ROMPETROL RAFINARE SA

CONSOLIDATED FINANCIAL STATEMENTS

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

31 DECEMBER 2022

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2022
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	December 31, 2022 USD	December 31, 2021 USD	December 31, 2022 RON	December 31, 2021 RON
				(supplementary info – see Note 2(e))	
Intangible assets	3	6,943,884	9,469,707	32,182,123	43,888,303
Goodwill	4	82,871,706	82,871,706	384,077,209	384,077,209
Property, plant and equipment	5	1,178,598,536	1,261,644,352	5,462,332,763	5,847,216,906
Right of use Assets	7	124,769,238	109,604,968	578,255,509	507,975,188
Long-term receivable		3,811,865	3,139,455	17,666,468	14,550,119
Total non current assets		**1,396,995,228**	**1,466,730,188**	**6,474,514,071**	**6,797,707,725**
Inventories, net	9	333,870,058	329,204,005	1,547,354,168	1,525,728,880
Trade and other receivables	10	642,376,936	690,550,529	2,977,160,147	3,200,425,481
Derivative financial instruments	32.5	2,612,061	23,958,794	12,105,857	111,039,427
Cash and cash equivalents	11	16,973,215	50,091,261	78,664,063	232,152,957
Total current assets		**995,832,269**	**1,093,804,589**	**4,615,284,235**	**5,069,346,746**
TOTAL ASSETS		**2,392,827,498**	**2,560,534,777**	**11,089,798,307**	**11,867,054,471**
Share capital	12	881,102,250	881,102,250	4,083,556,489	4,083,556,489
Share premium	12	74,050,518	74,050,518	343,194,530	343,194,530
Revaluation reserve, net	12	269,752,954	311,636,330	1,250,197,042	1,444,309,737
Other reserves	12	(9,293,941)	14,810,715	(43,073,698)	68,641,742
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,909,366,870	4,909,366,869
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,766,080,641)	(2,766,080,641)
Accumulated losses		(1,248,687,737)	(1,112,612,836)	(5,787,168,184)	(5,156,515,450)
Current year result		90,624,390	(185,855,572)	420,007,797	(861,366,233)
Equity attributable to equity holders of the parent		**520,001,771**	**445,584,742**	**2,410,000,205**	**2,065,107,042**
Non-Controlling interest		16,782,749	16,995,744	77,781,323	78,768,473
Total equity		**536,784,519**	**462,580,486**	**2,487,781,528**	**2,143,875,516**
Long-term borrowings from banks	13	-	191,729,052	-	888,587,464
Obligations under lease agreements	14	120,283,737	108,237,081	557,467,008	501,635,574
Deferred tax liabilities	15	56,950,487	72,659,146	263,942,725	336,746,077
Provisions	19	115,340,643	84,606,213	534,557,744	392,115,954
Other non-current liabilities		165,353	173,749	766,347	805,259
Total non-current liabilities		**292,740,220**	**457,405,240**	**1,356,733,824**	**2,119,890,327**
Trade and other payables	16	1,295,310,569	1,543,053,293	6,003,246,356	7,151,434,789
Contract liabilities	17	41,914,153	44,880,252	194,255,332	208,002,015
Derivative financial instruments	32.5	4,592,619	3,478,830	21,284,951	16,122,987
Obligations under lease agreements	14	4,723,011	3,679,908	21,889,266	17,054,902
Short-term borrowings from banks	18	86,210,918	42,421,794	399,553,119	196,608,047
Profit tax payable		130,551,489	3,034,974	605,053,931	14,065,889
Total current liabilities		**1,563,302,759**	**1,640,549,051**	**7,245,282,955**	**7,603,288,629**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,392,827,498**	**2,560,534,777**	**11,089,798,307**	**11,867,054,471**

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2023 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 27 April 2023 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS
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Yedil Utekov
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FELIX CRUDU-TESLOVEANU
GENERAL MANAGER
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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER
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Ramona Galateanu
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ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2022

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

	Notes	December 31, 2022 USD	December 31, 2021 USD	December 31, 2022 RON	December 31, 2021 RON
				(supplementary info – see Note 2(e))	
Revenues from contracts with customers	20	5,361,328,254	3,348,256,153	24,847,611,928	15,517,827,968
Cost of sales	21	(4,810,274,622)	(3,141,182,174)	(22,293,698,764)	(14,558,122,902)
Gross profit		**551,053,632**	**207,073,980**	**2,553,913,164**	**959,705,065**
Selling, general and administrative expenses, including logistic costs	22	(244,381,904)	(233,309,032)	(1,132,612,374)	(1,081,294,041)
Other operating income	23	231,511,855	23,918,589	1,072,964,842	110,853,091
Other operating expenses	23	(273,868,095)	(104,216,987)	(1,269,269,071)	(483,004,046)
Operating profit/(loss)		**264,315,488**	**(106,533,450)**	**1,224,996,560**	**(493,739,931)**
Finance cost	24	(118,440,141)	(71,830,430)	(548,922,678)	(332,905,308)
Finance income	24	53,908,706	19,778,380	249,845,289	91,664,882
Foreign exchange loss, net	24	15,623,655	6,082,694	72,409,394	28,190,851
(Loss)/Profit before income tax		**215,407,708**	**(152,502,806)**	**998,328,565**	**(706,789,505)**
Income tax	25	(125,063,926)	(34,281,089)	(579,621,271)	(158,879,135)
(Loss)/Profit for the year		**90,343,782**	**(186,783,895)**	**418,707,293**	**(865,668,640)**
Attributable to:					
Equity holders of the parent		90,624,390	(185,855,572)	420,007,797	(861,366,233)
Non-Controlling interests		(280,608)	(928,323)	(1,300,504)	(4,302,407)
Earnings per share *(US cents/share)*					
Basic	28	0.341	(0.700)	1.581	(3.243)

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FINANCE MANAGER

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

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	2022 USD	2021 USD	2022 RON (supplementary info – see Note 2(e))	2021 RON
(Loss)/Profit for the year		**90,343,782**	**(186,783,895)**	**418,707,293**	**(865,668,640)**
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	32.5	(25,763,995)	23,600,512	(119,405,811)	109,378,937
Net other comprehensive income to be reclassified to income/(loss) statement in subsequent periods		**(25,763,995)**	**23,600,512**	**(119,405,811)**	**109,378,937**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):					
Actuarial gains / (losses) on defined benefit pension plans		1,659,339	6,713,304	7,690,372	31,113,479
Revaluation of lands, buildings and equipment category in property plant and equipment		-	233,240,215	-	1,080,975,100
Deferred income tax related to revaluation, recognized in equity		-	(37,331,164)	-	(173,015,014)
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods		**1,659,339**	**202,622,355**	**7,690,372**	**939,073,565**
Total other comprehensive income/ (loss) for the year, net of tax		**(24,104,656)**	**226,222,867**	**(111,715,439)**	**1,048,452,502**
Total comprehensive result for the year, net of tax		**66,239,126**	**39,438,972**	**306,991,854**	**182,783,862**
Attributable to:					
Equity holders of the parent		66,519,734	40,367,295	308,292,358	187,086,269
Non-Controlling interests		(280,608)	(928,323)	(1,300,504)	(4,302,407)
Total comprehensive result for the year		**66,239,126**	**39,438,972**	**306,991,854**	**182,783,862**

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2022
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	December 31, 2022 USD	December 31, 2021 USD	December 31, 2022 RON	December 31, 2021 RON
				(supplementary info – see Note 2(e))	
(Loss) / Profit before income tax		**215,407,708**	**(152,502,806)**	**998,328,565**	**(706,789,505)**
Adjustments for:					
Depreciation and amortization of property, plant and equipment and intangibles assets	21, 22	140,440,036	121,267,412	650,883,389	562,025,949
Depreciation of right-of-use assets	7	8,111,426	7,724,983	37,593,216	35,802,206
Provisions for receivables and inventories (incl write-off)	23	13,716,882	4,247,835	63,572,259	19,687,017
Impairment for property, plant and equipment (incl write-off)	23	8,729,957	(38,117,185)	40,459,855	(176,657,908)
Adjustments for revaluation increase (decrease), property, plant and equipment	23	-	105,845,408	-	490,551,126
Provision for environmental and other liabilities		29,475,726	15,965,400	136,608,198	73,993,242
Retirement benefit provisions	19	1,074,428	920,191	4,979,544	4,264,717
Late payment interest	24	5,393,794	2,759,225	24,998,078	12,787,904
Other financial income	24	(2,233,263)	(2,072,081)	(10,350,281)	(9,603,268)
Unwinding of discount leasing	24	8,092,995	7,991,671	37,507,795	37,038,198
Unwinding of discount environmental provision	19	(1,102,558)	(4,898,819)	(5,109,913)	(22,704,069)
Interest income	24	(51,675,443)	(17,706,299)	(239,495,008)	(82,061,614)
Interest expense and bank charges		91,597,101	50,446,390	424,515,925	233,798,841
Adjustments for gain loss on disposals of property, plant and equipment	23	(329,904)	(280,855)	(1,528,974)	(1,301,651)
Unrealised foreign exchange (gain)/loss		(3,525,702)	(11,902,815)	(16,340,220)	(55,164,787)
Cash from operations before working capital changes		**463,173,181**	**89,687,654**	**2,146,622,427**	**415,666,400**
Net working capital changes:					
Receivables and prepayments		(18,765,816)	(25,522,388)	(86,972,049)	(118,286,061)
Inventories		(16,178,151)	(132,471,117)	(74,979,259)	(613,950,637)
Adjustments for increase (decrease) in trade and other payables and adjustments for increase (decrease) in contract liabilities		(273,783,916)	290,272,610	(1,268,878,943)	1,345,297,439
Change in working capital		**(308,727,883)**	**132,279,104**	**(1,430,830,250)**	**613,060,741**
Net cash inflow from operating activities		**154,445,299**	**221,966,759**	**715,792,177**	**1,028,727,140**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(69,476,765)	(49,419,894)	(321,997,014)	(229,041,440)
Purchase of intangible assets	3	(519,119)	(1,476,713)	(2,405,908)	(6,843,975)
Proceeds from sale of property, plant and equipment		6,430,962	3,462,540	29,804,936	16,047,489
Net cash (outflow) from investing activities		**(63,564,922)**	**(47,434,067)**	**(294,597,986)**	**(219,837,926)**
Cash flows from financing activities					
Cash flows from (used in) cash pooling, classified as financing activities	10,16	76,227,493	(106,256,793)	353,283,943	(492,457,732)
Long - term loans received from banks	18	48,270,948	-	223,716,537	-
Long - term loans repaid to banks		-	(48,270,948)	-	(223,716,536)
Cash flows from (used in) increase (decrease) in current borrowings from related parties		-	(10,655,710)	-	(49,384,954)
Proceeds from current borrowings from banks	18	279,417,794	22,112,868	1,294,989,708	102,484,302
Repayments of current borrowings from banks	18	(475,609,147)	(32,561,288)	(2,204,258,156)	(150,908,544)
Lease repayments	14	(12,355,932)	(14,777,789)	(57,264,803)	(68,489,140)
Interest and bank charges paid, net		(39,949,578)	(34,687,728)	(185,150,313)	(160,763,745)
Net cash inflow (outflow) from financing activities		**(123,998,422)**	**(225,097,387)**	**(574,683,084)**	**(1,043,236,350)**
Net increase (decrease) in cash and cash equivalents		(33,118,045)	(50,564,695)	(153,488,893)	(234,347,136)
Cash and cash equivalents at the beginning of the year		**50,091,261**	**100,655,956**	**232,152,957**	**466,500,093**
Cash and cash equivalents at the end of the year		**16,973,215**	**50,091,261**	**78,664,063**	**232,152,957**

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

Amount in USD

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2020	**1,463,323,897**	**74,050,518**	**(1,706,362,316)**	**149,619,175**	**(24,208,516)**	**(596,832,659)**	**1,043,782,894**	**403,372,993**	**17,924,067**	**421,297,060**
Net loss for 2021	-	-	(185,855,572)	-	-	-	-	(185,855,572)	(928,323)	(186,783,895)
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	6,713,304	6,713,304	-	6,713,304
Hedging reserves	-	-	-	-	-	-	23,600,512	23,600,512	-	23,600,512
Revaluation surplus	-	-	-	233,240,215	-	-	-	233,240,215	-	233,240,215
Deferred tax related to revaluation surplus	-	-	-	-	(37,331,164)	-	-	(37,331,164)	-	(37,331,164)
Total other comprehensive income	**-**	**-**	**-**	**233,240,215**	**(37,331,164)**	**-**	**30,313,816**	**226,222,867**	**-**	**226,222,867**
Total comprehensive income	**-**	**-**	**(185,855,572)**	**233,240,215**	**(37,331,164)**	**-**	**30,313,816**	**40,367,295**	**(928,323)**	**39,438,972**
Transfer of realized revaluation reserve to Retained Earnings	-	-	11,527,833	(11,527,833)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	1,844,454	-	-	1,844,454	-	1,844,454
Share capital decrease	(582,221,647)	-	582,221,647	-	-	-	-	-	-	-
31 December 2021	**881,102,250**	**74,050,518**	**(1,298,468,408)**	**371,331,557**	**(59,695,226)**	**(596,832,659)**	**1,074,096,710**	**445,584,742**	**16,995,744**	**462,580,486**
31 December 2021	**881,102,250**	**74,050,518**	**(1,298,468,408)**	**371,331,557**	**(59,695,226)**	**(596,832,659)**	**1,074,096,710**	**445,584,742**	**16,995,744**	**462,580,486**
Net profit for 2022	-	-	90,624,390	-	-	-	-	90,624,390	(280,608)	90,343,782
Hedging reserves	-	-	-	-	-	-	(25,763,995)	(25,763,995)	-	(25,763,995)
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	1,659,339	1,659,339	-	1,659,339
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(24,104,656)**	**(24,104,656)**	**-**	**(24,104,656)**
Total comprehensive income	**-**	**-**	**90,624,390**	**-**	**-**	**-**	**(24,104,656)**	**66,519,734**	**(280,608)**	**66,239,126**
Transfer of realized revaluation reserve to Retained Earnings	-	-	49,780,671	(49,780,671)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	7,897,295	-	-	7,897,295	67,613	7,964,907
31 December 2022	**881,102,250**	**74,050,518**	**(1,158,063,347)**	**321,550,886**	**(51,797,932)**	**(596,832,659)**	**1,049,992,054**	**520,001,771**	**16,782,749**	**536,784,519**

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

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

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2020	**6,781,920,934**	**343,194,530**	**(7,908,306,791)**	**693,425,030**	**(112,196,788)**	**(2,766,080,641)**	**4,837,516,195**	**1,869,472,467**	**83,070,880**	**1,952,543,348**
Net loss for 2021	-	-	(861,366,233)	-	-	-	-	(861,366,233)	(4,302,407)	(865,668,640)
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	31,113,479	31,113,479	-	31,113,479
Hedging reserves	-	-	-	-	-	-	109,378,937	109,378,937	-	109,378,937
Revaluation surplus	-	-	-	1,080,975,100	-	-	-	1,080,975,100	-	1,080,975,100
Deferred tax related to revaluation surplus	-	-	-	-	(173,015,014)	-	-	(173,015,014)	-	(173,015,014)
Total other comprehensive income	**-**	**-**	**-**	**1,080,975,100**	**(173,015,014)**	**-**	**140,492,417**	**1,048,452,502**	**-**	**1,048,452,502**
Total comprehensive income	**-**	**-**	**(861,366,233)**	**1,080,975,100**	**(173,015,014)**	**-**	**140,492,417**	**187,086,269**	**(4,302,407)**	**182,783,862**
Transfer of realized revaluation reserve to Retained Earnings	-	-	53,426,896	(53,426,896)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	8,548,306	-	-	8,548,306	-	8,548,306
Share capital decrease	(2,698,364,445)	-	2,698,364,445	-	-	-	-	-	-	-
31 December 2021	**4,083,556,489**	**343,194,530**	**(6,017,881,683)**	**1,720,973,233**	**(276,663,496)**	**(2,766,080,641)**	**4,978,008,611**	**2,065,107,043**	**78,768,473**	**2,143,875,516**
31 December 2021	**4,083,556,489**	**343,194,530**	**(6,017,881,683)**	**1,720,973,233**	**(276,663,496)**	**(2,766,080,641)**	**4,978,008,611**	**2,065,107,043**	**78,768,473**	**2,143,875,516**
Net profit for 2022	-	-	420,007,797	-	-	-	-	420,007,797	(1,300,504)	418,707,293
Hedging reserves	-	-	-	-	-	-	(119,405,811)	(119,405,811)	-	(119,405,811)
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	7,690,372	7,690,372	-	7,690,372
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(111,715,439)**	**(111,715,439)**	**-**	**(111,715,439)**
Total comprehensive income	**-**	**-**	**420,007,797**	**-**	**-**	**-**	**(111,715,439)**	**308,292,358**	**(1,300,504)**	**306,991,854**
Transfer of realized revaluation reserve to Retained Earnings	-	-	230,713,499	(230,713,499)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	36,600,804	-	-	36,600,804	313,354	36,914,159
31 December 2022	**4,083,556,489**	**343,194,530**	**(5,367,160,386)**	**1,490,259,734**	**(240,062,692)**	**(2,766,080,641)**	**4,866,293,172**	**2,410,000,205**	**77,781,323**	**2,487,781,528**

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2023 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 27 April 2023 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS
DocuSigned by: Yedil Utekov
2D8DB454E0ED4A0...

RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER
DocuSigned by: Ramona Galateanu
13328E857004454...

FELIX CRUDU-TESLOVEANU
GENERAL MANAGER
DocuSigned by: Felix Crudu Tesloveanu
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1. GENERAL

Rompetrol Rafinare SA (hereinafter referred to as "the Parent Company" or "the Company" or ''the Parent'' or ''RRC'') is a company incorporated under Romanian law. The Parent Company operates Petromidia and Vega refineries. Petromidia refinery, located on the Black Sea coast, processes imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975 - 1977 and was further modernized in the early 1990's and from 2005 to 2012. Vega refinery is located in Ploiesti and is one of the oldest refineries in Romania. Vega Refinery is a niche refinery specialized in the production of solvents, hexane and bitumen (being the only Romanian producer).

Rompetrol Rafinare SA and its subsidiaries (hereinafter referred to as "the Group") are involved in refining of oil, production of petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 8). The number of employees of the Group at the end of 2022 and 2021 was 1,882 and 1,832 respectively.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of 31 December 2022, as endorsed by the European Union ("EU").

The consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments and property, plant and equipment that have been measured at fair value through other comprehensive income.

