

**ROMPETROL RAFINARE SA**

**UNAUDITED INTERIM STANDALONE FINANCIAL STATEMENTS**

**Prepared in compliance with**  
Order of the Minister of Public Finance no. 2844/2016

**30 JUNE 2023**

**ROMPETROL RAFINARE SA****Unaudited Interim Standalone Financial Statements**

Prepared in compliance with the Order of the Minister of Public Finance no. 2844/2016  
**as at 30 June 2023**

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**ROMPETROL RAFINARE SA**  
**INTERIM STANDALONE STATEMENT OF THE FINANCIAL POSITION**  
**for the financial period ended 30 June 2023**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	June 30, 2023	December 31, 2022
Intangible assets	3	10,264,203	13,497,269
Goodwill	4	152,720	152,720
Property, plant and equipment	5	3,930,801,903	4,163,154,164
Rights of use assets	6	52,198,255	53,769,901
Investments in subsidiaries	7	3,170,968,557	3,170,968,557
<b>Total non current assets</b>		<b>7,164,385,638</b>	<b>7,401,542,611</b>
Inventories, net	8	1,274,376,214	1,226,387,029
Receivables and prepayments, net	9	2,032,420,460	1,676,716,096
Derivative Financial Instruments	30	-	11,856,741
Cash and cash equivalents	10	886,544,812	23,243,490
<b>Total current assets</b>		<b>4,193,341,486</b>	<b>2,938,203,356</b>
<b>TOTAL ASSETS</b>		<b>11,357,727,124</b>	<b>10,339,745,967</b>
Subscribed share capital	11	2,655,920,573	2,655,920,573
Share premium	11	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	11	1,205,293,893	1,205,293,893
Other reserves	11	3,477,715,645	3,467,988,066
Accumulated losses		(4,641,846,600)	(5,308,123,759)
Current period result		(243,447,195)	666,277,159
<b>Total equity</b>		<b>2,686,273,423</b>	<b>2,919,993,039</b>
Long-term borrowings from banks	15	1,216,492,500	-
Provisions	17	518,326,405	518,326,405
Long-term lease debts	16	53,576,302	54,700,998
Deferred tax liability	23	214,628,629	214,628,629
<b>Total non-current liabilities</b>		<b>2,003,023,836</b>	<b>787,656,032</b>
Trade and other payables	12	6,112,541,119	5,648,166,879
Contract liabilities	13	264,870,079	98,232,193
Short-term lease debts	16	2,882,367	2,859,828
Derivatives	30	-	21,584,319
Short-term borrowings from banks	14	207,221,526	283,618,888
Profit tax payable	23	80,914,774	577,634,789
<b>Total current liabilities</b>		<b>6,668,429,865</b>	<b>6,632,096,896</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,357,727,124</b>	<b>10,339,745,967</b>


**BATYRZHAN TERGEUSSIZOV**  
Chairman of the Board of Directors

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General Manager

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**RAMONA GEORGIANA GALATEANU**  
Financial Manager

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**Prepared by, Alexandru Cornel Anton**  
Chief Accountant

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 Alexandru Anton  
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Explanatory notes from 1 to 31 form an integral part of these financial statements.

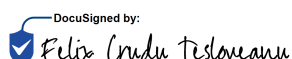
**ROMPETROL RAFINARE SA**  
**INTERIM STANDALONE INCOME STATEMENT**  
**for the financial period ended 30 June 2023**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	January - June 2023	January - June 2022
Net revenues from contracts with customers	18	8,812,286,062	10,226,300,510
Cost of sales	19	(8,554,164,767)	(9,354,064,939)
<b>Gross profit</b>		<b>258,121,295</b>	<b>872,235,570</b>
Selling, general and administrative expenses	20	(192,097,476)	(243,269,715)
Other operating expenses	21	(170,815,819)	(672,859,715)
Other operating income	21	78,834,451	649,496,792
<b>Operating profit / (loss)</b>		<b>(25,957,549)</b>	<b>605,602,932</b>
Financial expenses	22	(193,153,526)	(140,735,527)
Financial revenues	22	39,227,591	9,671,643
Net foreign exchange gains / (losses)	22	17,351,063	(379,578,301)
<b>Profit / (Loss) before income tax</b>		<b>(162,532,421)</b>	<b>94,960,746</b>
Income tax	23	(80,914,774)	-
<b>Net Profit / (Loss) for the period</b>		<b>(243,447,195)</b>	<b>94,960,746</b>
<b>Earnings per share (bani/share) Basis</b>	26	(0.92)	0.36

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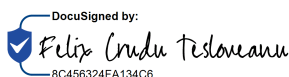
**ROMPETROL RAFINARE SA**  
**INTERIM STANDALONE STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the financial period ended 30 June 2023**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	January - June 2023	January - June 2022
<b>Net Profit / (Loss)</b>	<b>(243,447,195)</b>	<b>94,960,746</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<i>Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):</i>	<b>-</b>	<b>-</b>
Net gain/(loss) on cash flow hedges	9,727,579	(381,040,016)
<b>Total comprehensive income to be reclassified to income statement in subsequent periods (net of tax):</b>	<b>9,727,579</b>	<b>(381,040,016)</b>
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</i>	<b>-</b>	<b>-</b>
Revaluation of property plant and equipment	-	(25)
<b>Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):</b>	<b>-</b>	<b>(25)</b>
<b>Total other comprehensive result for the period, net of tax</b>	<b>9,727,579</b>	<b>(381,040,041)</b>
<b>Total comprehensive result for the period, net of tax</b>	<b>(233,719,616)</b>	<b>(286,079,295)</b>

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**ROMPETROL RAFINARE SA**  
**INTERIM STANDALONE STATEMENT OF CASH FLOWS**  
**For the financial period ended 30 June 2023**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	June 30, 2023	June 30, 2022
<b>Net result before income tax</b>		<b>(162,532,421)</b>	<b>94,960,746</b>
<i>Adjustments for:</i>			
Depreciation and amortisation	19, 20	235,605,535	237,822,585
Provisions for receivables and inventories (incl write-off)	21	57,724,665	42,718,327
Impairment for property, plant and equipment (incl write-off), net		31,398,876	-
Expenses with penalties		8,334,916	9,838,248
Unwinding of discount - lease	16	921,011	940,980
Interest expenses		192,232,515	139,794,546
Inrerest income		(39,227,591)	(9,671,643)
(Gain)/Loss on sale or disposal of assets		(504)	-
Unrealised foreign exchange (gain)/loss	22	15,733,273	109,292,822
<b>Cash generated from operations before working capital changes</b>		<b>340,190,275</b>	<b>625,696,611</b>
<i>Net working capital changes in:</i>			
Receivables and prepayments		(215,537,151)	(1,596,982,586)
Inventories		(105,724,892)	(881,882,572)
Trade and other payables and contract liabilities		709,642,843	1,258,162,724
<b>Change in working capital</b>		<b>388,380,800</b>	<b>(1,220,702,434)</b>
Income tax paid		(577,634,789)	-
<b>Net cash inflow / (outflow) from operating activities</b>		<b>150,936,286</b>	<b>(595,005,823)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(29,572,243)	(186,296,178)
Purchase of intangible assets		(90,460)	(21,438)
Receipts from selling of assets		504	-
<b>Net cash (outflow) from investing activities</b>		<b>(29,662,199)</b>	<b>(186,317,616)</b>
<b>Cash flows from financing activities</b>			
Cash pooling movement		(201,481,241)	452,559,621
Short - term loans received from banks		37,156,136	863,009,733
Long - term loans received from / (paid) to banks		1,100,962,756	(418,023,119)
Lease repayments		(2,377,901)	(2,413,713)
Interest and bank charges paid, net		(192,232,515)	(139,794,547)
<b>Net cash inflow from financing activities</b>		<b>742,027,235</b>	<b>755,337,975</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>863,301,322</b>	<b>(25,985,464)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>23,243,490</b>	<b>87,598,088</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>886,544,812</b>	<b>61,612,624</b>

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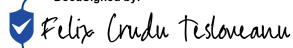
**ROMPETROL RAFINARE SA**  
**INTERIM STANDALONE STATEMENT OF CHANGES IN EQUITY**  
**for the financial periods ended 30 June 2023 and 30 June 2022**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

	Share capital	Share premium	Acumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
<b>1st of January 2022</b>	<b>2,655,920,573</b>	<b>232,637,107</b>	<b>(5,433,027,385)</b>	<b>1,621,972,935</b>	<b>(259,515,670)</b>	<b>3,513,820,106</b>	<b>2,331,807,666</b>
<b>Net profit for H1 2022</b>	-	-	<b>94,960,746</b>	-	-	-	<b>94,960,746</b>
Revaluation reserves	-	-	-	(25)	-	-	(25)
Net gain/(loss) on cash flow hedges	-	-	-	-	-	(381,040,016)	(381,040,016)
<b>Total other comprehensive income for H1 2022</b>	-	-	-	<b>(25)</b>	-	<b>(381,040,016)</b>	<b>(381,040,041)</b>
<b>Total comprehensive income for H1 2022</b>	-	-	<b>94,960,746</b>	<b>(25)</b>	-	<b>(381,040,016)</b>	<b>(286,079,295)</b>
<b>30st of June 2022</b>	<b>2,655,920,573</b>	<b>232,637,107</b>	<b>(5,338,066,639)</b>	<b>1,621,972,910</b>	<b>(259,515,670)</b>	<b>3,132,780,090</b>	<b>2,045,728,371</b>
<b>1st of January 2023</b>	<b>2,655,920,573</b>	<b>232,637,107</b>	<b>(4,641,846,600)</b>	<b>1,434,873,687</b>	<b>(229,579,794)</b>	<b>3,467,988,066</b>	<b>2,919,993,039</b>
<b>Net loss for H1 2023</b>	-	-	<b>(243,447,195)</b>	-	-	-	<b>(243,447,195)</b>
Net gain/(loss) on cash flow hedges	-	-	-	-	-	9,727,579	<b>9,727,579</b>
<b>Total other comprehensive income for H1 2023</b>	-	-	-	-	-	<b>9,727,579</b>	<b>9,727,579</b>
<b>Total comprehensive income for H1 2023</b>	-	-	<b>(243,447,195)</b>	-	-	<b>9,727,579</b>	<b>(233,719,616)</b>
<b>30st of June 2023</b>	<b>2,655,920,573</b>	<b>232,637,107</b>	<b>(4,885,293,795)</b>	<b>1,434,873,687</b>	<b>(229,579,794)</b>	<b>3,477,715,645</b>	<b>2,686,273,423</b>

