ROMPETROL RAFINARE SA

STANDALONE FINANCIAL STATEMENTS

Prepared in compliance with
Order of the Minister of Public Finance no. 2844/2016
For approval of the accounting regulations in compliance with
the International Financial Reporting Standards

31 DECEMBER 2021

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ROMPETROL RAFINARE SA
STANDALONE STATEMENT OF THE FINANCIAL POSITION
as at 31 December 2021
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	31 December 2021	31 December 2020 restated	1 January 2020 restated
Intangible assets	3	22,835,858	26,873,710	22,713,799
Goodwill	4	152,720	152,720	152,720
Property, plant and equipment	5	4,419,108,095	3,623,946,290	3,516,851,506
Rights of use assets	6	55,624,904	58,002,943	9,018,898
Investments in subsidiaries	7	2,632,755,594	2,078,051,547	1,860,727,890
Deferred tax asset	23	-	-	110,131,585
Total non current assets		**7,130,477,171**	**5,787,027,210**	**5,519,596,398**
Inventories, net	8	1,020,528,534	527,073,050	822,822,149
Receivables and prepayments, net	9	1,885,341,204	1,167,390,890	1,784,692,732
Derivative Financial Instruments	30	104,688,216	-	2,585,313
Cash and cash equivalents	10	87,598,088	365,595,493	22,373,528
Total current assets		**3,098,156,042**	**2,060,059,433**	**2,632,473,722**
TOTAL ASSETS		**10,228,633,213**	**7,847,086,643**	**8,152,070,120**
Subscribed share capital	11	2,655,920,573	4,410,920,573	4,410,920,573
Share premium	11	232,637,107	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	11	1,362,457,265	509,938,277	533,398,479
	11	3,513,820,106	3,395,246,289	3,386,268,737
Accumulated losses		(4,982,039,271)	(6,335,604,209)	(6,242,510,389)
Current year result		(450,988,114)	(428,499,400)	(121,022,633)
Total equity		**2,331,807,666**	**1,784,638,637**	**2,199,691,874**
Hybrid loan - long-term portion	11	-	-	69,291,612
Long-term borrowings from banks	15	418,023,119	570,759,324	613,184,904
Provisions	17	356,577,370	297,034,901	342,060,438
Obligations under lease agreements	16	56,244,055	56,981,732	5,368,671
Deferred tax liability	23	286,378,445	9,417,626	-
Total non-current liabilities		**1,117,222,989**	**934,193,583**	**1,029,905,625**
Trade and other payables	12	6,443,715,363	4,774,877,899	4,701,068,748
Contract liabilities	13	132,163,640	91,363,247	47,196,182
Obligations under lease agreements	16	2,517,639	2,542,555	6,451,650
Derivatives	30	15,908,942	617,651	15,786,131
Short-term borrowings from related parties	14	-	48,949,030	103,891,017
Short-term borrowings from banks	14	185,296,974	209,904,041	48,078,893
Total current liabilities		**6,779,602,558**	**5,128,254,423**	**4,922,472,621**
TOTAL LIABILITIES AND EQUITY		**10,228,633,213**	**7,847,086,643**	**8,152,070,120**

The standalone 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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RAMONA GEORGIANA GALATEANU
Financial Manager

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General Manager

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Prepared by, Alexandru Cornel Anton
Chief Accountant

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ROMPETROL RAFINARE SA
STANDALONE INCOME STATEMENT
for the financial year ended 31 December 2021
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	January – December 2021	January – December 2020 (restated)
Net revenues from contracts with customers	18	12,149,617,467	8,275,110,517
Cost of sales	19	(11,962,920,462)	(8,646,900,936)
Gross profit / (loss)		**186,697,005**	**(371,790,419)**
Selling, general and administrative expenses	20	(403,333,400)	(343,120,147)
Other operating expenses	21	(175,013,419)	(323,102,822)
Other operating income	21	62,619,894	402,984,304
Operating loss		**(329,029,920)**	**(635,029,084)**
Financial expenses	22	(204,325,347)	(216,865,516)
Financial revenues	22	571,343,150	338,472,287
Net foreign exchange gains / (losses)	22	(374,399,749)	208,940,736
Loss before income tax		**(336,411,865)**	**(304,481,577)**
Deferred tax	23	(114,576,249)	(124,017,823)
Net Loss for the year		**(450,988,114)**	**(428,499,400)**
Earnings per share *(money / share)*	**26**	**(1.70)**	**(0.97)**

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ROMPETROL RAFINARE SA
STANDALONE STATEMENT OF OTHER COMPREHENSIVE INCOME
for the financial year ended 31 December 2021
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	January – December 2021	January – December 2020 (restated)
Net Loss	**(450,988,114)**	**(428,499,400)**
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	103,187,894	-
Total comprehensive income to be reclassified to income statement in subsequent periods (net of tax):	**103,187,894**	**-**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):		
Actuarial gain / (losses) on defined benefit plan	15,385,923	8,977,552
Revaluation of lands, buildings and equipment category in property plant and equipment	1,041,967,896	-
Deferred income tax related to revaluation, recognized in equity	(166,714,864)	-
Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):	**890,638,955**	**8,977,552**
Total other comprehensive result for the year, net of tax	**993,826,849**	**8,977,552**
Total comprehensive result for the year, net of tax	**542,838,735**	**(419,521,848)**

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ROMPETROL RAFINARE SA
STANDALONE STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2021
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	31 December 2021	31 December 2020 (restated)
Net result before income tax		**(336,411,865)**	**(304,481,577)**
Adjustments for:			
Depreciation and amortisation	19, 20	385,007,551	373,391,169
Provisions for receivables and inventories (incl write-off)	21	18,323,953	(8,811,513)
Impairment for property, plant and equipment (incl write-off), net		(45,731)	-
Loss from revaluation of property, plant and equipment, net		52,168,022	-
Gains from financial investments held at fair value, net		(554,700,743)	(217,323,657)
Provision for environmental liabilities and litigations	17	51,424,513	(38,516,625)
Retirement benefit provisions	17	2,092,612	(5,719,771)
Expenses with penalties		9,925,198	76,447
Interest expenses		178,944,746	174,276,738
Inrerest income		(12,673,075)	(85,938,636)
Income from dividends		-	(809,625)
(Gain)/Loss on sale or disposal of assets		(1,050)	-
Other non-monetary adjustments		(86,043)	(791,387)
Unrealised foreign exchange (gain)/loss	22	254,428,512	(18,121,459)
Cash generated from / (used in) operations before working capital changes		**48,396,600**	**(132,769,896)**
Net working capital changes in:			
Receivables and prepayments		(500,695,750)	602,451,271
Inventories		(514,000,227)	308,523,505
Trade and other payables and contract liabilities		1,568,721,232	(319,185,398)
Change in working capital		**554,025,255**	**591,789,378**
Net cash provided by / (used in) operating activities		**602,421,855**	**459,019,482**
Cash flows from investing activities			
Purchase of property, plant and equipment		(178,570,160)	(471,594,487)
Purchase of intangible assets		(4,268,054)	(9,970,727)
Purchase of investments		(3,304)	-
Dividends received		-	809,625
Receipts from selling of assets		1,050	-
Net cash used in investing activities		**(182,840,468)**	**(480,755,589)**
Cash flows from financing activities			
Cash pooling movement		(228,618,180)	445,630,333
Short - term loans (paid to) / received from banks		(24,290,270)	71,591,383
Long - term loans (paid) to / received from banks		(228,520,823)	69,454,582
Short - term loans repaid to shareholders and related parties		(34,452,042)	(43,677,500)
Lease repayments		(4,669,368)	(4,383,624)
Interest and bank charges paid, net		(177,028,108)	(173,657,102)
Net cash used in financing activities		**(697,578,791)**	**364,958,072**
Increase / (Decrease) in cash and cash equivalents		**(277,997,405)**	**343,221,965**
Cash and cash equivalents at the beginning of period		**365,595,493**	**22,373,528**
Cash and cash equivalents at the end of the period		**87,598,088**	**365,595,493**

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ROMPETROL RAFINARE SA
STANDALONE STATEMENT OF CHANGES IN EQUITY
for the financial years ended 31 December 2021 and 31 December 2020
(All amounts expressed in Lei ("RON"), unless otherwise specified)

	Share capital	Share premium	Acumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
1st of January 2020	**4,410,920,573**	**232,637,107**	**(6,595,240,857)**	**634,998,190**	**(101,599,711)**	**3,386,268,737**	**1,967,984,039**
Impact from accounting policy change (Note 7)	-	-	231,707,835	-	-	-	**231,707,835**
1st of January 2020 (restated)	**4,410,920,573**	**232,637,107**	**(6,363,533,022)**	**634,998,190**	**(101,599,711)**	**3,386,268,737**	**2,199,691,874**
Net loss for 2020 (restated)	-	-	**(428,499,400)**	-	-	-	**(428,499,400)**
Actuarial gain / losses on defined benefit pension	-	-	-	-	-	8,977,552	**8,977,552**
Total other comprehensive income for 2020	**-**	**-**	**-**	**-**	**-**	**8,977,552**	**8,977,552**
Total comprehensive income for 2020	**-**	**-**	**(428,499,400)**	**-**	**-**	**8,977,552**	**(419,521,848)**
Transfer of realized revaluation reserve to Retained earnings	-	-	27,928,813	(27,928,813)	-	-	**-**
Deferred tax on realized revaluation reserve	-	-	-	-	4,468,611	-	**4,468,611**
1st of January 2021 (restated)	**4,410,920,573**	**232,637,107**	**(6,764,103,609)**	**607,069,377**	**(97,131,100)**	**3,395,246,289**	**1,784,638,637**
Net loss for 2021	-	-	**(450,988,114)**	-	-	-	**(450,988,114)**
Revaluation surplus	-	-	-	1,041,967,896	-	-	**1,041,967,896**
Deferred tax on the revaluation reserve	-	-	-	-	(166,714,864)	-	**(166,714,864)**
Actuarial gain/losses on defined benefit pension	-	-	-	-	-	15,385,923	**15,385,923**
Gains/losses related to derivative financial instruments	-	-	-	-	-	103,187,894	**103,187,894**
Total other comprehensive income for 2021	**-**	**-**	**-**	**1,041,967,896**	(166,714,864)	**118,573,817**	**993,826,849**
Total comprehensive income for 2021	**-**	**-**	**(450,988,114)**	**1,041,967,896**	**(166,714,864)**	**118,573,817**	**542,838,735**
Transfer of realized revaluation reserve to Retained earnings	-	-	27,064,338	(27,064,338)		-	**-**
Deferred tax on realized revaluation reserve	-	-	-	-	4,330,294	-	**4,330,294**
Share capital decrease	(1,755,000,000)	-	1,755,000,000	-	-	-	**-**
31st of December 2021	**2,655,920,573**	**232,637,107**	**(5,433,027,385)**	**1,621,972,935**	**(259,515,670)**	**3,513,820,106**	**2,331,807,666**

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Explanatory notes from 1 to 31 are part of these financial statements.

1. GENERAL

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

Rompetrol Rafinare SA production facilities are located in Romania. The number of employees of the Company as at 31 December 2021 is 1,112, respectively 1,119 as at 31 December 2020.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

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

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

The standalone financial statements were prepared based on the historical cost, except for financial instruments and investments in subsidiaries which are classified and measured at the fair value through profit and loss and property, plant and equipment which are measured at revalued amounts through other comprehensive income, respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) The going concern

The financial statements of the Company are prepared on a going concern basis. As at 31 December 2021 and 31 December 2020, the Company's net assets amount to 2,332 million and RON 1,785 million, respectively. For the years ending 31 December 2021 and 31 December 2020 the Company reported losses of RON 451 million and RON 429 million, respectively. The accumulated losses recorded until present are due to the fact that the Company was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years, but, considering the massive investment trend of the last periods combined with an improvement in market conditions the Company has achieved and is aiming for future positive financial results which will decrease the cumulated loss recorded so far.

