ROMPETROL RAFINARE SA

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

30 JUNE 2023

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ROMPETROL RAFINARE SA
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

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

	Notes	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
				(supplementary info – see Note 2(e))	
Intangible assets	3	5,577,767	6,943,884	25,518,287	31,768,267
Goodwill	4	82,871,706	82,871,706	379,138,054	379,138,054
Property, plant and equipment	5	1,116,661,976	1,178,598,536	5,108,728,540	5,392,088,302
Right of use Assets	7	229,978,435	124,769,238	1,052,151,344	570,819,264
Long-term receivable		6,159,307	3,811,865	28,178,830	17,439,282
Total non current assets		**1,441,249,191**	**1,396,995,228**	**6,593,715,055**	**6,391,253,169**
Inventories, net	9	379,440,817	333,870,058	1,735,941,737	1,527,455,516
Trade and other receivables	10	719,855,163	642,376,936	3,293,337,370	2,938,874,491
Derivative financial instruments	32.5	444,123	2,612,061	2,031,863	11,950,179
Cash and cash equivalents	11	202,528,670	16,973,215	926,568,665	77,652,459
Total current assets		**1,302,268,773**	**995,832,269**	**5,957,879,635**	**4,555,932,645**
TOTAL ASSETS		**2,743,517,964**	**2,392,827,498**	**12,551,594,690**	**10,947,185,814**
Share capital	12	881,102,250	881,102,250	4,031,042,794	4,031,042,794
Share premium	12	74,050,518	74,050,518	338,781,120	338,781,120
Revaluation reserve, net	12	269,752,954	269,752,954	1,234,119,764	1,234,119,764
Other reserves	12	(6,979,208)	(9,293,941)	(31,929,877)	(42,519,780)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,846,233,427	4,846,233,427
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,730,509,415)	(2,730,509,415)
Accumulated losses		(1,158,063,347)	(1,248,687,737)	(5,298,139,813)	(5,712,746,397)
Current year result		(35,332,120)	90,624,390	(161,644,449)	414,606,584
Equity attributable to equity holders of the parent		**486,984,383**	**520,001,771**	**2,227,953,551**	**2,379,008,097**
Non-Controlling interest		17,969,829	16,782,749	82,211,968	76,781,076
Total equity		**504,954,212**	**536,784,519**	**2,310,165,519**	**2,455,789,173**
Long-term borrowings from banks	13	265,900,000	-	1,216,492,500	-
Obligations under lease agreements	14	225,331,603	120,283,737	1,030,892,084	550,298,097
Deferred tax liabilities	15	56,950,487	56,950,487	260,548,478	260,548,478
Provisions	19	115,340,643	115,340,643	527,683,442	527,683,442
Other non-current liabilities		428,760	165,353	1,961,577	756,490
Total non-current liabilities		**663,951,493**	**292,740,220**	**3,037,578,081**	**1,339,286,507**
Trade and other payables	16	1,424,351,684	1,295,310,569	6,516,408,959	5,926,045,865
Contract liabilities	17	78,488,974	41,914,153	359,087,056	191,757,250
Derivative financial instruments	32.5	-	4,592,619	-	21,011,232
Obligations under lease agreements	14	6,814,135	4,723,011	31,174,668	21,607,775
Short-term borrowings from banks	18	45,294,370	86,210,918	207,221,743	394,414,950
Profit tax payable		19,663,096	130,551,489	89,958,664	597,273,062
Total current liabilities		**1,574,612,259**	**1,563,302,759**	**7,203,851,090**	**7,152,110,134**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,743,517,964**	**2,392,827,498**	**12,551,594,690**	**10,947,185,814**

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

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GENERAL MANAGER

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RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER

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ROMPETROL RAFINARE SA
INTERIM CONSOLIDATED INCOME STATEMENT
for the period ended 30 June 2023
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
				(supplementary info – see Note 2(e))	
Revenues from contracts with customers	20	2,144,059,245	2,432,974,631	9,809,071,044	11,130,858,937
Cost of sales	21	(1,961,696,029)	(2,215,912,704)	(8,974,759,333)	(10,137,800,621)
Gross profit		**182,363,216**	**217,061,927**	**834,311,711**	**993,058,316**
Selling, general and administrative expenses, including logistic costs	22	(131,726,104)	(117,678,007)	(602,646,924)	(538,376,882)
Other operating income	23	17,852,098	144,351,648	81,673,348	660,408,790
Other operating expenses	23	(39,562,931)	(165,678,402)	(181,000,409)	(757,978,689)
Operating profit/(loss)		**28,926,279**	**78,057,166**	**132,337,726**	**357,111,535**
Finance cost	24	(66,663,002)	(46,411,002)	(304,983,234)	(212,330,330)
Finance income	24	32,208,514	18,525,604	147,353,952	84,754,634
Foreign exchange loss, net	24	(6,156,590)	9,645,753	(28,166,399)	44,129,320
(Loss)/Profit before income tax		**(11,684,799)**	**59,817,521**	**(53,457,955)**	**273,665,159**
Income tax	25	(22,460,241)	(1,427,535)	(102,755,603)	(6,530,973)
(Loss)/Profit for the year		**(34,145,040)**	**58,389,986**	**(156,213,558)**	**267,134,186**
Attributable to:					
Equity holders of the parent		(35,332,120)	59,898,003	(161,644,449)	274,033,364
Non-Controlling interests		1,187,080	(1,508,017)	5,430,891	(6,899,178)
Earnings per share *(US cents/share)*					
Basic	28	(0.133)	0.226	(0.608)	1.034

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ROMPETROL RAFINARE SA
INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period ended 30 June 2023
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
				(supplementary info – see Note 2(e))	
(Loss)/Profit for the period		**(34,145,040)**	**58,389,986**	**(156,213,558)**	**267,134,186**
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):					
Net gain/(loss) on cash flow hedges	32.5	2,314,732	(82,485,199)	10,589,899	(377,369,785)
Net other comprehensive income to be reclassified to income/(loss) statement in subsequent periods		**2,314,732**	**(82,485,199)**	**10,589,899**	**(377,369,785)**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):					
Actuarial gains / (losses) on defined benefit pension plans		-	-	-	-
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods		**-**	**-**	**-**	**-**
Total other comprehensive income/ (loss) for the period, net of tax		**2,314,732**	**(82,485,199)**	**10,589,899**	**(377,369,785)**
Total comprehensive result for the year, net of tax		**(31,830,308)**	**(24,095,212)**	**(145,623,659)**	**(110,235,599)**
Attributable to:					
Equity holders of the parent		(33,017,388)	(22,587,195)	(151,054,550)	(103,336,421)
Non-Controlling interests		1,187,080	(1,508,017)	5,430,891	(6,899,178)
Total comprehensive result for the period		**(31,830,308)**	**(24,095,212)**	**(145,623,659)**	**(110,235,599)**

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ROMPETROL RAFINARE SA
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 June 2023
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON (supplementary info – see Note 2(e))	June 30, 2022 RON
(Loss)/Profit before income tax		**(11,684,799)**	**59,817,521**	**(53,457,955)**	**273,665,159**
Adjustments for:					
Depreciation and amortization of property, plant and equipment and intangibles assets	21, 22	63,907,558	66,762,748	292,377,078	305,439,572
Depreciation of right-of-use assets	7	4,938,257	3,700,778	22,592,526	16,931,059
Provisions for receivables and inventories (incl write-off)	23	13,365,225	19,802,996	61,145,904	90,598,707
Impairment for property, plant and equipment (incl write-off)	23	7,191,823	-	32,902,590	-
Late payment interest	24	2,440,681	2,390,366	11,166,116	10,935,924
Other financial income	24	(385,876)	(212,410)	(1,765,383)	(971,776)
Unwinding of discount leasing	24	5,085,654	3,537,006	23,266,867	16,181,802
Interest income	24	(31,822,638)	(18,313,193)	(145,588,569)	(83,782,858)
Interest expense and bank charges		56,832,274	38,006,550	260,007,654	173,879,966
Adjustments for gain loss on disposals of property, plant and equipment	23	18,984	(62,432)	86,852	(285,626)
Unrealised foreign exchange (gain)/loss		4,814,134	(10,250,543)	22,024,663	(46,896,234)
Cash from operations before working capital changes		**114,701,277**	**165,179,387**	**524,758,343**	**755,695,695**
Net working capital changes:					
Receivables and prepayments		(29,963,516)	(115,216,742)	(137,083,086)	(527,116,595)
Inventories		(57,232,931)	(176,919,900)	(261,840,659)	(809,408,543)
Adjustments for increase (decrease) in trade and other payables and adjustments for increase (decrease) in contract liabilities		177,284,775	73,199,271	811,077,845	334,886,662
Change in working capital		**90,088,328**	**(218,937,371)**	**412,154,100**	**(1,001,638,476)**
Income tax paid		(136,872,721)	(4,462,508)	(626,192,699)	(20,415,974)
Net cash inflow from operating activities		**67,916,884**	**(58,220,491)**	**310,719,744**	**(266,358,755)**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(7,828,980)	(42,662,825)	(35,817,584)	(195,182,424)
Purchase of intangible assets	3	(51,777)	(60,529)	(236,880)	(276,920)
Proceeds from sale of property, plant and equipment		67,278	83,689	307,797	382,877
Net cash (outflow) from investing activities		**(7,813,479)**	**(42,639,665)**	**(35,746,667)**	**(195,076,467)**
Cash flows from financing activities					
Cash flows from (used in) cash pooling, classified as financing activities	10,16	(64,970,569)	(1,520,471)	(297,240,353)	(6,956,155)
Long - term loans received from banks	18	306,770,363	(191,729,052)	1,403,474,411	(877,160,413)
Long - term loans repaid to banks		(40,870,363)	-	(186,981,911)	-
Proceeds from current borrowings from banks	18	292,554,799	351,345,257	1,338,438,205	1,607,404,551
Repayments of current borrowings from banks	18	(333,961,918)	(61,284,229)	(1,527,875,775)	(280,375,348)
Lease repayments	14	(9,814,604)	(5,906,602)	(44,901,813)	(27,022,704)
Interest and bank charges paid, net		(24,255,658)	(19,652,601)	(110,969,635)	(89,910,650)
Net cash inflow (outflow) from financing activities		**125,452,050**	**71,252,301**	**573,943,129**	**325,979,281**
Net increase (decrease) in cash and cash equivalents		**185,555,455**	**(29,607,855)**	**848,916,206**	**(135,455,941)**
Cash and cash equivalents at the beginning of the year		**16,973,215**	**50,091,261**	**77,652,459**	**229,167,519**
Cash and cash equivalents at the end of the period		**202,528,670**	**20,483,405**	**926,568,665**	**93,711,578**

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ROMPETROL RAFINARE SA
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2023
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