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**ROMPETROL RAFINARE SA**  
**NOTES TO INTERIM STANDALONE FINANCIAL STATEMENTS**  
**for the financial period ended 30 June 2023**

*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

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## **1. GENERAL**

Rompetrol Rafinare SA (hereinafter referred to as "the Company" or "Rompetrol Rafinare") is a company incorporated under Romanian laws. The Company operates two refineries Petromidia and Vega and also a petrochemical plant. Petromidia Refinery is the one with the highest capacity (of 5 million tons/annum, nameplate capacity) and the only Romanian refinery at the Romanian Black Sea shore, which processes exclusively imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975 and 1977 and was further upgraded in the early '90s and between 2005 - 2012. Vega refinery 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 production facilities are located in Romania. The number of employees of the Company as at 30 June 2023 is 1,186, respectively 1,154 as at 31 December 2022.

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

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

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

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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



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

### **b) The going concern**

The financial statements of the Company are prepared on a going concern basis. As at 30 June 2023 and 31 December 2022, the Company's net assets amount to 2,686 million and RON 2,920 million, respectively. For the periods ending 30 June 2023 and 31 December 2022 the Company reported a loss of RON 243 million and a profit of RON 666 million, respectively. The accumulated losses recorded until present are due to the fact that the Company was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years.

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.

However, the future financial performance of the Company is dependent upon the wider economic environment in which it operates. The factors that may affect the financial performance of the Company 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 (ie. 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 Company'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 Company. 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 Company follows closely the developments around the crisis and adjusts its operations accordingly.

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

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, KMGI 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.

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

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.

The KMGI 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 KMGI's 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, Rompetrol 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. KMGI 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 & of the retail network in a cost-efficient manner by developing on-site solar PV generation capacities.

The shortlisted projects of KMGI 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 150 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 at this moment it is in an advanced stage of the works.

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

Considering the Company's budget for 2023, its medium term development strategy and other matters mentioned above, Company's 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**

#### **i) Voluntary change of accounting policy for property, plant and equipment**

As of 31 December 2021, the Company's re-assessed its accounting for property, plant and equipment with respect to measurement of property, plant and equipment after initial recognition. The Company had previously measured all property, plant and equipment, 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 Company's 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 Company's 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 Company's assets.
- The revaluation model provides users with information about the real value of the Company's assets, since fair value reflects the market value. Following the listing on the stock exchange, the parent -company is already exposed to indicators determined based on the market value (Price earnings ratio ( $PER = \text{Price} / \text{EPS}$ ), Price / Sales ( $P/S$ ), Price / Book value ( $P/BV$  - price to book value), Price / Cash flow ( $P/CF$  - price to cash flow =  $\text{Price} / \text{Cash flow}$ )).
- The Company's will measure its assets to reflect any increase or decrease in the market price.
- Shareholders are interested in the future performance of the Company's. The fair value measurement of tangible assets dynamically reflects the evolution of their value in close correlation with trend in oil prices, providing investors with long and medium-term outlook of investment performance.

#### **ii) Voluntary change of accounting policy for measurement of investments in subsidiaries**

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

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

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

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

### **New and amended standards and interpretations**

- **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 Company's level from application of these amendments.

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

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

Management is in process of assessing the impact at Company's 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 discretionary participation contracts. The company does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the company'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 Company's level from application of these amendments.

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 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 the Company 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 the Company level from application of these amendments.

### **e) Significant professional judgements, estimates and assumptions**

The preparation of the financial statements requires that the management should issue professional judgments, estimates and assumptions that affect the reported amounts of revenues, 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 that are the basis of the accounting judgements are constantly reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period or in the period of the revision and the future periods if the revision affects both current and the future periods.

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

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

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

### **- Revaluation of property, plant and equipment**

The Company's 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.

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 non-financial assets**

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

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

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

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

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

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

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

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

### **- Provision for environmental liability**

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

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.

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

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

### **- Deferred tax assets**

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

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

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

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

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

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

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

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

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

### **- Provision for litigations**

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

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

## **f) Financial instruments**

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

### *a. Financial assets*

#### **Initial recognition and measurement**

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



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

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

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company 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 Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

### **Subsequent measurement**

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

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

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

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

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

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

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

### **Derecognition**

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

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

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

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

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

### **Impairment of financial assets**

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

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

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

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

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

### *b. Financial liabilities*

#### **Initial recognition and measurement**

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

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

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

#### **Subsequent measurement**

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

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

#### **Derecognition**

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

### *c. Offsetting of financial instruments*

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

### *d. Impairment of financial assets*

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

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

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

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

### **g) Property plant and equipment**

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

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

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

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

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

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

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

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

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

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

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

	<u>Years</u>
Buildings and other constructions	5 to 30
Tanks	5 to 30
Tools and other technological equipment	1 to 30
Vehicles	1 to 5
Furniture and office equipment	1 to 15
Computers	1 to 10

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

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

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

### **h) Intangible assets**

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

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

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

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

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

### **i) Investments in subsidiaries**

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

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

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

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

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

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

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

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

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

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

### **k) Provisions**

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

Provisions are not recognized for future operating losses.

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

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

The value of the environmental obligation is estimated on the basis of 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.

### **l) Leases**

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

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

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

### i. Right-of-use assets

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

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

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

### ii. Lease liabilities

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

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

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

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

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

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

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

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases 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.



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

### **m) Inventories**

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

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

### **n) Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional. Refer to accounting policies of financial assets in section f) 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.

### **o) Cash and cash equivalents**

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

### **p) Revenue from contracts with customers**

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

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

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

#### **(i) Variable consideration**

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

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

### **(ii) Volume rebates**

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

### **(iii) Significant financing component**

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

### **Contract balances**

#### *Contract assets*

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

#### *Trade receivables*

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

#### *Contract liabilities*

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

### **q) 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 are subsequently measured at amortized cost, using the effective interest method.

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

### **r) Borrowings costs**

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

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

### **s) Retirement benefit costs**

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

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

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

### **t) Taxes**

#### **- Current income tax**

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

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

#### **- Deferred tax**

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

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

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

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

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

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

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

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

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

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

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

### **- Sales tax**

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

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

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

### **u) Dividends**

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

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

### **v) Foreign Currency Transactions**

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

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

<b>Currency</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
RON / USD	4.5750	4.6346
RON / EUR	4.9634	4.9474

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

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

### **w) Derivative financial instruments**

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

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

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

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

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

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

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

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

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

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

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

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. 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 Company buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc).

The Company also acquires CO2 emission rights for the purpose of meeting the annual quota in accordance with the European Union legislation related to Carbon Emissions, trading and delivering these emission rights.

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

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

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

### *Cash Flow Hedge*

A cash flow hedge is a hedge of the exposure to variability in cash flows that:

- is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction;
- and
- could affect profit or loss.

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

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

Cash flow hedge is accounted as following:

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

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see Note 19).

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

### **x) Emission Rights**

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

### **y) Fair value measurement**

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

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

- In the principal market for the asset or liability;

Or

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

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

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

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

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

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

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

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

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

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

### **z) Current versus non-current classification**

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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



**ROMPETROL RAFINARE SA**  
**NOTES TO INTERIM STANDALONE FINANCIAL STATEMENTS**  
**for the financial period ended 30 June 2023**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

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

**aa) Contingencies**

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

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

**3. INTANGIBLE ASSETS**

	Software / Licenses	Other	Intangibles in progress	Total
<b>Cost</b>				
<b>Opening balance as of January 1, 2022</b>	<b>73,588,644</b>	<b>5,104,316</b>	<b>979,302</b>	<b>79,672,262</b>
Additions	92,025	-	19,688	111,713
Disposals	-	-	(760,444)	(760,444)
Transfers*	210,766	-	(198,887)	11,879
<b>Closing balance as of December 31, 2022</b>	<b>73,891,434</b>	<b>5,104,316</b>	<b>39,659</b>	<b>79,035,409</b>
Transfers, reclassifications and adjustments*	-	90,460	-	90,460
<b>Closing balance as of June 30, 2023</b>	<b>73,891,434</b>	<b>5,194,775</b>	<b>39,659</b>	<b>79,125,869</b>
<b>Accumulated amortization</b>				
<b>Opening balance as of January 1, 2022</b>	<b>(54,639,497)</b>	<b>(2,196,906)</b>	<b>-</b>	<b>(56,836,403)</b>
Charge for the year	(7,710,562)	(991,174)	-	(8,701,736)
<b>Closing balance as of December 31, 2022</b>	<b>(62,350,060)</b>	<b>(3,188,080)</b>	<b>-</b>	<b>(65,538,140)</b>
Charge for the year	(2,818,894)	(504,633)	-	(3,323,527)
<b>Closing balance as of June 30, 2023</b>	<b>(65,168,954)</b>	<b>(3,692,712)</b>	<b>-</b>	<b>(68,861,666)</b>
<b>Net book value</b>				
<b>As of December 31, 2022</b>	<b>11,541,374</b>	<b>1,916,236</b>	<b>39,659</b>	<b>13,497,269</b>
<b>As of June 30, 2023</b>	<b>8,722,480</b>	<b>1,502,063</b>	<b>39,659</b>	<b>10,264,203</b>