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

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

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

As of 31 December 2021, the Company is in net current liability position of RON 3,681 million. The Company's position of current liability higher than the current assets, is mainly is generated by the net liability position in relation to the crude oil supplier of Rompetrol Rafinare SA, respectively the trader of the KMG International Group, with which the Company also operates the vast majority of export sales of petroleum products. The net position towards it does not derive from the lack of debt coverage capacity. Thus, based on the crude oil purchase agreement, the Company benefits from extended commercial credits having payment terms of up to 120 days and the possibility of extending up to another 120 days of payment terms, by using the financing facilities made available by the supplier through specialized banking institutions in the field. Thus, the Company's activity can be carried out under optimum conditions, the supply of crude oil being ensured through the trader of the KMG International Group.

On 21 March 2022, the Rompetrol Rafinare Group received a letter of support from its main shareholder, KMG International NV, valid for the next 12 months from the date of approval of the financial statements. Management believes that the support from KMG International NV and banks is sufficient to enable the Company to continue its operations and settle its obligations in the ordinary course of business without substantial disposal of assets, externally forced, reversing of its operations or similar actions.

Considering the Company's plans for 2022, as well as other aspects mentioned above, it is considered that the preparation of financial statements is made under going concern basis.

c) Changes in accounting policies

i) Change of accounting policy for property, plant and equipment (exception for construction in progress)

The Company re-assessed its accounting for property, plant and equipment with respect to measurement of property, plant and equipment after initial recognition. The Company had previously measured all property, plant and equipment 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.
Starting with financial year ended 31 December 2021, the company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

With regards to Company operations, main reasons for the voluntary change of 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 Company's assets.
- The revaluation model provides users with information about the real value of the Company's assets, since fair value reflects the market value. Following the listing on the stock exchange, the 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 Company will measure its assets to reflect any increase or decrease in the market price.
- Shareholders are interested in the future performance of the Company. 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.

ii) Change of accounting policy for measurement of investments in subsidiaries

The Company considers that the evaluation of these investments at FVTPL will provide the users of the standalone financial statements with more relevant information about the value and performance of these entities.

The change in the accounting policy leads to obtaining more reliable and relevant information regarding the Company's operations, the company opting to change the accounting policy for the following reasons:

- The transition from cost to fair value will provide a more transparent and up-to-date picture of the value of the Company's assets. Investments in Rompetrol Rafinare subsidiaries are represented by investments in companies whose fields of business are as follows: fuel sales (Rompetrol Downstream) representing the most significant part of the total value of investments, manufacturing of petrochemical products, quality control of petroleum products, etc. The operating result of most of the investment portfolio is mainly impacted by the evolution of the price of crude oil (including the price of main products derived from oil, i.e. gasoline and diesel). Thus, the transition from cost to revaluation will lead to an update of the value of investments in accordance with the assumptions regarding future oil prices, providing a transparent and much clearer picture of the recoverability of investments.
- Fair value measurement could produce much more relevant information. The company considers the evolution of oil prices, which were subject to significant changes in 2021. In July 2021, the price of oil reached its highest level since 2018. The cost method (currently applied by the Company for valuing investments in subsidiaries) does not allow an updating of the value of investments, while the fair value of these categories would be of greater relevance in determining the actual (market) value of the Company. At the same time, the fair value method allows making predictions on the future values of assets, based on which investors make decisions on whether to buy or sell the Company's shares.
- The main shareholders of the Company, but also individual investors, are interested in the future performance of the Company, the growth opportunities and improved liquidity. The fair value measurement of investments in subsidiaries dynamically reflects the evolution of their value in close correlation with trend in oil prices, providing investors with a long and medium-term outlook of investment performance.
- The international context of the decarbonization of the economy exerts a significant influence on the company, thus requiring a change in the disclosure of investments in the oil industry, as the evaluation shows how the Company adapts to the requirements of the European Union on climate objectives.
- Recognition of income solely on the basis of distributions (dividends) received may not be an appropriate measure of the return on its investments, as the distributions received may have little to do with the performance of subsidiaries, related entities or joint ventures in which entity has invested. Thus, the change from cost to revaluation will lead to an update of the value of investments in accordance with the assumptions regarding future oil prices, providing a transparent and much clearer picture of the recoverability of investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of 31 December 2021, the entity chooses to apply IFRS 9, in this case the investments in subsidiaries being measured at fair value through profit or loss (FVTPL) by changing the accounting policy. It represents a change in accounting policy that is applied retrospectively, as if it had always been used.

Thus, the Company restated the comparative amounts for the previous period ending on 31 December 2020, as well as the initial balance on 1 January 2020 with the cumulative effects of applying the change to previous periods.

New and amended standards and interpretations

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

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

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. 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 Company level from application of these amendments.

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

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

  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

The amendment had no impact on the financial statements of the Company.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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 Company level from application of these amendments.

- **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. there is no material impact at Company level from application of this amendment.

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 Company's 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 Company's level from application of this amendments.

- **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 Company's level from application of these 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. The Management assessed there is no material impact at Company's level from application of these 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 Company's level from application of these amendments.

e) Significant professional judgements, estimates and assumptions

The preparation of the financial statements requires that the management should issue professional judgments, estimates and assumptions that affect the reported amounts of revenues and expenses, of assets and liabilities and the disclosure of contingent liabilities at the reporting date. The estimates and associated assumptions are based on the previous experience and on other factors considered relevant.

However, uncertainty about these forecasts and estimates could result in adjusting the accounting value of the assets and liabilities in the future periods.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 Company 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 Company'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 Company 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 5.

- ***Provision for environmental liability***

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

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

- ***Deferred tax assets***

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In assessing the recoverability of deferred tax assets, the Company 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 and has not been recognized are provided in Note 23.

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

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers trade and other receivables in default depending on the provision matrix.

The Company considers trade and other receivables in default when contractual payments are 360 days past due.

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

- ***Provision for litigations***

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

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

f) Financial instruments

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

a. Financial assets

Initial recognition and measurement

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:
- The rights to receive cash flows from the asset have expired;
  Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Impairment of financial assets

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

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

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

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

b. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

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

c. Offsetting of financial instruments

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

d. Impairment of financial assets

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

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

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

g) Property plant and equipment

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 Company.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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

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

	Years
Buildings and other constructions	5 to 30
Tanks	5 to 30
Tools and other technological equipment	1 to 30
Vehicles	1 to 5
Furniture and office equipment	1 to 15
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 useful remaining life of the property, plant and equipment was revised as at 31 December 2021. The depreciation of property, plant and equipment based on the revised 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 Company's assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

h) Intangible assets

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

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

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

External and internal costs specifically associated with the maintenance of already existing computer software programs are expensed as incurred.

i) Investments in subsidiaries

The company elected to measure its investments in subsidiaries, associates in accordance with IFRS 9.

At each balance sheet date the investments in subsidiaries are remeasured to fair value and any change in fair value is recognised in profit or loss accounts.

In accordance with IFRS 9, if the fair value of investment in subsidiaries that was previously recognised at fair value through profit or loss decreases below zero, that investments becomes a financial liability that should be measured at fair value through profit or loss.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Company 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 Company'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 Company 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.

k) Provisions

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

Provisions are not recognized for future operating losses.

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

Environmental obligations

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Leases

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

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

i. Right-of-use assets

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

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

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

ii. Lease liabilities

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

m) Inventories

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

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

n) Trade receivables

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

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

o) Cash and cash equivalents

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

p) Revenue from contracts with customers

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Variable consideration

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

(ii) Volume rebates

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

(iii) Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Interest bearing loans

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

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

r) Borrowings costs

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

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

s) Retirement benefit costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Taxes

- ***Current income tax***

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

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

- ***Deferred tax***

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- ***Sales (revenues) related tax***

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

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

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

u) Dividends

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

v) Foreign Currency Transactions

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

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

Currency	31 December 2021	31 December 2020	31 December 2019
RON / USD	4.3707	3.9660	4.2608
RON / EUR	4.9481	4.8694	4.7793

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

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

w) Derivative financial instruments

The Company enters into contracts to purchase and sell crude oil, oil products and CO2 emission rights (CO2 allowances) at future delivery dates. These contracts expose the Company primarily to commodity risks of changes in fair value of crude oil and related oil products and volatility of the price for CO2 emissions rights. The Company also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with fair value fluctuation relating to certain firm commitments and forecasted transactions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 hedge items;
- at the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the Company'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 Company 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 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 Company actually hedges and the quantity of the hedging instrument that the Company 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 recognised asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). Hedging instruments are considered to be highly effective when the effectiveness is between 80% - 125%.

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

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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc).

The Company 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.

The Company 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 recognised in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognised in the statement of profit or loss as Cost of Sales. If the hedged item is derecognised, the unamortized fair value is recognised immediately in profit or loss (see Note 19).

Cash Flow Hedge

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 Company buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.) and CO2 emission rights. Throughout a given period, the volatility associated with the oil market, both in crudes and in finished products, is transmitted to the Company 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 Company to significant cash flow variability. To reduce these volatilities, the Company 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 20).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Emission Rights

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

y) Fair value measurement

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

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

- In the principal market for the asset or liability;

Or

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

aa) Contingencies

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

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

3. INTANGIBLE ASSETS

	Software / Licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2019	**49,032,640**	**150,123**	**9,641,543**	**58,824,307**
Additions	642,021	-	5,272,536	5,914,557
Transfers*	14,209	687,733	(7,325)	694,617
Closing balance as of December 31, 2019	**49,688,870**	**837,856**	**14,906,754**	**65,433,480**
Additions	1,285,736	-	7,668,687	8,954,422
Transfers*	9,668,988	4,261,351	(12,914,034)	1,016,304
Closing balance as of December 31, 2020	**60,643,593**	**5,099,207**	**9,661,407**	**75,404,206**
Additions	6,862	-	4,139,639	4,146,501
Transfers, reclassifications and adjustments*	12,938,188	5,109	(12,821,743)	121,555
Closing balance as of December 31, 2021	**73,588,644**	**5,104,316**	**979,302**	**79,672,262**
Accumulated amortization				
Opening balance as of January 1, 2019	**(40,733,599)**	**(150,123)**	**-**	**(40,883,722)**
Charge for the year	(1,698,414)	(137,545)	-	(1,835,959)
Closing balance as of December 31, 2019	**(42,432,013)**	**(287,668)**	**-**	**(42,719,681)**
Charge for the year	(4,892,037)	(918,779)	-	(5,810,816)
Closing balance as of December 31, 2020	**(47,324,051)**	**(1,206,446)**	**-**	**(48,530,497)**
Charge for the year	(7,315,446)	(990,461)	-	(8,305,907)
Closing balance as of December 31, 2021	**(54,639,497)**	**(2,196,906)**	**-**	**(56,836,403)**
Net book value				
As of December 31, 2019	**7,256,857**	**550,188**	**14,906,754**	**22,713,799**
As of December 31, 2020	**13,319,543**	**3,892,760**	**9,661,407**	**26,873,710**
As of December 31, 2021	**18,949,147**	**2,907,410**	**979,302**	**22,835,858**