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

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As of 31 December 2022 and 31 December 2021 the Group reported net assets including non-controlling interest, of USD 536.8 million and 462.6 million respectively. For the year ended 31 December 2022, the Group recorded profits in amount of USD 90.6 million (2021: loss of USD 185.9 million) and net current liabilities of USD 567.5 million (2021: net current liabilities of USD 546.8 million). The profit incurred during 2022 arise from operational profit USD 264.3 million (2021: operational losses USD 106.5 million) and financial losses USD 48.9 million (2021: USD 46 million). The accumulated losses recorded until present are due to the fact that the Group was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years, but considering the investments done in the last periods combined with an improvement in market conditions the Company has achieved and is aiming for future positive financial results which will decrease the cumulated loss recorded so far.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following a detailed assessment there is a favorable economic outlook with a positive impact for road fuels demand on the mid-term driven by increasing motorization rate and small electrification rates in CEE. Accelerated extensive development of controllable channels in Romania remains an important direction for development until 2025, to ensure mitigation of oil and refinery margin fluctuations and increase profitability of system volumes.

On the long-term (2030+) 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 putting pressure on refining volumes, utilization and margins.

Based on the market outlook and current position, KMG International Group has two main objectives:

- In the short to mid-term, increase vertical integration and start diversification of business;
- In the mid-long term, to continue 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 for the short to mid-term projects run in the existing markets and current assets.

However, the future financial performance of the Group is dependent upon the wider economic environment in which it operates. The factors that may affect the financial performance of the Group include supply of crude oil and related crude oil prices which further impacts the refining margins of refined products which is a key determinant of profitability, macroeconomic conditions (i.e. increased interest rates, increased inflation rate) as well as energy transition on medium to long term. Furthermore, compliance costs arising from EU Emissions Trading System (ETS) and increased electricity prices and salaries costs may affect the Group's profitability. The above-mentioned factors were taken into account when preparing the 5 years business plan. The approved 5 years business plan includes the expectation of the demand evolution, refining margin and associated costs applicable to the Group. On medium to long term, the potential effects of the decarbonization strategy are also considered in the business plan.

Following the initiation by Russia of the military invasion in Ukraine in February 2022, different sets of economic and non-economic sanctions were imposed by the European Union, the US and other countries to Russia and Belarus. Sanctions imposed affected global energy markets and economic developments considering that Russia's crude oil production accounted for around 10% of global output, while it is the second largest natural gas producer worldwide. The reduction of the supply of crude oil or natural gas, as a result of the above, has an impact on product availability and pricing. There are also long-term consequences to the changes that are happening to global energy flows.

A series of measures were taken with regards to supply of crude oil, sale of petroleum products to ensure there are no disruptions in the production and distribution processes, while ensuring compliance with the imposed sectorial sanctions. The Group follows closely the developments around the crisis and adjusts its operations accordingly.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The KMG International Group's main business opportunities envisaged until 2030 and investment requirements are:

- E-mobility. The Group's first priority project relates to the electrical vehicle (EV) charging in KMG international own network. Gradual expansion outside the network is envisaged by 2030. Several station clusters have been defined, e.g., highway cluster with higher installed power (up to 300 kW), main & secondary route cluster with up to 150 kW, while outside-the- network cluster is targeted to display medium charging powers of ~50 kW. With an early commitment strategy to e-mobility, the Group can establish itself as an important player in a booming market in the long-term and capitalize on existing optimum locations.
- Biofuels & e-fuels. The Group expects to invest in bioethanol and biodiesel production. Co-processing of 1st & 2nd generation bio-feedstocks in and construction of a plant, based on second generation cellulosic feedstock (cereal straw, such as wheat, barley).
- Low-carbon energy. KMG International envisaged investments in renewable energy generation (onshore wind farms and solar PV farms with a total capacity of ~200 MW), as well as on-site PV energy generation. The project allows to cover part of the internal demand of the Petromidia refinery and of the retail network in a cost-efficient manner by developing on-site solar PV generation capacities.

The shortlisted projects of KMG International Group amount to over 600 million USD, the large part being attributed to first priority projects.

Diversification through investments in prioritized opportunities will improve the resilience and long-term sustainability of the Group, which in turn will lead to improved profitability and the ability to offer added-value products and services in the coming decades. However, a significant effort will be expected from the Group by 2026 in order to launch the first project wave.

One of the major projects currently under construction is the cogeneration plant on the Petromidia platform. The plant will have a major role in stabilizing the production and distribution of electricity in the region, by ensuring the energy needs of the platform, but also by injecting the surplus electricity into the national grid.

The project, worth over 140 million USD, is financed by the Kazakh-Romanian Energy Investment Fund (KRIEF). The project is a brownfield investment and will integrate the assets of the Midia Thermal Power Plant, as well as its staff, for the operation of the new plant's equipment. Construction began in May 2021 and expected to be completed in August 2023.

To successfully implement its decarbonization strategy and meet the changing context generated by the selected decarbonization projects, certain measures were put in place to ensure new capabilities and experience was attracted, processes and enough resources were allocated. Given the high ambitions and complexity of the strategy, as well as the need to accelerate and over deliver on operational programs to prove execution excellence, complex programs had to be run in parallel.

Management expects that all committing borrowing due within the next 12 months from the balance sheet date will be extended or refinanced with similar terms. In this respect, discussions for lenders are ongoing and some changes in the loan structure are expected.

On 23 March 2023, the Group received a letter of support from its main shareholder, KMG International NV, valid for the next 12 months from date of approval of financial statements. Management believes that the support from KMG International NV and banks is sufficient to enable the Group to continue its operations and settle its obligations in the ordinary course of business without substantial disposal of assets, externally forced, reversing of its operations or similar actions.

Considering the Group's budget for 2023, its medium term development strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

Voluntary change of accounting policy for property, plant and equipment

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

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

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

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

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2022:

- **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 recognizes 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 and there is no material impact at Group level from application of this amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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 and there is no material impact at Group level from application of this amendments.

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

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

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

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

Management is in process of assessing the impact at Group level from application of these amendments.

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU.

Management is in process of assessing the impact at Group level from application of these amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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 is in process of assessing the impact at Group 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.

Management is in process of assessing the impact at Group level from application of these amendments.

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The group does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the group’s financial performance, financial position or cash flows.

- **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 is in process of assessing the impact at Group level from application of these amendments.

- **16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU.
Management is in process of assessing the impact at Group level from application of these amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translation

The Group's consolidated financial statements are presented in "USD", which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of Group entities, has been determined to be USD based on the analysis of the primary economic environment in which they operate.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

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

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statement of income

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

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

Other matters

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 31 December 2022 closing exchange rate published by Romanian national Bank of RON 4.6346 = USD 1, for both 2022 and 2021 amounts. Translation is performed for all primary statements using the closing exchange rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Significant accounting judgments, estimates and assumptions

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

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

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

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

- Revaluation of property, plant and equipment

The Group carries its property, plant and equipment at fair value, with the reflection of the changes from this revaluation in the financial statements prepared for that year. The fair value is determined on the basis of revaluations usually carried by qualified evaluation professionals, members of a nationally and internationally recognized professional body in the valuation expertise field.

Revaluations are carried out with sufficient regularity so that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date. The frequency of revaluations depends on changes in the fair values of revalued property, plant and equipment. If the fair value of a revalued asset differs materially from its carrying amount, a new revaluation is required. Annual revaluations are needed where there are significant and volatile movements in values. Where fair values are stable over a long period, as might be the case with plant and machinery, valuations might be required less frequently.

The fair value of property, plant and equipment determined after revaluation becomes the depreciable amount of those assets at the beginning of the financial year following the one for which the revaluation was performed.

If the carrying amount of an asset is increased as a result of a revaluation, that increase must be recognized directly in other comprehensive income. However, the increase must be recognized in profit or loss to the extent that it offsets a decrease in the revaluation of the same asset previously recognized in profit or loss.

A revaluation surplus is credited to other comprehensive income and accumulated in equity under the heading of revaluation surplus. An exception is a gain on revaluation that reverses a revaluation decrease (impairment) on the same asset previously recognised as an expense. Gains are first credited to the income statement to the extent that the gain reverses a loss previously recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A revaluation decrease should be charged against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus (that is, in reserves) in respect of that same asset. Any balance of the decrease should then be recognised as an expense in profit and loss. A negative revaluation reserve cannot be created.

The revaluation surplus included in equity can be transferred directly to retained earnings when the surplus is realized, usually when the asset is de-recognized. The transfer is made through reserves, not through the income statement. The revaluation surplus can also be transferred as the asset is used by the entity. The amount transferred is the difference between depreciation based on the asset's revalued carrying amount and depreciation based on the asset's original cost. This amount can be transferred from revaluation surplus to retained earnings each year, by means of a reserve transfer.

- Impairment of Goodwill on acquisitions

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

- Impairment of non- financial assets

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

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

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

The energy transition is likely to impact future prices of oil and crack level which may affect the recoverable amount of property plant and equipment. Management's best estimate of oil price assumptions used for impairment testing were revised downwards in 2022 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- Provision for environmental liability

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

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

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

- Deferred tax assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Carrying value of trade and other receivables

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers trade and other receivables in default when contractual payments are 360 days past due.

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

- Provision for litigations

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

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

g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

h) Business combinations and goodwill

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

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

i. Financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group measures financial assets at amortized cost, except for financial instruments on EUA certificates, refinery margin and base operating stock which are measured at fair value through other comprehensive income.

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

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

Subsequent measurement

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

Or

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

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

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

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Derecognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Offsetting of financial instruments

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

j) Property, plant and equipment

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

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

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

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

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus. A negative revaluation reserve cannot be created.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

k) Intangible assets

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Impairment of non-financial assets

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

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

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

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

Goodwill

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

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

m) Provisions

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

Provisions are not recognized for future operating losses.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additional comments on the following specific liabilities are:

- *Environmental provisions*

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

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

The value of the environmental obligation is estimated based on the relevant environmental studies.

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

n) Leases

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

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

i. Right-of-use assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Lease liabilities

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

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

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

A lessee shall determine the lease term as a non-cancellable period of a lease, together with both:
- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option

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

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

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases lower than USD 5,000. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

o) Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Refer to accounting policies of financial assets in section i) i) Financial instruments -initial recognition and subsequent measurement (financial assets).

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

q) Cash and cash equivalents

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

r) Revenue from contracts with customers

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

In recognizing revenue, the Group applies the five-step model based on the requirements of IFRS 15:
a) identifying the contract with the customer;
b) identifying performance obligations under the contract;
c) determining the transaction price;
d) allocating the transaction price to performance obligations;
e) recognizing revenue at (or during) performance of obligation.

(i) Variable consideration

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

(ii) Volume rebates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

s) Interest bearing loans and borrowings

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

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

t) Borrowings costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Retirement benefit costs

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

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

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 8.8% (2021: 5.20%) for Romanian subsidiaries with an expected rate of long-term salary increase 4.4% (2021: 2.90%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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

v) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

- *Sales tax*

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

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

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

w) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Foreign Currency Transactions

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

y) Derivative Financial Instruments

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

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

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

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

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items
- at the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the Group’s risk management objective and strategy for undertaking the hedge. Documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements
- the hedging relationship meets the following hedge effectiveness requirements:
    - existence of an economic relationship between the hedged item and the hedging instrument
    - the effect of credit risk does not dominate the value changes that result from that economic relationship
    - the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the quantity of hedged item.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Fair value hedge

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

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

The Group hedges priced inventories (both raw materials and finished products) above BOS (basis operating stock) and CO2 emission rights using futures instruments for a period that approximately matches the operating cycle.

Hedge accounting is applied for the futures instruments. The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognized in the statement of profit or loss as Cost of Sales. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss (see Note 32.5).

Cash Flow Hedge

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

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.) and EUA certificates. Throughout a given period, the volatility associated with the oil market, both in crudes and in finished products, is transmitted to the Group's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). Also, the volatility of CO2 emission rights may expose the Group to significant cash flow variability. To reduce these volatilities, the Group hedges the margin with a swap on a hedged basket as relevant for the period and CO2 emission rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash flow hedge is accounted as following:

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

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see Note 32.5).

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

z) Emission Rights

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

aa) Fair value measurement

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

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

- In the principal market for the asset or liability;

Or

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

ab) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period;

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

All other assets are classified as non-current.

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

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

The Group classifies all other liabilities as non-current.

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

ac) Contingencies

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

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2021	**38,299,139**	**43,591,901**	**4,195,696**	**86,086,736**
Additions	1,566	-	1,475,147	1,476,713
Transfers from CIP	3,341,459	528,540	(3,869,999)	-
Transfers and reclassifications*	-	-	117,442	117,442
Closing balance as of December 31, 2021	**41,642,164**	**44,120,441**	**1,918,286**	**87,680,891**
Additions	17,000	2,188	499,931	519,119
Transfers from CIP	227,248	504,603	(731,850)	-
Transfers and reclassifications*	-	-	193,395	193,395
Closing balance as of December 31, 2022	**41,886,412**	**44,627,231**	**1,879,761**	**88,393,404**
Accumulated amortization				
Opening balance as of January 1, 2021	**(36,361,128)**	**(38,231,321)**	**(523,380)**	**(75,115,829)**
Charge for the year	(1,741,555)	(1,353,800)	-	(3,095,355)
Closing balance as of December 31, 2021	**(38,102,683)**	**(39,585,121)**	**(523,380)**	**(78,211,184)**
Charge for the year	(1,024,509)	(2,213,828)	-	(3,238,337)
Closing balance as of December 31, 2022	**(39,127,192)**	**(41,798,949)**	**(523,380)**	**(81,449,521)**
Net book value				
As of December 31, 2021	**3,539,481**	**4,535,320**	**1,394,906**	**9,469,707**
As of December 31, 2022	**2,759,220**	**2,828,283**	**1,356,381**	**6,943,884**

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

Major part of ‘‘other” (intangible assets) relates to licenses.

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

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2021	**177,501,190**	**202,031,024**	**19,445,373**	**398,977,587**
Additions	7,258	-	6,836,717	6,843,975
Transfers from CIP	15,486,326	2,449,571	(17,935,897)	-
Transfers and reclassifications*	-	-	544,295	544,295
Closing balance as of December 31, 2021	**192,994,773**	**204,480,596**	**8,890,487**	**406,365,857**
Additions	78,789	10,139	2,316,980	2,405,908
Transfers from CIP	1,053,203	2,338,631	(3,391,834)	-
Transfers and reclassifications*	-	-	896,307	896,307
Closing balance as of December 31, 2022	**194,126,765**	**206,829,366**	**8,711,940**	**409,668,071**
Accumulated amortization				
Opening balance as of January 1, 2021	**(168,519,284)**	**(177,186,879)**	**(2,425,657)**	**(348,131,820)**
Charge for the year	(8,071,411)	(6,274,322)	-	(14,345,733)
Closing balance as of December 31, 2021	**(176,590,695)**	**(183,461,202)**	**(2,425,657)**	**(362,477,553)**
Charge for the year	(4,748,190)	(10,260,205)	-	(15,008,395)
Closing balance as of December 31, 2022	**(181,338,884)**	**(193,721,407)**	**(2,425,657)**	**(377,485,948)**
Net book value				
As of December 31, 2021	**16,404,079**	**21,019,394**	**6,464,831**	**43,888,303**
As of December 31, 2022	**12,787,881**	**13,107,959**	**6,286,283**	**32,182,123**

4. GOODWILL

The carrying value of goodwill as of 31 December 2022 and 2021 was USD 82,871,706 (RON: 384,077,209).

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

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

Impairment test

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2022 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.

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

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2021	**69,571,034**	**714,782,694**	**1,358,802,528**	**134,907,320**	**146,499,171**	**2,424,562,747**
Acquisitions	-	758,002	415,441	58,957	48,187,494	49,419,894
Transfers from CIP	22,060	21,656,927	70,555,351	5,189,096	(97,423,434)	-
Revaluation adjustment	32,463,419	(60,308,925)	149,974,537	5,265,777	-	127,394,807
Disposals	(372,949)	(1,908,114)	(519,906)	(625,661)	(21,459)	(3,448,089)
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	(9,903,032)	(132,330,620)	(880,994,848)	(117,982,853)	(379,948)	(1,141,591,300)
As of December 31, 2021	**91,780,532**	**542,649,964**	**698,233,103**	**26,812,635**	**96,861,824**	**1,456,338,059**
Additions	-	421,710	854,148	684,434	67,516,473	69,476,765
Transfers from CIP	-	27,889,297	27,265,592	3,914,960	(59,069,849)	-
Disposals	-	(50,449)	(100,513)	(220,398)	(6,068,720)	(6,440,080)
Transfers and reclassifications*	-	154,776	(382,500)	208,795	(470,939)	(489,868)
As of December 31, 2022	**91,780,532**	**571,065,298**	**725,869,830**	**31,400,426**	**98,768,789**	**1,518,884,876**
Accumulated depreciation & Impairment						
As of January 1, 2021	**(1,964,307)**	**(224,311,541)**	**(887,242,613)**	**(109,922,929)**	**(32,770,385)**	**(1,256,211,775)**
Charge for the year	-	(40,418,849)	(69,580,852)	(8,172,356)	-	(118,172,057)
Accumulated depreciation of disposals	-	59,585	51,175	151,990	-	262,750
Impairment	2,078,779	23,175,047	12,815,192	24,362	27,460	38,120,839
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	9,903,032	132,328,350	881,093,611	117,981,544	-	1,141,306,536
As of December 31, 2021	**10,017,503**	**(109,167,409)**	**(62,863,488)**	**62,611**	**(32,742,925)**	**(194,693,707)**
Charge for the year	(1,422,768)	(44,098,090)	(81,649,013)	(10,031,828)	-	(137,201,699)
Accumulated depreciation of disposals	-	23,433	54,147	93,729	-	171,309
Impairment	-	(3,242,117)	(5,730,809)	(133,899)	544,582	(8,562,243)
As of December 31, 2022	**8,594,735**	**(156,484,183)**	**(150,189,163)**	**(10,009,387)**	**(32,198,343)**	**(340,286,340)**
Net book value as of December 31, 2021	**101,798,036**	**433,482,555**	**635,369,615**	**26,875,247**	**64,118,899**	**1,261,644,352**
Net book value as of December 31, 2022	**100,375,268**	**414,581,115**	**575,680,667**	**21,391,040**	**66,570,446**	**1,178,598,536**

*) *Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments in amount of USD 490 thousand (2021: USD 284 thousand)*

