outlook with a positive impact for road fuels demand driven by increasing motorization rate and small electrification rates in CEE. Extensive development of retail and wholesale channels in Romania remains an important direction for development until 2025, to ensure mitigation of oil and refinery margin fluctuations and increase profitability through volumes.

On the long-term (2035+) road fuels demand will be negatively impacted by the population decline, higher electrification rate, as well as vehicle energy efficiency improvement. Decreasing demand for fuels will put pressure on refining volumes, utilization and margins.

In 2022, we plan to update the Group's strategy, placing a major emphasis on the climate and other aspects of the sustainability agenda.

31. COMMITMENTS (continued)

Cyber risk

The progress made toward digitalization certainly brings great benefits, however as the use of new technologies and their capabilities increases, so do the risks derived from their exposure in cyberspace, the reliance on the systems deployed and the information generated by the Group. The risks are not only technical but also business related and may lead to operational disruptions, fraud or theft of sensitive information.

The Group is heavily dependent on the information technology systems, including the network infrastructure for the safe and effective operation of the business. The Group rely on such systems to process, transmit and store electronic information, including financial records and personally identifiable information and to manage or support a variety of business processes, including the supply chain, pipeline operations, gathering and processing operations, retail sales, financial transactions, banking and numerous other processes and transactions. Any interruption or failure of any information technology system, including an interruption or failure due to a cybersecurity breach, could have an adverse effect on the business, financial condition, results of operations and cash flows.

The systems and infrastructure are subject to potential damage or interruption from a number of potential sources including, power failures and cyberattacks and other events and our cybersecurity protections, infrastructure protection technologies, disaster recovery plans and employee training may not be sufficient to defend us against all unauthorized attempts to access our information.

In subsequent period, the Group was subject to an attempt to gain unauthorized access to the computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect, however this kind of events may occur in the future.

The Group continuously improves cyber security capabilities and supervise the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Group continuously educates their employees and partners about cyber security risks and support them to act in a responsible way.

Work safety and safe operations

Protecting people is a priority of the Group and the Group is committed to safe responsible operations to protect the health and safety of our employees, contractors and communities. This commitment is reflected in our safety system design and our focus on continuous learning and development achieved through training in human rights and work safety.

Besides the set of measures and policies in place, work accidents can still occur, however top priorities remain the improvement of industrial safety, reduce work-related injuries and accidents-free operation of production facilities.

Other commitments

As of 31 December 2021, Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards and other projects at the Petromidia refinery of USD 61.91 million (2020: USD 22.07 million). As of 31 December 2021, Rompetrol Downstream S.R.L has contracted capital commitments of USD 0.25 million (2020: USD 2.9 million).

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

31. COMMITMENTS (continued)

Sale and purchase commitments

As of 31 December 2021, the Group's main commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 2,393.72 million (2020: USD 2,349.84 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,450.80 million (2020: USD 1,240.30 million).

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1. Capital risk management

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

32.2. Gearing ratio

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

	31 December 2021	**31 December 2020**
Debt (excluding shareholder loans and related parties)	346,067,835	378,769,602
Cash and cash equivalents	(50,091,261)	(100,655,956)
Net debt	**295,976,574**	**278,113,646**
Equity (including shareholder loans and related parties)	462,580,486	433,639,226
Net debt to equity ratio	**0.64**	**0.64**

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.

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.3. Categories of financial instruments and fair values

	31 December 2021	31 December 2020
Financial assets		
Trade and other receivables	627,898,443	521,579,273
Long-term receivables	3,139,455	4,143,035
Derivative financial instruments	23,958,794	209,030
Cash and cash equivalents	50,091,261	100,655,956
TOTAL FINANCIAL ASSETS	**705,087,953**	**626,587,294**
Financial liabilities		
Long-term borrowings	191,729,052	240,000,000
Derivative financial instruments	3,478,830	375,916
Short term borrowings from shareholders	-	12,342,166
Other non-current liabilities	173,749	356,061
Trade and other payables	1,436,816,409	1,067,238,369
Short-term borrowings banks	42,421,794	52,949,083
TOTAL FINANCIAL LIABILITIES	**1,674,619,835**	**1,373,261,595**

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

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

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

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

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

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.4. 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.