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

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

4. GOODWILL

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
Cost or valuation						
As of January 1, 2019	**192,480,007**	**1,705,635,515**	**3,700,494,879**	**17,028,196**	**179,369,771**	**5,795,008,368**
Acquisitions	-	239,542	1,901,567	18,529	252,510,559	**254,670,197**
Transfers from CIP	-	12,116,272	94,734,073	1,338	(107,640,866)	**(789,183)**
Disposals	-	-	(21,544,458)	-	-	**(21,544,458)**
Transfers and reclassifications*	-	44,177,962	(44,177,962)	-	-	**-**
As of December 31, 2019	**192,480,007**	**1,762,169,291**	**3,731,408,099**	**17,048,063**	**324,239,464**	**6,027,344,924**
Acquisitions	-	-	1,534,479	120,752	470,955,562	**472,610,794**
Transfers from CIP	-	100,231,607	355,910,326	2,185,864	(459,344,101)	**(1,016,304)**
Disposals	-	-	(48,927,472)	-	-	**(48,927,472)**
Transfers and reclassifications*	-	-	4,433	-	-	**4,433**
As of December 31, 2020	**192,480,007**	**1,862,400,897**	**4,039,929,864**	**19,354,680**	**335,850,926**	**6,450,016,375**
Acquisitions	-	-	1,373,623	-	177,360,008	**178,733,631**
Revaluation	123,947,813	(221,234,299)	1,086,060,301	1,026,059	-	**989,799,874**
Transfers from CIP	-	73,315,026	283,412,802	31,465	(356,798,516)	**(39,223)**
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	(32,527,832)	(431,326,143)	(2,718,767,149)	(11,024,239)	(124,248)	**(3,193,769,613)**
As of December 31, 2021	**283,899,987**	**1,283,155,481**	**2,692,009,440**	**9,387,965**	**156,288,170**	**4,424,741,045**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
Accumulated depreciation & Impairment						
As of January 1, 2019	**(27,557,579)**	**(97,548,917)**	**(2,036,268,939)**	**(7,956,079)**	**(3,171,485)**	**(2,172,502,999)**
Charge for the year	(1,656,751)	(112,099,288)	(244,779,991)	(998,847)	-	(359,534,877)
Accumulated depreciation of disposals	-	-	21,544,458	-	-	21,544,458
Transfers and reclassifications*	-	102,407	(102,407)	-	-	-
As of December 31, 2019	**(29,214,330)**	**(209,545,798)**	**(2,259,606,879)**	**(8,954,926)**	**(3,171,485)**	**(2,510,493,418)**
Charge for the year	(1,656,751)	(102,471,417)	(259,279,306)	(1,092,233)	-	(364,499,706)
Accumulated depreciation of disposals	-	-	48,927,472	-	-	48,927,472
Transfers and reclassifications*	-	-	(4,433)	-	-	(4,433)
As of December 31, 2020	**(30,871,081)**	**(312,017,215)**	**(2,469,963,145)**	**(10,047,159)**	**(3,171,485)**	**(2,826,070,085)**
Charge for the year	(1,656,751)	(119,350,591)	(251,269,538)	(977,079)	-	(373,253,959)
Impairment	-	41,662	4,069	-	-	45,731
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	32,527,832	431,326,143	2,718,767,149	11,024,238	-	3,193,645,363
As of December 31, 2021	**-**	**-**	**(2,461,464)**	**-**	**(3,171,485)**	**(5,632,949)**
Net book value as of December 31, 2019	**163,265,677**	**1,552,623,493**	**1,471,801,220**	**8,093,137**	**321,067,979**	**3,516,851,506**
Net book value as of December 31, 2020	**161,608,926**	**1,550,383,682**	**1,569,966,719**	**9,307,521**	**332,679,441**	**3,623,946,290**
Net book value as of December 31, 2021	**283,899,987**	**1,283,155,481**	**2,689,547,976**	**9,387,965**	**153,116,685**	**4,419,108,095**

*) *Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments in amount of RON 124 thousand (2020: RON 4,4 thousand).*

- Impairment

As a result of the revaluation performed for all tangible non-current assets as of 31 December 2021, a reversal of the impairment of tangible non-current assets in balance at year end was booked by the Company's amounting to a net gain of RON 45 thousand. No additional depreciation was recorded in 2020 and 2019.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- **Construction in progress**

In 2021, the significant contribution to the total acquisitions for construction in progress is represented by the restarting the refinery after the incident of July 2021 project (about RON 90.9 million), the replace heater in VD unit, Vega Platform (about RON 15.3 million), the projects of replacement catalysts (approximately RON 9.6 million), Replacement of PEM strategic equipment (rotors) (about RON 20.6 million), Fire-fighting Water Main Replacement Package 2021 (about RON 5.4 million), Swing HDPE to PP (about RON 2.3 million), Tank rehabilitation projects (about RON 3.8 million), Replace VBlock Petromidia project (about RON 2.9 million), the ISCIR projects within the two refineries (about RON 9.0 million) and other projects totaling RON 17.6 million.

At the end of 2021, the main projects remaining in construction in progress refers to the following ISCIR projects within the two refineries (about RON 53.9 million), the replace heater in VD unit, Vega Platform (about RON 16.8 million), restarting the refinery after the incident of July 2021 project (about RON 36.0 million), Replacement of PEM strategic equipment (rotors) (about RON 20.6 million RON), Fire-fighting Water Main Replacement Package 2021 (about RON 5.5 million), Swing HDPE to PP (about RON 2.3 million) Tank rehabilitation projects (about RON 6.3 million), Replace VBlock Petromidia project (about RON 2.9 million), the projects of replacement catalysts (about RON 2.4 million) and other refinery ongoing project totaling RON 9.6 million.

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

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

- **Disposal**

No asset disposals were recorded in 2021.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- ***Capitalization of borrowing costs***

The 2021 capital projects were financed from Company's operating cash flow, therefore no borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets was capitalized during 2021 (2020: RON nil). The Company'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.

- Revaluation of property, plant and equipment

Starting with the financial year ended December 31, 2021, the Company implements the voluntary modification of the accounting policy for land and equipments of the Company 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 fair value of property, plant and equipment, except for construction in progress is based on valuations performed by PricewaterhouseCoopers Management Consultants SRL, an accredited independent appraiser with experience on similar valuation exercises. Fair value of the equipment was determined using 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 RON 1,042 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.

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

Rafinery	Valuation technique	Significant unobservable input	Range (weighted average)
Petromidia Equipment	Net replacement cost	Projected crude oil processing capacity of the refinery	5,320 K tons/year (110 K 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 Equipment	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

Due to the fact that in some cases Nelson complexity factors are either not available (sulfur recovery) or are too general for an accurate estimate, the gross replacement cost for the remaining units was estimated based on the unit cost of the investment. These units are: Amine Treatment (DGRS), New and Old SRU, Nitrogen Plant, HPP, MHC and G1, G100, G200, G300 Cooling Towers.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Petromida's off-site secondary facilities and utilities account for approximately 42% of the total Inside Baterry 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 buildings and constructions was applied, depending on the type of building, technical characteristics and construction, surface, using catalogs for appropriate construction costs and adjustments.

The gross replacement cost for Petromidia railways, ramps and cooling towers and Petromidia 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 Petromidia and Vega land was estimated by 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 depreciation 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

	Land	Buildings	Plant and equipment	Furniture and others	Million RON Total
Carrying amount and fair value as at 31 December 2020*	**162**	**1,550**	**1,570**	**9**	**3,291**
Gains from revaluation recognized as revaluation reserve	124	170	1,098	1	1,393
Loss from revaluation recognized in profit or loss	-	(39)	(12)	-	(51)
Decrease of previous values as a result of revaluation	-	(352)	-	-	(352)
Depreciation for the year	(2)	(119)	(251)	(1)	(374)
Additions / Disposals / Impairment / Transfers and reclassifications	-	73	285	-	358
Carrying amount and fair value as at 31 December 2021**	**284**	**1,283**	**2,690**	**9**	**4,266**

**Carrying amount as of 31 December 2020 include buildings measured at revalued value.*
***Carrying amount does not include Construction in progress in amount of RON 156 million.*

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

At 31 December 2021	Land	Buildings	Plant and equipment	Furniture and others	Million RON Total
Cost	192	2,221	4,325	19	6,758
Accumulated depreciation and impairment	(33)	(1,280)	(2,721)	(11)	(4,045)
Net carrying amount	**160**	**941**	**1,603**	**8**	**2,713**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2020	Land	Buildings	Plant and equipment	Furniture and others	Million RON Total
Cost	192	2,148	4,040	19	6,400
Accumulated depreciation and impairment	(31)	(1,187)	(2,470)	(10)	(3,698)
Net carrying amount	**162**	**961**	**1,570**	**9**	**2,702**

- ***Fixed assets pledged***

The company pledged assets with a net carrying amount of RON 1,145,134,703 (2020: RON 1,011,352,595), as follows:

- guarantees in favor of banks: RON 1,1145,134,703 (2020: RON 806,134,270);
- guarantees in favor of ANAF: RON 0 (2020: RON 205,218,325).

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

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

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

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

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

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

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

Both Faber and AAAS and the Group challenged it. The Group challenge filled in on 27 December 2019 concerns the relevant criminal charges to be dismissed on merits and not because of passing the status of limitation. On 7 February 2020 DIICOT rejected the Group challenge against 5 December 2019 Ordinance. The group submitted to Supreme Court challenge against the DIICOT rejection and the first hearing is scheduled for 8 April 2020. The last term was schedule for 29 May 2020 and the Court postpone it for 26 June 2020 to allow the parties to prepare their 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.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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.

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

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

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

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

On 31 December 2021 no enforcement process has been made.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

5.1 IMPAIRMENT TEST

Impairment tests have been performed by the Company 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 net book value of property plant and equipment including Goodwill for the cash generating units is the following: Refining RON 4,153 million, Petrochemicals RON 60.2 million. The net book value of the right of use assets as of 31 December 2021 is of RON 55.6 million, which is allocated to the Refiney CGU.

Refining

Refining CGU includes the operations of Petromidia Refinery, Polypropylene Installations, Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 11.4% (2020: 10.7%) and cash flows beyond the 5-year period are extrapolated using a 2.5% (2020: 2.2%) growth rate 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 Company, 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%) growth rate assumed in perpetuity. 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 Company constantly monitors the latest government legislation in relation to climate-related matters. The Company 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.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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:

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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
	%	%
Change in fair value at 1% increase in discount rate	(10.36)	(12.4)
Change in fair value at 1% decrease in discount rate	13.2	15.1

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

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

6. RIGHTS OF USE ASSETS

	Land, building and special constructions	Plant and equipment	Vehicles and others	Total
Initial cost / revalued				
Opening balance at January 1, 2019	**-**	**-**	**-**	**-**
Change in the beginning balance in accordance with IFRS 16	6,992,941	7,526,480	298,832	14,818,253
Additions	26,666	-	-	26,666
Closing balance at December 31, 2019	**7,019,607**	**7,526,480**	**298,832**	**14,844,919**
Additions	3,272,548	-	1,395,558	4,668,106
Reclassifications and other transfers	497,618	(528,911)	31,293	-
Re-measurement and other adjustments	49,857,211	937,527	(33,875)	50,760,863
Disposals	(103,790)	(6,199,685)	(46,016)	(6,349,491)
Closing balance at December 31, 2020	**60,543,194**	**1,735,411**	**1,645,792**	**63,924,397**
Additions	-	-	965,977	965,977
Re-measurement and other adjustments	-	103,665	-	103,665
Disposals	(9,165)	-	(87,408)	(96,573)
Closing balance at December 31, 2021	**60,534,029**	**1,839,076**	**2,524,362**	**64,897,467**
Accumulated depreciation & Impairment				
Opening balance at January 1, 2019	**-**	**-**	**-**	**-**
Depreciation charge for the year	(2,218,171)	(3,466,623)	(141,226)	(5,826,020)
Closing balance at December 31, 2019	**(2,218,171)**	**(3,466,623)**	**(141,226)**	**(5,826,020)**
Depreciation charge for the year	(2,318,164)	(609,002)	(219,673)	(3,146,839)
Reclassifications and other transfers	(186,607)	205,382	(18,776)	-
Re-measurement and other adjustments	60,647	(31)	5,575	66,190
Accumulated depreciation of ceased rights of use assets	77,805	2,861,393	46,016	2,985,214
Closing balance at December 31, 2020	**(4,584,490)**	**(1,008,881)**	**(328,084)**	**(5,921,455)**
Depreciation charge for the year	(2,402,772)	(566,484)	(478,425)	(3,447,681)
Accumulated depreciation of ceased rights of use assets	9,165	-	87,408	96,573
Closing balance at December 31, 2021	**(6,978,096)**	**(1,575,365)**	**(719,102)**	**(9,272,563)**
Net book value as of December 31, 2019	**4,801,436**	**4,059,857**	**157,606**	**9,018,898**
Net book value as of December 31, 2020	**55,958,704**	**726,530**	**1,317,708**	**58,002,943**
Net book value as of December 31, 2021	**53,555,932**	**263,711**	**1,805,261**	**55,624,904**

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

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

Land, buildings and special construction category includes mainly:
- Rent for usage of maritime port - berths of Midia Port.