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2021	**322,433,914**	**3,312,731,874**	**6,297,506,196**	**625,241,465**	**678,965,058**	**11,236,878,507**
Acquisitions	-	3,513,036	1,925,403	273,242	223,329,759	229,041,440
Transfers from CIP	102,239	100,371,194	326,995,830	24,049,384	(451,518,647)	-
Revaluation adjustment	150,454,962	(279,507,745)	695,071,988	24,404,769	-	590,423,973
Disposals	(1,728,469)	(8,843,345)	(2,409,556)	(2,899,688)	(99,454)	(15,980,513)
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	(45,896,590)	(613,299,490)	(4,083,058,721)	(546,803,332)	(1,760,918)	(5,290,819,051)
As of December 31, 2021	**425,366,056**	**2,514,965,524**	**3,236,031,139**	**124,265,840**	**448,915,798**	**6,749,544,357**
Additions	-	1,954,457	3,958,634	3,172,078	312,911,845	321,997,014
Transfers from CIP	-	129,255,736	126,365,113	18,144,274	(273,765,122)	-
Disposals	-	(233,811)	(465,838)	(1,021,457)	(28,126,090)	(29,847,195)
Transfers and reclassifications*	-	717,325	(1,772,735)	967,681	(2,182,614)	(2,270,343)
As of December 31, 2022	**425,366,056**	**2,646,659,231**	**3,364,116,314**	**145,528,416**	**457,753,816**	**7,039,423,833**
Accumulated depreciation & Impairment						
As of January 1, 2021	**(9,103,777)**	**(1,039,594,268)**	**(4,112,014,614)**	**(509,448,807)**	**(151,877,626)**	**(5,822,039,092)**
Charge for the year	-	(187,325,198)	(322,479,417)	(37,875,601)	-	(547,680,216)
Accumulated depreciation of disposals	-	276,153	237,176	704,413	-	1,217,741
Impairment	9,634,308	107,407,071	59,393,288	112,908	127,268	176,674,844
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	45,896,590	613,288,969	4,083,516,448	546,797,265	-	5,289,499,273
As of December 31, 2021	**46,427,121**	**(505,947,272)**	**(291,347,120)**	**290,178**	**(151,750,358)**	**(902,327,451)**
Charge for the year	(6,593,961)	(204,377,008)	(378,410,516)	(46,493,510)	-	(635,874,994)
Accumulated depreciation of disposals	-	108,603	250,950	434,394	-	793,947
Impairment	-	(15,025,915)	(26,560,007)	(620,568)	2,523,920	(39,682,571)
As of December 31, 2022	**39,833,161**	**(725,241,593)**	**(696,066,693)**	**(46,389,506)**	**(149,226,438)**	**(1,577,091,070)**
Net book value as of December 31, 2021	**471,793,177**	**2,009,018,251**	**2,944,684,019**	**124,556,018**	**297,165,440**	**5,847,216,906**
Net book value as of December 31, 2022	**465,199,217**	**1,921,417,637**	**2,668,049,621**	**99,138,910**	**308,527,378**	**5,462,332,763**

**) Includes, transfer from property, plant and equipment, to inventories and intangible assets and other adjustments in amount of RON 2.3 million (2021: RON 1.32 million).*

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Construction in progress*

In 2022, out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: Refinery shut down amounting USD 15.1 million and Petrochemicals shut down amounting USD 3.53 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 7.2 million, Refinery Restart_ 2021 Incident amounting to USD 4 million, Replacement of Petromidia strategic equipment amounting to USD 1.2 million, Catalyst Replacement amounting USD 6.3 million, Replacement of static equipment amounting USD 1.2 million, Tank rehabilitation amounting to USD 5.9 million. Total acquisitions for construction in progress for Vega refinery in amount of USD 2.7 million, for Rompetrol Downstream the most significant for construction in progress refers to the following projects: Construction of 44 gas stations (equipment) amounting to USD 5.5 million, construction of new stations (RBI, Cuves, Doex, STB) amounting to USD 2.1 million, acquisition Fill&GO devices amounting to USD 0.6 million, capital maintenance amounting to USD 0.8 million, and USD 2.1 million for acquisitions of new equipment such as: CCTV system; air conditioner etc, for Romoil in amount of USD 1.7 million and for Rompetrol Gas in amount of USD 1 million. Part of these projects have been transferred to the other property, plant and equipment categories.

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

At the end of 2022 the main projects remaining in construction in progress refers to the following: Refinery Restart_ 2021 Incident amounting to USD 1.1 million, Replacement of Petromidia strategic equipment amounting to USD 5.9 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 9.2 million, Refinery Catalyst Replacement amounting to USD 3.6 million, Preparing to 2024 general repair and 2020 HPP Unit amounting to USD 1.9 million, Tank rehabilitation amounting to USD 5.2 million, Mild Hydrocracking Unit Reliability amounting to USD 1.4 million, and other refinery ongoing projects (approximately USD 9.4 million).

For Vega refinery the main projects remaining in construction in progress refers to the Replace heater in VD unit, amounting to USD 4.2 million, and other refinery ongoing projects (Emergency replacement of Vega equipment, Rehabilitation tank A63, Installation of water-cooling system) approximately USD 2 million.

In Rompetrol Downstream at the end of 2022 the main projects remaining in construction in progress refers to the following: construction of new stations (RBI, Cuves, Doex, STB) amounting to USD 3.5 million, acquisition Fill&GO devices amounting to USD 0.6 million, capital maintenance amounting to USD 0.8 million, replace electrical circuits in stations amounting to USD 0.3 million, USD 2.8 million for acquisitions of new equipment such as: CCTV system; air conditioner etc.

In Romoil at the end of 2022 the main projects remaining in construction in progress refers to the following: Compliance to OMAI firefighting amounting to USD 5.4 million, Replacement of truck loading skids amounting to USD 0.8 million, Upgrade facilities for storage tanks amounting to USD 0.4 million, Replacement of product pumps in all depo amounting to USD 0.3 million, Reconstruction sewage system Mogosoaia amounting to USD 0.25 million.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

- *Disposals*

In 2022, USD 6 million disposed assets are in respect of Rompetrol Downstream referring to IT and technological equipment for highway retail network development which were transferred to Rompetrol Development. In 2021, USD 3.4 million disposed assets are in respect of Rompetrol Downstream referring to sales of 2 gas stations (Cluj Vuia and 1 Decembrie) to Rompetrol Development as part of Kazakh – Romanian Energy Investment Found.

- *Borrowing costs capitalized*

The 2022 capital projects were financed from Groups' operating cash flow, therefore no borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets was capitalized during 2022 (2021: USD nil). The Group's borrowing funds are generally obtained for the business and are not used for the purpose of obtaining a qualifying asset, thus Management determined that no borrowing cost is considered eligible in 2022 and 2021 for capitalization by applying a capitalization rate to the expenditure on the asset.

- *Impairment*

The Group performs an annual assessment for all entities, based on specific asset considerations, as applicable, to identify whether impairment indicators exist and taking into consideration expectations on future estimated cash flows. Impairment tests have been performed by the Group for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2022 on the cash generating units ("CGUs") listed below in Note 6.

Rompetrol Rafinare SA has certain items of plant and equipment related to production lines that were no longer used. Related to the assets currently not in use an impairment provision was recognized in amount of USD 8 million out of which the amount related to Petromidia Refinery is of USD 6.9 million (of which HDPE unit amounts USD 5.4 million and the Aromatic complex amounts USD 1.5 million) and USD 1 million for Vega Refinery as of December 31, 2022.

In respect of HDPE unit, considering that "Swing HDPE to PP" project was temporary put on hold given the current economic environment, Group Management performed a technical assessment of the future use of HDPE components. Following the assessment prepared it was concluded that, out of the total net book value as of 31 December 2022 in amount of USD 14.5 million, USD 8.8 million represent components which were preliminary assessed as being used in the foreseeable future for the current petrochemicals operational activity, USD 0.28 million was assessed as scrap, and for the remaining of USD 5.4 million an impairment adjustment was recorded as of 31 December 2022.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Revaluation of Property, plant and equipment*

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

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

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

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

Considering that property plant and equipment of the Group are recognized at fair value, and their last evaluation was carried out on December 31, 2021, a depreciation test was carried out as at December 31, 2022, to check if an additional revaluation of the fixed assets is necessary at year end. The value in use was estimated based on the 5-year Business Plan (2023-2027) prepared by the company's management. Following the tests carried out, the resulting use value of tangible assets is close to, but higher than, the accounting value of the assets, so no adjustment of the accounting value is necessary as at December 31, 2022.

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

					mill USD
At December 31, 2021	**Land**	**Buildings**	**Plant and equipment**	**Furniture and others**	**Total**
Cost	69.22	735.29	1,429.25	139.53	2,373.29
Accumulated depreciation and impairment	(1.96)	(264.67)	(956.77)	(117.94)	(1,341.35)
Net carrying amount	**67.26**	**470.62**	**472.48**	**21.59**	**1,031.94**
At December 31, 2022					
Cost	69.22	763.70	1,456.89	144.12	2,433.93
Accumulated depreciation and impairment	(1.96)	(316.77)	(1,018.04)	(125.62)	(1,462.39)
Net carrying amount	**67.26**	**446.94**	**438.85**	**18.50**	**971.54**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment with a carrying value of USD 399.6 million (2021: USD 407 million) net, for securing banking facilities granted to Group entities.

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

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

Rompetrol Rafinare filled in a complaint against ANAF to release the precautionary measures imposed back in 2010 when the historical bonds issued by RRC (according to the Emergency Ordinance no. 118/2003) were converted into shares in September 2010 and therefore the Romanian State (Ministry of Energy) became shareholder of RRC for 44.69%.

The last hearing was set for December 6, 2021 and a decision issued on December 20, 2021 in favour of the company by releasing the seizure. The decision was appealed by ANAF to Supreme Court. The first term was set for May 25, 2023.

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

Further prosecutor orders as well statements of defenses were issued and submitted during 2016 – 2019 and finally on December 5, 2019 Prosecutor's Office of Romania closed the criminal file, discharged all allegations and lifted the criminal seizure over RRC assets, but still kept a precautionary seizures over 4 installations (for a value of USD 106.5 million) in case any alleged civil party is damaged by the said ordinance.

On July 2020 the Supreme Court rejected all the complaints against the closing of the file and on October 14, 2022 the remaining criminal seizure was dismissed by the Court.

The Company lifted the criminal precautionary seizure from the Land Book early of 2023.

6. IMPAIRMENT TEST

Impairment tests have been performed by the Group for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2022 on the cash generating units ("CGUs") Refining, Petrochemicals and Downstream Romania. Based on the impairment tests performed, no impairment has been identified.

As the Group is currently in an initial stage for the decarbonization plan (analysis of strategic options without an approved investment plan), apart from the co-generation power plant investment no other projects were included in the analysis. However, the estimated WACC is based on a peer group of listed companies from the oil & gas industry (most of them being aware of the decarbonization requirements and presenting in their reporting packages strategic directions to fulfil low carbon targets), and, therefore, the risk and benefits associated with decarbonization targets are expected to be incorporated by the investors in the required return for the investment (i.e. the cost of capital observed incorporate these needs).

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

As of 31 December 2022, the net book value of property plant and equipment including Goodwill for the cash generating units is the following: Refining USD 921.7 million, Petrochemicals USD 13.6 million, Downstream USD 296.8 million (of which USD 82.87 million represents Goodwill). The net book value of the right of use assets as of 31 December 2022 is of USD 124.8 million.

Refining

Refining CGU includes the operations of Petromidia Refinery, Polypropylene Installations, Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 12.1% (2021: 11.4%) and cash flows beyond the 5-year period are extrapolated using a 2.1% (2021: 2.5%) in line with the expected level of the annual inflation rate for USD. The capitalization rate used for residual values is 10% (2021: 8.9%).

Petrochemicals

Petrochemicals CGU includes the petrochemical business of the group, mainly Low Density Polyethylene Unit, which is included within the Rompetrol Rafinare, legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 12.1% (2021: 11.4%) and cash flows beyond the 5-year period are extrapolated using a 2.1% (2021: 2.5%) in line with the expected level of the annual inflation rate for USD. The capitalization rate used for residual values is 10% (2021: 8.9%).

Downstream Romania

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

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 12.1% (2021: 11.4%) and cash flows beyond the 5-year period are extrapolated using a 2.1% (2021: 2.5%) in line with the expected level of the annual inflation rate for USD. The capitalization rate used for residual values is 10% (2021: 8.9%).

6. IMPAIRMENT TEST (continued)

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

Key assumptions used in fair value less costs to sell calculations

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

- Quantity sold;
- Cracks level;
- General expenses;
- Investments;
- Cost of capital;
- Perpetuity Growth rate.

Over the projected period, the quantity of diesel is expected to weight on average 47% of total quantity of products sold by Refinery, whereas the weight of gasoline is expected to remain constant at about 24% of total quantity of products sold. According to the new regulation, in 2023 diesel and gasoline products will incorporate biodiesel 6.5%, respectively 8% bioethanol for gasoline, whereas from 2023 onwards, biocomponent from both gasoline and diesel will be increased up to 10% volume. The decrease in production volume is determined by the general turnaround of Petromidia, planned for 2024 (approximately 55 days). The yield of white products amounts at 85% in 2022 and it is expected to remain relatively flat over the forecast period.

In 2023 the cracks of key products gasoline and diesel are estimated at average of JBC (base case), Wood Mackenzie and Platts forecasts. However, the cracks of diesel are expected to remain below JBC forecast, whereas quotations for gasoline are slightly above the base case scenario of JBC forecast (by 4% on average). This is reasonable and it is in line with JBC expectations of recovering market refining margin in 2023. In 2022, the Refinery margins increased to record levels due to very strong oil products cracks coming from tight supply and increasing mobility in European countries and due to the Urals-Dated Brent differential collapsed to historical low level.

Brent quotation used in KMG's business plan is between the base and high case scenario of JBC forecast.

Additional margin is generated by Petromidia refinery as: 1. Crude oil is acquired at URAL quotation minus a discount. 2. An additional premium to Platts quotation is included in the selling price.

For the last two factors the sensitivity analysis is presented below:

The main assumptions incorporated within the Operating profit margin are the following: Refinery Margin, demand and contribution on retail segments.

In 2022, the Group updated its medium-term development strategy to reflect the trend of increasing demand for refined products during the 2023-2027 interval, following the rebound from the Covid-19 pandemic as well as emerging refining constraints. This is reflected in a widening gap between crude and product pricing, forming an upward trend for product pricing, which is strongly influenced by lower outflows of Russian products, in the context of the current undergoing war in Ukraine and its subsequent consequences.

The market refining margin short-term forecast for 2023-2024 is aligned with the forecast scenarios from leading independent market research agencies, Kepler Energy, Platts Pira, and Wood Mackenzie. We assume that there will be an improvement in key white products' market crack spreads performance during this period. It is expected the relative strength of key white products' market crack spreads to persist in the medium term from 2025, mainly influenced by the impact of the EU embargo on Russian crude and products, as well as European refining capacity consolidation by that time.

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

6. IMPAIRMENT TEST (continued)

Fuel transportation demand is expected to have return to pre-pandemic levels by 2023 and to continue growing at an annual average rate of approximately 1% year-on-year, starting in 2024.

Unit contribution fuel margins outlook for 2023 onwards has been aligned with the historical multi-annual level performance, taking into account increased market-driven bio-fuel incorporation costs, and at a more conservative level compared to the 2020-2022 year-level for the entire 2023 - 2027 interval.

It became a constant preoccupation for KMGI Group that it has to adapt its strategy to the rising climate change concern and energy transition effects. Global focus on climate change has created a risk environment very dynamic and volatile as a result of actions of various actors at global, local or business level. As a result of changing behavior of our clients to reduce emissions it might expect a decline in demand and a negative impact in fossil fuels prices with a potential negative effect on earnings or future investment. Physical effects of climate change might also affect operations.

Pressure of regulators both on climate and sustainability side has added on the need of urgent actions therefore a **Decarbonization Strategy** with clear directions has been developed in which we are seeking to find economically viable solutions to reduce emissions. A climate risk framework including policies and regulations, as well as inclusion of sustainability aspects in current risk management system are directions which KMGI Group wants to strengthen in the future.

A sensitivity analysis was performed of Refinery's FVLCOD (Fair value less cost of disposal) in order to ascertain the critical (most sensitive) drivers which influence the value. As a result of this it was considered an increase / decrease for each key value driver as presented in the table below:

Key drivers	Scenario	Key drivers variance (%)	Key drivers value (%)	FVLCOD (k USD)	FVLCOD variation (%)
Quantity sold	**Base case**	**0%**	**100.0%**	**1,299,203**	
	Worst case	(5)%	95%	991,560	(23.7)%
	Best case	2%	102%	1,422,260	9.5%
Cracks level	**Base case**	**0%**	**100.0%**	**1,299,203**	
	Worst case	(5)%	95.0%	1,002,595	(22.8)%
	Best case	3%	103.0%	1,477,171	13.7%
General expenses	**Base case**	**0%**	**100.0%**	**1,299,203**	
	Worst case	5%	105.0%	1,187,459	(8.6)%
	Best case	(5)%	95.0%	1,410,946	8.6%
Investments	**Base case**	**0%**	**100.0%**	**1,299,203**	
	Worst case	25%	125.0%	1,144,215	(11.9)%
	Best case	(20)%	80.0%	1,423,193	9.5%
Cost of capital	**Base case**	**0%**	**12.1%**	**1,299,203**	
	Worst case	1%	13.1%	1,178,373	(9.3)%
	Best case	(1)%	11.1%	1,446,981	11.4%
Perpetuity growth rate	**Base case**	**0%**	**2.1%**	**1,299,203**	
	Worst case	(4)%	(2.0)%	1,006,287	(22.5)%
	Best case	1%	3.1%	1,411,130	8.6%

To reflect the impact of decarbonization in the impairment test is included the worst-case scenario (potential higher impact due to decarbonization), it is considered a higher increase / decrease of the main factors which impact the FVLCOD for Refinery: quantities, cracks, investments and perpetuity growth rate. However, no impairment risk for the analyzed CGU was identified.