Amount in USD

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2021	881,102,250	74,050,518	(1,298,468,408)	371,331,557	(59,695,226)	(596,832,659)	1,074,096,710	445,584,742	16,995,744	462,580,486
Net gain for 2022	-		59,898,003					59,898,003	(1,508,017)	58,389,986
Hedging reserves	-	-	-	-	-	-	(82,485,199)	(82,485,199)	-	(82,485,199)
Total other comprehensive income	-	-	-	-	-	-	(82,485,199)	(82,485,199)	-	(82,485,199)
Total comprehensive income	-	-	59,898,003	-	-	-	(82,485,199)	(22,587,195)	(1,508,017)	(24,095,212)
30 June 2022	881,102,250	74,050,518	(1,238,570,404)	371,331,557	(59,695,226)	(596,832,659)	991,611,512	422,997,547	15,487,727	438,485,274
31 December 2022	881,102,250	74,050,518	(1,158,063,347)	321,550,886	(51,797,932)	(596,832,659)	1,049,992,054	520,001,771	16,782,749	536,784,519
Net loss for 2023	-	-	(35,332,120)	-	-	-	-	(35,332,120)	1,187,080	(34,145,040)
Hedging reserves	-	-	-	-	-	-	2,314,732	2,314,732	-	2,314,732
Total other comprehensive income	-	-	-	-	-	-	2,314,732	2,314,732	-	2,314,732
Total comprehensive income	-	-	(35,332,120)	-	-	-	2,314,732	(33,017,388)	1,187,080	(31,830,308)
30 June 2023	881,102,250	74,050,518	(1,193,395,467)	321,550,886	(51,797,932)	(596,832,659)	1,052,306,786	486,984,382	17,969,829	504,954,211

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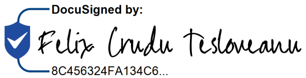
FELIX CRUDU-TESLOVEANU
GENERAL MANAGER



RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER

ROMPETROL RAFINARE SA
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2023
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

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

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2021	4,031,042,794	338,781,120	(5,940,492,967)	1,698,841,873	(273,105,659)	(2,730,509,415)	4,913,992,448	2,038,550,194	77,755,529	2,116,305,723
Net gain for 2022	-	-	274,033,364	-	-	-	-	274,033,364	(6,899,178)	267,134,186
Hedging reserves	-	-	-	-	-	-	(377,369,785)	(377,369,785)	-	(377,369,785)
Total other comprehensive income	-	-	-	-	-	-	(377,369,785)	(377,369,785)	-	(377,369,785)
Total comprehensive income	-	-	274,033,364	-	-	-	(377,369,785)	(103,336,421)	(6,899,178)	(110,235,599)
30 June 2022	4,031,042,794	338,781,120	(5,666,459,603)	1,698,841,873	(273,105,659)	(2,730,509,415)	4,536,622,663	1,935,213,773	70,856,351	2,006,070,124
31 December 2022	4,031,042,794	338,781,120	(5,298,139,813)	1,471,095,303	(236,975,539)	(2,730,509,415)	4,803,713,647	2,379,008,097	76,781,076	2,455,789,173
Net loss for 2023	-	-	(161,644,449)	-	-	-	-	(161,644,449)	5,430,891	(156,213,558)
Hedging reserves	-	-	-	-	-	-	10,589,899	10,589,899	-	10,589,899
Total other comprehensive income	-	-	-	-	-	-	10,589,899	10,589,899	-	10,589,899
Total comprehensive income	-	-	(161,644,449)	-	-	-	10,589,899	(151,054,550)	5,430,891	(145,623,659)
30 June 2023	4,031,042,794	338,781,120	(5,459,784,262)	1,471,095,303	(236,975,539)	(2,730,509,415)	4,814,303,546	2,227,953,547	82,211,968	2,310,165,515

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1. GENERAL

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

Rompetrol Rafinare SA and its subsidiaries (hereinafter referred to as "the Group") are involved in refining of oil, production of petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 8). The number of employees of the Group at the end of June 2023 and December 2022 was 1,926 and 1,882 respectively.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of 30 June 2023, as endorsed by the European Union ("EU").

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

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

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As of 30 June 2023 and 31 December 2022 the Group reported net assets including non-controlling interest, of USD 505 million and 536.8 million respectively. For the period ended 30 June 2023, the Group recorded losses in amount of USD 34.1 million (30 June 2022: profit of USD 58.4 million) and net current liabilities of USD 272.3 million (2022: net current liabilities of USD 567.5 million). The loss incurred during 2023 was affected by a lower operational profit of USD 29 million (30 June 2022: operational profit USD 78 million) and financial losses of USD 40.6 million (30 June 2022: USD 18.2 million). The accumulated losses recorded until present are due to the fact that the Group was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

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 Group level from application of these amendments.

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

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

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

- **IFRS 17: Insurance Contracts**

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translation

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

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

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

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

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statement of income

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

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

Other matters

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 30 June 2023 closing exchange rate published by Romanian national Bank of RON 4.5750 = USD 1, for both 2023 and 2022 amounts. Translation is performed for all primary statements using the closing exchange rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Significant accounting judgments, estimates and assumptions

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

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

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

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

- Revaluation of property, plant and equipment

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- Impairment of Goodwill on acquisitions

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

- Impairment of non- financial assets

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- Provision for environmental liability

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

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

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

- Deferred tax assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Carrying value of trade and other receivables

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

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

- Provision for litigations

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

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

g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 30 June 2023.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

h) Business combinations and goodwill

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

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

i. Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

Or

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

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

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

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Derecognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Offsetting of financial instruments

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

j) Property, plant and equipment

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

k) Intangible assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Impairment of non-financial assets

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

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

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

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

Goodwill

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

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

m) Provisions

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

Provisions are not recognized for future operating losses.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additional comments on the following specific liabilities are:

- *Environmental provisions*

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

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

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

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

n) Leases

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

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

i. Right-of-use assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Lease liabilities

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

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

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

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

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

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

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

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

o) Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Trade receivables

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

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

q) Cash and cash equivalents

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

r) Revenue from contracts with customers

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

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

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

(i) Variable consideration

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

(ii) Volume rebates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

s) Interest bearing loans and borrowings

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

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

t) Borrowings costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Retirement benefit costs

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

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

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

v) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

- *Sales and acquisition tax*

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

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

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

w) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Foreign Currency Transactions

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

y) Derivative Financial Instruments

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Fair value hedge

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

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

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

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

Cash Flow Hedge

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash flow hedge is accounted as following:

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

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

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

z) Emission Rights

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

aa) Fair value measurement

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

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

- In the principal market for the asset or liability;

Or

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

ab) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

ac) Contingencies

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

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**41,642,164**	**44,120,441**	**1,918,286**	**87,680,891**
Additions	17,000	2,188	499,931	519,119
Transfers from CIP	227,248	504,603	(731,850)	-
Transfers and reclassifications*	-	-	193,395	193,395
Closing balance as of December 31, 2022	**41,886,412**	**44,627,231**	**1,879,761**	**88,393,404**
Additions	-	-	51,777	51,777
Transfers from CIP	3,047	316,725	(319,772)	-
Transfers and reclassifications*	262,543	(262,541)	(56,490)	(56,488)
Closing balance as of June 30, 2023	**42,152,002**	**44,681,415**	**1,555,276**	**88,388,693**
Accumulated amortization				
Opening balance as of January 1, 2022	**(38,102,683)**	**(39,585,121)**	**(523,380)**	**(78,211,184)**
Charge for the year	(1,024,509)	(2,213,828)	-	(3,238,337)
Closing balance as of December 31, 2022	**(39,127,192)**	**(41,798,949)**	**(523,380)**	**(81,449,521)**
Charge for the year	(783,665)	(587,783)	-	(1,371,448)
Reclassification between categories*	(935,518)	945,561	-	10,043
Closing balance as of June 30, 2023	**(40,846,375)**	**(41,441,171)**	**(523,380)**	**(82,810,926)**
Net book value				
As of December 31, 2022	**2,759,220**	**2,828,283**	**1,356,381**	**6,943,884**
As of June 30, 2023	**1,305,627**	**3,240,244**	**1,031,896**	**5,577,767**

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

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

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

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**190,512,900**	**201,851,018**	**8,776,158**	**401,140,076**
Additions	77,775	10,010	2,287,184	2,374,969
Transfers from CIP	1,039,660	2,308,559	(3,348,219)	-
Transfers and reclassifications*	-	-	884,782	884,782
Closing balance as of December 31, 2022	**191,630,335**	**204,169,587**	**8,599,905**	**404,399,827**
Additions	-	-	236,880	236,880
Transfers from CIP	13,940	1,449,017	(1,462,957)	-
Transfers and reclassifications*	1,201,134	(1,201,125)	(258,442)	(258,433)
Closing balance as of June 30, 2023	**192,845,409**	**204,417,479**	**7,115,386**	**404,378,274**
Accumulated amortization				
Opening balance as of January 1, 2022	**(174,319,775)**	**(181,101,929)**	**(2,394,464)**	**(357,816,168)**
Charge for the year	(4,687,129)	(10,128,263)	-	(14,815,392)
Closing balance as of December 31, 2022	**(179,006,904)**	**(191,230,192)**	**(2,394,464)**	**(372,631,560)**
Charge for the year	(3,585,267)	(2,689,107)	-	(6,274,374)
Reclassification between categories*	(4,279,995)	4,325,942	-	45,947
Closing balance as of June 30, 2023	**(186,872,166)**	**(189,593,357)**	**(2,394,464)**	**(378,859,987)**
Net book value				
As of December 31, 2022	**12,623,431**	**12,939,395**	**6,205,441**	**31,768,267**
As of June 30, 2023	**5,973,243**	**14,824,122**	**4,720,922**	**25,518,287**

4. GOODWILL

The carrying value of goodwill as of 30 June 2023 and 31 December 2022 was USD 82,871,706 (RON: 379,138,054).

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

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

Impairment test

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

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

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2022	**91,780,532**	**542,649,964**	**698,233,103**	**26,812,635**	**96,861,824**	**1,456,338,059**
Acquisitions	-	421,710	854,148	684,434	67,516,473	69,476,765
Transfers from CIP	-	27,889,297	27,265,592	3,914,960	(59,069,849)	-
Disposals	-	(50,449)	(100,513)	(220,398)	(6,068,720)	(6,440,080)
Transfers and reclassifications*	-	154,776	(382,500)	208,795	(470,939)	(489,868)
As of December 31, 2022	**91,780,532**	**571,065,298**	**725,869,830**	**31,400,426**	**98,768,789**	**1,518,884,876**
Additions	-	674,735	132,966	16,420	7,004,859	7,828,980
Transfers from CIP	-	8,313,691	18,801,910	2,193,416	(29,309,017)	-
Disposals	(46,177)	(62,120)	(115,473)	(185,025)	-	(408,795)
Transfers and reclassifications*	-	-	-	-	58,700	58,700
As of June 30, 2023	**91,734,355**	**579,991,604**	**744,689,233**	**33,425,237**	**76,523,331**	**1,526,363,760**
Accumulated depreciation & Impairment						
As of January 1, 2022	**10,017,503**	**(109,167,409)**	**(62,863,488)**	**62,611**	**(32,742,925)**	**(194,693,707)**
Charge for the year	(1,422,768)	(44,098,090)	(81,649,013)	(10,031,828)	-	(137,201,699)
Accumulated depreciation of disposals	-	23,433	54,147	93,729	-	171,309
Impairment	-	(3,242,117)	(5,730,809)	(133,899)	544,582	(8,562,243)
As of December 31, 2022	**8,594,735**	**(156,484,183)**	**(150,189,163)**	**(10,009,387)**	**(32,198,343)**	**(340,286,340)**
Charge for the year	(681,843)	(19,341,890)	(39,463,631)	(3,048,746)	-	(62,536,110)
Accumulated depreciation of disposals	-	28,385	95,585	183,409	-	307,379
Impairment	-	(2,874,011)	(4,286,280)	(16,378)	-	(7,176,669)
Transfers and reclassifications*	-	-	(10,043)	-	-	(10,043)
As of June 30, 2023	**7,912,892**	**(178,671,699)**	**(193,853,532)**	**(12,891,102)**	**(32,198,343)**	**(409,701,784)**
Net book value as of December 31, 2022	**100,375,268**	**414,581,115**	**575,680,667**	**21,391,040**	**66,570,446**	**1,178,598,536**
Net book value as of June 30, 2023	**99,647,247**	**401,319,905**	**550,835,701**	**20,534,135**	**44,324,988**	**1,116,661,976**