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

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

7. INVESTMENT IN SUBSIDIARIES

	31 December 2021	31 December 2020 (restated)	1 January 2020 (restated)
Investments in subsidiaries	2,632,755,594	2,078,051,547	1,860,727,890
Total	**2,632,755,594**	**2,078,051,547**	**1,860,727,890**

In 2021, Rompetrol Rafinare SA chooses to apply IFRS 9, in this case the investments in subsidiaries being measured at fair value through profit or loss (FVTPL) by changing the accounting policy. The reasoning is detailed in Summary of significant accounting policy, Note 2 i).

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

		Ownership at					
	Range of activity	**31 December 2021**	**31 December 2020**	**1 January 2020**	**Balance at 31 December 2021**	**Balance at 31 December 2020 (restated)**	**Balance at 1 January 2020 (restated)**
Rompetrol Downstream SRL	Retail Trade of Fuels and Lubricants	99.99%	99.99%	99.99%	1,840,184,097	1,368,406,354	1,174,717,180
Rompetrol Petrochemicals SRL	Petrochemicals	100.00%	100.00%	100.00%	344,561,543	331,370,212	310,333,106
Rom Oil SA	Wholesale of Fuels; fuel storage	99.99%	99.99%	99.99%	195,361,513	179,812,927	146,876,470
Rompetrol Logistics SRL	Fuels Transportation	66.19%	66.19%	66.19%	241,206,574	183,050,855	217,451,224
Rompetrol Quality Control SRL	Quality Control Services	70.91%	70.91%	70.91%	11,441,866	15,411,199	11,349,910
Total investments					**2,632,755,594**	**2,078,051,547**	**1,860,727,890**

**Note: all subsidiaries are Romanian companies*

As at the date of revaluation on 31 December 2021, the investments' fair values are based on valuations performed by PricewaterhouseCoopers Management Consultants SRL, an accredited independent valuer who has valuation experience for similar properties. The fair values of the non-listed equity investments have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments. The accounting policy change has been applied retrospectively.

7. INVESTMENT IN SUBSIDIARIES (continued)

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2021 and 2020 are shown below.

Description of significant unobservable inputs to valuation:

Non-Listed equity investments	Valuation Technique	Significant unobservable inputs	Range (weighted average) RON'000 / %	Sensitivity of the input to fair value* RON '000
Rompetrol Downstream SRL	DCF method	Operational expenses	31.12.2021: 4,816,918 - 5,001,720	5% increase (decrease) in the operational expenses would result in a decrease (increase) in fair value by 148,766
			31.12.2020: 3,274,409 - 3,388,990	5% increase (decrease) in the operational expenses would result in a decrease (increase) in fair value by 93,653
			01.01.2020: 4,050,005 - 4,166,039	5% increase (decrease) in the operational expenses would result in a decrease (increase) in fair value by 106,801
		Weight average Cost of capital	31.12.2021: 10.4% - 12.4% (11.4%)	1 p.p increase (decrease) in the WACC would result in a decrease (increase) in fair value by 134,119 (166,611)
			31.12.2020: 9.7% - 11.7% (10.7%)	1 p.p increase (decrease) in the WACC would result in a decrease (increase) in fair value by 118,738 (149,974)
			01.01.2020: 8.4% - 10.4% (9.4%)	1 p.p increase (decrease) in the WACC would result in a decrease (increase) in fair value by 146,329 (191,817)
		Gross margin	31.12.2021: 10.68% - 11.21% (10.94%)	3% increase (decrease) in the gross margin would result in an increase (decrease) in fair value by USD22,684
			31.12.2020: 10.12% - 10.63% (10.37%)	3% increase (decrease) in the gross margin would result in an increase (decrease) in fair value by USD17,203
			01.01.2020: 10.75% - 11.29% (11.02%)	3% increase (decrease) in the gross margin would result in an increase (decrease) in fair value by USD19,056
		Perpetual growth rate	31.12.2021: 1.5% - 3.5% (2.5%)	1 p.p. increase (decrease) in perpetual growth rate result in an increase (decrease) in fair value by 83,279 (67,060)
			31.12.2020: 1.2% - 3.2% (2.2%)	1 p.p. increase (decrease) in perpetual growth rate result in an increase (decrease) in fair value by 93,672 (74,271)
			01.01.2020: 0.9% - 2.9% (1.9%)	1 p.p. increase (decrease) in perpetual growth rate result in an increase (decrease) in fair value by 130,402 (100,027)
Rom Oil S.A.	DCF method	Yield real estate	31.12.2021: 6.6% - 7.6% (7.1%)	0.5p.p increase (decrease) in the yield real estate would result in a decrease (increase) in fair value by 11,809 (15,914)
			31.12.2020: 6.6% - 7.6% (7.1%)	0.5p.p increase (decrease) in the yield real estate would result in a decrease (increase) in fair value by 12,794 (17,311)
			01.01.2020: 6.6% - 7.6% (7.1%)	0.5p.p increase (decrease) in the yield real estate would result in a decrease (increase) in fair value by USD2,569 (14,827)
		Operational expenses	31.12.2021: 4,429 - 4,895	5% increase (decrease) in the operational expenses would result in a decrease (increase) in fair value by 2,819
			31.12.2020: 2,596 - 2,870	5% increase (decrease) in the operational expenses would result in a decrease (increase) in fair value by 1,646
			01.01.2020: 3,836- 4,240	5% increase (decrease) in the operational expenses would result in a decrease (increase) in fair value by 2,437
Rompetrol Quality Control SRL	DCF method	Operational expenses	31.12.2021: 35,345 - 36,038	1% increase (decrease) in the operational expenses would result in a decrease (increase) in fair value by 3,120
			31.12.2020: 26,564 - 27,082	1% increase (decrease) in the operational expenses would result in a decrease (increase) in fair value by 2,455
			01.01.2020: No sensitivity	
		Weight average Cost of capital	31.12.2021: 10.4% - 12.4% (11.4%)	1 p.p increase (decrease) in the WACC would result in a decrease (increase) in fair value by 1,647 (2,072)
			31.12.2020: 9.7% - 11.7% (10.7%)	1 p.p increase (decrease) in the WACC would result in a decrease (increase) in fair value by 2,229 (2,804)
			01.01.2020: No sensitivity	
		Gross margin	31.12.2021: 97.35% - 97.36% (97.36%)	0.9% increase (decrease) in the gross margin would result in an increase (decrease) in fair value by 3,186
			31.12.2020: 97.095% - 97.096% (97.095%)	1.5% increase (decrease) in the gross margin would result in an increase (decrease) in fair value by 4,521
			01.01.2020: No sensitivity	
		Perpetual growth rate	31.12.2021: 1.5% - 3.5% (2.5%)	1 p.p. increase (decrease) in perpetual growth rate result in an increase (decrease) in fair value by 481 (594)
			31.12.2020: 1.2% - 3.2% (2.2%)	1 p.p. increase (decrease) in perpetual growth rate result in an increase (decrease) in fair value by 571 (460)
			01.01.2020: No sensitivity	

7. INVESTMENT IN SUBSIDIARIES (continued)

The net asset approach was used for two entities, Rompetrol Logistics SRL and Rompetrol Petrochemicals SRL These companies no longer have a significant activity following the restructurings carried out in previous years, and their value being to a large extent determined by participations held in other group companies, which were evalued using income approach.

The main steps in this approach are:

- Estimating the market value / fair value of the assets and liabilities related to the analyzed company, using appropriate valuation approaches and methods;
- Summarizing the values of component assets and deducting debts to obtain the value of the company's equity.

For Rompetrol Logistics SRL adjustments were applied to tangible fixed assets (which were revalued at fair value separately) and financial assets represented by investments in other subsidiaries of the Company (which were revalued separately).

Reconciliation of total unrealised gains or losses recognized in profit or loss

As at 1 January 2020 (historic cost less impairment)	**1,629,020,055**
Total unrealized gains or losses for the period recognised in profit or loss	231,707,835
As at 1 January 2020 (restated)	**1,860,727,890**
Total unrealized gains or losses for the period recognised in profit or loss	217,323,657
As at 1 January 2021 (restated)	**2,078,051,547**
Addition	3,304
Total unrealised gains or losses for the period recognised in profit or loss	554,700,743
As at 31 December 2021	**2,632,755,594**

Considering that the Company has no control over the dividends policy of its subsidiaries, the fact that no dividends are expected to be received in the foreseeable future from subsidiaries and that fact that it is not able to control the timing of the reversal of temporary differences associated with investments in subsidiaries, no deferred tax liability was recognized.

8. INVENTORIES, NET

	31 December 2021	31 December 2020	1 January 2020
Crude oil and other feedstock materials (at lower of cost and net realisable value)	551,804,997	251,784,853	333,223,073
Finished products (at lower of cost and net realisable value)	273,657,518	159,590,843	270,655,613
Work in progress (at cost)	149,160,835	76,351,113	150,739,880
Spare parts (at cost less inventories write-down)	18,684,854	14,409,903	42,854,461
Other consumables (at cost less inventories write-down)	21,549,313	20,716,663	20,964,660
Merchandises (at cost less inventories write-down)	117,820	647,061	825,185
Other inventories (at cost less inventories write-down)	5,553,197	3,572,614	3,559,277
Total	**1,020,528,534**	**527,073,050**	**822,822,149**

8. INVENTORIES, NET (continued)

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

The movement of the provision for inventories in 2021 and 2020 is presented below:

	31 December 2021	31 December 2020	1 January 2020
Reserve at the beginning of the year	**(59,247,545)**	**(72,021,952)**	**(117,148,444)**
Accrued provision	(41,241,004)	(194,249,538)	(59,336,424)
Reversal provision inventories reserve	20,696,262	207,023,945	104,462,916
Reserve at the end of the period	**(79,792,287)**	**(59,247,545)**	**(72,021,952)**

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

9. RECEIVABLES AND PREPAYMENTS, NET

	31 December 2021	31 December 2020	1 January 2020
Trade receivables	1,283,466,008	843,739,582	1,654,180,637
Advances to suppliers	169,343,020	25,878,282	59,986,367
Sundry debtors	114,603,302	165,294,207	43,932,255
VAT to be recovered	(3,691,652)	1,806,438	2,885,245
Other receivables	378,093,509	189,366,503	78,440,655
Provision for expected credit losses	(56,472,983)	(58,694,122)	(54,732,427)
Total	**1,885,341,204**	**1,167,390,890**	**1,784,692,732**

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

	31 December 2021	31 December 2020	1 January 2020
Sundry debtors	114,603,302	165,294,207	43,932,255
Other receivables	378,093,509	189,366,503	78,440,655
Provision for sundry debtors and other receivables	(14,874,573)	(14,874,573)	(14,873,238)

Out of the total amount of other receivables and sundry debtors of RON 492.7 million (2020: RON 354.7 million, 2019: RON 122.4 million) an amount of RON 14.9 million (2020: RON 14.9 million, 2019: RON 14.9 million) is provisioned.

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

	31 December 2021	31 December 2020	1 January 2020
Balance at the beginning of the year	**(58,694,122)**	**(54,732,427)**	**(55,039,860)**
Charge for the year	(445,900)	(5,280,964)	(398,545)
Utilized	2,666,689	1,318,071	704,715
Unused amounts reversed	-	-	1,964
Exchange rate differences	349	1,198	(701)
Balance at the end of the period	**(56,472,983)**	**(58,694,122)**	**(54,732,427)**

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

As at 31 December 2021, 2020 and 2019, the aging analysis of trade receivables and the respective balance of expected credit loss is as follows:

		Trade receivables					
			Days past due				
31 December 2021	**Total**	**Current**	**1 - 30 days**	**30 - 60 days**	**60 - 90 days**	**90 - 120 days**	**>120 days**
Expected credit loss rate	**2.81%**	**0.00%**	**0.00%**	**6.89%**	**19.99%**	**30.00%**	**91.86%**
Estimated total gross carrying amount at default	1,283,446,856	1,186,711,271	57,135,916	268,201	122,279	5,471	39,203,717
Expected credit loss	36,058,356	-	-	18,473	24,440	1,641	36,013,801

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

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

			Past due but not impaired				
	Total	**Neither past due not impaired**	**1 - 30 days**	**30 - 60 days**	**60 - 90 days**	**90 - 120 days**	**>120 days**
31 December 2021	**1,247,388,501**	1,186,711,271	57,135,916	249,728	97,839	3,830	3,189,915
31 December 2020	**805,438,218**	746,411,840	21,323,167	28,626,555	2,137,069	849,955	6,089,633
31 December 2019	**1,610,191,131**	1,140,530,754	103,022,623	45,498,231	86,495	35,307	321,017,721

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

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

At 31 December 2021, the trade receivables at the initial value of RON 36.06 million (2020: RON 38.28 million, 2019: RON 34.32) have been considered uncertain and provisioned.