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

6. IMPAIRMENT TEST (continued)

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

		2022	2023	2024	2025	2026	2027
		%	%	%	%	%	%
Rompetrol Refinery	2022	-	1.9	3.3	4.3	3.4	2.2
	2021	(0.2)	1.6	2.5	3.7	3.6	-
Petrochemicals	2022	-	0.04	2	3.5	3.9	4.8
	2021	1.2	2.7	1.6	2.8	3.5	-
Downstream Romania	2022	-	1.9	2.2	2.4	2.6	2.7
	2021	1.6	2.1	2.1	2.1	2.2	-

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

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

Sensitivity to changes in assumptions

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

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	2027
		%	%	%	%	%	%
Operating profit margin	2022	-	1.1	1.9	2.4	1.9	1.3
	2021	(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	2027
		%	%	%	%	%	%
Operating profit margin	2022	-	0.01	0.5	0.9	1	1.2
	2021	1.0	2.3	1.3	2.4	3	-

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

6. IMPAIRMENT TEST (continued)

Downstream Romania

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

		2022	2023	2024	2025	2026	2027
		%	%	%	%	%	%
Operating profit margin	2022	-	1.4	1.6	1.7	1.9	1.9
	2021	2.3	2.8	2.6	2.6	2.6	-

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

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

Change in discounts rates		**Refinery CGU**	**Refinery Petrochemicals CGU**	**Downstream Romania CGU**
		%	%	%
Change in fair value change at 1% increase in discount rate	2022	(9.3)	(10.9)	(10.1)
	2021	(10.4)	(12.4)	(12.4)
Change in fair value change at 1% decrease in discount rate	2022	11.4	13.4	12.3
	2021	13.2	15.1	15.5

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

Change in growth rate		**Refinery CGU**	**Refinery Petrochemicals CGU**	**Downstream Romania CGU**
		%	%	%
Change in fair value change at 1% increase in perpetuity growth rate	2022	8.6	6.6	7.7
	2021	5.4	6	1
Change in fair value change at 1% decrease in perpetuity growth rate	2022	(18.8)	(5.4)	(6.3)
	2021	(4.4)	(4.8)	(9.7)

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

7. RIGHT OF USE ASSETS

Amounts in USD

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2021	**84,953,488**	**376,141**	**1,458,595**	**86,788,224**
Additions	40,252,939	-	333,810	40,586,749
Disposals	(2,120)	-	(46,421)	(48,541)
Reclassifications and other transfers	41,239	-	(40,544)	696
Re-measurement	157,127	25,153	37,612	219,892
As of December 31, 2021	**125,402,673**	**401,294**	**1,743,053**	**127,547,020**
Additions	22,472,286	-	192,457	22,664,743
Disposals	-	-	(61,853)	(61,853)
Reclassifications and other transfers	-	-	(2,894)	(2,894)
Re-measurement	420,812	190,574	-	611,386
As of December 31, 2022	**148,295,772**	**591,867**	**1,870,763**	**150,758,402**
Depreciation and Impairment:				
As of January 1, 2021	**(9,700,033)**	**(208,041)**	**(336,561)**	**(10,244,635)**
Depreciation	(7,092,151)	(123,872)	(508,960)	(7,724,983)
Accumulated depreciation of disposals	2,120	-	24,925	27,045
Reclassifications and other transfers	(8,257)	-	8,778	521
As of December 31, 2021	**(16,798,321)**	**(331,913)**	**(811,818)**	**(17,942,052)**
Depreciation	(7,520,619)	(122,413)	(468,395)	(8,111,427)
Accumulated depreciation of disposals	102	-	61,853	61,954
Reclassifications and other transfers	(535)	-	2,895	2,360
As of December 31, 2022	**(24,319,374)**	**(454,326)**	**(1,215,465)**	**(25,989,165)**
Net Book value at December 31, 2021	**108,604,352**	**69,381**	**931,235**	**109,604,968**
Net Book value at December 31, 2022	**123,976,398**	**137,541**	**655,298**	**124,769,238**

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

7. RIGHT OF USE ASSETS (continued)

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

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2021	**393,725,435**	**1,743,263**	**6,760,004**	**402,228,703**
Additions	186,556,272	-	1,547,077	188,103,350
Disposals	(9,825)	-	(215,141)	(224,966)
Reclassifications and other transfers	191,128	-	(187,904)	3,224
Re-measurement	728,221	116,572	174,318	1,019,111
As of December 31, 2021	**581,191,232**	**1,859,835**	**8,078,354**	**591,129,422**
Additions	104,150,058	-	891,962	105,042,020
Disposals	-	-	(286,663)	(286,663)
Reclassifications and other transfers	-	-	(13,415)	(13,415)
Re-measurement	1,950,296	883,233	-	2,833,530
As of December 31, 2022	**687,291,586**	**2,743,069**	**8,670,239**	**698,704,894**
Depreciation and Impairment:	-	-	-	-
As of January 1, 2021	**(44,955,773)**	**(964,187)**	**(1,559,826)**	**(47,479,785)**
Depreciation	(32,869,284)	(574,097)	(2,358,824)	(35,802,205)
Accumulated depreciation of disposals	9,825	-	115,517	125,342
Reclassifications and other transfers	(38,266)	-	40,681	2,415
As of December 31, 2021	**(77,853,498)**	**(1,538,284)**	**(3,762,451)**	**(83,154,233)**
Depreciation	(34,855,064)	(567,336)	(2,170,822)	(37,593,222)
Accumulated depreciation of disposals	471	-	286,663	287,134
Reclassifications and other transfers	(2,480)	-	13,418	10,938
As of December 31, 2022	**(112,710,572)**	**(2,105,620)**	**(5,633,193)**	**(120,449,384)**
Net Book value at December 31, 2021	**503,337,734**	**321,551**	**4,315,903**	**507,975,188**
Net Book value at December 31, 2022	**574,581,015**	**637,449**	**3,037,046**	**578,255,509**

The additions during the year represent mainly contracts concluded by Rompetrol Downstream for the rental of gas stations from Rompetrol Development, USD 22 million (2021: USD 40 million).

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

Land, buildings and special construction category includes mainly:

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

USD	**Net book value at December 31, 2022**	**Net book value at December 31, 2021**
Rent agreements for gas stations	111,048,874	94,290,441
Rental of administrative buildings	280,678	615,320
Rent for usage of maritime port	12,196,669	12,731,229
Depots rent	450,178	967,362
Total	**123,976,398**	**108,604,352**

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

7. RIGHT OF USE ASSETS (continued)

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

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

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

During 2022, Rompetrol Downstream rented from KMG Rompetrol Development 8 stations newly opened having a right of use asset of USD 21.7 million, out of which 1 station was built on the A1 highway. At the end of 2022, another 9 stations are under construction or finalized with estimated opening date beginning of 2023.

The A1 highway new stations are developed on a new concept which ensures a natural development of the “hei” brand, by turning it into an umbrella brand and by creating three distinctive service lines - hei&gourmet for the assisted service for the restaurant food type, hei&go for the shop products and hei&coffee for coffee, pastry and sandwiches. Through this service lines, the portfolio of the offered products and services will be extended and diversified with new dishes.

In the next period 12 new stations situated on A1 highway, will be rented by Rompetrol Downstream from KMG Rompetrol Development once construction will be finalized; plans are to continue the development of the Romanian gas stations network by another 32 during 2023-2025.

8. INVESTMENTS

Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at 31 December 2022 and 31 December 2021 are as follows:

Company name	Country of incorporation	Range of activity	Effective ownership 31 December 2022 %	Control 31 December 2022 %	Effective ownership 31 December 2021 %	Control 31 December 2021 %
Rompetrol Downstream SRL	Romania	Retail Trade of Fuels and Lubricants	100	100	100	100
Rom Oil SA	Romania	Wholesale of Fuels; fuel storage	100	100	100	100
Rompetrol Logistics SRL	Romania	Logistics operations	66.19	100	66.19	100
Rompetrol Petrochemicals SRL	Romania	Petrochemicals	100	100	100	100
Rompetrol Quality Control SRL	Romania	Quality Control Services	100	100	100	100
Rompetrol Gas SRL	Romania	LPG Sales	66.19	100	66.19	100

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

- *Disposals through sales of subsidiaries and liquidations*

During 2022 and 2021, there was no disposal of companies.

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

9. INVENTORIES, NET

The inventories balance in 2022 and 2021 is provided below:

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Crude oil and other feedstock materials (at lower of cost and net realisable value)	150,187,088	130,548,331	696,057,078	605,039,297
Petroleum and petrochemical products (at lower of cost and net realisable value)	120,884,520	137,131,456	560,251,397	635,549,444
Work in progress (at cost)	32,881,936	34,001,462	152,394,620	157,583,177
Spare parts (at cost less inventories write-down)	4,713,148	4,321,124	21,843,554	20,026,682
Consumables and other raw materials (at cost less inventories write-down)	5,320,012	4,732,824	24,656,126	21,934,748
Merchandises (at cost less inventories write-down)	17,512,960	15,443,052	81,165,564	71,572,371
Other inventories (at cost less inventories write-down)	2,370,394	3,025,755	10,985,828	14,023,163
	333,870,058	**329,204,005**	**1,547,354,168**	**1,525,728,881**

Movements in inventories reserve:

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Reserve as of January 1	**(26,934,093)**	**(21,848,928)**	**(124,828,747)**	**(101,261,042)**
Accrued provision	(39,447,604)	(10,903,582)	(182,823,866)	(50,533,741)
Write off	-	1,427,889	-	6,617,695
Reversal of provision	27,715,807	4,390,528	128,451,680	20,348,341
Reserve as of December 31	**(38,665,890)**	**(26,934,093)**	**(179,200,933)**	**(124,828,747)**

The inventories provisions mainly represent the provision for net realizable value (USD 11.3 million) in relation to refineries and petrochemical plant inventories (such as petroleum and petrochemicals products from production and trading, raw materials).

The Group has pledged inventories in gross amount of USD 273 million (2021: USD 282 million) to secure banking facilities.

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

10. TRADE AND OTHER RECEIVABLES

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

	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Trade receivables	245,406,406	219,302,251	1,137,360,527	1,016,378,215
Advances to suppliers	24,948,120	46,632,884	115,624,556	216,124,765
Sundry debtors	74,226,928	93,054,030	344,012,119	431,268,207
VAT to be recovered	101,922	29,386	472,366	136,191
Cash pooling receivables	267,473,915	341,818,192	1,239,634,607	1,584,190,594
Fuel subsidy	39,501,703	-	183,074,591	-
Other receivables	26,862,483	30,057,459	124,496,861	139,304,298
Provision for expected credit losses related to trade receivables	(36,144,539)	(40,343,673)	(167,515,481)	(186,976,787)
	642,376,936	**690,550,529**	**2,977,160,147**	**3,200,425,481**

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

Fuel subsidy in amount of USD 39.5 million is in relation to 0.25 RON fuel subvention according to Government Emergency Ordinance OUG 106; the subsidy is to be offset with Rompetrol Downstream tax liabilities. The income from subsidy is presented within profit and loss Note 20 under commercial discounts from petroleum products trading.

Included in Sundry debtors in 2022 is an amount of USD 5.4 million (2021: USD 5.8 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2011 - 2015 period; the amount is fully provided as at December 31, 2022. The fiscal provision recognized in 2022 is in amount of USD 2.5 million, and the opening balance of USD 2.9 million was reclassified between "Provision for sundry debtors and other receivables" to "Fiscal provision" under "Other provisions" category, the amounts provided being in relation with a tax inspection for which a legal challenge is ongoing (see Note 30).

Another amount included in Sundry debtors refers to USD 5.04 million in respect of Omniasig Vienna Insurance for insurance claim following the 2nd of July 2021 incident, and an additional USD 0.8 million (2021: USD 1.94 million) for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) - 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 (USD 4.4 million), out of which the principal is RON 11.2 million (USD 2.4 million) and the penalties and accessories are RON 9.2 million (USD 2 million) (calculated until the date of the report).

The company challenged the said decision and in July 2021 the Supreme Court ruled in favour of the Company and found the City-hall liable to pay back to the Company the amount of RON 13.7 million.

Rompetrol Rafinare SA already enforced part of the sum by various set-off operations with Navodari City Hall in amount of RON 10 million (USD 2.2 million) from a total of RON 13.7 million (USD 3 million).

Also, included in Sundry debtors category is an amount of USD 62.2 million (2021: USD 65.7 million) relating to Rompetrol Petrochemicals SRL receivables against KMG International N.V. ("KMGI") as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts (see Note 12). Following the contract agreement in place Rompetrol Petrochemicals SRL charges interest for late payment from KMGI. As of 31 December 2022, the interest receivable is in amount of USD 0.6 million, during 2022 the interest accrued and received was in amount of USD 5.5 million.

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

10. TRADE AND OTHER RECEIVABLES (continued)

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). On October 30, 2012, the Supreme Court confirmed this resolution. In June 2020 the court admitted the Company' claim (the countervalue of the said 2.5 million CO2 certificates in amount of EUR 36 million). During December 2020 – May 2022 the Romanian Government and Ministry of Environment paid the entire amount as follows USD 7.5 million in 2020, USD 11 million in 2021 and USD 17.4 million in 2022.

In 2022, out of the total amount of USD 24.9 million (2021: 46.6 million) representing advances to suppliers, USD 20.5 million (2021: 40 million) are in respect of other raw materials, investment projects, and CO2 certificates acquisition in Rompetrol Rafinare and USD 2.1 million (2021: 3.7 million) are in respect of investment projects related to the construction of new stations, rebranding process and petroleum product in Rompetrol Downstream and USD 0.2 million in Rompetrol Gas.

Cash pooling receivables refers to : Rompetrol Downstream USD 84.7 million (2021: USD 180.9 million), Rompetrol Rafinare USD 84.8 million (2021: USD 65.8 million), Rompetrol Gas USD 74.5 million (2021: USD 79.8 million), Rompetrol Quality Control USD 3.1 million (2021: USD 0.8 million), Rompetrol Logistics USD 6.4 million (2021: USD 6.4 million) and Rompetrol Petrochemicals USD 14 million (2021: USD 8 million).

Also, in other receivables an amount of USD 14.3 million (2021: USD 14.7 million) refers to excise receivables in Rompetrol Rafinare.

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Sundry debtors	74,226,928	93,054,030	344,012,119	431,268,207
Other receivables	26,862,483	30,057,459	124,496,861	139,304,298
Provision for sundry debtors and other receivables	(2,317,828)	(5,259,516)	(10,742,206)	(24,375,745)

Out of the total amount of other receivables and sundry debtors of USD 101.1 million (2021: USD 123.1 million) an amount of USD 2.3 million (2021: USD 5.3 million) is provisioned.

No additional provision was considered in respect of Rompetrol Petrochemicals SRL receivables against KMGI as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts.

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

Movements in receivables reserve:	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Balance at the beginning of the year	**(40,343,673)**	**(47,192,128)**	**(186,976,787)**	**(218,716,636)**
Charge for the year	(2,399,026)	(467,049)	(11,118,524)	(2,164,584)
Utilised	1,387,519	2,598,573	6,430,598	12,043,346
Unused amounts reversed	33,621	562,610	155,820	2,607,470
Reclassification between categories trade receivables and other receivables	2,946,175	-	13,654,343	-
Exchange rate differences	2,230,844	4,154,321	10,339,069	19,253,617
Balance at the end of the year	**(36,144,539)**	**(40,343,673)**	**(167,515,481)**	**(186,976,787)**

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

10. TRADE AND OTHER RECEIVABLES (continued)

2022 USD		**Trade receivables**					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.55%**	**0.97%**	**4.05%**	**7.97%**	**27.70%**	**98.28%**	
Estimated total gross carrying amount at default	171,183,588	28,205,735	9,160,383	4,189,171	288,952	32,378,576	**245,406,405**
Expected credit loss	946,445	273,620	370,566	333,783	80,030	31,822,267	**33,826,711**

2022 RON		**Trade receivables**					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.55%**	**0.97%**	**4.05%**	**7.97%**	**27.70%**	**98.28%**	
Estimated total gross carrying amount at default	793,367,459	130,722,299	42,454,710	19,415,134	1,339,177	150,061,748	**1,137,360,527**
Expected credit loss	4,386,395	1,268,117	1,717,425	1,546,952	370,908	147,483,479	**156,773,276**

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

2021 RON		**Trade receivables**					
		Days past due					
	Current	**<30 days**	**30 - 60 days**	**61 - 90 days**	**90 - 120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.21%**	**0.17%**	**7.93%**	**34.50%**	**1.05%**	**94.87%**	
Estimated total gross carrying amount at default	748,313,798	85,474,891	1,363,590	390,809	11,635,447	169,199,679	**1,016,378,215**
Expected credit loss	1,565,486	143,792	108,131	134,826	121,680	160,527,115	**162,601,031**

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

10. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2022, trade receivables at initial value of USD 33.8 million (2021: USD 35.1 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

	Individually impaired USD	Collectively impaired USD	Total USD
At 1 January 2021	**34,496,895**	**7,040,409**	**41,537,304**
Charge for the year	233,302	350,811	584,114
Utilised	(2,145,800)	(452,773)	(2,598,573)
Unused amounts reversed	(49,495)	(629,216)	(678,711)
Reclassification between categories trade receivables and other receivables	-	(100,215)	(100,215)
Exchange rate differences	(2,567,505)	(1,092,255)	(3,659,760)
At 31 December 2021	**29,967,398**	**5,116,761**	**35,084,159**
Charge for the year	867,445	1,208,551	2,075,996
Utilised	(1,387,519)	-	(1,387,519)
Unused amounts reversed	3,451	(37,212)	(33,762)
Exchange rate differences	(1,337,211)	(574,952)	(1,912,163)
At 31 December 2022	**28,113,563**	**5,713,148**	**33,826,711**

(supplementary info – see Note 2(e))

	Individually impaired RON	Collectively impaired RON	Total RON
At 1 January 2021	**159,879,310**	**32,629,480**	**192,508,789**
Charge for the year	1,081,264	1,625,869	2,707,133
Utilised	(9,944,925)	(2,098,422)	(12,043,346)
Unused amounts reversed	(229,389)	(2,916,167)	(3,145,555)
Reclassification between categories trade receivables and other receivables	-	(464,456)	(464,456)
Exchange rate differences	(11,899,359)	(5,062,164)	(16,961,523)
At 31 December 2021	**138,886,901**	**23,714,141**	**162,601,042**
Charge for the year	4,020,261	5,601,152	9,621,412
Utilised	(6,430,598)	-	(6,430,598)
Unused amounts reversed	15,993	(172,465)	(156,472)
Exchange rate differences	(6,197,440)	(2,664,669)	(8,862,109)
At 31 December 2022	**130,295,118**	**26,478,158**	**156,773,276**

Trade receivables totaling USD 149 million as at 31 December 2022 and USD 144 million as at 31 December 2021 are pledged to obtain credit facilities (see Notes 12 and 18).

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

11. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Cash at bank	12,907,647	48,442,660	59,821,781	224,512,352
Cash on hand	3,919,676	1,573,582	18,166,129	7,292,925
Cash equivalents	145,892	75,018	676,153	347,680
	16,973,215	**50,091,261**	**78,664,063**	**232,152,957**

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

12. EQUITY

On 06 August 2021, parent company's shareholders approved the reduction of the share capital by RON 1,755 million (USD 582.2 million) from RON 4,411 million to RON 2,656 million by reducing the number of shares by 17,550,000,000 shares, respectively from 44,109,205,726 shares to 26,559,205,726 shares.

Shareholders' structure as at 31 December 2022 is as follows:

31 December 2022

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	1,277,857,773	423,929,605	1,964,744,148
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,825,182,563
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	264,226,238
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	2,034,899
Others (not State or KMG International Group)	0.67%	17,800,400	5,905,287	27,368,642
Total	**100%**	**2,655,920,573**	**881,102,250**	**4,083,556,489**

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

31 December 2021

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International NV	48.11%	1,277,857,773	423,929,605	1,964,744,148
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,825,182,563
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	264,226,238
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	2,034,899
Others (not State or KMG International Group)	0.67%	17,800,400	5,905,287	27,368,642
Total	**100%**	**2,655,920,573**	**881,102,250**	**4,083,556,489**

12. EQUITY (continued)

Share premium and effect of transfers with equity holders

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

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

Hybrid Loan

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

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

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

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

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

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

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

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

Revaluation reserve

As of 31 December 2021, the balance of the revaluation reserves is affected by revaluation surplus of USD 233.2 million due to voluntary change of accounting policy for property, plant and equipment. The above impact is partially offset by the transfer in retained earnings of the difference between depreciation based on revalued carrying amount and depreciation based on the initial cost of assets in the buildings category. The revaluation surplus included in the revaluation reserve is capitalized by the transfer in retained earnings as a result of the use of the asset or disposal. Thus, as of 31 December 2022, the revaluation surplus transferred to retained earnings was USD 49.8 million (2021: USD 11.5 million).