	31 December 2021	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	627,898,443	-	627,898,443	-
Long-term receivables	3,139,455	-	3,139,455	-
Derivative financial instruments	23,958,794	-	23,958,794	-
Cash and cash equivalents	50,091,261	50,091,261	-	-
TOTAL FINANCIAL ASSETS	**705,087,953**	**50,091,261**	**654,996,692**	**-**
Financial liabilities				
Long-term borrowings	199,024,984	-	199,024,984	-
Derivative financial instruments	3,478,830	-	3,478,830	-
Short term borrowings from shareholders	-	-	-	-
Other non-current liabilities	173,749	-	173,749	-
Trade and other payables	1,436,816,409	-	1,436,816,409	-
Short-term borrowings banks	42,421,794	-	42,421,794	-
TOTAL FINANCIAL LIABILITIES	**1,681,915,767**	**-**	**1,681,915,767**	**-**

	31 December 2020	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	521,579,273	-	521,579,273	-
Long-term receivables	4,143,035	-	4,143,035	-
Derivative financial instruments	209,030	-	-	209,030
Cash and cash equivalents	100,655,956	100,655,956	-	-
TOTAL FINANCIAL ASSETS	**626,587,294**	**100,655,956**	**525,722,308**	**209,030**
Financial liabilities				
Long-term borrowings	256,223,200	-	256,223,200	-
Derivative financial instruments	375,916	-	-	375,916
Short term borrowings from shareholders	12,342,166	-	12,342,166	-
Other non-current liabilities	356,061	-	356,061	-
Trade and other payables	1,067,238,369	-	1,067,238,369	-
Short-term borrowings banks	52,949,083	-	52,949,083	-
TOTAL FINANCIAL LIABILITIES	**1,389,484,795**	**-**	**1,389,108,879**	**375,916**

During the reporting period ending 31 December 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.

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.5 Derivative financial instruments

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

Balance Sheet:

	31 December 2021	31 December 2020
Derivative financial asset	23,958,794	209,030
Derivative financial liability	(3,478,830)	(375,916)
Net position – asset / (liability)	**20,479,964**	**(166,886)**
Derivative asset / (liability) 2020	**(166,886)**	**(2,533,340)**
Cash payments	(2,953,663)	2,366,454
Cash flow hedge reserve	23,600,512	-
Derivative asset / (liability) 2021	**20,479,964**	**(166,886)**

Income Statement:

	31 December 2021	31 December 2020
Realized (gains) / losses - net	34,117,950	(52,628,509)
Total position – loss / (gain) - in Cost of sales	**34,117,950**	**(52,628,509)**

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.

Cash flow hedge in amount of USD 23 million mainly refers to long opened position as of 31 December 2021 for 900 thousand CO2 allowances. Fair value of open positions as of 31 December 2021 is performed through mark-to-market method (“MTM”) using the last price from CO2 platform.

The Group has the following hedge transactions that qualify for fair value hedge:

Transaction	Hedged item	Risk hedged	Hedging instrument
Commodity purchase / sell at fixed price	Base operating stock (BOS) – meaning crude oil, feedstock, diesel, gasoline and jet Priced operational stock above or below BOS	Commodity price risk	Swap, Future, Purchase put / call option
Foreign exchange risk related to monetary item	Monetary item not in the functional currency of the Group	Change in foreign exchange rate	Swap, currency forward
Foreign exchange risk related to a firm commitment	Firm commitment not denominated in the functional currency of the Group	Change in foreign exchange rate	Swap, currency forward
Fair value risk related to fixed interest rates	Receivable or liability at fixed interest rate	Interest related fair value risk	Swap

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Group has the following hedge transactions that could qualify for cash flow hedge:

Transaction	Hedged item	Risk hedged	Hedging instrument
Forecasted commodity purchase / sell	Forecasted refinery margin basket and forecasted Dated Brent differential	Commodity price risk	Swap, Future, Purchased put / call option
EUA certificates	Forecasted EUA certificates purchase	EUA certificate price risk	Futures

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.