The movement of the receivable provision is to be found below:

	Collectively impaired
At January 1, 2019	**(34,623,679)**
Value adjustments for impairment of receivables	(398,320)
Reversed provisions	704,715
Exchange rate difference	(701)
At December 31, 2019	**(34,317,985)**
Value adjustments for impairment of receivables	(5,280,779)
Reversed provisions	1,318,071
Exchange rate difference	1,198
At December 31, 2020	**(38,279,495)**
Value adjustments for impairment of receivables	(445,900)
Reversed provisions	2,666,689
Exchange rate difference	349
At December 31, 2021	**(36,058,356)**

10. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020	1 January 2020
Cash at bank	87,439,223	365,496,314	20,750,587
Cash on hand	4,136	11,119	6,553
Transitory amounts	6,535	-	-
Other cash equivalents	148,194	88,060	1,616,388
Total	**87,598,088**	**365,595,493**	**22,373,528**

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

11. EQUITY

11.1 SHARE CAPITAL

As at 31 December 2021 the share capital consists in 26,559,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 per each share, respectively at 31 December 2020, the share capital consists in 44,109,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 per each share.

The shareholder structure at 31 December 2021 is at follows:

Shareholders	Percent held (%)	Statutory amounts in [RON]
KMG International N.V	48.11%	1,277,857,773
The Romanian State represented by The Ministry of Energy	44.70%	1,187,087,758
Rompetrol Financial Group SRL	6.47%	171,851,155
Rompetrol Well Services SA	0.05%	1,323,486
Rompetrol Rafinare SA	0.01%	369,858
Others (not State or KMGI Group)	0.66%	17,430,542
Total	**100%**	**2,655,920,573**

The shareholder structure at 31 December 2020 was as follows:

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

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

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

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

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

The Extraordinary General Meeting of Shareholders („EGMS") of Rompetrol Rafinare held on August 06, 2021 approved the following decision for share capital reduction: The Company's share capital will be reduced by 1,755,000,000 RON from 4,410,920,572.60 RON to 2,655,920,572.60 RON by reducing the number of shares by 17,550,000,000 shares, respectively from 44,109,205,726 shares to 26,559,205,726 shares according to the art. 207 (1) (a) of the Companies Law no. 31/1990. The decision was published on September 03, 2021 into the Official Gazette of Romania and it took effect on 5 November 2021.

11. EQUITY (continued)

11.2 SHARE PREMIUM

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

11.3 REVALUATION RESERVES

At 31 December 2021, the Revaluation reserves balance (presented in net of RON 1,362 million) is affected by revaluation surplus of RON 1,042 Million related to the revaluation performed for property, plant and equipment at 31 December 2021. The above impact is partially offset by the transfer to retained earnings of the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the assets included in the building category.

The revaluation surplus included in the revaluation reserves is realized by transferring it to retained earnings as the use of the asset or upon disposal of the asset, unless a transfer has not already been made during utilization period of the revaluated asset.

Thus, as of 31 December 2021 the realized revaluation reserve is in 2021 in amount of RON 27 million, for which a reduction of previously recognized deferred tax liability in amount of RON 4.3 million was recorded.

Also the Company recognized in 2021 a deferred tax on the revaluation surplus in amount of RON 166.7 million.

11.4 OTHER RESERVES

Hybrid Loan

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

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

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

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

11. EQUITY (continued)

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

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

The addendums have retroactive effects.

During 2021 unrealized derivative gains was recorded as gains / losses related to retirement benefits were booked in Other Reserves as follows:

	2021	**2020**	**2019**
Actuarial gain / (losses) related to retirement benefits	15,385,923	8,977,552	(16,512,245)
Gains / (losses) related to derivative financial instruments	103,187,894	-	(6,179,010)
Total	**118,573,817**	**8,977,552**	**(22,691,255)**

12. TRADE AND OTHER PAYABLES

	31 December 2021	**31 December 2020**	**1 January 2020**
Trade payables	4,468,862,837	2,475,463,085	3,515,525,900
VAT payable	407,523,956	737,727,968	135,000,864
Special found tax for oil products	27,560,632	27,560,632	27,560,632
Taxes payable	(1,180)	(1,180)	(1,180)
Employees and social obligations	17,545,370	17,878,248	11,361,063
Other liabilities	1,522,223,748	1,516,249,146	1,011,621,469
Total	**6,443,715,363**	**4,774,877,899**	**4,701,068,748**

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

The increased balance of trade payables is related mainly to increased payables in relation to KMG Trading for the crude oil purchases.

The cash pooling debt amounts to RON 1,497.59 million (2020: RON 1,511.15 million, 2019: 996.19 million) and is recognised in "Other liabilities".

13. CONTRACT LIABILITIES

	31 December 2021	31 December 2020	1 January 2020
Short-term advances from other customers	132,163,640	91,363,247	47,196,182
Total short-term advances	**132,163,640**	**91,363,247**	**47,196,182**

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

14. SHORT-TERM BORROWINGS

Short-term borrowings from related parties

	31 December 2021	31 December 2020	1 January 2020
KMG International N.V. Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - 31 December 2020, assignment of receivables; real movable security interest over the investments in Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. The facility has been fully reimbursed in February 2021.	-	42,260,547	53,923,450
Midia Marine Terminal SRL Short-term facility for working capital needs in amount of RON 27,211 million, maturity date 31 December 2019. The facility has been fully used. The facility has been fully reimbursed in February 2020.	-	-	27,211,100
Rompetrol Financial Group SRL Short-term facility for working capital needs in amount up to USD 29,215 million, maturity date 31 December 2019. The facility has been fully used. The facility has been fully reimbursed in February 2020.	-	-	10,000,000
Interest due	-	6,688,483	12,756,467
	-	**48,949,030**	**103,891,017**

Short-term loan from banks

	31 December 2021	31 December 2020	1 January 2020
Banca Transilvania (overtaken from Bancpost) Rompetrol Rafinare S.A.: Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is January 31, 2022; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.	119,409,488	90,353,995	39,522,931
Banca Transilvania (overtaken from Bancpost) Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on January 31, 2022; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS =EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.	65,788,140	29,147,217	185,523
Interest due	99,346	416,143	169,064
	185,296,974	**119,917,355**	**39,877,518**

14. SHORT-TERM BORROWINGS (continued)

	31 December 2021	31 December 2020	1 January 2020
Syndicated loan – through Unicredit Bank as payer agent (Facility C)	-	89,986,686	-
Syndicated loan – auxiliary component representing overdraft loan granted by Unicredit Bank	-	-	8,201,375
TOTAL	**185,296,974**	**209,904,041**	**48,078,893**

15. LONG-TERM BORROWINGS

Long-term loan from banks

	31 December 2021	31 December 2020	1 January 2020
Syndicated loan – through Unicredit Bank as payer agent			
Up to USD 435 million loan facility for repayment of existing loans, current activity, issuing letters of credit and letters of guarantee; concluded by group companies (Rompetrol Rafinare, Rompetrol Downstream SRL, KazMunayGas Trading AG, KMG Rompetrol SRL - as borrowers and guarantors and -in KMG International NV as guarantor) with the following banks (UniCredit Bank SA, Raiffeisen Bank SA, BCR SA, ING Bank NV - Bucharest Branch) and Unicredit Bank AG, London Branch as agent. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 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.	**418,023,119**	**570,759,324**	**613,184,904**

The loans are secured with pledges on inventories of RON 896 million (2020: RON 452 million) and trade receivables of RON 193.6 million (2020: RON 178.6 million).

15. LONG-TERM BORROWINGS (continued)

The movement of loans in 2021 is presented below:

	At 1 January 2021	Reclass from short-term to long-term	Repayments	Withdrawls	Exchange rate impact	At 31 December 2021
Long-term borrowings from banks	570,759,324	89,986,686	(520,137,509)	201,630,000	75,784,618	418,023,119
Short-term borrowings from banks	209,487,898	(89,986,686)	(26,539,161)	92,235,577	-	185,197,628
Short-term borrowings from shareholders and related parties	42,260,547	-	(34,452,042)	-	(7,808,504)	-
Total	**822,507,769**	**-**	**(581,128,713)**	**293,865,577**	**67,976,113**	**603,220,747**

	At 1 January 2021	Reclass	Payments	Accrued	Exchange rate impact	At 31 December 2021
Interest long-term borrowings from banks	-	(99,346)	(20,458,923)	20,557,808	461	-
Interest short-term borrowings from banks	416,143	99,346	(3,298,259)	2,882,116	-	99,346
Interest short-term borrowings from shareholders and related parties	6,688,484	-	(7,253,019)	153,623	410,912	-
Total	**7,104,627**	**-**	**(31,010,200)**	**23,593,547**	**411,373**	**99,346**

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.

16. OBLIGATION UNDER LEASE AGREEMENTS

	2021	2020	2019
Opening balance at 1 January	**59,524,287**	**11,820,321**	**-**
Restatement as of result of IFRS 16 adoption	-	-	17,956,146
Additions	879,934	920,685	26,666
Re-measurement	103,665	46,855,278	-
Payments	(4,669,370)	(4,383,624)	(7,194,511)
Interest accrued	1,916,639	619,635	739,302
Exchange rate impact	1,006,539	194,647	292,718
Other changes	-	3,497,345	-
As at 31 December	**58,761,694**	**59,524,287**	**11,820,321**
Non-current	56,244,055	56,981,732	5,368,671
Current	2,517,639	2,542,555	6,451,650

17. PROVISIONS

The movement of the provisions is presented below:

	As at 1 January 2021	Other comprehensive income	Arising during the year	Utilized	Unwinding of discount	As at 31 December 2021
Provision for litigations	1,705,380	-	-		-	1,705,380
Retirement benefit provision	55,555,814	(15,385,923)	2,092,612		-	42,262,503
Environmental provision	239,773,706	-	113,117,300	(18,870,254)	(21,411,266)	312,609,486
Total	**297,034,901**	**(15,385,923)**	**115,209,912**	**(18,870,254)**	**(21,411,266)**	**356,577,370**

Environmental provision

Vega lagoons

As of 31 December 2021, the Company recognized an environmental provision of RON 290.9 million (2020: RON 239.8 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 RON 51.1 million (2020: RON 40.2 million reversal), being mainly generated by the additional costs of RON 113.1 million, offset by the unwinding of discount effect of RON 21.4 million (2020: RON 8.2 million) and the costs of RON 18.9 million (2020: RON 26.1 million) related to the works performed during the 2021.

We analyzed all the implication of the ongoing DIICOT investigation as described in Note 28 and determined that there is no impact on the assumptions considered for the provision computation as described above.

17. PROVISIONS (continued)

Vadu cassettes

During 2021, the Company 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 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 RON 21.7 million was recorded as of 31 December 2021 (2020: RON 0).

Retirement obligations provision

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

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

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% in 2021 (2020: 2.97%), with an expected rate of long-term salary increase of 2.90% in 2021 (2.31% in 2020). Also, attrition rate was considered 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.