*) *Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments in amount of USD 49 thousand (2022: USD 490 thousand)*

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2022	**419,895,934**	**2,482,623,585**	**3,194,416,446**	**122,667,805**	**443,142,850**	**6,662,746,620**
Acquisitions	-	1,929,323	3,907,727	3,131,286	308,887,864	317,856,200
Transfers from CIP	-	127,593,534	124,740,083	17,910,942	(270,244,559)	-
Disposals	-	(230,804)	(459,847)	(1,008,321)	(27,764,394)	(29,463,366)
Transfers and reclassifications*	-	708,100	(1,749,938)	955,237	(2,154,546)	(2,241,147)
As of December 31, 2022	**419,895,934**	**2,612,623,738**	**3,320,854,471**	**143,656,949**	**451,867,215**	**6,948,898,307**
Additions	-	3,086,913	608,319	75,122	32,047,230	35,817,584
Transfers from CIP	-	38,035,136	86,018,738	10,034,878	(134,088,752)	-
Disposals	(211,260)	(284,199)	(528,289)	(846,493)	-	(1,870,241)
Transfers and reclassifications*	-	-	-	-	268,553	268,553
As of June 30, 2023	**419,684,674**	**2,653,461,588**	**3,406,953,239**	**152,920,456**	**350,094,246**	**6,983,114,203**
Accumulated depreciation & Impairment						
As of January 1, 2022	**45,830,076**	**(499,440,896)**	**(287,600,458)**	**286,445**	**(149,798,877)**	**(890,723,710)**
Charge for the year	(6,509,164)	(201,748,762)	(373,544,234)	(45,895,613)	-	(627,697,773)
Accumulated depreciation of disposals	-	107,206	247,723	428,810	-	783,739
Impairment	-	(14,832,685)	(26,218,451)	(612,588)	2,491,463	(39,172,261)
As of December 31, 2022	**39,320,912**	**(715,915,137)**	**(687,115,420)**	**(45,792,946)**	**(147,307,414)**	**(1,556,810,005)**
Charge for the year	(3,119,432)	(88,489,147)	(180,546,112)	(13,948,013)	-	(286,102,704)
Accumulated depreciation of disposals	-	129,861	437,301	839,091	-	1,406,253
Impairment	-	(13,148,600)	(19,609,731)	(74,929)	-	(32,833,260)
Transfers and reclassifications*	-	-	(45,947)	-	-	(45,947)
As of June 30, 2023	**36,201,480**	**(817,423,023)**	**(886,879,909)**	**(58,976,797)**	**(147,307,414)**	**(1,874,385,663)**
Net book value as of December 31, 2022	**459,216,846**	**1,896,708,601**	**2,633,739,051**	**97,864,003**	**304,559,801**	**5,392,088,302**
Net book value as of June 30, 2023	**455,886,154**	**1,836,038,565**	**2,520,073,330**	**93,943,659**	**202,786,832**	**5,108,728,540**

**) Includes, transfer from property plant and equipment to inventories and intangible assets and other adjustments in amount of RON 223 thousand (2022: RON 2.2 million).*

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Construction in progress*

As of June 30, 2023, out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 0.18 million, Refinery Restart_ 2021 Incident amounting to USD 0.2 million, Catalyst Replacement amounting USD 0.7 million, Tank rehabilitation amounting to USD 2.3 million, Replacement of tubular bundles amounting USD 0.2 million, Replacement static equipment Refinery and Petrochemicals amounting USD 0.15 million.
Total acquisitions for construction in progress for Vega refinery in amount of USD 0.4 million, and for Rompetrol Downstream in amount of USD 0.2 million. Part of these projects have been transferred to the other property, plant and equipment categories.

At the end of June 2023 the main projects remaining in construction in progress refers to the following: Refinery Restart_ 2021 Incident amounting to USD 1.3 million, Replacement of Petromidia strategic equipment amounting to USD 5.9 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 0.2 million, Refinery Catalyst Replacement amounting to USD 4.1 million, Preparing to 2024 general repair and 2020 HPP Unit amounting to USD 1.9 million, Tank rehabilitation amounting to USD 1.9 million, Mild Hydrocracking Unit Reliability amounting to USD 1.4 million, and other refinery ongoing projects (approximately USD 8.7 million).

For Vega refinery the projects remaining in construction in progress refers to refinery ongoing projects (Emergency replacement of Vega equipment, Rehabilitation tank A63, Installation of water-cooling system, JET working point in Vega), approximately USD 2 million.

In Rompetrol Downstream at the end of June 2023 the main projects remaining in construction in progress refers to the following: construction of new stations (RBI, Cuves, Doex, STB) amounting to USD 1.6 million, acquisition Fill&GO devices amounting to USD 0.6 million, capital maintenance amounting to USD 0.8 million, replacement of electrical circuits in stations amounting to USD 0.3 million, USD 1.5 million for acquisitions of new equipment such as: CCTV system; air conditioner etc.

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

- *Disposals*

In 2022, USD 6 million disposed assets are in respect of Rompetrol Downstream referring to IT and technological equipment for highway retail network development which were transferred to Rompetrol Development.

- *Borrowing costs capitalized*

As of June 30, 2023 capital projects were financed from Groups' operating cash flow, therefore no borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets was capitalized during the period ended as of June 30, 2023 (2022: USD nil). The Group's borrowing funds are generally obtained for the business and are not used for the purpose of obtaining a qualifying asset, thus Management determined that no borrowing cost is considered eligible in the first semester of 2023 and for the year 2022 for capitalization by applying a capitalization rate to the expenditure on the asset.

- *Impairment*

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

In June 2023 Rompetrol Rafinare SA recognized an impairment provision in amount of USD 7.2 million in respect of Mild Hydrocracker Unit (MHC Unit) assets affected by the fire incident occurred on June 21st.

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Revaluation of Property, plant and equipment*

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

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

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

- *Pledged property, plant and equipment*

As at June 30, 2023 the Group has pledged property, plant and equipment with a carrying value of USD 390.4 million (31 December 2022: USD 399.6 million) net, for securing banking facilities granted to Group entities.

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

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

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

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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.

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

6. IMPAIRMENT TEST

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

7. RIGHT OF USE ASSETS

Amounts in USD

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2022	**125,402,673**	**401,294**	**1,743,053**	**127,547,020**
Additions	22,472,286	-	192,457	22,664,743
Disposals	-	-	(61,853)	(61,853)
Reclassifications and other transfers	-	-	(2,894)	(2,894)
Re-measurement	420,812	190,574	-	611,386
As of December 31, 2022	**148,295,772**	**591,867**	**1,870,763**	**150,758,402**
Additions	108,789,359	-	29,290	108,818,649
Re-measurement	1,284,424	23,491	20,891	1,328,806
As of June 30, 2023	**258,369,555**	**615,358**	**1,920,944**	**260,905,857**
Depreciation and Impairment:				
As of January 1, 2022	**(16,798,321)**	**(331,913)**	**(811,818)**	**(17,942,052)**
Depreciation	(7,520,619)	(122,413)	(468,395)	(8,111,427)
Accumulated depreciation of disposals	102	-	61,853	61,954
Reclassifications and other transfers	(535)	-	2,895	2,360
As of December 31, 2022	**(24,319,374)**	**(454,326)**	**(1,215,465)**	**(25,989,165)**
Depreciation	(4,667,503)	(58,447)	(212,307)	(4,938,257)
As of June 30, 2023	**(28,986,877)**	**(512,773)**	**(1,427,772)**	**(30,927,422)**
Net Book value at December 31, 2022	**123,976,398**	**137,541**	**655,298**	**124,769,238**
Net Book value at June 30, 2023	**229,382,678**	**102,585**	**493,172**	**229,978,435**

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

7. RIGHT OF USE ASSETS (continued)

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

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2022	**573,717,229**	**1,835,920**	**7,974,467**	**583,527,616**
Additions	102,810,708	-	880,491	103,691,199
Disposals	-	-	(282,977)	(282,977)
Reclassifications and other transfers	-	-	(13,240)	(13,240)
Re-measurement	1,925,215	871,876	-	2,797,091
As of December 31, 2022	**678,453,152**	**2,707,796**	**8,558,741**	**689,719,689**
Additions	497,711,317	-	134,002	497,845,319
Re-measurement	5,876,240	107,471	95,576	6,079,287
As of June 30, 2023	**1,182,040,709**	**2,815,267**	**8,788,319**	**1,193,644,295**
Depreciation and Impairment:				
As of January 1, 2022	**(76,852,319)**	**(1,518,502)**	**(3,714,067)**	**(82,084,888)**
Depreciation	(34,406,832)	(560,039)	(2,142,907)	(37,109,778)
Accumulated depreciation of disposals	467	-	282,977	283,444
Reclassifications and other transfers	(2,448)	-	13,245	10,797
As of December 31, 2022	**(111,261,132)**	**(2,078,541)**	**(5,560,752)**	**(118,900,425)**
Depreciation	(21,353,826)	(267,395)	(971,305)	(22,592,526)
As of June 30, 2023	**(132,614,958)**	**(2,345,936)**	**(6,532,057)**	**(141,492,951)**
Net Book value at December 31, 2022	**567,192,020**	**629,255**	**2,997,989**	**570,819,264**
Net Book value at June 30, 2023	**1,049,425,751**	**469,331**	**2,256,262**	**1,052,151,344**

Total additions from the first semester of 2023 of USD 108.8 million are in respect of Rompetrol Downstream for 8 stations built and opened in accordance with the contract with CNAIR and Rompetrol Development SRL.

The additions during 2022 represent mainly contracts concluded by Rompetrol Downstream for the rental of gas stations from Rompetrol Development, USD 22 million.

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

Land, buildings and special construction category includes mainly:

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

USD	**Net book value at June 30, 2023**	**Net book value at December 31, 2022**
Rent agreements for gas stations	217,068,677	111,048,874
Rental of administrative buildings	192,149	280,678
Rent for usage of maritime port	11,930,191	12,196,669
Depots rent	191,661	450,178
Total	**229,382,678**	**123,976,398**

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

7. RIGHT OF USE ASSETS (continued)

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

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

The right-of-use assets are also subject to impairment and assessed within the CGUs to which they belong.