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

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

**4. GOODWILL**

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

**ROMPETROL RAFINARE SA**  
**NOTES TO INTERIM STANDALONE FINANCIAL STATEMENTS**  
**for the financial period ended 30 June 2023**  
*(All amounts expressed in Lei ("RON"), unless otherwise specified)*

**5. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
<b>Cost or valuation</b>						
<b>As of January 1, 2022</b>	<b>283,899,987</b>	<b>1,283,155,481</b>	<b>2,692,009,440</b>	<b>9,387,965</b>	<b>156,288,170</b>	<b>4,424,741,045</b>
Acquisitions	-	-	6,696,394	-	260,759,467	267,455,861
Transfers from CIP	-	106,038,690	109,391,929	311,839	(215,754,337)	(11,879)
Transfers and reclassifications*	-	792,263	(792,282)	-	-	(19)
<b>As of December 31, 2022</b>	<b>283,899,987</b>	<b>1,389,986,434</b>	<b>2,807,305,482</b>	<b>9,699,804</b>	<b>201,293,300</b>	<b>4,692,185,008</b>
Acquisitions	-	-	637,615	-	29,025,089	29,662,704
Transfers from CIP	-	32,107,358	77,728,282	-	(109,926,099)	(90,460)
<b>As of June 30, 2023</b>	<b>283,899,987</b>	<b>1,422,093,792</b>	<b>2,885,671,378</b>	<b>9,699,804</b>	<b>120,392,290</b>	<b>4,721,757,253</b>
<b>Accumulated depreciation &amp; Impairment</b>						
<b>As of January 1, 2022</b>	<b>-</b>	<b>-</b>	<b>(2,461,464)</b>	<b>-</b>	<b>(3,171,485)</b>	<b>(5,632,949)</b>
Charge for the year	(8,265,581)	(152,344,001)	(324,364,842)	(923,034)	-	(485,897,457)
Impairment	-	(12,543,115)	(24,956,720)	(597)	-	(37,500,431)
Transfers and reclassifications*	-	(39,492)	39,485	-	-	(6)
<b>As of December 31, 2022</b>	<b>(8,265,581)</b>	<b>(164,926,607)</b>	<b>(351,743,540)</b>	<b>(923,632)</b>	<b>(3,171,485)</b>	<b>(529,030,844)</b>
Charge for the year	(3,902,212)	(65,345,439)	(160,853,107)	(424,870)	-	(230,525,629)
Impairment	-	(15,699,438)	(15,699,438)	-	-	(31,398,876)
<b>As of June 30, 2023</b>	<b>(12,167,792)</b>	<b>(245,971,484)</b>	<b>(528,296,085)</b>	<b>(1,348,502)</b>	<b>(3,171,485)</b>	<b>(790,955,349)</b>
<b>Net book value as of December 31, 2022</b>	<b>275,634,407</b>	<b>1,225,059,827</b>	<b>2,455,561,942</b>	<b>8,776,172</b>	<b>198,121,815</b>	<b>4,163,154,164</b>
<b>Net book value as of June 30, 2023</b>	<b>271,732,195</b>	<b>1,176,122,308</b>	<b>2,357,375,293</b>	<b>8,351,302</b>	<b>117,220,805</b>	<b>3,930,801,903</b>

\*) Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments

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

**- Construction in progress**

In first 6 months of the year 2023, the significant contribution to the total acquisitions for construction in progress is represented by the projects of replacement catalysts (approximately RON 3.2 million), Tank rehabilitation projects (about RON 11.3 million), the ISCIR projects within the two refineries (about RON 0.9 million), the project Emergency Shutdown of 100 CDU, 120 NHT (about RON 4.0 million), and other projects totaling RON 9.6 million.

In 2022, the significant contribution to the total acquisitions for construction in progress is represented by the Refinery and Petrochemicals General Turnaround (overhaul project in amount of approximately RON 95.9 million), restarting the refinery after the incident of July 2021 project (about RON 21.7 million), the projects of replacement catalysts (approximately RON 28.9 million), Tank rehabilitation projects (about RON 28.7 million), the projects of replacement strategic equipment (rotors) (approximately RON 6.2 million), the ISCIR projects within the two refineries (about RON 36.3 million) and other projects totaling RON 43.1 million.

At the end of 2022, the main projects remaining in construction in progress refers to the following ISCIR projects within the two refineries (about RON 43.6 million), the replace heater in VD unit, Vega Platform (about RON 17.1 million), restarting the refinery after the incident of July 2021 project (about RON 5.5 million), Replacement of PEM strategic equipment (rotors) (about RON 26.8 million RON), Fire-fighting Water Main Replacement Package 2022 (about RON 4.6 million), Mild Hydrocracking Unit Reliability (about RON 5.7 million) Tank rehabilitation projects (about RON 26.3 million), Preparing to 2024 general repair and 2020 HPP Unit (about RON 7.5 million), the projects of replacement catalysts (about RON 16.5 million) and other refinery ongoing project totaling RON 47.7 million.

**- Disposal**

No asset disposals were recorded in the first semester of the year 2023 and 2022.

**- Capitalization of borrowing costs**

In the first semester of the year 2023 the capital projects were financed from Company's operating cash flow, therefore no borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets was capitalized during first 6 months of the year 2023 (2022: RON nil).

The Company's borrowing funds obtained for generally for the business are not used for the purpose of obtaining a qualifying asset, thus Management determined that no borrowing cost is considered eligible in the first semester of the year 2023 and 2022 for capitalization by applying a capitalization rate to the expenditure on the asset.

**- Impairment**

The Company performs an annual assessment based on specific asset considerations, as applicable, to identify whether impairment indicators exists and taking into consideration expectations on future estimated cash flows.

Impairment tests have been performed by the Company for the carrying value of property plant and equipment and right of use assets as of 31 December 2022 on the cash generating units ("CGUs").

In June 2023 Rompetrol Rafinare SA recognized an impairment provision in amount of RON 31.4 million in respect of Mild Hydrocracker Unit (MHC Unit) assets affected by the fire incident occurred on June 21, 2023.

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

Romp petrol 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 RON 37.5 million for Petromidia Refinery (of which HDPE unit amounts RON 23.5 million and the Aromatic complex amounts RON 6.6 million) and RON 2.7 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, The Company's 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 RON 63.2 million, RON 38.4 million represent components which were preliminary assessed as being used in the foreseeable future for the current petrochemicals operational activity, RON 1.3 million was assessed as scrap, and for the remaining of RON 23.5 million an impairment adjustment was recorded as of 31 December 2022.

### **- Revaluation of property, plant and equipment**

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

As at the date of revaluation on 31 December 2021, the fair value of property, plant and equipment, except for construction in progress is based on valuations performed by PricewaterhouseCoopers Management Consultants SRL, an accredited independent appraiser with experience on similar valuation exercises. Fair value of the equipment was determined using cost approach for majority of assets, but also the market approach was applied for a number of assets like land and residential buildings. The valuations of equipment was performed by the appraiser based on net replacement cost method and subsequently the items were tested for impairment.

Considering that property plant and equipment of the Company 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 bigger than, the accounting value of the assets, so no adjustment of the accounting value is necessary as at December 31, 2022.

### **- Pledged property, plant and equipment**

As at 30 June 2023, the company pledged property, plant and equipment in favor of banks with a net carrying amount of RON 1,044,399,909 (2022: RON 1,080,375,504).

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

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

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

The Company 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 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal having the first hearing on October 5, 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 28). Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to an asset freeze.

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 \$106.5m) 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.

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**6. RIGHTS OF USE ASSETS**

	<b>Land, building and special constructions</b>	<b>Plant and equipment</b>	<b>Vehicles and others</b>	<b>Total</b>
<b>Initial cost / revalued</b>				
<b>Opening balance at January 01, 2022</b>	<b>60,534,029</b>	<b>1,839,076</b>	<b>2,524,362</b>	<b>64,897,467</b>
Additions	-	-	331,800	331,800
Re-measurement and other adjustments	445,545	891,130	-	1,336,675
Disposals	-	(176,224)	(15,458)	(191,681)
<b>Closing balance at December 31, 2022</b>	<b>60,979,574</b>	<b>2,553,982</b>	<b>2,840,704</b>	<b>66,374,260</b>
Re-measurement and other adjustments	-	106,795	77,939	184,734
<b>Closing balance at June 30, 2023</b>	<b>60,979,574</b>	<b>2,660,777</b>	<b>2,918,643</b>	<b>66,558,994</b>
<b>Accumulated depreciation &amp; Impairment</b>				
<b>Opening balance at January 01, 2022</b>	<b>(6,978,096)</b>	<b>(1,575,365)</b>	<b>(719,102)</b>	<b>(9,272,563)</b>
Charge for the year	(2,398,189)	(549,638)	(575,651)	(3,523,478)
Accumulated depreciation of ceased rights of use assets	-	176,224	15,458	191,681
<b>Closing balance at December 31, 2022</b>	<b>(9,376,286)</b>	<b>(1,948,779)</b>	<b>(1,279,294)</b>	<b>(12,604,359)</b>
Charge for the year	(1,211,150)	(248,893)	(296,337)	(1,756,380)
<b>Closing balance at June 30, 2023</b>	<b>(10,587,435)</b>	<b>(2,197,672)</b>	<b>(1,575,631)</b>	<b>(14,360,739)</b>
<b>Net book value as of December 31, 2022</b>	<b>51,603,288</b>	<b>605,203</b>	<b>1,561,410</b>	<b>53,769,901</b>
<b>Net book value as of June 30, 2023</b>	<b>50,392,138</b>	<b>463,105</b>	<b>1,343,011</b>	<b>52,198,255</b>

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

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

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

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

**Plant and equipment** category includes mainly agreements for the rental of equipment for industrial water pumping stations.