17. PROVISIONS (continued)

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

	31 December 2021	31 December 2020	1 January 2020
Interest on obligation	1,568,514	428,787	949,020
Service cost	3,178,562	3,106,664	2,643,563
Benefits paid	(2,654,463)	(9,255,223)	(3,905,076)
Total	**2,092,612**	**(5,719,771)**	**(312,493)**

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

	31 December 2021	31 December 2020	1 January 2020
Opening balance	**55,555,814**	**70,253,136**	**54,053,385**
Interest on obligation	1,568,514	428,787	949,020
Service cost	3,178,562	3,106,664	2,643,563
Curtailment due to restructuration/retirement	(2,654,463)	(9,255,223)	(3,905,076)
Changes in assumptions (tax rate, salary increase, turnover)	(15,385,923)	(8,977,551)	16,512,245
Closing balance	**42,262,503**	**55,555,814**	**70,253,137**

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

18. NET REVENUES FROM CONTRACT WITH CUSTOMERS

	January – December 2021		TOTAL	January – December 2020		TOTAL
	Refining	**Petrochemicals**	**2021**	**Refining**	**Petrochemicals**	**2020**
Gross revenues from the sale of finished oil products	15,434,498,420	769,840,173	16,204,338,594	11,505,286,145	619,415,520	12,124,701,665
Revenues from petroleum products trading	265,773,782	-	265,773,782	-	-	-
Revenues from petrochemicals trading	-	3,429,864	3,429,864	-	9,199,375	9,199,375
Revenues from other merchandise sales	1,585,151	-	1,585,151	1,808,123	-	1,808,123
Revenues from utilities sold	12,106,975	-	12,106,975	8,813,904	-	8,813,904
Revenues from the sale other products	894,462	-	894,462	398,214	-	398,214
Revenues from other services	15,780,075	-	15,780,075	15,136,662	-	15,136,662
Gross Revenues	**15,730,638,866**	**773,270,037**	**16,503,908,903**	**11,531,443,048**	**628,614,895**	**2,160,057,943**
Less sales taxes	(4,354,291,436)	-	(4,354,291,436)	(3,884,947,426)	-	(3,884,947,426)
Total	**11,376,347,430**	**773,270,037**	**12,149,617,467**	**7,646,495,622**	**628,614,895**	**8,275,110,517**

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 in 2021 against 2020.

19. COST OF SALES

	January – December 2021	**January – December 2020**
Crude oil and other raw materials	10,605,169,921	7,614,092,570
Consumables and other materials	49,491,900	56,396,366
Utilities	629,366,701	416,956,855
Staff costs	96,186,768	106,484,645
Transportation	100,429	76,235
Maintenance	92,269,313	97,427,740
Insurance	5,773,582	6,888,573
Environmental expenses	6,022,823	14,343,056
Other	51,864,688	53,326,236
Cash production cost	**11,536,246,125**	**8,365,992,276**
Depreciation and amortization	279,312,943	307,260,811
Production costs	**11,815,559,068**	**8,673,253,088**
Less: Change in inventories	(261,831,095)	187,875,754
Less: Own production of property, plant & equipment	(11,534,600)	(21,118,721)
Cost of petroleum products trading	274,329,674	-
Cost of petrochemicals trading	2,998,823	12,578,804
Cost of other merchandise sales	1,519,540	1,772,161
Cost of utilities sold	13,105,278	8,196,992
Realised (gains) / losses on derivatives	128,773,774	(215,657,142)
Total	**11,962,920,462**	**8,646,900,936**

Total Cost of goods sold increased mainly due to the volatility of oil and gas market environment resulting in higher quotations vs previous year alongside with simillar volumes of crude oil processed and of petroleum products sold in 2021 against 2020.

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.

19. COST OF SALES (continued)

In 2021, in other expenses are included costs for: inspections and quality control in amount of RON 20.9 million (2020: RON 22.8 million), IT and communications in amount of RON 11.2 million (2020: RON 12.4 million), local taxes in amount of RON 1.4 million (2020: RON 1.2 million), security, fire protection and other services in amount of RON 18.4 million (2020: RON 16.9 million).

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

	January – December 2021	**January – December 2020**
Staff costs	48,833,399	45,043,845
Utilities	43,930,141	18,296,045
Transportation	42,534,576	49,505,487
Professional and consulting fees	37,295,518	51,677,425
Consumables	2,022,789	1,627,535
Marketing	5,158	125,862
Taxes	4,262,593	4,155,723
Communications	40,221	51,163
Insurance	2,880,370	2,581,377
IT related expenditures	7,082,871	6,785,306
Environmental expenses	25,939,002	28,350,471
Maintenance	23,361,005	14,872,784
Fees and penalties	18,666,698	12,339,004
Other expenses	40,784,453	41,577,761
Costs before depreciation	**297,638,792**	**276,989,788**
Depreciation and amortisation	105,694,608	66,130,358
Total	**403,333,400**	**343,120,147**

In 2021 in Other expenses are included costs for: storage in amount of RON 6.3 million, outsourced services in amount of RON 9.3 million, inspections and quality control in amount of RON 3.6 million, security, fire protection, cleaning & sanitation in amount of RON 7.2 million, mandate services in amount of RON 1.2 million and other services in amount of RON 13.2 million.

The auditor's fees were recognised in "Professional and consulting fees". The auditors' fees related to the audit of the standalone and consolidated financial statements as of 31 December 2021 are EUR 131,725 (in 2020: EUR 128,013).

21. OTHER OPERATING (INCOME) / EXPENSES, NET

	January – December 2021	January – December 2020
Loss / (gain) from impairment of property, plant and equipment, net	(45,731)	-
Loss / (gain) from receivables (including provisions and write-off), net	(2,220,789)	3,962,893
Loss / (gain) from provision for inventories and write-off, net	20,544,743	(12,774,406)
(Gain) / Loss from other provisions	51,424,513	(38,516,625)
Loss from revaluation of property, plant and equipment, net	52,168,022	-
Other expenses / (income), net	(9,477,232)	(32,553,344)
Total	**112,393,525**	**(79,881,482)**

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 RON 52.2 million, being related to items for which the revalued amount was lower than the carrying amount and no previous revaluation reserve recorded.

Other income, net of RON 9,477,232 mainly refer to revenue from claim to be received from the insurance Company in relation to Petromidia incident occurred on 2 July 2021, amounting RON 34.5 million, partially offset by the RON 21.8 representing reversal of accrual recorded for CO2 emission rights related to 2020 quota.

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

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

22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January – December 2021	January – December 2020 (restated)
Finance cost		
Losses related to financial investments recognised at fair value	3,969,333	34,400,369
Interest expense	48,098,321	39,812,590
Interest expense shareholders and related parties	66,013,999	47,858,331
Other financial expense	86,243,694	94,794,226
Total	**204,325,347**	**216,865,516**
Finance income		
Gains related to financial investments recognised at fair value	(558,670,076)	(251,724,026)
Interest income	(9,728,920)	(5,034,800)
Interest Income - hybrid instrument	-	(69,291,612)
Other financial income	(2,944,154)	(12,421,849)
Total	**(571,343,150)**	**(338,472,287)**
Finance cost / (income), net	**(367,017,804)**	**(121,606,771)**
Unrealized net foreign exchange losses/(gains)	254,428,512	(18,121,459)
Realized net foreign exchange losses/(gains)	119,971,237	(190,819,277)
Foreign exchange (gain)/loss, net	**374,399,749**	**(208,940,736)**
Total	**7,381,945**	**(330,547,507)**

In 2021 a loss related to financial investments recognised at fair value in amount of RON 3.9 million (2020 restated: RON 34.4 million) was booked and at the same a time a gain related to financial investments recognised at fair value in amount of RON 558.7 million (2020 restated: RON 251.7 million) was recorded into accountings as a result of the voluntary changing of the accounting policy regarding the recognition of financial investments from cost model to fair value model.

In 2021 out of the total of RON 86.2 million (2020: 94.8 million) representing other financial expenses an amount of approximately RON 61.7 million (2020: RON 85.8 million) represents interest and other financial expenses owed to KMG Trading for financing activities.

23. INCOME TAX

The income tax rate was 16% in 2021 and 2020.

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

Entity	Fiscal loss 2021 Million RON	Fiscal loss 2020 Million RON
Rompetrol Rafinare SA	**(1,688.3)**	**(1,916.0)**

23. INCOME TAX (continued)

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

Entity Rompetrol Rafinare SA		Fiscal loss Million	Fiscal loss Expires in
	2015	(382.97)	2019
	2016	(12.20)	2020
	2017	-	2021
	2018	(75.03)	2022
	2019	(173.20)	2023
	2020	(551.82)	2024
	2021	(493.03)	2025
		(1,688.26)	

Reconciliation of comprehensive income with tax result

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

	31 December 2021 RON	31 December 2020 RON
Net result	**(450,988,114)**	**(645,823,057)**
Tax at prevailing tax rate (16%)	-	-
Effect of losses carried forward	(1,195,223,077)	(1,364,157,423)
Effect of statutory items non deductible / (not taxable) for tax purposes	(42,045,687)	94,007,706
Non-deductible expenses	*930,108,195*	*724,119,614*
Not - taxable income	*(585,880,340)*	*(249,544,685)*
Other items equivalent to expense / (revenues)	-	*(5,133,049)*
Fiscal depreciation	*(386,273,542)*	*(375,434,174)*
Reversal of deferred tax recognized for fiscal losses carried forward	(114,576,249)	(124,017,823)
Income tax expense recognized in profit or loss	**-**	**-**

In 2021 the following income was considered non-taxable when calculating tax loss:

- Tax provisions (income from reversal of provisions for which no deduction was allowed) RON 23.4 million;
- Non-taxable income from revaluations (RON 562.5 million).

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

- Expenses with accounting depreciation, amounting to RON 385 million;
- Expenses from deferred income tax amounting RON 114.6 million;
- Expenses with provisions amounting RON 114.5 million;
- Interests amounting RON 243.8 million;
- Expenses related to the revaluation of tangible non-current assets, amounting RON 59.9 million;
- Expenses with non-deductible penalties in the amount of 9.4 million RON
- Other non-deductible expenses amounting to RON 2.9 million.

23. INCOME TAX (continued)

DEFERRED TAX

	Balance at 1 January 2021	Charged to Profit & loss	Charged to Equity	Balance at 31 December 2021
Temporary differences				
Asset/Liability				
Property, plant and equipment	1,148,740,095	(61,168,885)	1,014,903,563	2,102,474,773
Provisions	(239,773,708)	(72,835,780)	-	(312,609,487)
Fiscal loss	(850,106,219)	850,106,219	-	-
Total temporary differences (Asset)/Liability	**58,860,169**	**716,101,554**	**1,014,903,563**	**1,789,865,286**
Property, plant and equipment	183,798,415	(9,787,022)	162,384,570	336,395,964
Provisions	(38,363,793)	(11,653,725)	-	(50,017,518)
Fiscal loss	(136,016,995)	136,016,995	-	-
Differed tax (assets)/liability recognised	**9,417,626**	**114,576,249**	**162,384,570**	**286,378,446**

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 17), lead to an increase of RON 11.6 million in the related deferred tax asset.

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

The recoverability for the deferred tax asset recognized by the Company depends on its ability to generate sufficient taxable income to utilize the carried forward tax losses available. Management considers that future taxable income will be generated for recovery of the available tax losses where it has recognized a corresponding deferred tax asset.

As of 31 December 2021 the Company reviewed the carrying amount of deferred tax assets and reduced it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax to be utilized.

As of 31 December 2021 the Company has made an assessment of unrecognized deferred tax assets and such items are related to deductible temporary differences generated by retirement benefits and inventories allowance (NRV assessment) amounting RON 19.4 million (2020: RON 11.1 million).

23. INCOME TAX (continued)

Based on the assessment performed, a reversal of deferred tax asset in amount of RON 136 million was recognized in relation to fiscal losses carried forward.

The Company has RON 1,688 million (2020: RON 1,196million) of tax losses carried forward which will expire in a period of 7 years from the year in which they arised as stated above. On this basis, the Company has determined the tax loss carried forward that can be utilized over the next 7 years is nil considering this assessment a sensitivity analysis of the future taxable profits.

Considering that the Company has no control over the dividends policy of its subsidiaries, the fact that no dividends are expected to be received in the foreseeable future from subsidiaries and that fact that it is not able to control the timing of the reversal of temporary differences associated with investments in subsidiaries, no deferred tax liability was recognized.