8. INVESTMENTS

Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at 30 June 2023 and 31 December 2022 are as follows:

Company name	Country of incorporation	Range of activity	Effective ownership 30 June 2023	Control 30 June 2023	Effective ownership 31 December 2022	Control 31 December 2022
			%	%	%	%
Rompetrol Downstream SRL	Romania	Retail Trade of Fuels and Lubricants	100	100	100	100
Rom Oil SA	Romania	Wholesale of Fuels; fuel storage	100	100	100	100
Rompetrol Logistics SRL	Romania	Logistics operations	66.19	100	66.19	100
Rompetrol Petrochemicals SRL	Romania	Petrochemicals	100	100	100	100
Rompetrol Quality Control SRL	Romania	Quality Control Services	100	100	100	100
Rompetrol Gas SRL	Romania	LPG Sales	66.19	100	66.19	100

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

- *Disposals through sales of subsidiaries and liquidations*

During 2023 and 2022, there was no disposal of companies.

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

9. INVENTORIES, NET

The inventories balance in 2023 and 2022 is provided below:

	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Crude oil and other feedstock materials (at lower of cost and net realisable value)	172,239,760	150,187,088	787,996,902	687,105,928
Petroleum and petrochemical products (at lower of cost and net realisable value)	137,176,817	120,884,520	627,583,938	553,046,679
Work in progress (at cost)	40,458,084	32,881,936	185,095,734	150,434,857
Spare parts (at cost less inventories write-down)	4,589,399	4,713,148	20,996,500	21,562,652
Consumables and other raw materials (at cost less inventories write-down)	5,037,804	5,320,012	23,047,953	24,339,055
Merchandises (at cost less inventories write-down)	17,950,267	17,512,960	82,122,472	80,121,792
Other inventories (at cost less inventories write-down)	1,988,686	2,370,394	9,098,238	10,844,553
	379,440,817	**333,870,058**	**1,735,941,737**	**1,527,455,516**

Movements in inventories reserve:

	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Reserve as of January 1	**(38,665,890)**	**(26,934,093)**	**(176,896,447)**	**(123,223,475)**
Accrued provision	(27,719,259)	(39,447,604)	(126,815,610)	(180,472,788)
Reversal of provision	16,078,485	27,715,807	73,559,069	126,799,817
Reserve as of June 30 / December 31	**(50,306,664)**	**(38,665,890)**	**(230,152,988)**	**(176,896,446)**

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).

The Group has pledged inventories in gross amount of USD 389 million (2022: USD 273 million) to secure banking facilities.

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

10. TRADE AND OTHER RECEIVABLES

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

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Trade receivables	244,821,997	245,406,406	1,120,060,636	1,122,734,307
Advances to suppliers	27,544,641	24,948,120	126,016,733	114,137,649
Sundry debtors	90,981,959	74,226,928	416,242,462	339,588,196
VAT to be recovered	145,265	101,922	664,587	466,293
Cash pooling receivables	319,300,393	267,473,915	1,460,799,298	1,223,693,161
Fuel subsidy	29,921,501	39,501,703	136,890,867	180,720,291
Other receivables	45,232,140	26,862,483	206,937,041	122,895,860
Provision for expected credit losses related to trade receivables	(38,092,733)	(36,144,539)	(174,274,254)	(165,361,266)
	719,855,163	**642,376,936**	**3,293,337,370**	**2,938,874,491**

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

Fuel subsidy in amount of USD 29.9 million is in relation to 0.25 RON fuel subvention according to Government Emergency Ordinance OUG 106; the subsidy is to be offset with Rompetrol Downstream tax liabilities.

Included in Sundry debtors as of June 30, 2023 is an amount of USD 5.5 million (2022: USD 5.4 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2011 - 2015 period; the amount is fully provided as at December 31, 2022. The fiscal provision recognized in 2022 is in amount of USD 2.5 million, and the opening balance of USD 2.9 million was reclassified between “Provision for sundry debtors and other receivables” to “Fiscal provision” under “Other provisions” category, the amounts provided being in relation with a tax inspection for which a legal challenge is ongoing (see Note 30).

Another amount included in Sundry debtors refers to USD 2.14 million in respect of Omniasig Vienna Insurance for insurance claim following the 2nd of July 2021 incident.

In 2022 USD 0.8 million in sundry debtors are for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) - the inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and related penalties in total amount of RON 20.4 million (USD 4.5 million), out of which the principal is RON 11.2 million (USD 2.5 million) and the penalties and accessories are RON 9.2 million (USD 2 million) (calculated until the date of the report).

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

As of 30 June 2023 Rompetrol Rafinare SA enforced the total amount of RON 13.7 (USD 3 million) million by various set-off operations with Navodari City Hall.

Also, included in Sundry debtors category is an amount of USD 63 million (2022: USD 62.2 million) relating to Rompetrol Petrochemicals SRL receivables against KMG International N.V. (“KMGI”) as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts (see Note 12). Following the contract agreement in place Rompetrol Petrochemicals SRL charges interest for late payment from KMGI. As of 30 June 2023, the interest receivable is in amount of USD 0.55 million, during 2023 the interest accrued and received was in amount of USD 3.5 million.

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

10. TRADE AND OTHER RECEIVABLES (continued)

On 28 February 2011, Rompetrol Rafinare S.A. won the court case against the Romanian Government and the Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2,577,938 CO2 emission certificates for the entire period 2008 - 2012 (Decision 69/CA/2011). On October 30, 2012, the Supreme Court confirmed this resolution. In June 2020 the court admitted the Company' claim (the countervalue of the said 2.5 million CO2 certificates in amount of EUR 36 million). During December 2020 – May 2022 the Romanian Government and Ministry of Environment paid the entire amount as follows USD 7.5 million in 2020, USD 11 million in 2021 and USD 17.4 million in 2022.

In 2023, out of the total amount of USD 27.5 million (2022: 24.9 million) representing advances to suppliers, USD 21.3 million (2022: 20.5 million) are in respect of other raw materials, investment projects, and CO2 certificates acquisition in Rompetrol Rafinare and USD 4.74 million (2022: 2.1 million) are in respect of investment projects related to the construction of new stations, rebranding process, advance for utilities and petroleum product in Rompetrol Downstream and USD 0.4 million in Rompetrol Gas.

Cash pooling receivables refers to: Rompetrol Downstream USD 104.7 million (2022: USD 84.7 million), Rompetrol Rafinare USD 111.6 million (2022: USD 84.8 million), Rompetrol Gas USD 75.6 million (2022: USD 74.5 million), Rompetrol Quality Control USD 3.6 million (2022: USD 3.1 million), Rompetrol Logistics USD 6 million (2022: USD 6.4 million) and Rompetrol Petrochemicals USD 17.7 million (2022: USD 14 million).

Also, in other receivables an amount of USD 20.57 million (2022: USD 14.36 million) refers to excise receivables in Rompetrol Rafinare.

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Sundry debtors	90,981,959	74,226,928	416,242,462	339,588,196
Other receivables	45,232,140	26,862,483	206,937,041	122,895,860
Provision for sundry debtors and other receivables	(2,432,958)	(2,317,828)	(11,130,783)	(10,604,063)

Out of the total amount of other receivables and sundry debtors of USD 136.2 million (2022: USD 101.1 million) an amount of USD 2.4 million (2022: USD 2.3 million) is provisioned.

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

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

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Balance at the beginning of the year	(36,144,539)	(40,343,673)	(165,361,266)	(184,572,304)
Charge for the year	(2,184,954)	(2,399,026)	(9,996,165)	(10,975,544)
Utilised	693,030	33,621	3,170,612	153,816
Unused amounts reversed	-	1,387,519	-	6,347,899
Recalssification between categories trade receivables and other receivables	-	2,946,175	-	13,478,751
Exchange rate differences	(456,270)	2,230,844	(2,087,435)	10,206,116
Balance at the end of the period	**(38,092,733)**	**(36,144,539)**	**(174,274,254)**	**(165,361,266)**

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

10. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables totaling USD 129.2 million as at 30 June 2023 and USD 149 million as at 31 December 2022 are pledged to obtain credit facilities (see Notes 13 and 18).

11. CASH AND CASH EQUIVALENTS

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Cash at bank	199,705,207	12,907,647	913,651,322	59,052,485
Cash on hand	2,078,497	3,919,676	9,509,124	17,932,518
Cash equivalents	744,966	145,892	3,408,219	667,456
	202,528,670	**16,973,215**	**926,568,665**	**77,652,459**

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

12. EQUITY

Shareholders' structure as at 30 June 2023 is as follows:

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International N.V.	48.11%	1,277,857,773	423,929,605	1,939,477,942
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,801,711,090
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	260,828,344
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	2,008,731
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	27,016,687
Total	**100%**	**2,655,920,573**	**881,102,250**	**4,031,042,794**

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

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International N.V.	48.11%	1,277,857,773	423,929,605	1,939,477,942
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,801,711,090
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	260,828,344
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	2,008,731
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	27,016,687
Total	**100%**	**2,655,920,573**	**881,102,250**	**4,031,042,794**

12. EQUITY (continued)

Share premium and effect of transfers with equity holders

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

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

Hybrid Loan

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

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

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

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

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

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

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

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

Revaluation reserve

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

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

13. LONG-TERM BORROWINGS FROM BANKS

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
BCR, ING Bank, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Garanti Bank and OTP Bank	266,420,308	-	1,218,872,909	-
Rompetrol Rafinare: 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. 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.				
Amount payable within one year principal	(520,308)	-	(2,380,409)	-
Total	**265,900,000**	**-**	**1,216,492,500**	**-**

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
One year or less - principal	520,308	-	2,380,409	-
Between two and five years	265,900,000	-	1,216,492,500	-
Total	**266,420,308**	**-**	**1,218,872,909**	**-**

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 390.4 million (2022: USD 399.6), inventories of USD 389.2 million (2022: USD 273 million) and trade receivables of USD: 129.2 million (2022: USD 149 million).