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

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**7. INVESTMENT IN SUBSIDIARIES**

	<b>30 June 2023</b>	<b>31 December 2022</b>
Investments in subsidiaries	3,170,968,557	3,170,968,557
<b>Total</b>	<b><u>3,170,968,557</u></b>	<b><u>3,170,968,557</u></b>

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

Details regarding subsidiaries at 30 June 2023 and 31 December 2022 are as follows:

		<b>Ownership at</b>		<b>Balance at</b>	<b>Balance at</b>
		<b>30 June 2023</b>	<b>31 December 2022</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
	<b>Range of activity</b>				
Rompetrol Downstream SRL	Retail Trade of Fuels and Lubricants	99.99%	99.99%	2,319,469,799	2,319,469,799
Rompetrol Petrochemicals SRL	Petrochemicals	100.00%	100.00%	373,928,869	373,928,869
Rom Oil SA	Wholesale of Fuels; fuel storage	99.99%	99.99%	194,538,392	194,538,392
Rompetrol Logistics SRL	Fuels Transportation	66.19%	66.19%	271,459,390	271,459,390
Rompetrol Quality Control SRL	Quality Control Services	70.91%	70.91%	11,572,106	11,572,106
<b>Total investments</b>				<b><u>3,170,968,557</u></b>	<b><u>3,170,968,557</u></b>

*\*Note: all subsidiaries are Romanian companies*

As at the date of revaluation on 31 December 2022, the investments' fair values are based on valuations performed by PricewaterhouseCoopers Management Consultants SRL, an accredited independent valuer who has valuation experience for similar properties. The fair values of the non-listed equity investments have been estimated using a DCF model in case of Rompetrol Downstream SRL, Rom Oil SA and Rompetrol Quality Control SRL, while for Rompetrol Petrochemicals SRL and Rompetrol Logistics SRL the fair values were estimated using net asset approach. The valuation using DCF model requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments. Considering that techniques used for the fair value of investments in subsidiaries are not based on observable market data, the fair values are classified as Level 3.

The accounting policy change has been applied retrospectively.

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**8. INVENTORIES, NET**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Crude oil and other feedstock materials (at lower of cost and net realisable value)	774,150,729	693,636,165
Finished products (at lower of cost and net realisable value)	268,346,805	328,380,857
Work in progress (at cost)	184,606,578	156,235,749
Spare parts (at cost less inventories write-down)	16,861,687	15,821,004
Other consumables (at cost less inventories write-down)	24,603,136	24,684,177
Merchandises (at cost less inventories write-down)	79,267	153,826
Other inventories (at cost less inventories write-down)	5,728,012	7,475,251
<b>Total</b>	<b>1,274,376,214</b>	<b>1,226,387,029</b>

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

The movement of the provision for inventories in the first 6 months of the year 2023 and 2022 is presented below:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Reserve at the beginning of the year</b>	<b>(158,742,661)</b>	<b>(79,792,287)</b>
Accrued provision	(135,805,414)	(159,230,902)
Reversal provision inventories reserve	78,069,707	80,280,528
<b>Reserve at the end of the period</b>	<b>(216,478,368)</b>	<b>(158,742,661)</b>

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

**9. RECEIVABLES AND PREPAYMENTS, NET**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Trade receivables	1,129,332,237	1,041,294,686
Advances to suppliers	101,916,215	97,978,601
Sundry debtors	127,154,189	54,625,814
VAT to be recovered	610,714	23,542,812
Other receivables	718,141,663	504,029,942
Reserve for bad and doubtful debts	(44,734,558)	(44,755,759)
<b>Total</b>	<b>2,032,420,460</b>	<b>1,676,716,096</b>



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**9. RECEIVABLES AND PREPAYMENTS, NET (continued)**

Included in Sundry debtors in 2023 is an amount of RON 25.1 million (2022: RON 25.1 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2011 - 2015 period; the amount is fully provisioned as at June 30, 2023. The fiscal provision recognized in 2022 is in amount of RON 11.5 million, and the opening balance of RON 13.6 million was reclassified between "Provision for sundry debtors and other receivables" to "Fiscal provision", the provisioned amounts being in relation with a tax inspection for which a legal challenge is in place (see Note 28).

Another amount included in Sundry debtors refers to RON 9.8 million (2022: RON 23.4 million) in respect of Omnisig Vienna Insurance for insurance claim following the 2<sup>nd</sup> of July 2021 incident. As of 31 December 2022 an amount of RON 3.7 million is included in Sundry debtors 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, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report).

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.

By 30 June 2023 Rompetrol Rafinare SA enforced the total amount of RON 13.7 million by various set-off operations with Navodari City Hall.

On 28 February 2011, Rompetrol Rafinare SA 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 RON 30 million in 2020, RON 48.2 million in 2021 and RON 78.9 million in 2022.

At 30 June 2023, out of the total amount of RON 101.9 million (2022: RON 98 million) representing advances to suppliers, RON 101.9 million (2022: RON 98 million) are in respect of other raw materials, utilities, investment projects and CO2 certificates acquisition.

Out of the total balance for other receivables of RON 718 million (2022: RON 504 million), an amount of RON 510 million (2022: RON 392 million) relates to cash pooling receivables. Also, in other receivables an amount of RON 95.6 million (2022: RON 68.3 million) refers to excise receivables.

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Sundry debtors	127,154,189	54,625,814
Other receivables	718,141,663	504,029,942
Provision for sundry debtors and other receivables	(1,220,335)	(1,220,335)

Out of the total amount of other receivables and sundry debtors of RON 845.3 million (2022: RON 558.7 million) an amount of RON 1.2 million (2022: RON 1.2 million) is provisioned.

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**9. RECEIVABLES AND PREPAYMENTS, NET (continued)**

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Balance at the beginning of the year</b>	<b>(44,755,759)</b>	<b>(56,472,983)</b>
Charge for the year	(553,532)	(2,264,451)
Utilized	564,574	330,279
Reclassification between balance sheet items	-	13,654,238
Exchange rate differences	10,159	(2,841)
<b>Balance at the end of the period</b>	<b>(44,734,558)</b>	<b>(44,755,759)</b>

As at 30 June 2023 and 31 December 2022, the aging analysis of trade receivables and the respective balance of expected credit loss is as follows:

		Trade receivables					
		Current	1 - 30 days	Days past due			
30 June 2023	Total			30 - 60 days	60 - 90 days	90 - 120 days	> 120 days
Expected credit loss rate	3.36%	0.00%	2.37%	0.07%	0.14%	12.95%	94.55%
Estimated total gross carrying amount at default	1,129,315,030	971,078,905	29,660,931	57,098,919	31,699,405	522,232	39,254,638
Expected credit loss	37,974,081	-	703,943	40,915	44,365	67,653	37,117,205

		Trade receivables					
		Current	1 - 30 days	Days past due			
31 December 2022	Total			30 - 60 days	60 - 90 days	90 - 120 days	> 120 days
Expected credit loss rate	3.65%	0.00%	0.00%	2.26%	0.17%	12.61%	93.72%
Estimated total gross carrying amount at default	1,041,277,480	889,797,851	49,055,808	45,701,053	17,076,536	275,501	39,370,731
Expected credit loss	37,995,281	-	-	1,033,383	29,246	34,739	36,897,913

		Past due but not impaired					
		Neither past due not impaired	1 - 30 days	30 - 60 days	60 - 90 days	90 - 120 days	>120 days
30 June 2023	1,091,340,949	971,078,905	28,956,988	57,058,004	31,655,040	454,579	2,137,433
31 December 2022	1,003,282,199	889,797,851	49,055,808	44,667,670	17,047,290	240,762	2,472,818

## 9. RECEIVABLES AND PREPAYMENTS, NET (continued)

At 30 June 2023, the trade receivables at the initial value of RON 38.0 million (2022: RON 38.0 million) have been considered uncertain and provisioned.

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

	<b>Collectively impaired</b>
<b>At January 1, 2022</b>	<b>(36,058,356)</b>
Value adjustments for impairment of receivables	(2,264,363)
Reversed provisions	330,279
Exchange rate difference	(2,841)
<b>At December 31, 2022</b>	<b>(37,995,282)</b>
Value adjustments for impairment of receivables	(553,532)
Reversed provisions	564,574
Exchange rate difference	10,159
<b>At June 30, 2023</b>	<b>(37,974,081)</b>

## 10. CASH AND CASH EQUIVALENTS

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Cash at bank	886,137,805	22,597,466
Cash on hand	1,719	3,585
Transitory amounts	-	5,100
Other cash equivalents	405,288	637,339
<b>Total</b>	<b>886,544,812</b>	<b>23,243,490</b>

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

## 11. EQUITY

### 11.1 SHARE CAPITAL

As at 30 June 2023 and 31 December 2022 the share capital consists in 26,559,205,726 ordinary shares, authorized, wholly issued and paid up, with a nominal value of RON 0.1 per each share.

The shareholder structure at 30 June 2023 and 31 December 2022:

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

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## **11. EQUITY (continued)**

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

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

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

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

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

### **11.2 SHARE PREMIUM**

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

### **11.3 REVALUATION RESERVES**

At 31 December 2022, the Revaluation reserves balance is in amount of RON 1,205 million presented in net off the deferred tax recognized on the revaluation surplus and net off the transfer to retained earnings of the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the assets.

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

Thus, as of 31 December 2022 the realized revaluation reserve is in 2022 in amount of RON 187.1 million, for which a reduction of previously recognized deferred tax liability in amount of RON 29.9 million was recorded.