Contingencies related to taxation

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

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

24. OPERATING SEGMENT INFORMATION

A. Operating segments

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

2021 Income statement

	Refining	Petrochemicals	Unallocated amounts between the segments	Total
Net turnover	11,376,347,430	773,270,037	-	**12,149,617,467**
Cost of sales	(11,314,396,884)	(648,523,578)	-	**(11,962,920,462)**
Gross loss	**61,950,546**	**124,746,459**	**-**	**186,697,005**
Selling, general and administrative expenses	(336,981,608)	(66,351,792)	-	**(403,333,400)**
Other operating revenues / expenses, net	(112,393,525)	-	-	**(112,393,525)**
Operating loss	**(387,424,588)**	**58,394,667**	**-**	**(329,029,920)**
Financial expenses	-	-	(204,325,347)	**(204,325,347)**
Financial revenues	-	-	571,343,150	**571,343,150**
Net foreign exchange gains / (losses)	-	-	(374,399,749)	**(374,399,749)**
Profit / (loss) before income tax	**(387,424,588)**	**58,394,667**	**(7,381,945)**	**(336,411,865)**
Deferred tax	-	-	(114,576,249)	(114,576,249)
Net Loss	**(387,424,588)**	**58,394,667**	**(121,958,194)**	**(450,988,114)**
out of which Depreciation and amortization	**(319,445,029)**	**(65,562,523)**	**-**	**(385,007,551)**

24. OPERATING SEGMENT INFORMATION (continued)

2020 Income statement

	Refining	Petrochemicals	Unallocated amounts between the segments	Total
Net turnover	7,646,495,622	628,614,895	-	**8,275,110,517**
Cost of sales	(7,966,205,011)	(680,695,925)	-	**(8,646,900,936)**
Gross loss	**(319,709,389)**	**(52,081,030)**	**-**	**(371,790,419)**
Selling, general and administrative expenses	(291,105,053)	(52,015,094)	-	**(343,120,147)**
Other operating revenues / expenses, net	79,881,482	-	-	**79,881,482**
Operating loss	**(530,932,960)**	**(104,096,124)**	**-**	**(635,029,084)**
Financial expenses	-	-	(216,865,516)	(216,865,516)
Financial revenues	-	-	338,472,287	338,472,287
Net foreign exchange gains / (losses)	-	-	208,940,736	**208,940,736**
Profit / (loss) before income tax	**(530,932,960)**	**(104,096,124)**	**330,547,507**	**(304,481,577)**
Deferred tax	-	-	(124,017,823)	**(124,017,823)**
Net Loss	**(530,932,960)**	**(104,096,124)**	**(206,529,684))**	**(428,499,400)**
out of which Depreciation and amortization	**(316,979,922)**	**(56,411,248)**	**-**	**(373,391,170)**

In 2021 turnover of the Company are included the clients KazMunayGas Trading AG and Rompetrol Downstream SRL, that generate more than 10% of the total sales, their value amounting to RON 8,313.7 million (2020: RON 5,170.5 million).

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

Since many of the Petromidia refinery facilities are used jointly by refining and the petrochemicals segment the balance sheet is analyzed by management at cumulated level for Refining and Petrochemicals segments. As a result, the balance sheet information for segments Refining and Petrochemicals are presented together.

B. Geographical segments

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

	2021	2020
Romania	8,385,131,240	5,546,277,773
Europe	3,632,696,381	2,567,020,000
Asia	127,847,298	144,403,185
America	3,942,548	17,409,559
Total	**12,149,617,467**	**8,275,110,517**

Note: there are also 9 branches and representatives

25. RELATED PARTIES

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

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

Note: there are also 9 branches and representatives

25. RELATED PARTIES (continued)

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

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

	Receivables and other assets	
	31 December 2021	**31 December 2020**
KazMunayGas Trading AG	421,042,370	123,320,649
Rompetrol Downstream SRL	746,166,159	509,401,057
Rompetrol Petrochemicals SRL	7,903	481
KMG International N.V.	9,339,055	10,150,180
Rompetrol Gas SRL	3,148,828	-
Rompetrol Bulgaria JSC	6,751,967	2,110,141
Rominserv SRL	4,491,040	9,474,667
Rompetrol Quality Control SRL	230,409	145,177
Rompetrol Logistics SRL	37,584	3,015
Midia Marine Terminal SRL	939,811	899,856
Uzina Termoelectrica Midia SA	4,683,854	8,964,455
KMG Rompetrol SRL	290,674,236	78,840,453
Global Security Systems S.A.	697,184	606,223
Kazmunaygas – Engineering LLP *	-	666,950
Rompetrol Energy SA	34,750,631	-
Palplast SA*	-	2,800,002
Byron Shipping Ltd.	3,644	2,802
Rompetrol Ukraina*	-	15,018
Oilfield Exploration Business Solutions SA	3,005,223	3,026,298
Romoil SA	74,222	-
Rompetrol Financial Group SRL	11,089	10,760
KMG Rompetrol Services Center SRL	55,743	50,933
KMG ROMPETROL DEVELOPMENT (RDV)	197,539	-
Total	**1,526,308,491**	**750,489,117**

*** DIVESTED OR DEREGISTERED COMPANIES**

25. RELATED PARTIES (continued)

	Payables, loans and other liabilities	
	31 December 2021	**31 December 2020**
KazMunayGas Trading AG	3,853,944,850	1,979,547,932
Rompetrol Downstream SRL	48,951,426	66,410,166
Rompetrol Petrochemicals SRL	8,315,590	1,334,066
KMG International N.V.- loans (Note 14)	-	42,260,547
KMG International N.V.-interest	-	6,688,483
KMG International N.V.-trade debts	16,851,825	20,814,163
Rompetrol Gas SRL	2,955,168	19,021,537
Rompetrol Moldova ICS	16,476,350	13,299,899
Rominserv SRL	65,123,193	80,239,429
Rompetrol Quality Control SRL	14,811,620	15,608,669
Rompetrol Logistics SRL	16,295	859,818
Midia Marine Terminal SRL-trade debts	44,441,494	33,332,021
Uzina Termoelectrica Midia SA	17,018,694	22,657,670
KMG Rompetrol SRL- debt cash pooling	1,491,593,678	1,507,235,473
KMG Rompetrol SRL-interest cash pooling	5,996,779	3,911,685
KMG Rompetrol SRL-trade debts	-	11,172,810
Global Security Systems SA	756,025	614,628
Global Security Systems Fire Services SRL	546,503	856,705
KMG Rompetrol Development	-	371,820
Rompetrol Exploration & Production SRL	-	66
Rompetrol Energy SA	47,391,779	-
KMG Rompetrol Services Center SRL	1,447,320	2,471,892
TRG Petrol Ticaret Anonim Sirketi	10,346	10,346
Total	**5,636,648,936**	**3,828,719,827**

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

25. RELATED PARTIES (continued)

In 2021, respectively in 2020, Rompetrol Rafinare had the following transactions with the related parties:

Name of related party	Nature of transaction, sales / purchases	Sales 2021	Sales 2020	Purchases 2021	Purchases 2020
KazMunayGas Trading AG	Raw materials / Petroleum products	2,215,642,352	1,502,585,743	10,634,032,278	6,586,335,213
Rompetrol Downstream SRL	Petroleum products, rent, utilities and other	6,099,991,607	3,678,457,583	2,289,939	2,218,053
Rompetrol Petrochemicals SRL	Rent, utilities and other	7,423	-	-	-
KMG International N.V.	Loan interest, management services	-	69,291,612	4,627,708	7,938,748
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	366,982,219	277,696,367	518,227	2,837,766
Rompetrol Moldova ICS	Sales intermediary services	585,106,436	457,502,457	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	125,719,252	80,528,410	-	-
Rominserv SRL	Acquisition and maintenance of fixed assets	2,932,181	2,657,199	250,191,166	487,787,404
Rompetrol Quality Control SRL	Laboratory analysis/Rent, utilities, other services, dividends	1,569,783	1,441,439	31,118,678	31,637,101
Rompetrol Logistics SRL	Transport, rent/Rent, utilities	52,397	12,413	164,324	164,324
Midia Marine Terminal SRL	Handling services/ Rent, utilities, reinvoicing, loan interest, others	1,432,437	1,209,247	61,774,739	67,398,375
Rompetrol Well Services SA	Loan interest	-	-	155	387
Uzina Termoelectrica Midia SA	Acquistion of utilities	74,563,453	67,415,366	110,030,804	117,059,674
Rompetrol Energy	Acquistion of utilities	28,946,142	-	33,434,479	-
KMG Rompetrol SRL	Loan interest, management services	8,434,090	4,572,017	100,888,612	92,593,881
Global Security Systems SA	Security and protection services	1,494	1,661	8,274,900	8,176,964
Global Security Systems Fire Services SRL	Security and protection services	-	-	7,116,312	6,647,660
Byron Shipping SRL	Demurrage /Rent, reinvoices of other services	24,131	22,822	57,795	76,401
Rompetrol Financial Group SRL	Loan interest	-	-	-	63,517
Romoil SA	Reinvoicing bank loan fees	74,229	-	3,304	-
KMG Rompetrol Services Center SRL	Shared services	536,136	547,744	16,603,349	18,186,157
		9,512,015,764	**6,143,942,080**	**11,261,126,769**	**7,429,121,625**

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

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

The salaries paid to the Company directors in 2021 were RON 769,236 (RON 1,053,850 in 2020). The salaries and bonuses paid to the Company management in 2021 (in average 18 persons) was RON 7,928,369 (RON 5,191,050 in 2020, in average 13 persons).

26. EARNINGS PER SHARE

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

	January – December 2021	January – December 2020
Net profit (+), loss (-)	(450,988,114)	(428,499,400)
Average number of shares	26,559,205,726	44,109,205,726
Result per share - base (money / share)	(1.70)	(0.97)

27. CONTINGENT LIABILITIES

Rompetrol Rafinare SA - Distressed Assets - Hybrid Conversion

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

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

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

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

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

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

27. CONTINGENT LIABILITIES (continued)

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

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

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

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of Petromidia and therefore there is no amount payable by the Refinery to the state, there is no object for the seizure. 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 in Energie (SAPE)), in accordance with the provisions of the Memorandum of Understanding, in October 2018, the investment period of 7 years is established between 2019 – 2025.

Risk management and internal control

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

The Company is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Company adopts an approach of zero -tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates. The Company 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 Company. The Code creates a frame of reference for understanding and putting into practice the Company's expectations as to each person's behavior, in light of the Companys principles of action. Rompetrol's employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct.

27. CONTINGENT LIABILITIES (continued)

Whistleblowing incidents are taken very seriously by the Company and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Company 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.

28. LEGAL MATTERS

Litigation with the State involving criminal charges

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

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

a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Company;
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 SA' privatization and post-privatization period – one file and a second one for the allegations related to the issuance of the bonds by Rompetrol Rafinare S.A. (OUG 118/2003). No reply received yet from DIICOT on this topic.

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

28. LEGAL MATTERS (continued)

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 December 6, 2017 issued by the in-charge prosecutor of the file by which it was an extension of the inquiry to various individuals and/or some of the criminal offences have been approached in a worse manner for some of the defendants. Considering that those 3 ordinances cancelled have as background the April 2016 Ordinance issued by in-charge prosecutor by which the freezing orders were imposed over the assets of KMGI, the Group companies KMG International N.V., Rompetrol Rafinare S.A., OEBS have submitted on April 20, 2018 a new challenge in front of the High Court of Cassation and Justice for lifting the asset freeze. On 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 October 22, 2018 when the Court rejected the forwarding of the case to the Constitutional Court as well.

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

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

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

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

28. LEGAL MATTERS (continued)

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

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

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

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

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

28. LEGAL MATTERS (continued)

Also, please note that in December 2020, Faber resumed some files out of those suspended back in 2005/2006. The hearings are scheduled during 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 SA), 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 SA 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, some of them being already registered with the Constanta Court of Appeal, 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 a request for the revision of a decision by which the court closed a file being out of date/obsolete (when Court asked the plaintiff to do something and it doesn't within 6 months /1 year). On April 28, 2021, Constanta Tribunal admitted the exception raised by Rompetrol Rafinare and decided that the revision filed by Faber is late. 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 regarding CO2 emission allowances

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

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

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

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

28. LEGAL MATTERS (continued)

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

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

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

At the beginning of 30 September 2021, the Company sent a new letter to the Ministry of Environment to proceed with the full payment until 1 November 2021.

On 10 December 2021 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 in RON an amount of EUR 12 million equivalent, remaining amount not paid being of EUR 3.9 million.