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

14. OBLIGATIONS UNDER LEASE AGREEMENTS

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
As at 1 January	**125,006,748**	**111,916,989**	**571,905,872**	**512,020,225**
Additions	108,818,575	22,665,080	497,844,981	103,692,741
Re-measurement	1,328,801	611,388	6,079,265	2,797,100
Payments	(9,814,604)	(12,355,932)	(44,901,813)	(56,528,389)
Interest accrued	5,085,654	8,092,995	23,266,867	37,025,452
Exchange rate impact	1,720,564	(5,923,772)	7,871,580	(27,101,257)
As at 30 June/31 December	**232,145,738**	**125,006,748**	**1,062,066,752**	**571,905,872**
Non-current	225,331,603	120,283,737	1,030,892,084	550,298,097
Current	6,814,135	4,723,011	31,174,668	21,607,775

The following amounts were recognized in profit or loss:

Recognised in profit or loss	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
			(supplementary info – see Note 2(e))	
Depreciation expense of right-of-use assets	4,937,185	3,700,778	22,587,621	16,931,059
Interest expense on lease liabilities	5,085,655	3,537,006	23,266,872	16,181,802
Variable lease payments (included in selling and distribution)	3,736,267	3,480,730	17,093,422	15,924,340
Total amount recognised in profit or loss	**13,759,107**	**10,718,514**	**62,947,915**	**49,037,201**

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

	June 30, 2023		December 31, 2022	
	Fixed payments	Variable payments	Fixed payments	Variable payments
Fixed rent	9,814,604	-	12,355,932	-
Variable rent with minimum payment	-	3,736,267	-	6,736,557
Total	**9,814,604**	**3,736,267**	**12,355,932**	**6,736,557**

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

15. DEFERRED TAX ASSETS AND LIABILITIES

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

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Deferred tax liabilities	56,950,487	56,950,487	260,548,478	260,548,478
Deferred tax (asset) / liability, net	**56,950,487**	**56,950,487**	**260,548,478**	**260,548,478**

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

USD

2023	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	452,881,112	-	-	452,881,112
Inventories	82,619	-	-	82,619
Provisions	(97,071,769)	-	-	(97,071,769)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**355,940,538**	-	-	**355,940,538**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	72,460,978	-	-	72,460,978
Inventories	13,219	-	-	13,219
Provisions	(15,531,483)	-	-	(15,531,483)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**56,950,487**	-	-	**56,950,487**

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

2023	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	225,264	-	-	225,264
Property, plant and equipment	2,071,931,092	-	-	2,071,931,092
Inventories	377,982	-	-	377,982
Provisions	(444,103,338)	-	-	(444,103,338)
Other	(3,033)	-	-	(3,033)
Total temporary differences (asset)/liability	**1,628,427,967**	-	-	**1,628,427,967**
Deferred tax effect				
Intangible assets	36,042	-	-	36,042
Property, plant and equipment	331,508,979	-	-	331,508,979
Inventories	60,477	-	-	60,477
Provisions	(71,056,535)	-	-	(71,056,535)
Other	(485)	-	-	(485)
Deferred tax (asset)/liability recognized	**260,548,478**	-	-	**260,548,478**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

USD

Deferred tax (asset) / liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare SA	44,119,040	-	-	44,119,040
Rompetrol Downstream S.R.L.	4,719,165	-	-	4,719,165
Rom Oil S.A.	5,981,412	-	-	5,981,412
Rompetrol Gas S.R.L.	739,413	-	-	739,413
Rompetrol Logistics S.R.L.	1,352,361	-	-	1,352,361
Rompetrol Quality Control SRL	39,094	-	-	39,094
Deferred tax (asset)/liability recognized	**56,950,487**	**-**	**-**	**56,950,487**

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

Deferred tax (asset) / liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare SA	201,844,610	-	-	201,844,610
Rompetrol Downstream S.R.L.	21,590,182	-	-	21,590,182
Rom Oil S.A.	27,364,962	-	-	27,364,962
Rompetrol Gas S.R.L.	3,382,816	-	-	3,382,816
Rompetrol Logistics S.R.L.	6,187,053	-	-	6,187,053
Rompetrol Quality Control SRL	178,855	-	-	178,855
Deferred tax (asset)/liability recognized	**260,548,478**	**-**	**-**	**260,548,478**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

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

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

2022	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	225,264	-	-	225,264
Property, plant and equipment	2,404,219,033	(104,541,371)	(227,746,565)	2,071,931,092
Inventories	377,982	-	-	377,982
Provisions	(327,221,810)	(116,881,528)	-	(444,103,338)
Other	(3,033)	-	-	(3,033)
Total temporary differences (asset)/liability	**2,077,597,436**	**(221,422,899)**	**(227,746,565)**	**1,628,427,967**
Deferred tax effect				
Intangible assets	36,042	-	-	36,042
Property, plant and equipment	384,675,045	(16,726,621)	(36,439,445)	331,508,979
Inventories	60,477	-	-	60,477
Provisions	(52,355,490)	(18,701,045)	-	(71,056,535)
Other	(485)	-	-	(485)
Deferred tax (asset)/liability recognized	**332,415,589**	**(35,427,666)**	**(36,439,445)**	**260,548,478**

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

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

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

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

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

16. TRADE AND OTHER PAYABLES

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Trade payables	947,345,054	770,724,269	4,334,103,626	3,526,063,538
Excise taxes	449	417	2,054	1,908
Special fund tax for oil products	6,024,203	5,946,758	27,560,729	27,206,418
VAT payable	50,973,767	80,795,835	233,204,984	369,640,945
Other taxes payable	10,961	19,160	50,147	87,657
Employees and social obligations	15,152,645	15,125,388	69,323,351	69,198,650
Cash pooling payables	396,864,111	410,008,202	1,815,653,308	1,875,787,524
Other liabilities	7,980,494	12,690,541	36,510,760	58,059,225
Total	**1,424,351,684**	**1,295,310,569**	**6,516,408,959**	**5,926,045,865**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL ("Master Company"). The amounts in balance as of 30 June 2023 are for the following companies: Rompetrol Rafinare S.A. USD 350.6 million (2022: USD 365.4 million), Romoil USD 15.1 million (2022: USD 13.4 million) and Rompetrol Gas USD 31.2 million (2022: USD 31.2 million).

Also in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 5.49 million (2022: USD 5.51 million).

17. CONTRACT LIABILITIES

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Short-term advances from wholesale customers	22,439,455	22,051,856	102,660,507	100,887,242
Short-term advances from other customers	48,945,220	12,705,053	223,924,381	58,125,617
Deferred revenues	7,104,299	7,157,244	32,502,168	32,744,391
Total short-term advances	**78,488,974**	**41,914,153**	**359,087,056**	**191,757,250**

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

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

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

18. SHORT-TERM BORROWINGS FROM BANKS

DEBT SHORT-TERM	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Banca Transilvania Rompetrol Rafinare S.A.: Two revolving credit ceiling on short term credit facility, one up to EUR 30 million and the second up to EUR 27.96 million, for issue of letters of credit and letters of guarantee. Maturity date is July 28, 2024. Drawings in USD/EUR/RON.	31,160,490	36,181,181	142,559,242	165,528,903
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts. The facility was refinanced by the new loan agreement signed on April 13, 2023.	-	25,000,000	-	114,375,000
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts. The facility was refinanced by the new loan agreement signed on April 13, 2023.	-	25,000,000	-	114,375,000
BCR, ING Bank, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Garanti Bank and OTP Bank Rompetrol Rafinare: 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. 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.	13,613,572	-	62,282,092	-
Accrued interest	-	29,737	-	136,047
Current portion of long-term debt	520,308	-	2,380,409	-
	45,294,370	**86,210,918**	**207,221,743**	**394,414,950**

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

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

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 390.4 million (2022: USD 399.6), inventories of USD 389.2 million (2022: USD 273 million) and trade receivables of USD: 129.2 million (2022: USD 149 million).

The movement in loans is presented below:

USD	**At 1 January 2023**	**Drawings**	**Repayment**	**Interest accrual**	**Exchange rate impact**	**June 30, 2023**
Long-term borrowings from banks	-	306,770,363	(40,870,363)	-	-	265,900,000
Short-term borrowings from banks	86,181,181	292,554,799	(334,067,377)	-	105,459	44,774,062
Interest Long-term borrowings banks	-	-	(3,957,570)	3,957,570	-	-
Interest Short-term borrowings from banks	29,737	-	(3,697,829)	4,188,400	-	520,308
Total	**86,210,918**	**599,325,162**	**(382,593,139)**	**8,145,970**	**105,459**	**311,194,370**

RON (supplementary info – see Note 2(e))	**At 1 January 2023**	**Drawings**	**Repayment**	**Interest accrual**	**Exchange rate impact**	**June 30, 2023**
Long-term borrowings from banks	-	1,403,474,411	(186,981,911)	-	-	1,216,492,500
Short-term borrowings from banks	394,278,903	1,338,438,205	(1,528,358,249)	-	482,475	204,841,334
Interest Long-term borrowings banks	-	-	(18,105,883)	18,105,883	-	-
Interest Short-term borrowings from banks	136,047	-	(16,917,568)	19,161,930	-	2,380,409
Total	**394,414,950**	**2,741,912,616**	**(1,750,363,611)**	**37,267,813**	**482,475**	**1,423,714,243**

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

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

RON (supplementary info – see Note 2(e))	At 1 January 2022	Drawings	Repayment	Interest accrual	Reclassification between LT and ST	Exchange rate impact	At 31 December 2022
Long-term borrowings from banks	877,160,413	220,839,587	-	-	(1,098,000,000)	-	-
Short-term borrowings from banks	193,854,343	1,281,565,680	(2,175,911,852)	-	1,098,000,000	(3,229,268)	394,278,903
Interest Short-term borrowings from banks	225,369	-	(51,293,225)	51,203,903	-	-	136,047
Total	**1,071,240,125**	**1,502,405,267**	**(2,227,205,077)**	**51,203,903**	**-**	**(3,229,268)**	**394,414,950**

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

19. PROVISIONS

Provisions comprise the following:

	June 30, 2023 USD	December 31, 2022 USD	June 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Non-current provisions	115,340,643	115,340,643	527,683,442	527,683,442
Total Provisions	**115,340,643**	**115,340,643**	**527,683,442**	**527,683,442**

The movement in provisions is presented below:

USD	At 1 January 2023	At 30 June 2023
Provision for retirement benefit	11,983,718	11,983,718
Environmental provisions	97,141,972	97,141,972
Other provisions	6,214,953	6,214,953
Total	**115,340,643**	**115,340,643**

RON (supplementary info – see Note 2(e))	At 1 January 2023	At 30 June 2023
Provision for retirement benefit	54,825,510	54,825,510
Environmental provisions	444,424,522	444,424,522
Other provisions	28,433,410	28,433,410
Total	**527,683,442**	**527,683,442**

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

19. PROVISIONS (continued)

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

RON (supplementary info – see Note 2(e))	At 1 January 2022	Charged to equity	Arising during the year	Utilised	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2022
Provision for retirement benefit	57,501,482	(7,591,481)	7,872,052	(2,956,543)	-	-	54,825,510
Environmental provisions	327,542,994	-	171,702,577	(49,776,846)	(5,044,203)	-	444,424,522
Other provisions	2,028,948	-	12,925,711	-	-	13,478,751	28,433,410
Total	**387,073,424**	**(7,591,481)**	**192,500,340**	**(52,733,389)**	**(5,044,203)**	**13,478,751**	**527,683,442**

Environmental provision

Vega lagoons

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

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

19. PROVISIONS (continued)

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

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

Vadu cassettes

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

During 2021, a detailed investigation report was provided to the environmental authorities. The feasibility study was also contracted and completed, the next steps for remedial actions will be communicated by the competent authority. Based on the feasibility study and correspondence with environmental authorities, Management concluded that the parent company has a constructive obligation for the rehabilitation of the cassettes, thus an assessment of the obligation was performed as of 31 December 2021. In this respect, a provision of USD 4.9 million was recorded as of 31 December 2021. As at 30 June 2023 and 31 December 2022, considering the information available, Management assessed the provision recorded as of 31 December 2021 as being appropriate.