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

13. LONG-TERM BORROWINGS FROM BANKS

	2022 USD	2021 USD	2022 RON	2021 RON
			(supplementary info – see Note 2(e))	
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts.	-	96,109,744	-	445,430,218
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts.	-	95,668,569	-	443,385,549
Amount payable within one year principal	**-**	**(49,261)**	**-**	**(228,303)**
Total	**-**	**191,729,052**	**-**	**888,587,464**

	2022 USD	2021 USD	2022 RON	2021 RON
			(supplementary info – see Note 2(e))	
One year or less - principal	-	49,261	-	228,303
Between two and five years	-	191,729,052	-	888,587,464
Total	**-**	**191,778,312**	**-**	**888,815,767**

At the level of KMG International, loan covenants are tested every 6 months, at half-year and at year end. For 2022, the loan covenants are respected. For 2023, there are expected some changes in the loan structure for which discussions are in progress. There are not expected any non compliance on loan covenants even if these will be changed, based on the new structure of the loans.

The loans are secured with pledges on property plant and equipment of USD 399.6 million (2021: USD 407), inventories of USD 273 million (2021: USD 282 million) and trade receivables of USD 149 million (2021: USD 144 million).

The KMG International Group is currently in negotiation for refinancing of the syndicated working capital loan and increase it to a minimum UDS 500 million and maximum USD 600 million. Currently there are indicatives offers received for the maximum amount, the process for the committed offers is ongoing being planned to be finalized until the beginning of April when the signing is expected to take place.

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

14. OBLIGATIONS UNDER LEASE AGREEMENTS

	2022 USD	2021 USD	2022 RON	2021 RON
			(supplementary info – see Note 2(e))	
As at 1 January	**111,916,989**	**85,820,519**	**518,690,476**	**397,743,779**
Additions	22,665,080	40,411,215	105,043,582	187,289,818
Re-measurement	611,388	219,443	2,833,537	1,017,029
Payments	(12,355,932)	(14,777,795)	(57,264,803)	(68,489,167)
Interest accrued	8,092,995	7,991,671	37,507,793	37,038,200
Exchange rate impact	(5,923,772)	(7,748,098)	(27,454,311)	(35,909,334)
Other changes	-	33	-	152
As at 31 December	**125,006,748**	**111,916,989**	**579,356,274**	**518,690,476**
Non-current	120,283,737	108,237,081	557,467,008	501,635,574
Current	4,723,011	3,679,908	21,889,266	17,054,902

The following amounts were recognized in profit or loss:

	2022 USD	2021 USD	2022 RON	2021 RON
			(supplementary info – see Note 2(e))	
Depreciation expense of right-of-use assets	8,111,426	7,724,983	37,593,216	35,802,207
Interest expense on lease liabilities	8,092,995	7,991,671	37,507,793	37,038,200
Variable lease payments (included in selling and distribution)	6,736,557	6,183,461	31,221,247	28,657,866
Total amount recognized in profit and loss	**22,940,978**	**21,900,115**	**106,322,256**	**101,498,274**

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

	2022		2021	
USD	**Fixed payments**	**Variable payments**	**Fixed payments**	**Variable payments**
Fixed rent	12,355,932	-	14,777,795	-
Variable rent with minimum payment	-	6,736,557	-	6,183,461
Total	**12,355,932**	**6,736,557**	**14,777,795**	**6,183,461**

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

15. DEFERRED TAX ASSETS AND LIABILITIES

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

	December 31, 2022 USD	December 31, 2021 USD	December 31, 2022 RON	December 31, 2021 RON
			(supplementary info – see Note 2(e))	
Deferred tax liabilities	56,950,487	72,659,146	263,942,725	336,746,077
Deferred tax (asset) / liability, net	**56,950,487**	**72,659,146**	**263,942,725**	**336,746,077**

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

USD

2022	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	525,512,357	(22,850,573)	(49,780,671)	452,881,112
Inventories	82,619	-	-	82,619
Provisions	(71,523,893)	(25,547,875)	-	(97,071,769)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**454,119,656**	**(48,398,448)**	**(49,780,671)**	**355,940,538**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	84,081,977	(3,656,092)	(7,964,907)	72,460,978
Inventories	13,219	-	-	13,219
Provisions	(11,443,823)	(4,087,660)	-	(15,531,483)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**72,659,146**	**(7,743,752)**	**(7,964,907)**	**56,950,487**

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

2022	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	228,196	-	-	228,196
Property, plant and equipment	2,435,539,568	(105,903,265)	(230,713,499)	2,098,922,804
Inventories	382,905	-	-	382,905
Provisions	(331,484,636)	(118,404,182)	-	(449,888,818)
Other	(3,070)	-	-	(3,070)
Total temporary differences (asset)/liability	**2,104,662,962**	**(224,307,447)**	**(230,713,499)**	**1,649,642,016**
Deferred tax effect				
Intangible assets	36,511	-	-	36,511
Property, plant and equipment	389,686,334	(16,944,522)	(36,914,159)	335,827,652
Inventories	61,265	-	-	61,265
Provisions	(53,037,543)	(18,944,669)	-	(71,982,212)
Other	(491)	-	-	(491)
Deferred tax (asset)/liability recognized	**336,746,077**	**(35,889,192)**	**(36,914,159)**	**263,942,725**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

USD

Deferred tax (asset) / liability recognized	**Opening balance**	**Charged / (Credited) to income**	**Charged / (Credited) to equity**	**Closing balance**
Rompetrol Rafinare SA	57,959,242	(7,743,752)	(6,096,450)	44,119,040
Rompetrol Downstream S.R.L.	5,864,697	-	(1,145,532)	4,719,165
Rom Oil S.A.	6,438,525	-	(457,113)	5,981,412
Rompetrol Gas S.R.L.	886,448	-	(147,035)	739,413
Rompetrol Logistics S.R.L.	1,405,303	-	(52,942)	1,352,361
Rompetrol Quality Control SRL	104,930	-	(65,835)	39,094
Deferred tax (asset)/liability recognized	**72,659,146**	**(7,743,752)**	**(7,964,907)**	**56,950,487**

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

Deferred tax (asset) / liability recognized	**Opening balance**	**Charged / (Credited) to income**	**Charged / (Credited) to equity**	**Closing balance**
Rompetrol Rafinare SA	268,617,902	(35,889,192)	(28,254,605)	204,474,104
Rompetrol Downstream S.R.L.	27,180,527	-	(5,309,083)	21,871,444
Rom Oil S.A.	29,839,989	-	(2,118,537)	27,721,452
Rompetrol Gas S.R.L.	4,108,334	-	(681,449)	3,426,885
Rompetrol Logistics S.R.L.	6,513,017	-	(245,364)	6,267,653
Rompetrol Quality Control SRL	486,308	-	(305,121)	181,187
Deferred tax (asset)/liability recognized	**336,746,077**	**(35,889,192)**	**(36,914,159)**	**263,942,725**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

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

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

2021	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	228,196	-	-	228,196
Property, plant and equipment	1,405,997,535	1,625,104	1,027,916,929	2,435,539,568
Inventories	382,905	-	-	382,905
Provisions	(274,384,826)	(57,099,810)	-	(331,484,636)
Tax losses	(1,006,512,762)	1,006,512,762	-	-
Other	(3,070)	-	-	(3,070)
Total temporary differences (asset)/liability	**125,707,977**	**951,038,056**	**1,027,916,929**	**2,104,662,962**
Deferred tax effect				
Intangible assets	36,511	-	-	36,511
Property, plant and equipment	224,959,609	260,017	164,466,708	389,686,334
Inventories	61,265	-	-	61,265
Provisions	(43,901,573)	(9,135,970)	-	(53,037,543)
Tax losses	(161,042,043)	161,042,043	-	-
Other	(491)	-	-	(491)
Deferred tax (asset)/liability recognized	**20,113,279**	**152,166,090**	**164,466,708**	**336,746,077**

As of 31 December 2022, the Group recognized deferred tax asset for the provision related to Vega Environmental project. The reassessment of the provision as of 31 December 2022 (Note 19), lead to an increase of USD 4 million (2021: USD 1.97 million) in the related deferred tax asset.

The ability of the Group to obtain recovery of its deferred tax asset depends on the entities ability, where tax losses have arisen to generate sufficient taxable income to cover the applicable tax losses available.

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

Based on the assessment performed, a reversal of deferred tax asset in amount of USD 34.7 million (RON 161 million) recognized in relation to fiscal losses carried forward.

The Group has USD 160.33 million (2021: USD 387.56 million) of tax losses carried forward, for which no deferred tax asset was recognized as of 31 December 2022 (2021: nil). Based on the available evidence, on the volatility of the market in which the Group operates and the current climate change, Group Management believes that a valuation allowance for deferred tax assets is not necessary, because it is more likely that the deferred tax assets will be fully utilized against future taxable profits.

As of 31 December 2022, the Group has made an assessment of unrecognized deferred tax assets and such items are related to deductible temporary differences generated by retirement benefits and inventories allowance (NRV assessment) amounting USD 8.1 million (2021: 6.3 million).

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

Deferred tax assets and liabilities cannot be offset between the companies from Romania.

16. TRADE AND OTHER PAYABLES

	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Trade payables	770,724,269	1,022,468,222	3,571,998,690	4,738,731,220
Excise taxes	417	1,319	1,931	6,114
Special fund tax for oil products	5,946,758	6,305,873	27,560,843	29,225,197
VAT payable	80,795,835	93,392,700	374,456,375	432,837,806
Other taxes payable	19,160	(67,710)	88,799	(313,810)
Employees and social obligations	15,125,388	6,604,702	70,100,125	30,610,151
Cash pooling payables	410,008,202	408,124,986	1,900,224,013	1,891,496,059
Other liabilities	12,690,541	6,223,202	58,815,580	28,842,052
Total	**1,295,310,569**	**1,543,053,293**	**6,003,246,356**	**7,151,434,789**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL (“Master Company”). The amounts in balance as of 31 December 2022 are for the following companies: Rompetrol Rafinare S.A. USD 365.4 million (2021: USD 342.6 million), Romoil USD 13.4 million (2021: USD 14.4 million) and Rompetrol Gas USD 31.2 million (2021: USD 51.1 million).

Also in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 5.51 million (2021: USD 4.78 million).

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

17. CONTRACT LIABILITIES

	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Short-term advances from wholesale customers	22,051,856	16,996,514	102,201,531	78,772,043
Short-term advances from other customers	12,705,053	21,509,334	58,882,838	99,687,160
Deferred revenues	7,157,244	6,374,404	33,170,963	29,542,812
Total short-term advances	**41,914,153**	**44,880,252**	**194,255,332**	**208,002,015**

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

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

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

18. SHORT-TERM BORROWINGS FROM BANKS

	2022 USD	2021 USD	2022 RON	2021 RON
			(supplementary info – see Note 2(e))	
Banca Transilvania Rompetrol Rafinare S.A.: Two revolving credit ceiling on short term credit facility, one up to EUR 30 million and the second up to EUR 27.96 million, for issue of letters of credit and letters of guarantee. Maturity date is July 29, 2023. Drawings in USD/EUR/RON.	36,181,181	42,372,534	167,685,299	196,379,743
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts.	25,000,000	-	115,865,000	-
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts.	25,000,000	-	115,865,000	-
Accrued interest	29,737	-	137,821	-
Current portion of long-term debt	**-**	**49,261**	**-**	**228,303**
Total	**86,210,918**	**42,421,794**	**399,553,119**	**196,608,047**

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

At the level of KMG International NV, loan covenants are tested every 6 months, at half-year and at year end. For 2022, the loan covenants are respected. For 2023, there are expected some changes in the loan structure for which discussions are in progress. There are not expected any non compliance on loan covenants even if these will be changed, based on the new structure of the loans.

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 399.6 million (2021: USD 407), inventories of USD 273 million (2021: USD 282 million) and trade receivables of USD: 149 million (2021: USD 144 million).

The movement in loans is presented below:

USD	**At 1 January 2022**	**Drawings**	**Repayment**	**Interest accrual**	**Reclassification between LT and ST**	**Exchange rate impact**	**At 31 December 2022**
Long-term borrowings from banks	191,729,052	48,270,948	-	-	(240,000,000)	-	-
Short-term borrowings from banks	42,372,534	280,123,646	(475,609,147)	-	240,000,000	(705,851)	86,181,181
Interest Short-term borrowings from banks	49,261	-	(11,211,633)	11,192,110	-	-	29,737
Total	**234,150,846**	**328,394,594**	**(486,820,781)**	**11,192,110**	**-**	**(705,851)**	**86,210,918**

RON (supplementary info – see Note 2(e))	**At 1 January 2022**	**Drawings**	**Repayment**	**Interest accrual**	**Reclassification between LT and ST**	**Exchange rate impact**	**At 31 December 2022**
Long-term borrowings from banks	888,587,464	223,716,537	-	-	(1,112,304,001)	-	-
Short-term borrowings from banks	196,379,743	1,298,261,048	(2,204,258,154)	-	1,112,304,001	(3,271,338)	399,415,301
Interest Short-term borrowings from banks	228,303	-	(51,961,436)	51,870,951	-	-	137,819
Total	**1,085,195,510**	**1,521,977,586**	**(2,256,219,591)**	**51,870,951**	**-**	**(3,271,338)**	**399,553,119**

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

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

RON (supplementary info – see Note 2(e))	At 1 January 2021	Drawings	Repayment	Interest accrual	Exchange rate impact	At 31 December 2021
Long-term borrowings from banks	1,112,304,000	-	(223,716,536)	-	-	888,587,464
Short-term borrowings from banks	244,803,989	102,484,300	(146,228,944)	-	(4,679,601)	196,379,743
Short term borrowings from related parties	49,384,954	-	(49,384,954)	-	-	-
Interest Long-term borrowings banks	-	-	(36,764,539)	36,764,539	-	-
Interest Short term borrowings from related parties	7,816,049	-	(7,993,336)	177,287	-	-
Interest Short-term borrowings from banks	593,831	-	(31,208,563)	30,843,035	-	228,303
Total	**1,414,902,823**	**102,484,300**	**(495,296,873)**	**67,784,862**	**(4,679,601)**	**1,085,195,510**

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

19. PROVISIONS

Provisions comprise the following:

	2022 USD	2021 USD	2022 RON (supplementary info – see Note 2(e))	2021 RON
Non-current provisions	115,340,643	84,606,213	534,557,744	392,115,954
Total Provisions	**115,340,643**	**84,606,213**	**534,557,744**	**392,115,954**

The movement in provisions is presented below:

USD	**At 1 January 2022**	**Charged to equity**	**Arising during the year**	**Utilised**	**Unwinding of discount**	**Reclassification between balance sheet items**	**At 31 December 2022**
Provision for retirement benefit	12,568,630	(1,659,340)	1,720,667	(646,239)	-	-	11,983,718
Environmental provisions	71,594,097	-	37,530,618	(10,880,185)	(1,102,558)	-	97,141,972
Other provisions	443,486	-	2,825,292	-	-	2,946,175	6,214,953
Total	**84,606,213**	**(1,659,340)**	**42,076,578**	**(11,526,425)**	**(1,102,558)**	**2,946,175**	**115,340,643**

RON (supplementary info – see Note 2(e))	**At 1 January 2022**	**Charged to equity**	**Arising during the year**	**Utilised**	**Unwinding of discount**	**Reclassification between balance sheet items**	**At 31 December 2022**
Provision for retirement benefit	58,250,572	(7,690,379)	7,974,605	(2,995,061)	-	-	55,539,737
Environmental provisions	331,810,001	-	173,939,403	(50,425,306)	(5,109,915)	-	450,214,183
Other provisions	2,055,380	-	13,094,100	-	-	13,654,343	28,803,823
Total	**392,115,954**	**(7,690,379)**	**195,008,109**	**(53,420,367)**	**(5,109,915)**	**13,654,343**	**534,557,744**

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

19. PROVISIONS (continued)

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

RON (supplementary info – see Note 2(e))	At 1 January 2021	Charged to equity	Arising during the year	Utilised	Unwinding of discount	At 31 December 2021
Provision for retirement benefit	85,099,329	(31,113,474)	10,685,178	(6,420,461)	-	58,250,572
Environmental provisions	280,520,826	-	94,002,867	(20,009,626)	(22,704,066)	331,810,001
Other provisions	2,055,380	-	-	-	-	2,055,380
Total	**367,675,535**	**(31,113,474)**	**104,688,045**	**(26,430,087)**	**(22,704,066)**	**392,115,954**

Environmental provision

Vega lagoons

As of 31 December 2022, the Group recognized an environmental provision of USD 92.11 million (2021: USD 66.56 million) based on reassessment of the site restoration provision. Reassessment was performed considering the following change in assumptions as compared with previous period:

- obligation to set up the closure and post-closure monitoring fund of the hazardous waste landfill, obligation established in the Company responsibility by the competent environmental authority through revised Environmental Integrated Permit issued for Vega refinery; the amount of the previously mentioned fund will be set up based on the closing project, developed pursuant to OG no. 2/2021, by an accredited environmental studies developer, document that will be approved by the Environment Fund Administration
- updated prices for rehabilitation works related to lagoons 19 - 20, 7 - 12, 13 - 15 and remaining works for the rehabilitation of lagoons 16. The updated prices use as reference basis the prices included in the agreements concluded for the rehabilitation of lagoons already cleaned, the prices increased as a result of the offers received, formulated considering the evolution of prices for additives and fuel, also the increase of the minimum gross salary, rehabilitation works performed during the year
- updated variable indicators over the project timeline (i.e. exchange rate, discount rate, inflation rate) as following: exchange rate changed from 4.3707 RON/USD to 4.6346 RON/USD, increased discount rate from 6.5% used for the provision assessment as of 31 December 2021 to 7.17% as of 31 December 2022 and updated inflation rate prevision as per Romanian National Institute of Statistics
- extended timeline for the rehabilitation plan until 30 June 2025, which is under advance discussions with the environmental authorities

19. PROVISIONS (continued)

The results of the reassessment lead to a net increase of provision by USD 25.55 million (2021: USD 6.1 million increase), being mainly generated by the additional costs of USD 37.53 million, impacted the unwinding of discount effect of USD 1.1 million (2021: USD 4.9 million) and the costs incurred of USD 10.8 million (2021: USD 4.3 million) related to the works performed during the 2022.

The Company analysed all the implication of the ongoing claim regarding lagoon 18 cleaning as described in Note 31 and determined that there is no impact on the assumptions considered for the provision computation as described above.