## **11. EQUITY (CONTINUED)**

### **11.4 OTHER RESERVES**

#### ***Hybrid Loan***

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

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

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

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

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

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

The addendums have retroactive effects.

## 12. TRADE AND OTHER PAYABLES

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Trade payables	4,193,511,819	3,492,866,976
VAT payable	240,726,030	374,084,032
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	(1,180)	(1,180)
Employees and social obligations	43,818,843	45,277,389
Other liabilities	1,606,924,975	1,708,379,030
<b>Total</b>	<b>6,112,541,119</b>	<b>5,648,166,879</b>

The increase in trade payables is mainly related to the increase in debts in relation to KMG Trading for crude oil purchases.

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

The cash pooling debt amounts to RON 1,603.89 million (2022: RON 1,693.27 million) and is recognised in "Other liabilities".

## 13. CONTRACT LIABILITIES

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Short-term advances from other customers	264,870,079	98,232,193
<b>Total short-term advances</b>	<b>264,870,079</b>	<b>98,232,193</b>

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

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**14. SHORT-TERM BORROWINGS**

**Short-term loan from banks**

	<b>30 June 2023</b>	<b>31 December 2022</b>
<b>Banca Transilvania</b>	99,654,722	99,581,428
Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 28, 2024; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.		
<b>Banca Transilvania</b>	42,904,301	68,103,551
Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on July 28, 2024; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS =EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.		
Interest due	2,380,412	68,909
	<b>144,939,435</b>	<b>167,753,888</b>
<b>Syndicated loan – through Unicredit Bank as payer agent (current portion)</b>	-	115,865,000
<b>Loan facility – overdraft facility granted by ING BANK</b>	62,282,091	-
<b>TOTAL</b>	<b>207,221,526</b>	<b>283,618,888</b>

At the level of KMG International NV, loan covenants are tested every 6 months, at half-year and at year end.

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**15. LONG-TERM BORROWINGS**

**Long-term loan from banks**

	30 June 2023	31 December 2022
<b>Loan facility – through BCR (Banca Comerciala Romana) as payer agent</b>		
General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. Facility granted by a consortium of banks, namely Banca Comerciala Romana S.A. (BCR), ING Bank N.V Amsterdam – Bucharest Branch, Raiffeisen Bank S.A., UniCredit Bank S.A., Alpha Bank Romania S.A., Garanti Bank S.A. and OTP Bank Romania S.A. The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 13, 2026 with an option of adding another 2 years until 2028 and (II) USD 265,9 million uncommitted line for a period of 1 year, with yearly possibility of prolongation. The facility is secured by: inventories, receivables, depots, gas stations and current accounts.	1,216,492,500	-
<b>TOTAL</b>	<b>1,216,492,500</b>	<b>-</b>

The movement of loans in the first 6 months 2023 is presented below:

	At January 01, 2023	Movement	At June 30, 2023
Long-term borrowings from banks	-	1,216,492,500	1,216,492,500
Short-term borrowings from banks	283,549,979	(78,708,864)	204,841,115
<b>Total</b>	<b>283,549,979</b>	<b>1,137,783,636</b>	<b>1,421,333,615</b>
Interest short-term borrowings from banks	68,909	2,311,502	2,380,411
<b>Total</b>	<b>68,909</b>	<b>2,311,502</b>	<b>2,380,411</b>

**16. OBLIGATION UNDER LEASE AGREEMENTS**

	2023	2022
<b>Opening balance at 01 January</b>	<b>57,560,826</b>	<b>58,761,696</b>
Additions	-	331,800
Re-measurement	184,734	1,336,675
Payments	(2,377,901)	(4,759,636)
Interest accrued	921,011	1,866,193
Exchange rate impact	169,999	24,099
<b>As at 30 June / December</b>	<b>56,458,669</b>	<b>57,560,826</b>
Non-current	53,576,302	54,700,998
Current	2,882,367	2,859,828

As of 30 June 2023 there are no sale and leaseback agreements and no lease agreements signed and not commenced yet.



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## 17. PROVISIONS

The movement of the provisions is presented below:

	As at 1 January 2023	Other comprehensive income	Arising during the year	Utilized amounts	Unwindin g of discount	Reclassification between balance sheet items	As at 30 June 2023
Provision for litigations	3,600,000	-	-	-	-	-	3,600,000
Retirement benefit provision	41,006,111	-	-	-	-	-	41,006,111
Fiscal provision	25,141,320	-	-	-	-	-	25,141,320
Environmental provision	448,578,974	-	-	-	-	-	448,578,974
<b>Total</b>	<b>518,326,405</b>	-	-	-	-	-	<b>518,326,405</b>

### Environmental provision

#### Vega lagoons

As of 31 December 2022, the Company recognized an environmental provision of RON 426.9 million (2021: RON 290.9 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.

The results of the reassessment lead to a net increase of provision by RON 136.0 million (2021: RON 51.1 million), being mainly generated by the additional costs of RON 193.5 million, impacted by the unwinding of discount effect of RON 5.1 million (2021: RON 21.4 million) and the costs incurred of RON 52.4 million (2021: RON 18.9 million) related to the works performed during 2022.

As of 30 June 2023 the provision recognised at the end of 2022 (as stated above) is considered as being appropriate.

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**17. PROVISIONS (continued)**

**Vadu cassettes**

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

During 2021, a detailed investigation report was provided to the environmental authorities. The feasibility study was also contracted and completed, the next steps for remedial actions will be communicated by the competent authority. Based on the feasibility study and correspondence with environmental authorities, Management concluded that the Company has a constructive obligation for the rehabilitation of the cassettes, thus an assessment of the obligation was performed as of 31 December 2021. In this respect, a provision of RON 21.7 million was recorded as of 31 December 2021. As at 30 June 2023 and 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 agreement in force, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with the entity at the date of their retirement. 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 entity; 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.

*Fiscal provision*

Fiscal provision recorded as of 31 December 2022 in amount of RON 25.1 million refers to the provision recorded in relation to the litigation with the National Agency for Tax Administration ("ANAF") (Note 28).

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**18. NET REVENUES FROM CONTRACT WITH CUSTOMERS**

	January - June 2023		TOTAL 2023	January - June 2022		TOTAL 2022
	Refining	Petrochemicals		Refining	Petrochemicals	
Gross revenues from the sale of finished oil products	10,575,613,504	323,788,537	10,899,402,041	11,615,742,902	539,652,161	12,155,395,063
Revenues from petrochemicals trading	-	46,173	46,173	-	-	-
Revenues from other merchandise sales	1,750,126	-	1,750,126	37,555,716	-	37,555,716
Revenues from utilities sold	15,032,396	-	15,032,396	8,180,982	-	8,180,982
Revenues from the sale other products	153,058	-	153,058	301,196	-	301,196
Revenues from other services	8,623,445	-	8,623,445	8,807,101	-	8,807,101
<b>Gross Revenues</b>	<b>10,601,172,529</b>	<b>323,834,710</b>	<b>10,925,007,239</b>	<b>11,670,587,897</b>	<b>539,652,161</b>	<b>12,210,240,058</b>
Less sales taxes	(2,112,721,177)	-	(2,112,721,177)	(1,983,939,548)	-	(1,983,939,548)
<b>Total</b>	<b>8,488,451,351</b>	<b>323,834,710</b>	<b>8,812,286,062</b>	<b>9,686,648,348</b>	<b>539,652,161</b>	<b>10,226,300,510</b>

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

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**19. COST OF SALES**

	January - June 2023	January - June 2022
Crude oil and other raw materials	7,540,734,794	7,957,627,373
Consumables and other materials	38,489,645	34,490,961
Utilities	542,898,408	542,595,164
Staff costs	79,230,703	55,083,393
Transportation	104,913	115,730
Maintenance	66,133,166	52,789,789
Insurance	5,482,939	4,649,470
Environmental expenses	47,058,666	63,243,218
Other	30,362,144	27,669,374
<b>Cash production cost</b>	<b>8,350,495,378</b>	<b>8,738,264,473</b>
Depreciation and amortization	205,183,083	193,011,667
<b>Production costs</b>	<b>8,555,678,461</b>	<b>8,931,276,140</b>
Less: Change in inventories	(17,887,242)	(309,061,838)
Less: Own production of property, plant & equipment	(773,480)	(4,352,439)
Cost of petrochemicals trading	45,469	-
Cost of other merchandise sales	1,706,918	39,814,361
Cost of utilities sold	15,394,641	7,076,936
Realised (gains)/losses on derivatives	-	689,311,779
<b>Total</b>	<b>8,554,164,767</b>	<b>9,354,064,939</b>

During H1 2022 the negative realized hedging was RON 689.3 million following the higher exposure of Rompetrol Rafinare hedge instruments, and especially because the market increased to the highest levels, last time seen in 2008, following Ukraine geopolitical context.

- The main negative impact resulted from Rompetrol Rafinare SA Urals-Dated Brent differential Swaps (RON -400.3 million). With the swap instruments, the Urals-Dated Brent differential was set in H1'22 at -2.26 USD / bbl. compared to the budget of -0.85 USD / bbl. for 5.6 million barrels (approx.. 50% of Urals processed in H1'22). However, during H1 the Urals-Dated Brent differential collapsed to un-precedented level of -17.14 USD/bbl., triggered by the drop in demand for Russian crude oil because of geopolitical context.
- The other negative hedging impact resulted from Rompetrol Rafinare Futures for Around BOS stocks (RON -156.2 million). When prices decrease the stocks depreciate, but the hedging instruments creates positive effect, offsetting the physical loss. In H1'22, Dated Brent increased by 74% from USD 79 (1st Jan) to USD 137.6 (8th Mar) per bbl., generating a loss on hedging instruments.