Retirement benefit provision

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

Other provisions

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

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2023

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	2,315,578,193	-	-	195,347,417	2,510,925,610
Less sales taxes from petroleum products production	(462,702,641)	-	-	425,934,263	(36,768,378)
Net revenues from petroleum products production	**1,852,875,552**	**-**	**-**	**621,281,680**	**2,474,157,232**
Gross revenues from petroleum products trading	-	-	1,534,306,469	(1,514,740,048)	19,566,421
Less sales taxes petroleum products trading	-	-	(424,037,915)	735,828	(423,302,087)
Less commercial discounts petroleum products trading	-	-	(103,394,158)	1,043,802	(102,350,356)
Net revenues from petroleum products trading	**-**	**-**	**1,006,874,396**	**(1,512,960,418)**	**(506,086,022)**
Revenues from petrochemicals production	-	70,940,972	-	-	70,940,972
Revenues from petrochemicals trading	-	10,345	-	-	10,345
Revenues from merchandise sales	383,958	-	92,640,185	(223)	93,023,920
Revenues from utilities sold	3,290,733	-	-	(111,478)	3,179,255
Revenues from transportation fees	-	-	1,682,570	-	1,682,570
Revenues from rents and other services	1,891,705	-	9,337,631	(4,078,363)	7,150,973
Total Net Revenues	**1,858,441,948**	**70,951,317**	**1,110,534,782**	**(895,868,802)**	**2,144,059,245**

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	10,593,770,235	-	-	893,714,433	11,487,484,668
Less sales taxes from petroleum products production	(2,116,864,583)	-	-	1,948,649,253	(168,215,330)
Net revenues from petroleum products production	**8,476,905,652**	**-**	**-**	**2,842,363,686**	**11,319,269,338**
Gross revenues from petroleum products trading	-	-	7,019,452,094	(6,929,935,720)	89,516,374
Less sales taxes petroleum products trading	-	-	(1,939,973,461)	3,366,413	(1,936,607,048)
Less commercial discounts petroleum products trading	-	-	(473,028,273)	4,775,394	(468,252,879)
Net revenues from petroleum products trading	**-**	**-**	**4,606,450,360**	**(6,921,793,913)**	**(2,315,343,553)**
Revenues from petrochemicals production	-	324,554,947	-	-	324,554,947
Revenues from petrochemicals trading	-	47,328	-	-	47,328
Revenues from merchandise sales	1,756,608	-	423,828,846	(1,020)	425,584,434
Revenues from utilities sold	15,055,103	-	-	(510,012)	14,545,091
Revenues from transportation fees	-	-	7,697,758	-	7,697,758
Revenues from rents and other services	8,654,550	-	42,719,662	(18,658,511)	32,715,701
Total Net Revenues	**8,502,371,913**	**324,602,275**	**5,080,696,626**	**(4,098,599,770)**	**9,809,071,044**

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

2022

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	2,550,108,677	-	-	154,148,896	2,704,257,572
Less sales taxes from petroleum products production	(438,207,803)	-	-	424,089,907	(14,117,896)
Net revenues from petroleum products production	**2,111,900,873**	**-**	**-**	**578,238,803**	**2,690,139,676**
Gross revenues from petroleum products trading	-	-	1,711,656,456	(1,659,547,590)	52,108,866
Less sales taxes petroleum products trading	-	-	(436,961,634)	2,065,446	(434,896,188)
Less commercial discounts petroleum products trading	-	-	(93,334,758)	3,235,862	(90,098,897)
Net revenues from petroleum products trading	**-**	**-**	**1,181,360,064**	**(1,654,246,283)**	**(472,886,219)**
Revenues from petrochemicals production	-	119,742,027	-	-	119,742,027
Revenues from merchandise sales	8,359,933	-	77,820,001	(125)	86,179,808
Revenues from utilities sold	1,805,949	-	-	(93,779)	1,712,170
Revenues from transportation fees	-	-	1,379,182	-	1,379,182
Revenues from rents and other services	1,937,633	-	8,911,914	(4,141,560)	6,707,986
Total Net Revenues	**2,124,004,388**	**119,742,027**	**1,269,471,161**	**(1,080,242,945)**	**2,432,974,631**

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	11,666,747,197	-	-	705,231,199	12,371,978,396
Less sales taxes from petroleum products production	(2,004,800,708)	-	-	1,940,211,325	(64,589,383)
Net revenues from petroleum products production	**9,661,946,489**	**-**	**-**	**2,645,442,524**	**12,307,389,013**
Gross revenues from petroleum products trading	-	-	7,830,828,285	(7,592,430,228)	238,398,057
Less sales taxes petroleum products trading	-	-	(1,999,099,476)	9,449,415	(1,989,650,061)
Less commercial discounts petroleum products trading	-	-	(427,006,518)	14,804,069	(412,202,449)
Net revenues from petroleum products trading	**-**	**-**	**5,404,722,291**	**(7,568,176,744)**	**(2,163,454,453)**
Revenues from petrochemicals production	-	547,819,774	-	-	547,819,774
Revenues from merchandise sales	38,246,693	-	356,026,505	(572)	394,272,626
Revenues from utilities sold	8,262,217	-	-	(429,039)	7,833,178
Revenues from transportation fees	-	-	6,309,758	-	6,309,758
Revenues from rents and other services	8,864,671	-	40,772,007	(18,947,637)	30,689,041
Total Net Revenues	**9,717,320,070**	**547,819,774**	**5,807,830,561**	**(4,942,111,468)**	**11,130,858,937**

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

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

21. COST OF SALES

	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
			(supplementary info – see Note 2(e))	
Crude oil and other raw materials	1,647,003,497	1,768,031,113	7,535,040,999	8,088,742,342
Consumables and other materials	7,114,261	6,789,117	32,547,744	31,060,210
Utilities	115,683,027	117,122,252	529,249,849	535,834,302
Staff costs	20,614,946	14,524,627	94,313,378	66,450,169
Transportation	103,137	105,349	471,852	481,972
Maintenance and repairs	14,639,369	11,696,945	66,975,113	53,513,523
Insurance	1,200,685	1,052,316	5,493,134	4,814,346
Environmental expenses	10,478,343	13,305,278	47,938,419	60,871,647
Other	5,671,759	5,426,277	25,948,297	24,825,217
Total	**1,822,509,024**	**1,938,053,273**	**8,337,978,785**	**8,866,593,728**
Depreciation and amortization	46,254,934	42,908,290	211,616,323	196,305,427
Total	**1,868,763,958**	**1,980,961,563**	**8,549,595,108**	**9,062,899,155**
Plus: Change in inventories	(15,587,800)	(63,652,214)	(71,314,185)	(291,208,879)
Less: Own production of property, plant & equipment	(169,904)	(919,355)	(777,311)	(4,206,049)
Cost of petroleum products trading	29,404,787	49,238,619	134,526,901	225,266,682
Cost of petrochemicals trading	9,329	-	42,680	-
Cost of merchandise sold	75,468,248	74,730,368	345,267,235	341,891,434
Cost of utilities resold	2,796,491	1,324,162	12,793,946	6,058,041
Realized (gains)/losses on derivatives	1,010,920	174,229,560	4,624,959	797,100,237
Total	**1,961,696,029**	**2,215,912,704**	**8,974,759,333**	**10,137,800,621**

During the first half of 2023 the negative Realized hedging impact of USD 0.68 million resulted from Rompetrol Downstream:

- USD 0.24 million resulted from Forex hedge for excises paid in advance in order to protect results against the RON depreciation (loss resulted following RON appreciation against USD during H1'23 from 4.63 to 4.57).
- USD 0.44 million resulted from auctions hedging program which protects against market price increase.

On the other hand, during H1 2022 the negative realized hedging was USD 174.23 million following the higher exposure of Rompetrol Rafinare and Rompetrol Downstream 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 (USD -87.8 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 (-35.2 million USD) and Rompetrol Downstream Futures for Around benchmark stocks (-23.5mil USD). 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.

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

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

	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
			(supplementary info – see Note 2(e))	
Staff costs	15,769,629	13,270,730	72,146,053	60,713,590
Utilities	5,097,420	4,884,244	23,320,697	22,345,416
Transportation	38,740,692	28,715,393	177,238,662	131,372,920
Professional and consulting fees	15,420,189	14,564,611	70,547,365	66,633,095
Royalties and rents	5,565,822	2,142,478	25,463,636	9,801,837
Consumables	117,368	48,039	536,959	219,778
Marketing	1,038,145	1,315,084	4,749,513	6,016,509
Taxes	1,137,743	975,494	5,205,174	4,462,885
Communications	399,462	314,455	1,827,539	1,438,632
Insurance	827,381	766,814	3,785,268	3,508,174
IT related expenditures	4,633,317	4,393,812	21,197,425	20,101,690
Environmental expenses	939,281	4,145,447	4,297,211	18,965,420
Maintenance and repairs	6,450,520	5,931,011	29,511,129	27,134,375
Other expenses	12,998,254	8,655,159	59,467,012	39,597,352
Costs before depreciation	**109,135,223**	**90,122,770**	**499,293,643**	**412,311,673**
Depreciation and amortisation	22,590,881	27,555,237	103,353,281	126,065,209
Total	**131,726,104**	**117,678,007**	**602,646,924**	**538,376,882**

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

23. OTHER OPERATING INCOME / (EXPENSES), NET

	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
			(supplementary info – see Note 2(e))	
Net gain /(loss) on disposal of assets	(18,984)	62,432	(86,852)	285,626
Reserve for impairment of tangible assets, net	(7,176,669)		(32,833,261)	-
Provision for receivables and write-off, net	(1,793,687)	(319,728)	(8,206,118)	(1,462,756)
Provision for inventories, net	(11,640,771)	(19,447,532)	(53,256,526)	(88,972,458)
Tangible and intangible assets write-off	(15,154)	-	(69,330)	-
Inventories write-off	(19,189)	(35,736)	(87,790)	(163,492)
Other provisions, net	(283,541)	(6,486,065)	(1,297,200)	(29,673,747)
Other, net	(762,838)	4,899,875	(3,489,984)	22,416,928
Total	**(21,710,833)**	**(21,326,754)**	**(99,327,061)**	**(97,569,899)**

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

24. FINANCE COST, FINANCE INCOME AND FOREIGN EXCHANGE

	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
			(supplementary info – see Note 2(e))	
Finance cost				
Late payment interest	(2,440,681)	(2,390,366)	(11,166,116)	(10,935,924)
Interest expense	(36,741,219)	(26,409,105)	(168,091,076)	(120,821,652)
Unwinding of discount - lease	(5,085,654)	(3,537,006)	(23,266,867)	(16,181,802)
Other financial expense	(22,395,448)	(14,074,525)	(102,459,175)	(64,390,952)
Total	**(66,663,002)**	**(46,411,002)**	**(304,983,234)**	**(212,330,330)**
Finance income				
Interest income	31,822,638	18,313,193	145,588,569	83,782,858
Other financial income	385,876	212,410	1,765,383	971,776
Total	**32,208,514**	**18,525,604**	**147,353,952**	**84,754,634**
Finance income/(cost) net	**(34,454,488)**	**(27,885,398)**	**(157,629,282)**	**(127,575,696)**
Unrealized net foreign exchange (losses)/gains	(4,814,134)	2,114,634	(22,024,663)	9,674,451
Realized net foreign exchange (losses)/gains	(1,342,456)	7,531,119	(6,141,736)	34,454,869
Foreign exchange gain/(loss), net	**(6,156,590)**	**9,645,753**	**(28,166,399)**	**44,129,320**
Total	**(40,611,078)**	**(18,239,645)**	**(185,795,681)**	**(83,446,376)**

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

25. INCOME TAX

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

	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
			(supplementary info – see Note 2(e))	
Tax expense comprises:				
Current tax expense	4,762,513	1,427,535	21,788,497	6,530,973
Solidarity tax	17,697,728	-	80,967,106	-
Total tax expense/(income)	**22,460,241**	**1,427,535**	**102,755,603**	**6,530,973**

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

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”), a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for the first six months of 2023 of USD 17.7 million, taking in account the present norms of the “GEO 186” adopted by Law no. 119/2023.