Vadu cassettes

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

During 2021, a detailed investigation report was provided to the environmental authorities. The feasibility study was also contracted and completed, the next steps for remedial actions will be communicated by the competent authority. Based on the feasibility study and correspondence with environmental authorities, Management concluded that the parent company has a constructive obligation for the rehabilitation of the cassettes, thus an assessment of the obligation was performed as of 31 December 2021. In this respect, a provision of USD 4.9 million was recorded as of 31 December 2021. As at 31 December 2022, considering the information available and discussions with environmental authorities, Management assessed the provision recorded as of 31 December 2021 as being appropriate.

Retirement benefit provision

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

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 8.8% (2021: 5.20%) for Romanian subsidiaries with an expected rate of long-term salary increase 4.4% (2021: 2.90%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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

19. PROVISIONS (continued)

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

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Interest on obligation	601,408	465,684	2,787,287	2,158,261
Service cost	1,119,259	1,839,839	5,187,318	8,526,917
Costs related to benefits granted	(646,239)	(1,385,332)	(2,995,061)	(6,420,461)
Total	**1,074,428**	**920,191**	**4,979,544**	**4,264,717**

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

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
Opening balance	**12,568,630**	**18,361,742**	**58,250,572**	**85,099,329**
Amounts recognized in income statement	1,074,428	920,191	4,979,544	4,264,717
Actuarial losses / (gains) recorded in the year (amounts recognized in "Other comprehensive income")	(1,659,340)	(6,713,303)	(7,690,379)	(31,113,474)
Closing balance	**11,983,718**	**12,568,630**	**55,539,737**	**58,250,572**

Actuarial gains refers to change in assumption in amount of USD 1.6 million (using a discount rate of 8.8%, with an expected rate of long-term salary increase of 4.4%), the charge for the year is included in the salaries expenses in the income statement for 2022, amounting to USD 1 million.

It is estimated that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2023.

19. PROVISIONS (continued)

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

The other variables (exchange rate, mortality rate and turnover) had no significant impact in 2022.

	Impact on defined benefit obligation	
	2022	**2021**
	USD million	**USD million**
Discount rate assumptions:		
1% increase	(1.01)	(1.27)
1% decrease	1.14	1.48

	2022	**2021**
	USD million	**USD million**
Salary sensitivity assumption:		
1% increase	1.22	1.27
1% decrease	(1.08)	(1.34)

	2022	**2021**
	USD million	**USD million**
Longevity sensitivity assumption:		
1% increase	0.08	0.07

Other provisions

Other provisions in amount of USD 6.21 million (2021: USD 0.4 million) refers mainly to the provision recorded in relation to the litigation with the National Agency for Tax Administration (“ANAF”), in amount of USD 5.4 million out of which additional charge recorded during 2022 is of USD 2.5 million (Note 30).

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2022

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	5,575,468,072	-	-	471,923,513	6,047,391,585
Less sales taxes from petroleum products production	(918,154,681)	-	-	879,296,963	(38,857,719)
Net revenues from petroleum products production	**4,657,313,391**	**-**	**-**	**1,351,220,475**	**6,008,533,866**
Gross revenues from petroleum products trading	-	-	3,766,699,995	(3,642,810,358)	123,889,636
Less sales taxes petroleum products trading	-	-	(916,352,459)	2,685,053	(913,667,405)
Less commercial discounts petroleum products trading	-	-	(262,264,160)	4,080,005	(258,184,155)
Net revenues from petroleum products trading	**-**	**-**	**2,588,083,376**	**(3,636,045,300)**	**(1,047,961,924)**
Revenues from petrochemicals production	-	201,864,251	-	-	201,864,251
Revenues from petrochemicals trading	-	384,292	-	-	384,292
Revenues from merchandise sales	9,258,548	-	168,491,817	(212)	177,750,153
Revenues from utilities sold	3,674,582	-	-	(167,685)	3,506,897
Revenues from transportation fees	-	-	2,792,384	-	2,792,384
Revenues from rents and other services	3,683,661	-	20,890,228	(10,115,553)	14,458,336
Total Net Revenues	**4,673,930,182**	**202,248,543**	**2,780,257,804**	**(2,295,108,275)**	**5,361,328,254**

2022

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	25,840,064,328	-	-	2,187,176,711	28,027,241,039
Less sales taxes from petroleum products production	(4,255,279,686)	-	-	4,075,189,703	(180,089,983)
Net revenues from petroleum products production	**21,584,784,642**	**-**	**-**	**6,262,366,414**	**27,847,151,057**
Gross revenues from petroleum products trading	-	-	17,457,147,796	(16,882,968,886)	574,178,910
Less sales taxes petroleum products trading	-	-	(4,246,927,106)	12,444,149	(4,234,482,957)
Less commercial discounts petroleum products trading	-	-	(1,215,489,476)	18,909,191	(1,196,580,285)
Net revenues from petroleum products trading	**-**	**-**	**11,994,731,214**	**(16,851,615,547)**	**(4,856,884,333)**
Revenues from petrochemicals production	-	935,560,058	-	-	935,560,058
Revenues from petrochemicals trading	-	1,781,038	-	-	1,781,038
Revenues from merchandise sales	42,909,666	-	780,892,175	(983)	823,800,858
Revenues from utilities sold	17,030,217	-	-	(777,152)	16,253,065
Revenues from transportation fees	-	-	12,941,581	-	12,941,581
Revenues from rents and other services	17,072,297	-	96,817,850	(46,881,543)	67,008,605
Total Net Revenues	**21,661,796,822**	**937,341,096**	**12,885,382,820**	**(10,636,908,810)**	**24,847,611,928**

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

2021

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

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	17,068,788,865	-	-	1,585,625,447	18,654,414,311
Less sales taxes from petroleum products production	(4,849,417,186)	-	-	4,768,439,786	(80,977,400)
Net revenues from petroleum products production	**12,219,371,678**	**-**	**-**	**6,354,065,233**	**18,573,436,911**
Gross revenues from petroleum products trading	354,258,660	-	14,150,297,307	(13,577,359,533)	927,196,435
Less sales taxes petroleum products trading	-	-	(4,960,729,735)	18,945,318	(4,941,784,417)
Less commercial discounts petroleum products trading	-	-	(900,173,260)	33,142,537	(867,030,724)
Net revenues from petroleum products trading	**354,258,660**	**-**	**8,289,394,312**	**(13,525,271,678)**	**(4,881,618,706)**
Revenues from petrochemicals production	-	859,962,270	-	-	859,962,270
Revenues from petrochemicals trading	-	3,910,388	-	-	3,910,388
Revenues from merchandise sales	1,769,013	-	779,576,356	(302)	781,345,067
Revenues from utilities sold	39,405,295	-	-	(746,943)	38,658,352
Revenues from transportation fees	-	-	16,762,093	-	16,762,093
Revenues from rents and other services	17,535,188	-	147,425,638	(39,589,234)	125,371,592
Total Net Revenues	**12,632,339,835**	**863,872,658**	**9,233,158,399**	**(7,211,542,924)**	**15,517,827,968**

The increase of revenues compared with 2021 was triggered by the increase with 43% 2022 vs 2021 in international market quotations of crude oil (Dated Brent) and refined products (Gasoline increased by 47% and Diesel increased by 79% in 2022 vs 2021), driven by OPEC+ decisions which triggered an increase in demand/crude oil prices.

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

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

21. COST OF SALES

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Crude oil and other raw materials	3,854,640,647	2,555,954,358	17,864,717,544	11,845,826,067
Consumables and other materials	13,923,253	10,565,959	64,528,710	48,968,994
Utilities	209,801,063	126,065,368	972,344,007	584,262,555
Staff costs	37,716,924	27,922,725	174,802,856	129,410,663
Transportation	205,220	203,554	951,114	943,390
Maintenance and repairs	29,994,703	22,208,440	139,013,450	102,927,238
Insurance	2,241,457	1,395,820	10,388,258	6,469,069
Environmental expenses	21,994,480	422,190	101,935,615	1,956,680
Other	10,645,289	23,017,346	49,336,654	106,676,190
Total	**4,181,163,036**	**2,767,755,760**	**19,378,018,209**	**12,827,440,846**
Depreciation and amortization	98,192,491	70,280,711	455,082,921	325,722,984
Total	**4,279,355,528**	**2,838,036,471**	**19,833,101,129**	**13,153,163,830**
Plus: Change in inventories	6,100,277	(63,273,466)	28,272,342	(293,247,206)
Less: Own production of property, plant & equipment	(2,975,637)	(3,550,153)	(13,790,886)	(16,453,541)
Cost of petroleum products trading	115,310,858	197,293,863	534,419,702	914,378,137
Cost of petrochemicals trading	369,133	761,397	1,710,784	3,528,768
Cost of merchandise sold	146,620,247	135,893,124	679,526,198	629,810,274
Cost of utilities resold	2,560,826	1,902,988	11,868,403	8,819,588
Realized (gains)/losses on derivatives	262,933,391	34,117,950	1,218,591,092	158,123,052
Total	**4,810,274,622**	**3,141,182,174**	**22,293,698,764**	**14,558,122,902**

Negative result of derivatives transactions recorded during 2022 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 and because of Refinery margins and Urals-Dated Brent differential hedging using Over-the-Counter (OTC) swap instruments.

During 2022 the average Futures quantity for hedging around BOS was 78 KT (the hedge was opened only during 1st Jan – 8th Mar), lower against 2021 average quantity of 144 KT. When prices decrease the stocks depreciate, but the hedging instruments will have positive effect, offsetting the physical loss. But in 2022, Dated Brent increased by 74% from USD 79 (1st Jan) to USD 137.6 (8th Mar) per bbl., generating a loss on hedging instruments. Thus, the coverage during the market growth had a negative result of USD -31.9 million out of which USD -35.2 million recorded into P&L. Compared to 2021, 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. 2022 has been characterized as a year of high geopolitical crisis due to Russian invasion over Ukraine on 24th of Feb. This led to record prices for crude oil, gas, and electricity.

Also, during Oct'21 – Feb'22 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 Refinery margin was set at 28 USD/MT compared to the budget of 22.64 USD/MT for 860KT (15% of crude processed in 2022) the Urals-Dated Brent differential was set at -1.95 USD / bbl. compared to the budget of -0.82 USD / bbl. for 14.15 million barrels (50% of Urals processed in 2022). But during the year, the Refinery margins increased to record levels of 112 USD/MT due to very strong oil products cracks coming from tight supply and increasing mobility in European countries, resulting in losses of USD -72.3 million from swap instruments, collapsed to un-precedented level of -24.4 USD/bbl., triggered by the drop in demand for Russian crude oil because of the war, resulting in losses of USD -134.2 million from swap instruments. The volumes remained unhedged (85% refinery margins and 50% Urals differential), helped the Company to benefit on the physical side from higher margins and a cheaper Urals compared to Dated Brent. This impact is recorded as FV through PL.

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

21. COST OF SALES (continued)

Rompetrol Rafinare has the obligation to comply with the CO2 emission rights quota. Thus, Refinery CO2 emissions are offset with EUA certificates. The actual emissions have exceeded the certificates and in this respect the difference is accrued by Rompetrol Rafinare as environmental expenses, the amount recognized for 2022 is USD 24.2 million (of which USD 20 million in Cost of sales and USD 4.2 million in General and Administrative expenses – Note 22).

In Rompetrol Downstream the significant loss recorded during 2022 is due to hedge around benchmark stocks in amount of USD -21.57 million (loss) for gasoline and diesel stocks in Downstream depots and forex hedging in amount of USD +0.35 million (gain). These are considered FV through PL.

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

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Staff costs	29,623,488	26,792,013	137,293,017	124,170,261
Utilities	8,809,511	8,511,483	40,828,561	39,447,319
Transportation	65,945,907	61,064,946	305,632,900	283,011,597
Professional and consulting fees	33,818,779	26,651,455	156,736,514	123,518,831
Royalties and rents	4,542,936	4,036,216	21,054,690	18,706,245
Consumables	113,839	651,476	527,600	3,019,333
Marketing	3,438,174	2,954,287	15,934,561	13,691,938
Taxes	2,012,420	2,036,590	9,326,761	9,438,782
Communications	654,282	821,106	3,032,337	3,805,497
Insurance	1,479,587	1,428,718	6,857,295	6,621,538
IT related expenditures	8,357,638	8,382,553	38,734,310	38,849,780
Environmental expenses	4,226,545	1,554,287	19,588,344	7,203,500
Maintenance and repairs	11,459,492	12,016,345	53,110,160	55,690,951
Other expenses	19,540,336	17,695,874	90,561,642	82,013,298
Costs before depreciation	**194,022,934**	**174,597,348**	**899,218,690**	**809,188,870**
Depreciation and amortisation	50,358,970	58,711,684	233,393,685	272,105,171
Total	**244,381,904**	**233,309,032**	**1,132,612,374**	**1,081,294,041**

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

23. OTHER OPERATING INCOME / (EXPENSES), NET

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Net gain /(loss) on disposal of assets	329,904	280,855	1,528,974	1,301,651
Reserve for impairment of tangible assets, net	(8,562,243)	38,120,840	(39,682,574)	176,674,844
Provision for receivables and write-off, net	(1,908,310)	1,353,998	(8,844,254)	6,275,239
Provision for inventories, net	(11,731,797)	(6,513,051)	(54,372,186)	(30,185,388)
Tangible and intangible assets write-off	(167,714)	(3,654)	(777,285)	(16,934)
Loss from revaluation of non-current assets	-	(105,845,408)	-	(490,551,126)
Inventories write-off	(76,775)	(516,669)	(355,819)	(2,394,553)
Other provisions, net	(31,458,771)	(10,375,393)	(145,798,819)	(48,085,798)
Other, net	11,219,465	3,200,084	51,997,734	14,831,110
Total	**(42,356,240)**	**(80,298,398)**	**(196,304,229)**	**(372,150,955)**

Other provision net includes as of 31 December 2022 USD 2.5 million additional fiscal provision for principal liabilities and penalties paid to ANAF following the fiscal audit conducted by the Romanian Tax Authorities for the 2011 - 2015, as detailed in Note 10 and Note 19 and provision for litigation in amount of USD 0.3 million related to the technical incident occurred in Petromidia Refinery in August 2016 (Note 30). Also, USD 26.65 (2021: USD 10.4 million) million mainly refers to environmental provision in respect of Vega lagoons representing additional environmental provision of USD 37.53 million offset by the provision decrease of USD 10.88 million detailed in Note 19.

In respect of tangible assets provision, in 2022, an additional USD 8.5 million were recorded. Mainly for the assets currently not in use in amount of USD 8 million for Petromidia Refinery (of which HDPE unit amounts USD 5.4 million and the Aromatic complex amounts USD 1.5 million) and USD 1 million for Vega Refinery (please see Note 5).

In 2022, Other, net includes an amount of USD 9.6 million that refers to revenue from claim to be received from the insurance company in relation to Petromidia incident occurred in 2 July 2021 (2021: USD 7.5 million partially offset by USD 5 million representing reversal of accrual recorded for CO2 allowances related to 2020 quota).

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

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

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

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

24. FINANCE COST, FINANCE INCOME AND FOREIGN EXCHANGE

	December 31, 2022 USD	December 31, 2021 USD	December 31, 2022 RON	December 31, 2021 RON
			(supplementary info – see Note 2(e))	
Finance cost				
Late payment interest	(5,393,794)	(2,759,225)	(24,998,078)	(12,787,904)
Interest expense	(64,870,255)	(35,909,924)	(300,647,684)	(166,428,131)
Interest expense shareholders	-	(38,253)	-	(177,289)
Unwinding of discount - lease	(8,092,995)	(7,991,671)	(37,507,795)	(37,038,198)
Unwinding of discount - environmental provision	(7,794,582)	(4,898,819)	(36,124,770)	(22,704,067)
Other financial expense	(32,288,516)	(20,232,538)	(149,644,352)	(93,769,719)
	(118,440,141)	**(71,830,430)**	**(548,922,678)**	**(332,905,308)**
Finance income				
Interest income	51,675,443	17,706,299	239,495,008	82,061,614
Other financial income	2,233,263	2,072,081	10,350,281	9,603,268
Total	**53,908,706**	**19,778,380**	**249,845,289**	**91,664,882**
Finance income/(cost) net	**(64,531,435)**	**(52,052,049)**	**(299,077,389)**	**(241,240,426)**
Unrealized net foreign exchange (losses)/gains	3,525,702	7,836,973	16,340,220	36,321,233
Realized net foreign exchange (losses)/gains	12,097,953	(1,754,279)	56,069,174	(8,130,381)
Foreign exchange gain/(loss), net	**15,623,655**	**6,082,694**	**72,409,394**	**28,190,851**
Total	**(48,907,780)**	**(45,969,356)**	**(226,667,995)**	**(213,049,574)**

In 2022 out of the total of USD 32.3 million (2021: USD 20.2 million) representing other financial expenses an amount of approximately USD 24.3 million (2021: USD 12.24 million) represents other financial expenses owed to KMG Trading for financing activities.

25. INCOME TAX

a. The current income tax rate in 2022 was 16%, the same as in 2021.

	December 31, 2022 USD	December 31, 2021 USD	December 31, 2022 RON	December 31, 2021 RON
			(supplementary info – see Note 2(e))	
Tax expense comprises:				
Current tax expense	7,878,667	1,448,463	36,514,471	6,713,046
Deferred tax credit relating to the origination and reversal of temporary differences	(7,743,752)	32,832,626	(35,889,192)	152,166,090
Solidarity tax	124,929,011	-	578,995,992	-
Total **tax expense/(income)**	**125,063,926**	**34,281,089**	**579,621,271**	**158,879,135**

The net effect of deferred tax in 2022 was in amount of USD 7.7 million (2021: USD 32.83 million).

25. INCOME TAX (continued)

As of 31 December 2022, the Group had the following total unused fiscal losses:

Entity	Carried forward fiscal losses 2022 USD million	Recognized Deferred Tax Asset 2022	Carry forward fiscal losses 2021 USD million	Recognized Deferred Tax Asset 2021
Rompetrol Rafinare SA	153.69	-	380.41	-
Rompetrol Petrochemicals SRL	2.61	-	3.18	-
Rompetrol Logistics SRL	2.53	-	2.91	-
Rom Oil SA	1.50	-	1.07	-
As at December 31	**160.33**	**-**	**387.56**	**-**

The Group has USD 160.33 million (2022: USD 387.56 million) of tax losses carried forward, for which no deferred tax asset was recognized as of 31 December 2022 (2021: nil) on the basis of the assessment made.