	Liabilities		Assets	
	2021	2020	2021	2020
Currency RON	720,356,926	727,341,012	527,169,368	593,071,444
Currency EUR	64,261,161	51,469,531	63,785,055	68,999,943

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.8. Foreign currency sensitivity analysis

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

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

		RON		EUR	
		2021	2020	2021	2020
USD	**USD**				
Profit/ (loss)	**5%**	(9,659,378)	(6,713,478)	(23,805)	876,521
	-5%	9,659,378	6,713,478	23,805	(876,521)

32.9. Interest rate risk management

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

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

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's: profit for the year ended 31 December 2021 would decrease / increase by USD 9,683 thousand (2020: decrease / increase by USD 5,837 thousand).

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.10. Liquidity risk management

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2021 and 31 December 2020 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Year ended 31 December 2021	Less than 1 month or on demand	<3 months	3 - 12 months	1 - 5 years	>5 years	Total
Long-term debt	-	1,367,987	4,103,960	193,553,037	-	199,024,984
Long-term obligations under lease agreements	-	-	-	36,201,650	145,251,068	181,452,718
Trade and other payables	1,293,734,471	124,501,707	23,229,223	-	-	1,441,465,401
Derivative financial instruments	-	3,478,830	-	-	-	3,478,830
Short-term obligations under lease agreements	502,125	2,068,095	7,710,661	-	-	10,280,881
Short-term debt	-	-	42,372,534	49,261	-	42,421,794
Other non-current liabilities	173,750	-	-	-	-	173,750
	1,294,410,346	**131,416,619**	**77,416,378**	**229,803,947**	**145,251,068**	**1,878,298,358**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.11. Commodity price risk

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

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

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

The net impact of the commodity hedges was USD -8.9 million (2020: total net gain of USD +9.75 million).

32.12. Credit risk

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

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 16% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

Financial instruments and bank deposits

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

33. SUBSEQUENT EVENTS

Facilities granted to Rompetrol Rafinare SA by Banca Transilvania in amount of EUR 30 million and EUR 27.96 million have been extended until July 30, 2022.

A loan agreement was signed with the Fondul de Investitii in Energie Kazah-Roman S.A. in the amount of 16,540,000 USD in order to finance the project for the conversion of the HDPE installation into PP. The loan will be used during 2022-2023 and the repayment period is 13 years from the date of execution of the contract.

Impact of sanction risks and conflict in Ukraine

In the context of the military conflict between Russia and Ukraine, started on February 24, 2022, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

The war in the Ukraine is creating increasing geopolitical risks and further challenges for global supply chains are to be expected which will impact the global economy. We anticipate that the global challenging conditions will persist for the following months.

At present, we are monitoring very closely the current situation and developments of sanctions applied to Russia and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region, which also enables us to identify any impact on our business and supply chains at an early stage and act accordingly.

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries. The Group's sources for crude oil are not from Russia and the Group does not have operations in Russia or Ukraine.

The effects of Russia-Ukraine conflict represent a non-adjusting event after the reporting period and therefore has no impact on the recognition and measurement assets and liabilities at balance sheet date. There is currently a high degree of uncertainty surrounding the military conflict and what the economics repercussions will be. Overall, the impact of the conflict and any further escalation of business performance in 2022 cannot currently be determined with sufficient accuracy.

At this stage Management doesn't expect that such conflict will have a significant negative impact on the Group operations and on the recoverable value of the Group long term assets and considers that the Going concern basis of preparation of the financial statements is appropriate.

The consolidated financial statements have been endorsed by the Board of Directors on 25 March 2022 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 28 April 2022 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS

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Yedil Utekov
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