26. OPERATING SEGMENT INFORMATION

a. Operating Segments

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

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

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

26. OPERATING SEGMENT INFORMATION (continued)

Income Statement information for the period January – June 2023

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	966,407,274	70,951,317	-	1,106,700,654	-	2,144,059,245
Net revenues "Inter segment"	892,034,674	-	-	3,834,128	(895,868,802)	-
Cost of sales	(1,758,060,279)	(110,587,568)	-	(1,008,022,402)	914,974,220	(1,961,696,029)
Gross margin	**100,381,669**	**(39,636,251)**	**-**	**102,512,380**	**19,105,418**	**182,363,216**
Selling, general and administrative expenses	(32,437,140)	(5,152,322)	-	(75,156,693)	(18,979,949)	(131,726,104)
Other operating income/(expenses), net	(20,370,296)	22	-	(1,362,002)	21,443	(21,710,833)
Operating margin (EBIT)	**47,574,233**	**(44,788,551)**	**-**	**25,993,685**	**146,912**	**28,926,279**
Financial expenses, net	-	-	(32,109,961)	(2,341,866)	(2,661)	(34,454,488)
Net foreign exchange result	-	-	(7,306,704)	1,150,114	-	(6,156,590)
Profit/(loss) before income tax	**47,574,233**	**(44,788,551)**	**(39,416,665)**	**24,801,933**	**144,251**	**(11,684,799)**
Income tax	-	-	(18,303,756)	(4,156,485)	-	(22,460,241)
Net Profit/(Loss)	**47,574,233**	**(44,788,551)**	**(57,720,421)**	**20,645,448**	**144,251**	**(34,145,040)**
Depreciation and amortization	46,285,690	7,038,118	-	14,002,125	1,519,882	68,845,815

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	4,421,313,279	324,602,275	-	5,063,155,490	-	9,809,071,044
Net revenues "Inter segment"	4,081,058,634	-	-	17,541,136	(4,098,599,770)	-
Cost of sales	(8,043,125,776)	(505,938,124)	-	(4,611,702,490)	4,186,007,057	(8,974,759,333)
Gross margin	**459,246,137**	**(181,335,849)**	**-**	**468,994,136**	**87,407,287**	**834,311,711**
Selling, general and administrative expenses	(148,399,916)	(23,571,873)	-	(343,841,870)	(86,833,265)	(602,646,924)
Other operating income/(expenses), net	(93,194,104)	101	-	(6,231,159)	98,101	(99,327,061)
Operating margin (EBIT)	**217,652,117**	**(204,907,621)**	**-**	**118,921,107**	**672,123**	**132,337,726**
Financial expenses, net	-	-	(146,903,072)	(10,714,036)	(12,174)	(157,629,282)
Net foreign exchange result	-	-	(33,428,171)	5,261,772	-	(28,166,399)
Profit/(loss) before income tax	**217,652,117**	**(204,907,621)**	**(180,331,243)**	**113,468,843**	**659,949**	**(53,457,955)**
Income tax	-	-	(83,739,684)	(19,015,919)	-	(102,755,603)
Net Profit/(Loss)	**217,652,117**	**(204,907,621)**	**(264,070,927)**	**94,452,924**	**659,949**	**(156,213,558)**
Depreciation and amortization	211,757,032	32,199,390	-	64,059,722	6,953,460	314,969,604

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

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

26. OPERATING SEGMENT INFORMATION (continued)

Statement of financial position information as at June 30, 2023

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,585,215,634	457,742,937	(601,709,380)	1,441,249,191
Total current assets	960,817,429	492,151,177	(150,699,833)	1,302,268,773
TOTAL ASSETS	**2,546,033,063**	**949,894,114**	**(752,409,213)**	**2,743,517,964**
Total equity	687,482,946	420,656,855	(603,185,590)	504,954,211
Total non-current liabilities	434,062,481	230,060,262	(171,250)	663,951,493
Total current liabilities	1,424,487,636	299,176,997	(149,052,373)	1,574,612,260
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,546,033,063**	**949,894,114**	**(752,409,213)**	**2,743,517,964**
Capital expenditure	6,736,658	1,144,099	-	7,880,757

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

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,252,361,527	2,094,173,937	(2,752,820,409)	6,593,715,055
Total current assets	4,395,739,738	2,251,591,635	(689,451,738)	5,957,879,635
TOTAL ASSETS	**11,648,101,265**	**4,345,765,572**	**(3,442,272,147)**	**12,551,594,690**
Total equity	3,145,234,478	1,924,505,112	(2,759,574,075)	2,310,165,515
Total non-current liabilities	1,985,835,851	1,052,525,699	(783,469)	3,037,578,081
Total current liabilities	6,517,030,936	1,368,734,761	(681,914,603)	7,203,851,094
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,648,101,265**	**4,345,765,572**	**(3,442,272,147)**	**12,551,594,690**
Capital expenditure	30,820,210	5,234,253	-	36,054,463

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

26. OPERATING SEGMENT INFORMATION (continued)

Income Statement information for the period January – June 2022

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	1,047,677,555	119,742,027	-	1,265,555,048	-	2,432,974,631
Net revenues "Inter segment"	1,076,326,832	-	-	3,916,112	(1,080,242,945)	-
Cost of sales	(1,941,070,831)	(140,446,633)	-	(1,200,979,620)	1,066,584,380	(2,215,912,704)
Gross margin	**182,933,557**	**(20,704,606)**	**-**	**68,491,541**	**(13,658,564)**	**217,061,927**
Selling, general and administrative expenses	(34,943,521)	(4,679,833)	-	(62,236,433)	(15,818,220)	(117,678,007)
Other operating income/(expenses), net	(21,441,473)	(254)	-	(32,888)	147,861	(21,326,754)
Operating margin (EBIT)	**126,548,563**	**(25,384,693)**	**-**	**6,222,220**	**(29,328,923)**	**78,057,166**
Financial expenses, net	-	-	(28,810,963)	928,205	(2,640)	(27,885,398)
Net foreign exchange result	-	-	17,303,552	(7,657,799)	-	9,645,753
Profit/(loss) before income tax	**126,548,563**	**(25,384,693)**	**(11,507,411)**	**(507,374)**	**(29,331,563)**	**59,817,521**
Income tax	-	-	-	(1,427,535)	-	(1,427,535)
Net Profit/(Loss)	**126,548,563**	**(25,384,693)**	**(11,507,411)**	**(1,934,909)**	**(29,331,563)**	**58,389,986**
Depreciation and amortization	47,364,844	7,181,168	-	15,270,788	646,727	70,463,527

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	4,793,124,814	547,819,774	-	5,789,914,349	-	11,130,858,937
Net revenues "Inter segment"	4,924,195,256	-	-	17,916,212	(4,942,111,468)	-
Cost of sales	(8,880,399,052)	(642,543,346)	-	(5,494,481,762)	4,879,623,539	(10,137,800,621)
Gross margin	**836,921,018**	**(94,723,572)**	**-**	**313,348,799**	**(62,487,929)**	**993,058,316**
Selling, general and administrative expenses	(159,866,609)	(21,410,236)	-	(284,731,681)	(72,368,356)	(538,376,882)
Other operating income/(expenses), net	(98,094,739)	(1,162)	-	(150,463)	676,465	(97,569,899)
Operating margin (EBIT)	**578,959,670**	**(116,134,970)**	**-**	**28,466,655**	**(134,179,820)**	**357,111,535**
Financial expenses, net	-	-	(131,810,156)	4,246,538	(12,078)	(127,575,696)
Net foreign exchange result	-	-	79,163,750	(35,034,430)	-	44,129,320
Profit/(loss) before income tax	**578,959,670**	**(116,134,970)**	**(52,646,406)**	**(2,321,237)**	**(134,191,898)**	**273,665,159**
Income tax	-	-	-	(6,530,973)	-	(6,530,973)
Net Profit/(Loss)	**578,959,670**	**(116,134,970)**	**(52,646,406)**	**(8,852,210)**	**(134,191,898)**	**267,134,186**
Depreciation and amortization	216,694,161	32,853,844	-	69,863,855	2,958,776	322,370,636

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

26. OPERATING SEGMENT INFORMATION (continued)

In total net revenues are included customers that own more than 10% of total sales (i.e. KazMunayGas Trading AG), their value amounting USD 337 million in 2023 and USD 443 million in 2022, for the period January - June.

Statement of financial position information as at December 31, 2022

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

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,492,376,274	1,644,800,889	(2,745,923,994)	6,391,253,169
Total current assets	3,010,347,575	2,067,452,158	(521,867,088)	4,555,932,645
TOTAL ASSETS	**10,502,723,849**	**3,712,253,047**	**(3,267,791,082)**	**10,947,185,814**
Total equity	3,386,958,446	1,829,064,756	(2,760,234,029)	2,455,789,173
Total non-current liabilities	768,494,574	571,618,324	(826,391)	1,339,286,507
Total current liabilities	6,347,270,829	1,311,569,967	(506,730,662)	7,152,110,134
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,502,723,849**	**3,712,253,047**	**(3,267,791,082)**	**10,947,185,814**
Capital expenditure	254,720,015	65,511,150	-	320,231,165

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

b. Geographical segments

All the Group's production facilities are located in Romania. The following table provides an analysis of the Group's net revenues by geographical market (based on customers' location) for the period January – June 2023, respectively January – June 2022:

Net revenues	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
			(supplementary info – see Note 2(e))	
Romania	**1,448,716,546**	**1,629,248,627**	**6,627,878,198**	**7,453,812,469**
Export	**695,342,699**	**803,726,004**	**3,181,192,846**	**3,677,046,468**
out of which				
Europa	669,588,684	778,889,924	3,063,368,227	3,563,421,402
Asia	25,749,175	24,379,265	117,802,476	111,535,137
America	4,840	456,815	22,143	2,089,929
Total	**2,144,059,245**	**2,432,974,631**	**9,809,071,044**	**11,130,858,937**

27. RELATED PARTIES

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

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

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

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

27. RELATED PARTIES (continued)

	Receivables and other assets			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	16,549,162	13,924,420	75,712,416	63,704,222
Rominserv S.R.L.	7,454,340	3,409,025	34,103,606	15,596,289
KMG International N.V.	62,962,365	62,247,992	288,052,820	284,784,563
KMG Rompetrol S.R.L	634,834	1,404,469	2,904,366	6,425,446
KMG Rompetrol S.R.L. - cash pooling	319,300,393	267,473,915	1,460,799,298	1,223,693,161
Oilfield Exploration Business Solutions S.A.	1,067,077	1,054,528	4,881,877	4,824,466
Rompetrol Well Services S.A.	77,064	68,995	352,568	315,652
KMG Rompetrol Services Center S.R.L.	12,637	36,958	57,814	169,083
Rompetrol Bulgaria	657,901	1,294,939	3,009,897	5,924,346
Rompetrol Moldova S.A.	10,506,554	188,833	48,067,485	863,911
Rompetrol Financial Group S.R.L.	2,450	2,418	11,209	11,062
Rompetrol Energy S.A.	34,825,504	18,853,747	159,326,681	86,255,893
Byron Shipping S.R.L.	1,678	2,174	7,677	9,946
Midia Marine Terminal S.R.L.	193,280	230,577	884,256	1,054,890
Rompetrol Georgia	1,297	1,277	5,934	5,842
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	60,106	59,334	274,985	271,453
KMG Rompetrol Development S.R.L.	7,287,819	6,973,833	33,341,772	31,905,286
Global Security Sistem S.A.	153,121	131,178	700,529	600,139
Total	**461,747,582**	**377,358,611**	**2,112,495,190**	**1,726,415,650**