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

	January - June 2023	January - June 2022
Staff costs	23,950,491	23,024,032
Utilities	13,747,761	23,795,805
Transportation	34,092,964	23,060,213
Professional and consulting fees	19,458,383	21,560,079
Consumables	754,588	988,737
Marketing	1,617	3,052
Taxes	2,269,203	2,112,105
Communications	19,982	13,983
Insurance	1,303,080	1,833,760
IT related expenditures	3,867,376	3,583,483
Environmental expenses	5,426,478	48,866,209
Maintenance	11,108,962	12,209,757
Fees and penalties	17,646,874	21,163,424
Other expenses	28,027,266	16,244,157
<b>Costs before depreciation</b>	<b>161,675,025</b>	<b>198,458,796</b>
Depreciation and amortisation	30,422,451	44,810,919
<b>Total</b>	<b>192,097,476</b>	<b>243,269,715</b>

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

	January - June 2023	January - June 2022
Loss / (gain) from impairment of property, plant and equipment, net	31,398,876	-
Loss / (gain) from receivables (including provisions and write-off), net	(11,042)	140,202
Loss / (gain) from provision for inventories and write-off, net	57,735,707	42,578,125
Other expenses / (income), net	2,857,827	(19,355,403)
<b>Total</b>	<b>91,981,368</b>	<b>23,362,924</b>

## 22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January - June 2023	January - June 2022
<b>Finance cost</b>		
Interest expense	29,919,233	27,538,205
Interest expense shareholders and related parties	74,498,247	60,293,807
Unwinding of discount - lease	921,011	940,980
Other financial expense	87,815,035	51,962,535
	<b>193,153,526</b>	<b>140,735,527</b>
<b>Finance income</b>		
Interest income	(38,088,785)	(8,204,642)
Other financial income	(1,138,806)	(1,467,001)
	<b>(39,227,591)</b>	<b>(9,671,643)</b>
<b>Finance cost / (income), net</b>	<b>153,925,935</b>	<b>131,063,884</b>
Unrealized net foreign exchange losses/(gains)	15,733,273	109,292,821
Realized net foreign exchange losses/(gains)	(33,084,336)	270,285,480
<b>Foreign exchange (gain)/loss, net</b>	<b>(17,351,063)</b>	<b>379,578,301</b>
<b>Total</b>	<b>136,574,872</b>	<b>510,642,185</b>

## 23. INCOME TAX

a. The current income tax rate in in first semester of the year 2023 was 16%, the same as in 2022.

	June 30, 2023 RON	June 30, 2022 RON
Tax expense comprises:		
<b>Current expense with income tax, out of which</b>	<b>80,914,774</b>	-
<i>Current income tax</i>	-	-
<i>Solidarity contribution</i>	80,914,774	-
<b>Deferred tax expense / (income)</b>	-	-
<b>Total tax expense / (income)</b>	<b>80,914,774</b>	-

### b. Deferred tax

	Balance at 1 January 2023	Charged to Profit & loss	Charged to Equity	Balance at 30 June 2023
<b>Temporary differences</b>				
<b>Asset/Liability</b>				
Property, plant and equipment	1,915,375,550	-	-	1,915,375,550
Provisions	(573,946,617)	-	-	(573,946,617)
<b>Total temporary differences (Asset)/Liability</b>	<b>1,341,428,933</b>	-	-	<b>1,341,428,933</b>
Property, plant and equipment	306,460,088	-	-	306,460,088
Provisions	(91,831,459)	-	-	(91,831,459)
<b>Differed tax (assets)/liability recognised</b>	<b>214,628,629</b>	-	-	<b>214,628,629</b>

## 23. INCOME TAX (continued)

### c. 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") adopted by Law 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for the first semester of 2023 of RON 80.9 million, taking in account the present norms of the "GEO 186" adopted by Law 119/2023.

### Contingencies related to taxation

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

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

## 24. OPERATING SEGMENT INFORMATION

### a) Business segments

For management purposes, the company is organized on two segments-refining and petrochemical.

### June 30, 2023 Profit and loss

	Refining	Petrochemicals	Unallocated amounts between the segments	Total
Net turnover	8,488,451,352	323,834,710	-	8,812,286,062
Cost of sales	(8,069,266,369)	(484,898,398)	-	(8,554,164,767)
<b>Gross profit / (loss)</b>	<b>419,184,983</b>	<b>(161,063,688)</b>	<b>-</b>	<b>258,121,295</b>
Selling, general and administrative expenses	(166,413,484)	(25,683,992)	-	(192,097,476)
Other operating revenues / (expenses), net	(91,981,368)	-	-	(91,981,368)
<b>Operating profit / (loss)</b>	<b>160,790,131</b>	<b>(186,747,680)</b>	<b>-</b>	<b>(25,957,549)</b>
Financial expenses	-	-	(193,153,526)	(193,153,526)
Financial revenues	-	-	39,227,591	39,227,591
Net foreign exchange gains / (losses)	-	-	17,351,063	17,351,063
<b>Profit / (loss) before income tax</b>	<b>160,790,131</b>	<b>(186,747,680)</b>	<b>(136,574,872)</b>	<b>(162,532,421)</b>
Deferred tax	-	-	(80,914,774)	(80,914,774)
<b>Net Profit / (Loss)</b>	<b>160,790,131</b>	<b>(186,747,680)</b>	<b>(217,489,646)</b>	<b>(243,447,195)</b>
<b>out of which Depreciation and amortization</b>	<b>(204,107,717)</b>	<b>(31,497,818)</b>	<b>-</b>	<b>(235,605,535)</b>

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

**June 30, 2022 Profit and loss**

	Refining	Petrochemicals	Unallocated amounts between the segments	Total
Net turnover	9,686,648,348	539,652,161	-	10,226,300,510
Cost of sales	(8,799,049,636)	(555,015,303)	-	(9,354,064,939)
<b>Gross profit / (loss)</b>	<b>887,598,712</b>	<b>(15,363,142)</b>	<b>-</b>	<b>872,235,570</b>
Selling, general and administrative expenses	(215,317,246)	(27,952,468)	-	(243,269,715)
Other operating revenues / (expenses), net	(23,362,924)	-	-	(23,362,924)
<b>Operating profit / (loss)</b>	<b>648,918,542</b>	<b>(43,315,610)</b>	<b>-</b>	<b>605,602,932</b>
Financial expenses	-	-	(140,735,527)	(140,735,527)
Financial revenues	-	-	9,671,643	9,671,643
Net foreign exchange gains / (losses)	-	-	(379,578,301)	(379,578,301)
<b>Profit / (loss) before income tax</b>	<b>648,918,542</b>	<b>(43,315,610)</b>	<b>(510,642,185)</b>	<b>94,960,746</b>
Deferred tax	-	-	-	-
<b>Net Profit / (Loss)</b>	<b>648,918,542</b>	<b>(43,315,610)</b>	<b>(510,642,185)</b>	<b>94,960,746</b>
<b>out of which Depreciation and amortization</b>	<b>(208,591,093)</b>	<b>(29,231,493)</b>	<b>-</b>	<b>(237,822,586)</b>

**b) Geographical segments**

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

	June 30, 2023	June 30, 2022
Romania	5,701,052,355	6,637,809,422
Europe	2,988,395,967	3,482,749,936
Asia	122,837,740	103,778,357
America	-	1,962,795
<b>Total</b>	<b>8,812,286,062</b>	<b>10,226,300,510</b>



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## 25. RELATED PARTIES

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

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

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**25. RELATED PARTIES (continued)**

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

**A.** At 30 June 2023 and 31 December 2022, Rompetrol Rafinare had the following balances with the related parties:

	<b>Receivables and other assets</b>	
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
KazMunayGas Trading AG	149,369,978	235,100,198
Rompetrol Downstream S.R.L	583,093,517	393,764,336
Rompetrol Petrochemicals S.R.L.	481	481
Rompetrol Gas SRL	39,288,546	50,798,926
Rompetrol Moldova ICS	47,297,616	-
Rompetrol Bulgaria JSC	692,444	1,014,345
Rominerv S.R.L.	34,039,196	15,859,443
Rompetrol Quality Control S.R.L.	163,857	191,532
Rompetrol Logistics S.R.L	2,134	1,780
Midia Marine Terminal S.R.L.	846,308	1,024,824
Midia Green Energy SA (former Uzina Termoelectrica Midia SA)	274,985	274,985
KMG Rompetrol SRL	512,680,051	398,201,670
Global Security Systems S.A.	607,055	606,080
Rompetrol Energy S.A.	159,311,394	87,258,432
Byron Shipping Ltd.	1,788	2,806
Oilfield Exploration Business Solutions S.A.	2,935,341	2,980,529
Rom Oil S.A.	-	88,313
Rompetrol Financial Group SRL	11,210	11,207
KMG Rompetrol Services Center SRL	45,410	46,238
KMG Rompetrol Development SRL	1,023,828	-
<b>Total</b>	<b>1,531,685,138</b>	<b>1,187,226,127</b>

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**25. RELATED PARTIES (continued)**

	<b>Payables, loans and other liabilities</b>	
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
KazMunayGas Trading AG	3,751,988,727	2,684,890,824
Rompetrol Downstream S.R.L	40,516,218	37,960,211
Rompetrol Petrochemicals S.R.L.	8,315,590	8,315,590
KMG International N.V.-trade debts	949,150	1,152,218
Rompetrol Gas SRL	2,848,472	2,879,235
Rompetrol Moldova ICS	75,510,968	14,729,346
Rominserv S.R.L.	43,319,463	86,404,563
Rompetrol Quality Control S.R.L.	3,136,310	13,528,786
Midia Marine Terminal S.R.L.	6,378,494	19,293,936
Midia Green Energy SA (former Uzina Termoelectrica Midia SA)	415	415
KMG Rompetrol SRL- debt cash pooling	1,593,649,327	1,681,424,077
KMG Rompetrol SRL-interest cash pooling	10,241,454	11,847,300
KMG Rompetrol SRL-trade debts	4,181,591	22,235,373
Global Security Systems Fire Services S.R.L.	776,626	1,473,150
KMG Rompetrol Development	-	10,014,759
Rompetrol Energy S.A.	29,833,125	30,529,883
KMG Rompetrol Services Center SRL	1,254,837	5,053,254
TRG Petrol Ticaret Anonim Sirketi	10,346	10,346
<b>Total</b>	<b>5,572,911,113</b>	<b>4,631,743,267</b>

The company concluded a Cash Pooling agreement for implementing a cash balance optimization system, in which KMG Rompetrol SRL is the "Coordinating company" and Rompetrol Rafinare SA is a participating company; maturity on 4 August 2024 with annual automatic prolongation of maturity.