<u>Litigation between Rompetrol Rafinare and Navodari City Hall</u>

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

a) Against the Imposing Decision issued by Navodari City Hall, the company has been filed an administrative complaint with the fiscal authorities. The administrative complaint filed by Rompetrol Rafinare S.A. was dismissed as being lack of object, without any judgment pronounced on the merits of the case. Rompetrol Rafinare submitted in court the challenge against this decision. This judicial procedure was under court investigation proceedings with Constanta Court of Appeal who has completed judicial investigation into the case and delivered a sentence on March 16, 2017, when the challenge submitted by Rompetrol Rafinare was rejected. The solution has been appealed by Rompetrol Rafinare. The appeal is in currently pending court investigation proceedings, and the first hearing term before the High Court of Cassation and Justice is established for 30 January 2020.

b) 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 5,259,450 from a total of RON 13,722,110.

28. LEGAL MATTERS (continued)

c) 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.

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

Litigations between Rompetrol Rafinare and National Company – Constanta Maritime Port Administration SA

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

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

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

28. LEGAL MATTERS (continued)

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

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

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

Following the completion of the criminal prosecution, Rompetrol Rafinare SA, 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 SA and Rominserv SRL 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 June 24, 2020 the company received the prosecutor indictment from the Constanta Court. Taking in consideration that the court has been notified with a new indictment, for the third time the preliminary chamber procedure is to be carried out. On September 17, 2020 the judge of preliminary chamber rejected as unfounded the claims and exceptions made by all defendants- i.e. RR, RIS and individuals involved- and noted the legality of court investment with the indictment no 586/P/ 2016 of the Prosecutor's office attached to the Constanta Court of Appeal, of the administration of evidences and of the performance of criminal investigation and ordered the commencing of the trial. The court decision was appealed, the appeals were rejected, and the next hearing scheduled by Constanta court (Judecatoria) is on April 12, 2022.

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

28. LEGAL MATTERS (continued)

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 RON 1.7 million.

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

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

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

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

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

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

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

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

28. LEGAL MATTERS (continued)

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

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

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

On July 2, 2021 there was an explosion followed by a fire in the Petromidia refinery, HPM plant. As a result of the accident, 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, is performed hearing employees involved in the event. At the same time, the collective work accident is being investigated by the Territorial Labor 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.

29. COMMITMENTS

Environmental risks and obligation

The company's business activity is 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 Company's activities.

Although the Company has provided for known environmental obligations that are probable and reasonably estimable, it is possible that the Company will continue to incur additional liabilities. The amount of additional future costs is not fully determinable due to factors such as unknown timing, 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 Company's results of operations and cash flow.

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

The Company 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 company 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.

In 2021, the Company 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 Company has recognized a provision for restoration costs related to Vega Refinery and also for Vadu cassettes, see Note 17.

<u>Climate change and energy transition</u>

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.

Rompetrol Rafinare 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 Company'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 Company's reasonable expectations of how the next 5 years will progress.

The Company 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 Company's standalone 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.

29. COMMITMENTS (continued)

On the mid-term, it is expected a favorable 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 Company's strategy, placing a major emphasis on the climate and other aspects of the sustainability agenda.

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 Company. The risks are not only technical but also business related and may lead to operational disruptions, fraud or theft of sensitive information.

The Company is heavily dependent on the information technology systems, including the network infrastructure for the safe and effective operation of the business. The Company 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.

Subsequent to the reporting date, the Company 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 Company continuously improves cyber security capabilities. and supervise the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Company 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 the employees is a priority of the company, and the company 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 the company's top priorities remain the improvement of industrial safety, reduce work-related injuries and accidents-free operation of production facilities.

29. COMMITMENTS (continued)

Other commitments

As of 31 December 2021, Rompetrol Rafinare SA contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards at the Petromidia refinery in amount of USD 61.91 million (2020: USD 22.07 million).

Sale and purchase commitments

As of 31 December 2021, Rompetrol Rafinare SA contracted purchase contracts for raw materials and utilities estimated to USD 2,393.72 million (2020: USD 2,349.84 million) and has commitments for sales of petroleum, petrochemicals products and utilities sales estimated to USD 3,876.93 million (2020: USD 3,750.49 million).

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

A. CAPITAL RISK

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

B. GEARING RATIO

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

	31 December 2021	**31 December 2020 (restated)**
Debt (excluding shareholder and related parties loans)	603,320,093	780,663,365
Cash and cash equivalents	(87,598,088)	(365,595,493)
Net Borrowings	**515,722,005**	**415,067,872**
Equity (including shareholder and related parties loans)	2,331,807,666	1,833,587,667
Gearing ratio	**22.1%**	**22.6%**

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

C. FINANCIAL INSTRUMENTS

	31 December 2021	31 December 2020
Financial assets		
Investments in subsidiaries	2,632,755,594	2,078,051,547
Trade receivables and other receivables	1,341,596,327	950,339,667
Derivatives	104,688,216	-
Cash and bank accounts	87,598,088	365,595,493
TOTAL FINANCIAL ASSETS	**4,166,638,225**	**3,393,986,707**

	31 December 2021	31 December 2020
Financial liabilities		
Short term borrowings from shareholders and related parties	-	48,949,030
Derivatives	15,908,942	617,651
Commercial liabilities and other liabilities	6,001,822,082	4,002,009,686
Short term loans	185,296,974	209,904,041
Long term borrowings from banks	418,023,119	570,759,324
Lease debts	58,761,694	59,524,286
TOTAL FINANCIAL LIABILITIES	**6,679,812,811**	**4,891,764,019**

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

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

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

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

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

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

Fair value hierarchy

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

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

	31 December 2021	Level 1	Level 2	Level 3
Financial assets				
Investments in subsidiaries	2,632,755,594	-	-	2,632,755,594
Trade receivables and other receivables	1,341,596,327	-	1,341,596,327	-
Derivatives	104,688,216	-	104,688,216	-
Cash and bank accounts	87,598,088	87,598,088	-	-
TOTAL FINANCIAL ASSETS	**4,166,638,225**	**87,598,088**	**1,446,284,543**	**2,632,755,594**
Financial liabilities				
Derivatives	15,908,942	-	15,908,942	-
Commercial liabilities and other liabilities	6,001,822,082	-	6,001,822,082	-
Short term loans	185,296,974	-	185,296,974	-
Long term borrowings from banks	418,023,119	-	418,023,119	-
Lease debts	58,761,694	-	58,761,695	-
TOTAL FINANCIAL LIABILITIES	**6,679,812,811**	**-**	**6,679,812,812**	**-**

	31 December 2020	Level 1	Level 2	Level 3
Financial assets				
Investments in subsidiaries	2,078,051,547	-	-	2,078,051,547
Trade receivables and other receivables	950,339,667	-	950,339,667	-
Cash and bank accounts	365,595,493	365,595,493	-	-
TOTAL FINANCIAL ASSETS	**3,393,986,707**	**365,595,493**	**950,339,667**	**2,078,051,547**
Financial liabilities				
Short term borrowings from shareholders and related parties	48,949,030	-	48,949,030	-
Derivatives	617,651	-	617,651	-
Commercial liabilities and other liabilities	4,002,009,686	-	4,002,009,686	-
Short term loans	209,904,041	-	209,904,041	-
Long term borrowings from banks	570,759,324	-	570,759,324	-
Lease debts	59,524,287	-	59,524,287	-
TOTAL FINANCIAL LIABILITIES	**4,891,764,019**	**-**	**4,891,764,019**	**-**

At 31 December 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Level 3 fair value measurements refer to Property, plant and equipments for which a revaluation was carried out as of 31 December 2021 (Note 5) and investments in subsidiaries (Note 7) for which a revaluation was carried out as of 31 December 2021 and as of 31 December 2020 and 1 January 2020.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

D. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company performs hedging transactions regarding the risk of increasing USD interest rates.

Balance sheet

	31 December 2021	31 December 2020
Derivative financial assets	104,688,216	-
Derivative financial liabilities	(15,908,942)	(617,651)
Net position – asset / (liability)	**88,779,274**	**(617,651)**

Derivative financial assets in amount of RON 104.7 million mainly refers to cash flow hedge related to long opened position as of 31 December 2021 for 900 thousand EUA certificates (CO_2 allowances). Fair value of the detivative financial instrument is performed through mark to market ("MTM") using the last available price on CO_2 emission rights trading platform.

	31 December 2021	31 December 2020
Derivative asset / (liability) 2020	**(617,651)**	**(13,200,818)**
Cash payments	(13,790,968)	12,583,167
Cash flow hedge reserve	103,187,894	-
Derivative asset / (liability) 2021	**88,779,274**	**(617,651)**

Income Statement

	January – December 2021	January – December 2020
Unrealised (gains)	-	-
Unrealised (losses)	-	-
Net position - (gain) / loss - in Cost of sales	-	-
Realised losses – net	128,773,774	(215,657,142)
Total position – loss / (gain) - in Cost of sales	**128,773,774**	**(215,657,142)**

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.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

The Company 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 Company	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 Company	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

The Company has the following hedge transactions that 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

E. MARKET RISK

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

F. FOREIGN CURRENCY RISK MANAGEMENT

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

G. FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

		USD		EUR	
		31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
RON					
	5%	(186,954,955)	(155,214,504)	10,900,749	9,902,374
	-5%	186,954,955	155,214,504	(10,900,749)	(9,902,374)

H. INTEREST RATE RISK MANAGEMENT

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

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

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 31 December 2021 would increase / decrease by RON 27.3 million (2020: increase / decrease by RON 21.2 million).

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

I. Liquidity risk

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

Balance as at 31 December 2021	Less than 1 month or current	<3 months	3 – 12 months	1 - 5 years	>5 years	Total
Commercial liabilities and other liabilities	5,301,359,142	673,590,160	26,872,780	-	-	**6,001,822,082**
Derivatives	15,908,942	-	-	-	-	**15,908,942**
Short term borrowings from banks	185,296,974	489,109	-	-	-	**185,786,083**
Long term borrowings from banks	418,023,119	2,982,595	8,947,785	3,976,793	-	**433,930,292**
Lease debts	363,654	727,307	3,272,883	15,131,651	63,635,840	**83,131,336**
	5,920,951,831	**677,789,172**	**39,093,448**	**19,108,444**	**63,635,840**	**6,720,578,735**

Balance as at 31 December 2020	Less than 1 month or current	<3 months	3 – 12 months	1 - 5 years	>5 years	Total
Commercial liabilities and other liabilities	3,981,362,245	20,179,852	467,590	-	-	**4,002,009,687**
Derivatives	617,651	-	-	-	-	**617,651**
Short term borrowings from related parties	48,949,030	-	-	-	-	**48,949,030**
Short term borrowings from banks	416,138	1,386,286	210,740,798	-	-	**212,543,222**
Long term borrowings from banks	-	4,133,724	12,401,173	592,805,854	-	**609,340,751**
Lease debts	368,167	736,333	3,313,500	14,920,921	65,945,522	**85,284,443**
	4,031,713,231	**26,436,195**	**226,923,061**	**607,726,775**	**65,945,522**	**4,958,744,784**

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

J. OIL PRODUCTS and RAW MATERIAL PRICE RISK

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

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

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

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

K. CREDIT RISK

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

Trade receivables

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

Financial instruments and bank deposits

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

31. SUBSEQUENT EVENTS

Rompetrol Rafinare SA credit facility in amount of EUR 30 million granted by Banca Transilvania was extended until July 30, 2022.

Rompetrol Rafinare SA credit facility in amount of EUR 27,96 million granted by Banca Transilvania was extended until July 30, 2022.

The company has signed a loan agreement with the Fondul de Investitii in Energie Kazah-Roman SA 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.

31. SUBSEQUENT EVENTS (continued)

Impact of sanction risks and conflict in Ukraine

In the context of the military conflict between Russia and Ukraine, started on 24 February 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 Company does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Company's sources for crude oil are not from Russia and the Company 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 Company operations and on the recoverable value of the Company long term assets and considers that the Going concern basis of preparation of the financial statements is appropriate.

YEDIL UTEKOV
Chairman of the Board of Directors

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FELIX CRUDU-TESLOVEANU
General Manager

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RAMONA GEORGIANA GALATEANU
Financial Manager

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Prepared by, Alexandru Cornel Anton
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