Entity		Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
Rompetrol Rafinare SA				
	2020	50.17	232.50	2027
	2021	103.52	479.79	2028
		153.69	**712.29**	
Rompetrol Petrochemicals SRL				
	2016	0.27	1.24	2023
	2018	2.28	10.56	2025
	2019	0.06	0.30	2026
		2.61	**12.10**	
Rom Oil SA				
	2017	0.36	1.66	2024
	2020	0.30	1.40	2027
	2021	0.35	1.60	2028
	2022	0.50	2.30	2029
		1.50	**6.96**	
Rompetrol Logistics SRL				
	2016	0.27	1.23	2023
	2017	1.45	6.73	2024
	2018	0.32	1.47	2025
	2019	0.29	1.36	2026
	2020	0.16	0.73	2027
	2022	0.04	0.19	2029
		2.53	**11.71**	
Total		**160.33**	**743.06**	

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

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

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

25. INCOME TAX (continued)

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

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

	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Result before tax	215,407,708	(152,502,806)	998,328,565	(706,789,505)
Tax at prevailing tax rate (16%)	36,607,150	4,615,273	169,659,497	21,389,944
Effect of losses carried forward	(20,314,875)	(16,775,190)	(94,151,320)	(77,746,296)
Effect of statutory items non deductible / (not taxable) for tax purposes	(8,413,608)	13,608,379	(38,993,706)	63,069,393
Non-deductible expenses	(26,153,152)	(1,856,483)	(121,209,397)	(8,604,056)
Not - taxable income	17,739,544	15,464,862	82,215,691	71,673,449
Effect of temporary differences	(7,743,752)	(1,915,149)	(35,889,192)	(8,875,951)
Reversal of deferred tax recognised for fiscal losses carried forward	-	34,747,776	-	161,042,044
Solidarity tax	124,929,011	-	578,995,992	-
Income tax expense recognised in profit or loss	**125,063,926**	**34,281,089**	**579,621,272**	**158,879,135**

d) Other taxes – Solidarity contribution

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022 (“GEO 186”), a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution of USD 124.6 million, taking in account the present norms of the “GEO 186”. In addition, its subsidiary, Rompetrol Quality Control SRL, recorded preliminary an amount of USD 0.29 million contribution. The actual level of the contribution is to be determined by June 25th, 2023, the legal deadline for declaration and payment of the contribution, in accordance with the provisions of the law which will approve the GEO 186.

26. OPERATING SEGMENT INFORMATION

a. Operating Segments

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

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

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

26. OPERATING SEGMENT INFORMATION (continued)

2022 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	2,388,484,688	202,248,543	-	2,770,595,024	-	5,361,328,254
Net revenues "Inter segment"	2,285,445,494	-	-	9,662,781	(2,295,108,275)	-
Cost of sales	(4,248,475,918)	(274,385,530)	-	(2,605,708,104)	2,318,294,929	(4,810,274,622)
Gross margin	**425,454,264**	**(72,136,987)**	**-**	**174,549,700**	**23,186,655**	**551,053,632**
Selling, general and administrative expenses	(67,077,383)	(9,286,329)	-	(133,104,329)	(34,913,863)	(244,381,904)
Other operating income/(expenses), net	(36,160,290)	(6,476,887)	-	25,432	255,506	(42,356,240)
Operating margin (EBIT)	**322,216,590**	**(87,900,203)**	**-**	**41,470,803**	**(11,471,703)**	**264,315,488**
Financial expenses, net	-	-	(69,588,137)	5,061,659	(4,957)	(64,531,435)
Net foreign exchange result	-	-	22,095,214	(6,471,559)	-	15,623,655
Profit/(loss) before income tax	**322,216,590**	**(87,900,203)**	**(47,492,923)**	**40,060,903**	**(11,476,659)**	**215,407,708**
Income tax	-	-	(117,436,723)	(7,627,203)	-	(125,063,926)
Net Profit/(Loss)	**322,216,590**	**(87,900,203)**	**(164,929,646)**	**32,433,700**	**(11,476,659)**	**90,343,782**
Depreciation and amortization	99,089,300	14,826,344	-	31,596,054	3,039,764	148,551,463

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	11,069,671,135	937,341,096	-	12,840,599,697	-	24,847,611,928
Net revenues "Inter segment"	10,592,125,687	-	-	44,783,123	(10,636,908,810)	-
Cost of sales	(19,689,986,489)	(1,271,667,177)	-	(12,076,414,778)	10,744,369,680	(22,293,698,764)
Gross margin	**1,971,810,333**	**(334,326,081)**	**-**	**808,968,042**	**107,460,870**	**2,553,913,164**
Selling, general and administrative expenses	(310,876,841)	(43,038,418)	-	(616,885,325)	(161,811,790)	(1,132,612,374)
Other operating income/(expenses), net	(167,588,482)	(30,017,781)	-	117,866	1,184,167	(196,304,229)
Operating margin (EBIT)	**1,493,345,010**	**(407,382,281)**	**-**	**192,200,583**	**(53,166,753)**	**1,224,996,560**
Financial expenses, net	-	-	(322,513,182)	23,458,766	(22,973)	(299,077,389)
Net foreign exchange result	-	-	102,402,481	(29,993,087)	-	72,409,394
Profit/(loss) before income tax	**1,493,345,010**	**(407,382,281)**	**(220,110,701)**	**185,666,262**	**(53,189,726)**	**998,328,565**
Income tax	-	-	(544,272,237)	(35,349,034)	-	(579,621,271)
Net Profit/(Loss)	**1,493,345,010**	**(407,382,281)**	**(764,382,938)**	**150,317,228**	**(53,189,726)**	**418,707,293**
Depreciation and amortization	459,239,270	68,714,176	-	146,435,073	14,088,092	688,476,611

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

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

26. OPERATING SEGMENT INFORMATION (continued)

2022 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,637,677,873	359,519,320	(600,201,965)	1,396,995,228
Total current assets	657,999,470	451,902,111	(114,069,312)	995,832,269
TOTAL ASSETS	**2,295,677,343**	**811,421,431**	**(714,271,276)**	**2,392,827,498**
Total equity	740,318,786	399,795,575	(603,329,842)	536,784,519
Total non-current liabilities	167,976,956	124,943,896	(180,631)	292,740,220
Total current liabilities	1,387,381,602	286,681,960	(110,760,803)	1,563,302,759
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,295,677,343**	**811,421,431**	**(714,271,276)**	**2,392,827,498**
Capital expenditure	55,676,506	14,319,377	-	**69,995,884**

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

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,589,981,871	1,666,228,238	(2,781,696,038)	6,474,514,071
Total current assets	3,049,564,343	2,094,385,524	(528,665,632)	4,615,284,235
TOTAL ASSETS	**10,639,546,214**	**3,760,613,762**	**(3,310,361,669)**	**11,089,798,307**
Total equity	3,431,081,444	1,852,892,572	(2,796,192,487)	2,487,781,528
Total non-current liabilities	778,505,998	579,064,978	(837,153)	1,356,733,824
Total current liabilities	6,429,958,772	1,328,656,212	(513,332,029)	7,245,282,955
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,639,546,214**	**3,760,613,762**	**(3,310,361,669)**	**11,089,798,307**
Capital expenditure	258,038,336	66,364,586	-	**324,402,922**

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

26. OPERATING SEGMENT INFORMATION (continued)

2021 Income Statement information

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

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

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	5,457,905,975	863,872,658	-	9,196,049,334	-	15,517,827,968
Net revenues "Inter segment"	7,174,433,860	-	-	37,109,065	(7,211,542,924)	-
Cost of sales	(12,556,290,467)	(885,399,505)	-	(8,492,996,557)	7,376,563,626	(14,558,122,902)
Gross margin	**76,049,367**	**(21,526,846)**	**-**	**740,161,842**	**165,020,702**	**959,705,065**
Selling, general and administrative expenses	(316,088,116)	(58,399,556)	-	(552,529,579)	(154,276,790)	(1,081,294,041)
Other operating income/(expenses), net	(401,677,119)	(56,979)	-	28,610,218	972,925	(372,150,955)
Operating margin (EBIT)	**(641,715,867)**	**(79,983,381)**	**-**	**216,242,482**	**11,716,836**	**(493,739,931)**
Financial expenses, net	-	-	(201,725,095)	(39,496,279)	(19,052)	(241,240,426)
Net foreign exchange result	-	-	84,194,081	(56,003,230)	-	28,190,851
Profit/(loss) before income tax	**(641,715,867)**	**(79,983,381)**	**(117,531,013)**	**120,742,973**	**11,697,784**	**(706,789,505)**
Income tax	-	-	(152,166,090)	(6,713,046)	-	(158,879,135)
Net Profit/(Loss)	**(641,715,867)**	**(79,983,381)**	**(269,697,103)**	**114,029,927**	**11,697,784**	**(865,668,640)**
Depreciation and amortization	373,458,646	85,790,872	-	134,425,672	4,152,965	597,828,154

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

26. OPERATING SEGMENT INFORMATION (continued)

In total net revenues are included customers that own more than 10% of total sales (i.e. KazMunayGas Trading AG), their value amounting USD 945 million in 2022 and USD 531 million in 2021.

2021 Statement of financial position information

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

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,901,691,853	1,663,880,547	(2,767,864,676)	6,797,707,725
Total current assets	3,384,804,057	2,546,135,355	(861,592,666)	5,069,346,746
TOTAL ASSETS	**11,286,495,910**	**4,210,015,903**	**(3,629,457,343)**	**11,867,054,471**
Total equity	3,192,883,576	1,693,994,696	(2,743,002,757)	2,143,875,516
Total non-current liabilities	1,149,815,130	971,154,352	(1,079,156)	2,119,890,327
Total current liabilities	6,943,797,204	1,544,866,855	(885,375,430)	7,603,288,629
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,286,495,910**	**4,210,015,903**	**(3,629,457,343)**	**11,867,054,471**
Capital expenditure	198,830,262	37,055,153	-	**235,885,415**

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

b. Geographical segments

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

	2022	2021	2022	2021
	USD	USD	RON	RON
Romania	**3,804,791,338**	**2,499,848,602**	**17,633,685,933**	**11,585,798,333**
Export	**1,556,536,917**	**848,407,551**	**7,213,925,996**	**3,932,029,635**
out of which				
Petroleum products	1,474,263,465	775,540,762	6,832,621,456	3,594,321,214
Petrochemical products	82,273,452	72,866,789	381,304,540	337,708,421
Total	**5,361,328,254**	**3,348,256,153**	**24,847,611,928**	**15,517,827,968**

27. RELATED PARTIES

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

Name of related party	Nature of relationship
KMG International N.V.	Majority Shareholder
The Romanian State and the Romanian Authorities	Significant shareholder
Byron Shipping Ltd.	Company owned by KMG International Group
Byron Shipping S.R.L.	Company owned by KMG International Group
Fondul de Investitii in Energie Kazah - Roman S.A.	Company owned by KMG International Group
Global Security Sistem S.A.	Company owned by KMG International Group
Global Security Systems Fire Services S.R.L.	Company owned by KMG International Group
KazMunayGas Engineering B.V.	Company owned by KMG International Group - Merged into KMG International N.V.
KazMunayGas –Engineering LLP	Company owned by KMG International Group - Divested on 26 July 2021
KazMunayGas Trading AG	Company owned by KMG International Group
KMG Rompetrol S.R.L	Company owned by KMG International Group
KMG Rompetrol Services Center S.R.L.	Company owned by KMG International Group
KMG Rompetrol Development S.R.L.	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Oilfield Exploration Business Solutions S.A.	Company owned by KMG International Group
Palplast S.A.	Company owned by KMG International Group - Sold on 1 November 2021
Rominserv S.R.L.	Company owned by KMG International Group
Rominserv Valves Iaifo S.R.L.	Company owned by KMG International Group - Sold on 07 April 2021
Rompetrol Bulgaria	Company owned by KMG International Group
Rompetrol Energy S.A.	Company owned by KMG International Group
Rompetrol Financial Group S.R.L.	Company owned by KMG International Group
Rompetrol Georgia	Company owned by KMG International Group
Rompetrol Moldova S.A.	Company owned by KMG International Group
Rompetrol Well Services S.A.	Company owned by KMG International Group
TRG Petrol Ticaret Anonim Sirketi	Company owned by KMG International Group
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	Associate of KMG International Group

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

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

27. RELATED PARTIES (continued)

	Receivables and other assets			
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	13,924,420	49,105,800	64,534,116	227,585,742
Rominserv S.R.L.	3,409,025	1,055,085	15,799,465	4,889,897
KMG International N.V.	62,247,992	69,011,806	288,494,545	319,842,115
KMG Rompetrol S.R.L	1,404,469	183,332	6,509,153	849,669
KMG Rompetrol S.R.L. - cash pooling	267,473,915	341,818,192	1,239,634,607	1,584,190,594
Oilfield Exploration Business Solutions S.A.	1,054,528	1,092,813	4,887,315	5,064,750
Rompetrol Well Services S.A.	68,995	90,042	319,765	417,311
KMG Rompetrol Services Center S.R.L.	36,958	25,839	171,285	119,756
Rompetrol Bulgaria	1,294,939	2,099,100	6,001,525	9,728,487
Rompetrol Moldova S.A.	188,833	557,371	875,166	2,583,194
Rompetrol Financial Group S.R.L.	2,418	2,537	11,207	11,758
KazMunayGas Engineering B.V.	-	3,573	-	16,558
Rompetrol Energy S.A.	18,853,747	7,952,993	87,379,576	36,858,942
Byron Shipping S.R.L.	2,174	2,095	10,074	9,708
Midia Marine Terminal S.R.L.	230,577	224,814	1,068,632	1,041,922
KazMunayGas –Engineering LLP	-	168,167	-	779,387
Rompetrol Georgia	1,277	50	5,916	232
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	59,334	1,071,666	274,987	4,966,743
KMG Rompetrol Development S.R.L.	6,973,833	15,808,957	32,320,925	73,268,193
Global Security Sistem S.A.	131,178	251,144	607,959	1,163,953
Total	**377,358,611**	**490,525,376**	**1,748,906,221**	**2,273,388,909**

	Payables, loans and other liabilities			
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	541,944,575	831,104,808	2,511,696,326	3,851,838,342
Rominserv S.R.L.	25,031,950	20,837,780	116,013,074	96,574,774
KMG International N.V.	1,125,355	5,816,786	5,215,571	26,958,474
KMG Rompetrol S.R.L	9,404,374	752,997	43,585,513	3,489,839
KMG Rompetrol S.R.L. - cash pooling	410,008,202	408,124,986	1,900,224,013	1,891,496,059
Oilfield Exploration Business Solutions S.A.	318,388	269,948	1,475,601	1,251,102
Rompetrol Well Services S.A.	396,773	159,451	1,838,883	738,991
KMG Rompetrol Services Center S.R.L.	2,670,446	976,952	12,376,449	4,527,782
Rompetrol Bulgaria	207,669	90,163	962,465	417,869
Rompetrol Moldova S.A.	3,142,021	3,651,514	14,562,012	16,923,307
Byron Shipping Ltd.	2,069	2,167	9,588	10,042
Rompetrol Energy S.A.	9,269,247	11,677,401	42,959,251	54,120,084
Byron Shipping S.R.L.	4,087	-	18,943	-
Palplast S.A.	-	888	-	4,113
Midia Marine Terminal S.R.L.	4,165,184	10,171,077	19,303,962	47,138,872
Rominserv Valves Iaifo S.R.L.	-	1,882	-	8,722
Rompetrol Georgia	50	50	232	232
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	-	5,020,865	-	23,269,699
KMG Rompetrol Development S.R.L.	3,145,027	2,163,113	14,575,942	10,025,164
Global Security Sistem S.A.	281,238	402,760	1,303,425	1,866,630
Global Security Systems Fire Services S.R.L.	318,038	125,220	1,473,977	580,343
TRG Petrol Ticaret Anonim Sirketi	2,538	2,538	11,762	11,762
Total	**1,011,437,231**	**1,301,353,343**	**4,687,606,989**	**6,031,252,202**

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

27. RELATED PARTIES (continued)

During 2022 and 2021, Rompetrol Rafinare Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Sales and other revenues December 31, 2022 USD	December 31, 2021 USD	December 31, 2022 RON	December 31, 2021 RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Fuel	945,246,143	531,143,618	4,380,837,774	2,461,638,212
Rominserv S.R.L.	Fuel, utilities and other services	868,251	844,085	4,023,998	3,911,997
KMG International N.V.	Interest	6,130,115	4,021,143	28,410,631	18,636,389
KMG Rompetrol S.R.L	Fuel and other services	180,021	116,589	834,327	540,343
Oilfield Exploration Business Solutions S.A.	Fuel	5,703	5,126	26,431	23,757
Rompetrol Well Services S.A.	Fuel and other services	850,944	616,233	3,943,785	2,855,994
Palplast S.A.	Fuel and other services	-	10,978	-	50,879
Rompetrol Bulgaria	Fuel	41,119,974	47,596,754	190,574,632	220,591,915
Rompetrol Moldova S.A.	Fuel	390,000,596	144,300,147	1,807,496,761	668,773,463
Rompetrol Georgia	Fuel	1,130		5,237	-
KMG Rompetrol Services Center S.R.L.	Rent and other services	125,967	147,089	583,806	681,698
Midia Marine Terminal S.R.L.	Fuel, rent and other services	662,392	416,151	3,069,923	1,928,693
Byron Shipping S.R.L.	Fuel and other services	20,401	17,837	94,550	82,668
Rominserv Valves Iaifo S.R.L.	Fuel and other services	-	2,494	-	11,560
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	Utilities and other serices	-	17,865,245	-	82,798,265
Rompetrol Energy S.A.	Other services	44,082,054	6,699,169	204,302,689	31,047,967
Global Security Sistem S.A.	Fuel	108,535	87,612	503,014	406,045
KMG Rompetrol Development S.R.L.	PPE and other services	6,133,857	16,263,996	28,427,972	75,377,117
Total		**1,435,536,083**	**770,154,266**	**6,653,135,530**	**3,569,356,963**

Name of related party	Nature of transaction	Purchases and other costs December 31, 2022 USD	December 31, 2021 USD	December 31, 2022 RON	December 31, 2021 RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	3,493,093,192	2,465,656,573	16,189,089,707	11,427,331,952
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	83,846,622	67,812,546	388,595,553	314,284,027
KMG International N.V.	Management services	6,840,950	6,019,435	31,705,065	27,897,674
KMG Rompetrol S.R.L	Management services	36,074,438	26,849,418	167,190,591	124,436,315
Oilfield Exploration Business Solutions S.A.	Management services	55,284	54,134	256,218	250,890
Rompetrol Well Services S.A.	Interest on loan	74	121	345	562
Rompetrol Bulgaria	Sales intermediary services	123,202	72,090	570,991	334,106
KMG Rompetrol Services Center S.R.L.	Shared services	8,536,684	7,057,579	39,564,115	32,709,056
Midia Marine Terminal S.R.L.	Handling services/Transit	16,282,281	14,759,470	75,461,861	68,404,237
Rominserv Valves Iaifo S.R.L.	Valves	-	15,720	-	72,856
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	Acquisition of utilities	3,164,345	25,191,253	14,665,472	116,751,379
Rompetrol Energy S.A.	Acquisition of utilities	66,681,861	8,301,739	309,043,752	38,475,240
KMG Rompetrol Development S.R.L.	Retail	10,999,640	10,073,548	50,978,934	46,686,866
Global Security Sistem S.A.	Security and protection services	3,821,467	3,213,345	17,710,970	14,892,567
Global Security Systems Fire Services S.R.L.	Fire protection services	1,574,474	1,713,327	7,297,059	7,940,585
Total		**3,731,094,514**	**2,636,790,297**	**17,292,130,633**	**12,220,468,310**

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

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

27. RELATED PARTIES (continued)

The Ministry of Public Finance of Romania (“MFPR”) held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, 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 amount of remuneration for key management personnel and Board of Directors for 2022 was of USD 2.64 million (2021: USD 2.71 million), including short-term benefits and bonuses No member of Board of Directors is entitled to any benefits upon termination of his employment. The Group does not provide loans either to members of the Board of Directors or to members of Group Management. There are no loans outstanding.