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**25. RELATED PARTIES (continued)**

**B.** In the first semester of the year 2023, respectively in the first semester of the year 2022, Rompetrol Rafinare had the following transactions with the related parties:

0 Name of related party	0 Nature of transaction , sales / purchases	Sales		Purchases	
		January - June 2023	January - June 2022	January - June 2023	January - June 2022
KazMunayGas Trading AG	Raw materials / Petroleum products	1,541,316,772	2,304,543,441	7,782,227,488	8,956,356,687
Rompetrol Downstream S.R.L	Petroleum products, rent, utilities and other	3,810,964,158	4,580,697,854	1,397,289	1,387,102
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	-	-	821	-
KMG International N.V.	Loan interest, management services	-	-	4,161,905	5,142,718
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	262,187,856	311,505,226	523,034	368,848
Rompetrol Moldova ICS	Sales intermediary services	898,255,153	718,028,634	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	21,172,812	57,213,355	-	-
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	1,773,664	1,747,678	102,043,563	209,759,117
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services	966,004	913,202	15,902,113	16,353,539
Rompetrol Logistics S.R.L	Transport, rent/Rent, utilities	7,549	7,488	82,162	82,162
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, re invoicing, loan interest ,others	976,893	919,180	33,197,704	31,135,689
Rompetrol Well Services S.A.	Loan interest	-	-	85	155
Midia Green Energy SA (former Uzina Termoelectrica Midia SA)	Acquistion of utilities	-	-	-	21,189,697
Rompetrol Energy S.A.	Acquistion of utilities	242,288,822	103,651,491	121,781,472	123,621,953
KMG Rompetrol S.R.L.	Loan interest, management services	22,524,282	7,930,067	95,178,279	81,637,371
Global Security Systems S.A.	Security and protection services	819	816	4,931,362	6,772,340
Global Security Systems Fire Services SRL	Security and protection services	-	-	4,610,166	3,287,418
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	12,105	13,983	-	-
Romoil S.A.	Reinvoicing bank loan fees	-	-	634,730	-
KMG Rompetrol Services Center SRL	Shared services	228,953	227,375	5,932,638	4,761,954
		<b>6,802,675,842</b>	<b>8,087,399,790</b>	<b>8,172,604,811</b>	<b>9,461,856,751</b>

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**25. 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 Company. There are no transactions, balance sheets at the year-end in relation with MFPR, MECMA, ME and other Romanian authorities during the time of their affiliation, other than those arising from Romanian fiscal and legislation requirements.

**26. EARNINGS PER SHARE**

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

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net profit (+), loss (-)	(243,447,195)	94,960,746
Average number of shares	26,559,205,726	26,559,205,726
Result per share - base (bani/share)	(0.92)	0.36

**27. CONTINGENT LIABILITIES**

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

By the Emergency Ordinance ("EGO") 118/2003 approved by Law 89/2005 and the Issuing Convention of 5 December 2003 ("Issuing Convention"), the RON 2,177.7 million of state budget liabilities, including penalties were denominated into 22,812,098 convertible bonds (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, partially or entirely. The 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 (KMG International).

In accordance with the above mentioned deed, Rompetrol Rafinare S.A. performed several steps by increasing the share capital in June 2010 with USD 100m, redeemed 2,160,000 Bonds for EUR 54m in August 2010 and converted into shares the remaining bonds in September 2010. Therefore from October 1, 2010 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 court procedures and 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.

## **27. CONTINGENT LIABILITIES (continued)**

Following a first court decision favourable to the Company by which the conversion of bonds into shares that took place in September 2010 was stated as legally, on 15.02.2013 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, ANAF waived back the litigations started against the Company .

The Memorandum of Understanding includes also the following aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of Rompetrol Rafinare S.A.'s share capital for a cash consideration of 200 million USD;
- Establishment of an investment fund which will invest in energy project related to its core activities an amount estimated to reach if the market conditions are appropriate 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.

Further on, according to the said Memorandum, 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 25, 2023 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal

## **Risk management and internal control**

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

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

Rompetrol's Code of Ethics and Conduct is approved by the Board of Directors and applies to all directors, executives and employees, whatever the nature of their contractual relationship with the Company. The Code creates a frame of reference for understanding and putting into practice the Company's expectations as to each person's behavior, in light of the Company'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 Company and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Company has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. In line with Irregularity Reporting Policy, the internal investigations conducted during 2023 and up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations. The results of all internal investigations were discussed with the Company's statutory bodies, which concluded that the warnings were not confirmed.

## **28. LEGAL MATTERS**

### **Litigation with the State involving criminal charges**

#### **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 \$106.5m) 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.

#### **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 \$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 \$55m as principal (\$118m 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.

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, when the court dismissed the claim.

The next hearing in Faber cases is 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.

A new hearing in Faber cases was scheduled for April 12, 2023 when the court rejected the Faber's appeal. The decision is subject of a second appeal (*Rom. Recurs*).

## **28. LEGAL MATTERS (continued)**

At this moment, the High Court of Cassation and Justice has not established trial terms in the second appeals filed by Faber.

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

In consideration of the violation by Compania Nationala Administratia Porturilor Maritime Constanta (National Company of Constanta Maritime Ports Administration) of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the assurance of safe access and operation, the company initiated court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 mil USD) and for restitution of dredging expenses (USD 1.7 million). On 19 May 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff:

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

Both parties filed for appeal against the solution pronounced by first court. On 27 December 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal. The decision has been communicated and the recourse has been filled by Rompetrol Rafinare SA on 6 August 2018. The case is in filter proceedings, and the first hearing term will be established later. During the filter proceedings, National Company "Administratia Porturilor Maritime" SA has raised the exception of inadmissibility of our recourse, motivated by the fact that, according to art. 483 paragraph 2 of the Civil Procedure Code, the decisions regarding the civil navigation and port activity processes are exempted from the right of recourse. Rompetrol Rafinare SA has raised the exception of unconstitutionality regarding the art. 483 paragraph 2 of the Civil Procedure Code. From this reason, The High Court of Cassation and Justice has suspended the procedure until the Constitutional Court solves the exception submitted by Rompetrol Rafinare. We specify that the file registered for this purpose at the Constitutional Court under no. 1639 / D / 2019 does not yet have a set hearing term.

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

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

Following the completion of the criminal prosecution, Rompetrol Rafinare SA, Rominserv SRL and 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 September 26, 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 RON 3.6 million.



## **28. LEGAL MATTERS (continued)**

### **Litigation on Tax Assessments received by Rompetrol Rafinare SA in 2017**

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

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

The tax assessment on VAT group and Rompetrol Rafinare SA 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 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal having the first hearing on October 5, 2023.

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of RON 11.5 million as of December 31, 2022, the total amount recognized is RON 25.1 million.

### **Criminal case concerning Petromidia Refinery incident on July 2<sup>nd</sup> 2021**

On July 2, 2021 there was an explosion followed by a fire at Petromidia refinery, Diesel Hydrotreatment Unit (in Romanian "instalatie Hidrofinare Petrol Motorina" hereinafter HPM plant). As a result of the incident, 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, document analysed both by the criminal lawyers, by the party expert and the company's specialists, objections and point of view of the party expert being submitted as well as requests for clarifications issued by the case prosecutor; 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, who submitted in front of the criminal investigators their Work Accident Investigation Report.

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

## **28. LEGAL MATTERS (continued)**

### **DIICOT Criminal Investigation File in connection with Vega lagoons greening Project**

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 as of the date of the current financial situations. 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 company's employees but lifting the interdiction for leaving the country. On March 9, 2023 the court finally lifted also the judicial control.

### **Vega lagoons greening Project located on the territory of the Vega Refinery**

On 16.02.2023 an unplanned inspection was started in the Vega refinery, by the National Environmental Guard - General Commissariat, the National Environmental Guard- Prahova County Commissariat and the Environment Fund Administration.

As a result of the inspection carried out, on 20.03.2023 the Administration of the Environmental Fund concluded the Finding Note no. 4637/20.03.2023, by which it was decided that within 20 working days, the technical project for the closure and post-closure monitoring of the deposit, as well as the proof of the establishment at its disposal of the closure fund of the deposit, should be submitted to this institution by the Company. The Company completed on time the measure.

Following the completion of the unplanned inspection carried out by the National Environmental Guard-General Commissariat and the National Environmental Guard-Prahova County Commissariat between February 16 and April 3, 2023, the Finding Note no. 24/03.04.2023 was issued by which a series of measures and compliance deadlines were established for the Company.

Considering the findings mentioned in the above-mentioned control act, the National Guard requested the Prahova Environmental Protection Agency to issue a prior notification in order to suspend AIM (integrated environmental authorization), a notification that was communicated to the Company on 25.04.2023 and by which the maximum deadline was granted, of 60 days, in order to carry out the measures imposed by the National Environmental Guard-General Commissariat, the National Environmental Guard-Prahova County Commissariat. The Prahova Environmental Protection Agency (APM) issued and communicated Notification no. 74/25.04.2023 prior to the suspension of AIM with a 60-day compliance deadline.

The preliminary procedures regulated by the administrative litigation law were formulated against the documents mentioned above, later being initiated in court and action to suspend the legal effects of the Notification issued by the APM.

In parallel, the Company proved to the authorities the fulfillment of the obligations provided for the integrated environmental authorization and thus the fulfillment of all the measures ordered by the Finding Note of April 3, 2023. Thus, based on the documents provided to the National Environmental Guard-General Commissariat and the National Environmental Guard- The Prahova County Commissariat, on June 20, 2023, was issued Finding Note no. 59/20.06.2023 by which it was ascertained that the measures ordered by the control act issued on 04.03.2023 were fulfilled in full and on time.

The Finding Note was also communicated to the APM, which in turn issued Decision no. 132/22.06.2023 according to which Notification no. 74/25.04.2023 prior to the suspension of AIM ceased to be applicable.

## **28. LEGAL MATTERS (continued)**

### **Criminal file regarding the incident in the Petromidia refinery – Polypropylene (PP) plant dated May 13, 2023**

On May 13, 2023, an incident occurred in the PP plant in the Petromidia refinery, as a result of which 2 company employees died. Criminal investigations are carried out by the Prosecutor's Office of Constanta Court (Tribunal). In the criminal case, the company has no quality, until this moment a series of hearings have been conducted of the employees involved in the event or present at the workplace in the installation. At the same time, the work accident is being investigated by the Territorial Labor Inspectorate according to the legislation on work incidents.

### **Criminal file regarding the incident in the Petromidia refinery – mild hydrocracking (MHC) plant dated June 21, 2023**

On June 21, 2023, a fire occurred in the Petromidia refinery, at the MHC plant, with no recorded victims. Criminal investigations are carried out by the Prosecutor's Office next to the Constanța Court (Judecatorie). The company, as the injured party, formulated and submitted in the file a criminal complaint with the object of destruction. Also, at the request of both the Company and the Prosecutor's Office next to the Constanta Court, INCD INSEMEX Petroșani was ordered to carry out a technical judicial expertise in order to establish the causes of the incident. At the same time, the incident, falling under the category of major incidents in accordance with the legislation in force, is also being investigated by the Constanta Territorial Labor Inspectorate.

## **29. COMMITMENTS**

### **Environmental risks and obligation**

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

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

As of 31 December 2022, the Company reassessed 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 additives and fuel price, also the increase of the minimum gross salary.

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

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

## **29. COMMITMENTS (continued)**

During 2022, the Company has continued with the greening process of Vega lagoons, progress and status of the project being reported on a regular basis to the environmental competent authorities. 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 without 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 Company has carried out the due diligence procedures in accordance with Law 74/2019 in relation to the storage area of the biological waste resulted from IAZ no.1 ("Vadu cassettes"). The process is ongoing and performed in accordance with the requirements of the competent environmental authorities ("EPA Constanta"). During 2021, an external expert performed a feasibility study and the results were communicated to the environmental authorities. Next steps for remedial actions are expected to be communicated by the competent authority in the following period.

As of 31 December 2022, the Company has recognized a provision for restoration costs related to Vega lagoons and also for Vadu cassettes (in 2021), see Note 17.

### **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.

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

The Company is focused on increasing resilience and profitability by diversification and further transition from diversified downstream player to energy provider. To address these objectives, projects have been defined, corresponding to different time horizons, with highest priority on the short to mid-term projects implemented in the existing markets with the production and distribution capacity already planned. However, meeting the goals of the low-carbon economy is a global aspiration that must be cemented in reality. This requires the world economy to transform in complex and connected ways and Company's standalone Financial Statements for the period ended at 30 June 2023 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 favorable economic outlook with a positive impact for road fuels demand driven by increasing motorization rate and small electrification rates in CEE. Extensive development of retail and wholesale channels in Romania remains an important direction for development until 2025, to ensure mitigation of oil and refinery margin fluctuations and increase profitability through volumes.

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

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

## **29. COMMITMENTS (continued)**

### **War and conflict risks**

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 Russia by the international community and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region and we are 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.

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

### **Cyber risk**

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

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

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

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

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

## 29. COMMITMENTS (continued)

### Work safety and safe operations

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

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

## 30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

### A. CAPITAL RISK

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

### B. GEARING RATIO

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Debt (excluding shareholder and related parties loans)	1,423,714,026	283,618,888
Cash and cash equivalents	(886,544,812)	(23,243,490)
<b>Net Borrowings</b>	<b>537,169,214</b>	<b>260,375,398</b>
Equity (including shareholder and related parties loans)	2,686,273,423	2,919,993,039
<b>Gearing ratio</b>	<b>20.0%</b>	<b>8.9%</b>

The computation method as per 13A appendix from ASF Regulation no. 5/2018

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Long-term borrowings	1,216,492,500	-
Total equity	2,686,273,423	2,919,993,039
<b>Gearing ratio</b>	<b>45.29%</b>	<b>0.00%</b>

### 30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

#### C. FINANCIAL INSTRUMENTS

	<b>30 June 2023</b>	<b>31 December 2022</b>
<b>Financial assets</b>		
Investments in subsidiaries	3,170,968,557	3,170,968,557
Trade receivables and other receivables	1,211,751,868	1,051,164,741
Derivatives	-	11,856,741
Cash and bank accounts	886,544,812	23,243,490
<b>TOTAL FINANCIAL ASSETS</b>	<b><u>5,269,265,237</u></b>	<b><u>4,257,233,529</u></b>
 <b>Financial liabilities</b>	 <b>30 June 2023</b>	 <b>31 December 2022</b>
Derivatives	-	21,584,319
Commercial liabilities and other liabilities	5,835,960,146	5,235,846,953
Short term loans	207,221,526	283,618,888
Long term borrowings from banks	1,216,492,500	-
Lease debts	56,458,670	57,560,826
Profit tax payable	80,914,774	577,634,789
<b>TOTAL FINANCIAL LIABILITIES</b>	<b><u>7,397,047,616</u></b>	<b><u>6,176,245,776</u></b>

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

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

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

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

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Company enters into derivative financial instruments with various counterparties. As at 30 June 2023, the marked to market value of derivative position is for financial instruments recognised at fair value.

**ROMPETROL RAFINARE SA**  
**NOTES TO THE INTERIM STANDALONE FINANCIAL STATEMENTS**  
**for financial period ended on 30 June 2023**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

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

**Fair value hierarchy**

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

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

	<b>30 June 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Investments in subsidiaries	3,170,968,557	-	-	3,170,968,557
Trade receivables and other receivables	1,211,751,868	-	1,211,751,868	-
Derivatives	-	-	-	-
Cash and bank accounts	886,544,812	886,544,812	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>5,269,265,237</b>	<b>886,544,812</b>	<b>1,211,751,868</b>	<b>3,170,968,557</b>
<b>Financial liabilities</b>				
Commercial liabilities and other liabilities	5,835,960,146	-	5,835,960,146	-
Short term loans	207,221,526	-	207,221,526	-
Long term borrowings from banks	1,216,492,500	-	1,216,492,500	-
Lease debts	56,458,670	-	56,458,670	-
Profit tax payable	80,914,774	-	80,914,774	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>7,397,047,616</b>	<b>-</b>	<b>7,397,047,616</b>	<b>-</b>
	<b>31 December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Investments in subsidiaries	3,170,968,557	-	-	3,170,968,557
Trade receivables and other receivables	1,051,164,741	-	1,051,164,741	-
Derivatives	11,856,741	-	11,856,741	-
Cash and bank accounts	23,243,490	23,243,490	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>4,257,233,529</b>	<b>23,243,490</b>	<b>1,063,021,482</b>	<b>3,170,968,557</b>
<b>Financial liabilities</b>				
Derivatives	21,584,319	-	21,584,319	-
Commercial liabilities and other liabilities	5,235,846,953	-	5,235,846,953	-
Short term loans	283,618,888	-	283,618,888	-
Lease debts	57,560,826	-	57,560,826	-
Profit tax payable	577,634,789	-	577,634,789	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>6,176,245,776</b>	<b>-</b>	<b>6,176,245,776</b>	<b>-</b>

At 30 June 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.



### **30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

#### **D. DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

#### **E. MARKET RISK**

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

#### **F. FOREIGN CURRENCY RISK MANAGEMENT**

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

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

#### **G. FOREIGN CURRENCY SENSITIVITY ANALYSIS**

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

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

	USD		EUR	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
<b>RON</b>				
5%	(226,175,667)	(124,845,115)	6,463,850	(7,952,013)
(5%)	226,175,667	124,845,115	(6,463,850)	7,952,013

### **30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

#### **H. INTEREST RATE RISK MANAGEMENT**

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

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

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 30 June 2023 would increase / decrease by RON 26.2 million (2022: increase / decrease by RON 26.0 million).

#### **I. OIL PRODUCTS and RAW MATERIAL PRICE RISK**

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

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

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

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 Company sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

The Refining activity of the Company is exposed to the increase of the EUA certificates prices. Rompetrol Refinery CO<sub>2</sub> 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 Company, hedge operations will be carried on.

### **30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)**

#### **J. CREDIT RISK**

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

##### **Trade receivables**

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

##### **Financial instruments and bank deposits**

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

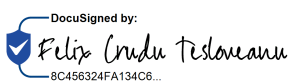
### **31. SUBSEQUENT EVENTS**

The Company 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.

**BATYRZHAN TERGEUSSIZOV**  
Chairman of the Board of Directors

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**FELIX CRUDU-TESLOVEANU**  
General Manager

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**RAMONA GEORGIANA GALATEANU**  
Financial Manager

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**Prepared by, Alexandru Cornel Anton**  
Chief Accountant

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