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. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Group has recorded an impairment of receivables relating to amounts owned by Oilfield Exploration Business Solutions S.A. in amount of USD 3.7 million (2021: USD 3.8 million). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28. EARNINGS PER SHARE

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

	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
	USD	**USD**	**RON**	**RON**
Earnings				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	90,624,390	(185,855,572)	420,007,797	(861,366,233)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	26,559,205,726	26,559,205,726	26,559,205,726	26,559,205,726
Earnings per share *(US cents/share)*				
Basis	**0.341**	**(0.700)**	**1.581**	**(3.243)**

29. CONTINGENCIES

Rompetrol Rafinare SA- Distressed Assets - Hybrid Conversion

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

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

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

Accordingly, the Company fulfilled all formalities and in June 30, 2010 increased the share capital with $100.2 million paid the State EUR 54 million and redeemed 2,160,000 bonds. Finally, on September 30, 2010 the remaining bonds were converted into shares and the State became therefore shareholder of the Company with 44.69%.

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

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

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

The litigation against the bonds conversion took place on 30 September, 2010 was settled in March 2014 (after KMGI won the litigation on merits and the State filled in an appeal) once Government approved through Governmental decision no. 35/2014 the Memorandum of Understanding with parent company KMG International NV, 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:

29. CONTINGENCIES (continued)

- 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.

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

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

Further on, Rompetrol Rafinare submitted to the Romanian authorities a requirement for the annulment of the precautionary seizure but no positive reply was received.

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 and on December 21, 2021, the court admitted the request made by Rompetrol Rafinare SA. The appeal is pending, the next hearing will take place in front of the High Court of Cassation and Justice on May 23, 2023.

Contingencies – risk management and internal control

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

The Group is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Group adopts an approach of zero -tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates. The Group has internal standards and guidelines on due diligence with third parties, conflicts of interest, gifts and hospitality, which focus on mitigating potential corruption risks.

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

Whistleblowing incidents are taken very seriously by the Group and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Group has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. In line with Irregularity Reporting Policy, the internal investigations conducted during 2022 and up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations. The results of all internal investigations were discussed with the Company's statutory bodies, which concluded that the warnings were not confirmed.

30. LEGAL MATTERS

Litigation with the State involving criminal charges

I. Criminal case

According to an Order issued April 22, 2016, Prosecutor's Office of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) investigated the case against 26 suspects under charges of organized crime (few of them being former employees/managers of the Company) allegedly perpetrated during 1999 – 2010 – Case 225.

Further prosecutor orders as well statements of defenses were issued and submitted during 2016 – 2019 and finally on December 5, 2019 Prosecutor's Office of Romania closed the criminal file, discharged all allegations and lifted the criminal seizure over Rompetrol Rafinare's assets, but still kept a precautionary seizures over 4 installations (for a value of USD 106.5 million) in case any alleged civil party is damaged by the said ordinance.

On July 2020 the Supreme Court rejected all the complaints against the closing of the file and on October 14, 2022 the remaining criminal seizure was dismissed by the Court.

The Company lifted the criminal precautionary seizure from the Land Book early of 2023.

II. Civil files

A. Once the criminal case was closed, Faber (a former minority shareholder of the Company) submitted a civil claim to the Bucharest court against both the Group companies and former criminal defendants. The Court imposed Faber to pay a stamp fee of USD 530,000 to have the civil claim duly registered on the court docket.

On May 25, 2020, the Bucharest Court rejected the request of Faber for settlement of the stamp fee that Faber should pay for its claim. On July 8, 2020 Bucharest Court annulled Faber's claim as unstamped. A second similar claim of Faber was rejected again by Bucharest court in January 2022 for non-paying of the stamp fee.

On February 10, 2022, the Company was informed by the Constanta court that Faber submitted for the third time its civil claim in tort against the Group companies and defendants for the same amount of USD 55 million as principal (USD 118 million including penalties). The Company submitted its reply, pointing out that before any step forward Faber should pay the stamp fee according to the law and, on top of it, previous decisions the Bucharest Court issued before on the same matter. No hearing is established yet.

30. LEGAL MATTERS (continued)

B. On the other hand, as Case 225 was finally closed, Faber resumed several civil cases which were suspended back in 2005-2007 due to the 225-criminal case and by which Faber challenged the Rompetrol Rafinare corporate documents approved within the privatization process (2001-2006) to meet the terms and conditions of the privatization contract.

Until know all claims of Faber either have been withdrew by Faber or have been dismissed by the Court (for couple of them a final and irrevocably decision being issued).

The next hearings in these files were on January 18, 2023. For two cases Faber waived up and withdrew its claims, for the third one the Court postponed the decision for January 25, 2023.

The next hearing in Faber cases was scheduled for March 3, 2023, and the Court postponed a resolution for March 10, 2023 when the court dismissed the appeal. Faber may fill in a second appeal to be ruled by the Supreme Court.

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 26 February 2018. The contestation received a partial negative answer and the Group appealed against it in front of the Court of Appeal Constanta on July 25, 2019.

On April 28, 2021, Constanta Court of Appeal rejected Rompetrol Rafinare claim as ungrounded.

The Company submitted an appeal in front of the High Court of Justice. The first term was set in the appeal for May 25, 2023.

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of USD 2.5 million as of December 31, 2022, the total amount recognized is USD 5.4 million.

30. LEGAL MATTERS (continued)

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

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

court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 million USD) and for restitution of dredging expenses (USD 1.7 million). On 19 May 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff:

- The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
- The amount of RON 0.079 million representing legal costs.

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

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

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

Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and other three 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.

The next hearing is scheduled for June 6, 2023 when the witnesses will provide again their statement.

Considering the allegations, each company is facing, a maximum exposure of approximately RON 3.6 million.

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of USD 0.8 million.

30. LEGAL MATTERS (continued)

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

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

On July 11, 2022 the company settled the last potential civil claim with the heir of one of the employees passed away during the said incident.

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. 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.

The trial was sent to the regular panel and is expected a first hearing to be established. On March 2 2023, the court kept the judicial control over the group employees but lifting the interdiction for leaving the country.

31. COMMITMENTS

Environmental risks and obligation

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

Although the Group has provided for known environmental obligations that are probable and reasonably estimable, it is possible that the Group will continue to incur additional liabilities.

As of 31 December 2022, the Group reassed environmental provision considering changes in assumptions as compared with previous period:

- obligation to set up the closure and post-closure monitoring fund of the hazardous waste landfill, based on technical project of closure and post-closure monitoring, obligation establish in the Company responsibility by the competent environmental authority on October 2022, through revised Environmental Integrated Permit issued for Vega refinery;
- updated prices for rehabilitation works of the remaining lagoons, taking in consideration as reference the prices included in the concluded agreements, increased as a result of the offers received, formulated considering of the price with an increase to reflect the evolution of prices for additives and fuel, also the increase of the minimum gross salary.

As a result of these risks, environmental liabilities will incur additional costs that may impact the Group's results of operations and cash flow.

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

During 2022, the Group has continued with the greening process of Vega lagoons, progress and status of the project being reported on a regular basis to the environmental competent authorities. As a result of the discussions held with the environmental authorities since 2021, they decided that the environmental agreement revised in January 2021 is in force and produce legal effects; also in the revised integrated environmental permit issued for Vega refinery on November 2022 has been mentioned conditions regarding execution of the rehabilitation works whitout any term, so that the Company can execute the works according to the technical project of closure and post-closure monitoring, which will be developed and approved by the authorities.

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

As of 31 December 2022, the Group has recognized a provision for restoration costs related to Vega lagoons and also for Vadu cassettes (in 2021), see Note 19.

Climate change and energy transition

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

31. COMMITMENTS (continued)

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

The Group is focused on increasing resilience and profitability by diversification and further transition from diversified downstream player to energy provider. To address these objectives, projects have been defined, corresponding to different time horizons, with highest priority on the short to mid-term projects implemented in the existing markets with the production and distribution capacity already planned. However, meeting the goals of the low-carbon economy is a global aspiration that must be cemented in reality. This requires the world economy to transform in complex and connected ways and Group's consolidated Financial Statements for the year ended 31 December 2022 reflect the world as it currently exists and what Management reasonably expects in the foreseeable future based on current facts and evidence.

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

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

For updated Group strategy regarding climate change and energy transition please refer to Note 2b).

War and conflict risk

In the context of the military conflict between Russia and Ukraine, started on 24 February 2022, the EU, USA, UK, Switzerland and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies, sectoral sanctions, import/export restrictions 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 and its related short- term consequences are 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 and related restrictions applied to Russian environment by relevant international stakeholders and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region and try to stay in connection with competent authorities in order to identify any potential impact of newly issued sanctions on our business and supply chains at an early stage and act accordingly.

31. COMMITMENTS (continued)

The negative hedge result booked in 2022 was a consequence of Russia's invasion over Ukraine and market volatility after invasion. Crude price increased to levels last seen in 2008 (Rompetrol Rafinare's hedge strategy for the inventory is protection against price decrease) and the Urals heavy crudes grades spread over Dated Brent moved in a very wide range after Russian invasion, some of them reaching the historical low levels. On the other hand, the Refinery margins increased to record levels due to very strong oil products cracks coming from tight supply and increasing mobility in European countries and due to the Urals-Dated Brent differential collapsed to historical low of -34 USD/bbl., while its average level of the past 10 years is -1 USD/bbl.

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

Cyber risk

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

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

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

In 2022, the Group was subject to an attempt to gain unauthorized access to the computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect, however this kind of events may occur in the future.

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

31. COMMITMENTS (continued)

Work safety and safe operations

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

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

Other commitments

As of 31 December 2022, Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards and other projects at the Petromidia refinery of USD 50.9 million (2021: USD 61.9 million) and Vega refinery of USD 0.88 million (2021: USD 3.13 million). As of 31 December 2022, Rompetrol Downstream S.R.L has contracted capital commitments of USD 0.15 million (2021: USD 0.25 million).

Sale and purchase commitments

As of 31 December 2022, the Group's main commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 4,243.18 million (2021: USD 2,393.72 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 2,596.02 million (2021: USD 1,450.80 million).

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1. Capital risk management

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2. Gearing ratio

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

	December 31, 2022	December 31, 2021
Debt (excluding shareholder loans and related parties)	211,217,666	346,067,835
Cash and cash equivalents	(16,973,215)	(50,091,261)
Net debt	**194,244,450**	**295,976,574**
Equity (including shareholder loans and related parties)	536,784,519	462,580,486
Net debt to equity ratio	**0.36**	**0.64**

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

32.3. Categories of financial instruments and fair values

	December 31, 2022	December 31, 2021
Financial assets		
Trade and other receivables	562,176,266	627,898,443
Long-term receivables	3,811,865	3,139,455
Derivative financial instruments	2,612,061	23,958,794
Cash and cash equivalents	16,973,215	50,091,261
TOTAL FINANCIAL ASSETS	**585,573,407**	**705,087,953**
Financial liabilities		
Long-term borrowings	-	191,729,052
Derivative financial instruments	4,592,619	3,478,830
Other non-current liabilities	165,353	173,749
Trade and other payables	1,193,423,012	1,436,816,409
Short-term borrowings banks	86,210,918	42,421,794
TOTAL FINANCIAL LIABILITIES	**1,284,391,902**	**1,674,619,835**

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

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

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

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Group enters into derivative financial instruments with various counterparties. As at 31 December 2022, the marked to market value of derivative position is for financial instruments recognized at fair value.

32.4. Fair value hierarchy

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

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

	December 31, 2022	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	562,176,266	-	562,176,266	-
Long-term receivables	3,811,865	-	3,811,865	-
Derivative financial instruments	2,612,061	-	2,612,061	-
Cash and cash equivalents	16,973,215	16,973,215	-	-
TOTAL FINANCIAL ASSETS	**585,573,407**	**16,973,215**	**568,600,192**	**-**
Financial liabilities				
Derivative financial instruments	4,592,619	-	4,592,619	-
Other non-current liabilities	165,353	-	165,353	-
Trade and other payables	1,193,423,012	-	1,193,423,012	-
Short-term borrowings banks	86,210,918	-	86,210,918	-
TOTAL FINANCIAL LIABILITIES	**1,284,391,902**	**-**	**1,284,391,902**	**-**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

During the reporting period ending 31 December 2022 and 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.

32.5 Derivative financial instruments

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

Balance Sheet:

	December 31, 2022	December 31, 2021
Derivative financial asset	2,612,061	23,958,794
Derivative financial liability	(4,592,619)	(3,478,830)
Net position – asset / (liability)	**(1,980,558)**	**20,479,964**

Income Statement:

	December 31, 2022	December 31, 2021
Realised (gains)/losses - net	262,933,391	34,117,950
Total position - loss/(gain) - in Cost of sales	**262,933,391**	**34,117,950**

A movement in derivatives assets/ (liabilities) is shown below:

	December 31, 2022	December 31, 2021
Derivative asset/(liability) 2021	**20,479,964**	**(166,886)**
Cash payments	3,303,474	(2,953,663)
Reserves	(25,763,996)	23,600,512
Derivative asset/(liability) 2022	**(1,980,558)**	**20,479,964**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 for fair value hedge are recognized in profit or loss as they arise.

The negative result recorded in 2022 presented in Cost of sales is detailed in Note 21.

As of December 31, 2022 Cash flow hedge in amount of - 25.7 million USD refers to - 2.1 million USD from hedge open position at the end of the year and -23.6 million USD reversal of MTM opening balance (as of 31 December 2021) for CO2 allowances for Rompetrol Rafinare SA.

During 2022 the net impact for EUA strategy is 1 million USD, as a result of EUA certificates that were traded for 2021 EUA compliance according to risk management and cash strategy.

As of 31 December 31, 2022 Rompetrol Rafinare SA has an open position for 770k EUA certificates which is due by the end of March 2023, when the compliance for 2022 is expected.

Cash flow hedge in amount of USD 23 million mainly refers to long opened position as of 31 December 2021 for 900 thousand EUA certificates.

Fair value of open positions at year-end is performed through mark-to-market method (“MTM”) using the last price from trading platform in case of EUA certificates and the last price communicated by the broker in case of diesel and gasoline and base operating stock.

The main impact is coming from EUA transactions as follows:

- -28.6 million USD negative impact coming mainly from EUA margin calls paid during January-March which was a return (payment back) of excess margin received during 2021 (we opened position at 57 EUR and price increased to 80 EUR at the end of Dec ’21 after this, in Mar ’22, price decreased back to 60 EUR).
- -4.66 million USD Negative impact coming from opened EUA position, mark-to-market negative impact at the end of December.
- -11.6 million USD This amount is coming from additional certificates bought for compliance vs available certificates (we bought 800k EUA and we sold 660k EUA).

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

32.6 Market risk

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

32.7. Foreign currency risk management

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

	Liabilities		Assets	
	2022	**2021**	**2022**	**2021**
Currency RON	861,669,474	720,356,926	661,840,878	527,169,368
Currency EUR	121,373,186	64,261,161	45,621,670	63,785,055

32.8. Foreign currency sensitivity analysis

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

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

		RON		EUR	
		2022	**2021**	**2022**	**2021**
USD	**USD**				
Profit/ (loss)	**5%**	(9,991,430)	(9,659,378)	(3,787,576)	(23,805)
	-5%	9,991,430	9,659,378	3,787,576	23,805

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.9. Interest rate risk management

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

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

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group’s: profit for the year ended 31 December 2022 would decrease / increase by USD 13,779 thousand (2021: decrease / increase by USD 9,683 thousand).

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.10. Liquidity risk management

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2022 and 31 December 2021 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Year ended December 31, 2022	Less than 1 month or on demand	<3 months	3 - 12 months	1 - 5 years	>5 years	Total
Long-term net obligations under lease agreements	-	-	-	40,363,015	159,606,238	199,969,253
Trade and other payables	676,245,727	528,199,818	946,391	-	-	1,205,391,936
Derivative financial instruments	-	4,592,619	-	-	-	4,592,619
Short-term net obligations under lease agreements	1,513,744	1,287,884	8,404,885	-	-	11,206,513
Short-term debt	-	1,554,141	87,391,247	-	-	88,945,387
Other non-current liabilities	165,356	-	-	-	-	165,356
	677,924,828	**535,634,461**	**96,742,522**	**40,363,015**	**159,606,238**	**1,510,271,064**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.11. Commodity price risk

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

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

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

At Group level, the net impact of the commodity hedges was positive, 84.2 million USD in 2022, mainly driven by the Urals-Dated Brent differential transactions (USD 78.3 million). The military action of Russian against Ukraine starting 24th of February 2022 lead to un-precedented collapse of the Urals differential to -34 USD/bbl., triggered by the drop in demand for Russian crude oil. The Group succeed to close 75% of the Urals differential hedge positions on 18th of March 2022 at -5.9 USD/bbl. After that, the Refinery managed to buy heavy crude oil at better discounts, between -15 and -25 USD/bbl., resulting in a higher gain on Physical side vs. Paper loss from hedging transactions. The hedge program for 2022 includes: inventory hedge until March 2022, refinery margin hedge for 860KT, and 14.15 million bbl. Urals-Dated Brent differential hedge.

The Refining activity of the Group is exposed to the increase of the EUA certificates prices. Rompetrol Refinery CO2 emissions are offset with EUA certificates. As a mitigation measure, the Financial Risk Management Department is monitoring the EUA market in order to hedge EUA deficit of the Refinery for the first part of phase IV (2021-2025). When the market price will be within the target level of the Group, hedge operations will be carried on.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.12. Credit risk

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

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 18% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

Financial instruments and bank deposits

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

33. SUBSEQUENT EVENTS

The Group performed an assessment of the events subsequent to the balance sheet date through the date for the financial statements and determined there are no subsequent adjusting events that may require disclosure in the financial statements.

The consolidated financial statements have been endorsed by the Board of Directors on 24 March 2023 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 27 April 2023 by:

YEDIL UTEKOV
CHAIRMAN of the BOARD of DIRECTORS

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Yedil Utekov
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FELIX CRUDU-TESLOVEANU
GENERAL MANAGER

DocuSigned by:
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RAMONA-GEORGIANA GALATEANU
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