	Payables, loans and other liabilities			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	790,163,089	541,944,575	3,614,996,132	2,479,396,431
Rominserv S.R.L.	14,712,980	25,031,950	67,311,884	114,521,171
KMG International N.V.	1,051,631	1,125,355	4,811,212	5,148,499
KMG Rompetrol S.R.L	3,665,748	9,404,374	16,770,797	43,025,011
KMG Rompetrol S.R.L. - cash pooling	396,864,111	410,008,202	1,815,653,308	1,875,787,524
Oilfield Exploration Business Solutions S.A.	366,726	318,388	1,677,771	1,456,625
Rompetrol Well Services S.A.	217,030	396,773	992,912	1,815,236
KMG Rompetrol Services Center S.R.L.	857,223	2,670,446	3,921,795	12,217,290
Rompetrol Bulgaria	196,297	207,669	898,059	950,086
Rompetrol Moldova S.A.	16,393,298	3,142,021	74,999,338	14,374,746
Byron Shipping Ltd.	2,103	2,069	9,621	9,466
Rompetrol Energy S.A.	6,521,287	9,269,247	29,834,888	42,406,805
Byron Shipping S.R.L.	68	4,087	311	18,698
Midia Marine Terminal S.R.L.	1,397,355	4,165,184	6,392,899	19,055,717
Rompetrol Georgia	50	50	229	229
KMG Rompetrol Development S.R.L.	1,844,667	3,145,027	8,439,352	14,388,499
Global Security Sistem S.A.	217,902	281,238	996,902	1,286,664
Global Security Systems Fire Services S.R.L.	169,939	318,038	777,471	1,455,024
TRG Petrol Ticaret Anonim Sirketi	2,538	2,538	11,611	11,611
Total	**1,234,644,042**	**1,011,437,231**	**5,648,496,492**	**4,627,325,332**

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

27. RELATED PARTIES (continued)

During the period ended June 30, 2023 respectively June 30, 2022, Rompetrol Rafinare Group entered into the following transactions with related parties:

		Sales and other revenues			
Name of related party	**Nature of transaction**	**June 30, 2023 USD**	**June 30, 2022 USD**	**June 30, 2023 RON**	**June 30, 2022 RON**
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Fuel	337,003,580	443,927,102	1,541,791,379	2,030,966,492
Rominserv S.R.L.	Fuel, utilities and other services	468,951	472,880	2,145,451	2,163,426
KMG International N.V.	Interest	3,450,686	2,608,143	15,786,888	11,932,254
KMG Rompetrol S.R.L	Fuel and other services	80,272	96,404	367,244	441,048
Oilfield Exploration Business Solutions S.A.	Fuel	2,372	3,200	10,852	14,640
Rompetrol Well Services S.A.	Fuel and other services	427,342	388,378	1,955,090	1,776,829
Rompetrol Bulgaria	Fuel	14,488,412	26,248,718	66,284,485	120,087,885
Rompetrol Moldova S.A.	Fuel	198,790,943	159,582,885	909,468,564	730,091,699
KMG Rompetrol Services Center S.R.L.	Rent and other services	61,102	62,849	279,542	287,534
Midia Marine Terminal S.R.L.	Fuel, rent and other services	252,273	244,233	1,154,149	1,117,366
Byron Shipping S.R.L.	Fuel and other services	8,409	10,061	38,471	46,029
Rompetrol Energy S.A.	Other services	20,044,420	23,010,413	91,703,222	105,272,639
Global Security Sistem S.A.	Fuel	45,204	51,686	206,808	236,463
KMG Rompetrol Development S.R.L.	PPE and other services	795	-	3,637	-
Total		**575,124,761**	**656,706,953**	**2,631,195,782**	**3,004,434,304**

		Purchases and other costs			
Name of related party	**Nature of transaction**	**June 30, 2023 USD**	**June 30, 2022 USD**	**June 30, 2023 RON**	**June 30, 2022 RON**
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	1,522,979,254	1,695,147,679	6,967,630,087	7,755,300,631
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	25,863,823	48,380,997	118,326,990	221,343,061
KMG International N.V.	Management services	1,328,846	5,594,062	6,079,470	25,592,834
KMG Rompetrol S.R.L	Management services	17,289,088	15,925,024	79,097,578	72,856,985
Oilfield Exploration Business Solutions S.A.	Management services	29,596	27,589	135,402	126,220
Rompetrol Well Services S.A.	Other services	19	34	87	156
Rompetrol Bulgaria	Sales intermediary services	82,390	66,346	376,934	303,533
KMG Rompetrol Services Center S.R.L.	Shared services	4,038,755	3,349,639	18,477,304	15,324,598
Midia Marine Terminal S.R.L.	Handling services/Transit	7,304,949	6,800,195	33,420,142	31,110,892
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	Acquisition of utilities	-	3,164,345	-	14,476,878
Rompetrol Energy S.A.	Acquisition of utilities	34,347,072	32,193,705	157,137,854	147,286,200
KMG Rompetrol Development S.R.L.	Retail	9,207,076	5,196,047	42,122,373	23,771,915
Global Security Sistem S.A.	Security and protection services	1,712,036	2,096,153	7,832,565	9,589,900
Global Security Systems Fire Services S.R.L.	Fire protection services	1,006,948	725,758	4,606,787	3,320,343
Total		**1,625,189,852**	**1,818,667,575**	**7,435,243,573**	**8,320,404,146**

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

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

27. RELATED PARTIES (continued)

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

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

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 June 2023 and 31 December 2022, the Group has recorded an impairment of receivables relating to amounts owned by Oilfield Exploration Business Solutions S.A. in amount of USD 3.7 million (2022: USD 3.7 million). This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

28. EARNINGS PER SHARE

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

	June 30, 2023 USD	June 30, 2022 USD	June 30, 2023 RON	June 30, 2022 RON
			(supplementary info – see Note 2(e))	
Earnings				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	(35,332,120)	59,898,003	(161,644,449)	274,033,364
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	26,559,205,726	26,559,205,726	26,559,205,726	26,559,205,726
Earnings per share *(US cents/share)*				
Basis	**(0.1330)**	**0.2260**	**(0.6080)**	**1.0340**

29. CONTINGENCIES

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.

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 bods 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 course 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.

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.

29. CONTINGENCIES (continued)

Contingencies – risk management and internal control

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

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

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

Whistleblowing incidents are taken very seriously by the Group and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Group has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. In line with Irregularity Reporting Policy, the internal investigations conducted during the first semester of 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.

30. LEGAL MATTERS

Litigation with the State involving criminal charges

I. Criminal case

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

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

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

The Company lifted the criminal precautionary seizure from the Land Book.

II. Civil files

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

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

On February 10, 2022, the Company was informed by the Constanta court that Faber submitted for the third time its civil claim in tort against the Group companies and defendants for the same amount of USD 55 million as principal (USD 118 million including penalties). The Company submitted its reply, pointing out that before any step forward Faber should pay the stamp fee according to the law and, on top of it, previous decisions the Bucharest Court issued before on the same matter.

30. LEGAL MATTERS (continued)

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

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

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

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

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

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

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

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

The tax assessment on VAT group and Rompetrol Rafinare S.A. was challenged on 26 February 2018. The contestation received a partial negative answer and the Group appealed against it in front of the Court of Appeal Constanta on July 25, 2019.

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

The Company submitted an appeal in front of the High Court of Justice. The first term was set in the appeal for May 25, 2023 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 USD 2.5 million as of December 31, 2022, the total amount recognized is USD 5.4 million.

30. LEGAL MATTERS (continued)

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

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

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

Both parties filed for appeal against the solution pronounced by first court. On 27 December 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare will submit the appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal. The decision has been communicated and the recourse has been filled by Rompetrol Rafinare SA on 6 August 2018. The case is in filter proceedings, and the first hearing term will be established later. During the filter proceedings, National Company “Administratia Porturilor Maritime” SA has raised the exception of inadmissibility of our recourse, motivated by the fact that, according to art. 483 paragraph 2 of the Civil Procedure Code, the decisions regarding the civil navigation and port activity processes are exempted from the right of recourse. Rompetrol Rafinare SA has raised the exception of unconstitutionality regarding the art. 483 paragraph 2 of the Civil Procedure Code. From this reason, The High Court of Cassation and Justice has suspended the procedure until the Constitutional Court solves the exception submitted by Rompetrol Rafinare. 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 of Petromidia refinery on 22 August 2016

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

Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and other three employees were put on trial for: the non-observance of the legal labor health and safety measures, bodily harm by negligence, manslaughter and accidental pollution.

The next hearing is scheduled for 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 USD 0.8 million.

30. LEGAL MATTERS (continued)

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

On July 2, 2021 there was an explosion followed by a fire at Petromidia refinery, Diesel Hydrotreatment Unit (in Romanian “instalatia Hidrofinare Petrol Motorina” hereinafter HPM plant). As a result of the incident, 3 employees of the company died and one employee was hospitalized due to a hip fracture. The criminal investigations are carried out by the Prosecutor's Office attached to the Constanta Tribunal, was finalised and communicated to the Company the technical expertise carried out by INCD INSEMEX Petrosani, at the request of the criminal investigation bodies, document analysed both by the criminal lawyers, by the party expert as well as 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 employees passed away during the said incident.

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. The suspicions of the criminal investigation bodies concern the alleged fictitious character of some services for which the Company would have unjustifiably paid the amount of approximately 10 million RON. On 23.02.2022, DIICOT informed the Company if it intends to become a civil party in the criminal proceedings mentioned above, the Company reserve right in relation to the evolution of the criminal case that is the subject of criminal case 279 / D / P / 2020, to make such a request to become a civil party, if the case.

The trial was sent to the regular panel and is expected a first hearing to be established. On March 2 2023, the court kept the judicial control over the group employees but lifting the interdiction for leaving the country. On March 9, 2023 the court finally lifted also the judicial control.

Vega lagoons greening Project located on the territory of 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 IEA (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

30. LEGAL MATTERS (continued)

County Commissariat. The Prahova Environmental Protection Agency issued and communicated Notification no. 74/25.04.2023 prior to the suspension of IEA 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 EPA (Environmental Protection Agency).

In parallel, the Company proved to the authorities the fulfilment of the obligations provided for in the IEA and thus the fulfilment 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 EPA, which in turn issued Decision no. 132/22.06.2023 according to which Notification no. 74/25.04.2023 prior to the suspension of IEA ceased to be applicable.

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 Labour 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 Constanta 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 Petrosani 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 Labour Inspectorate.

31. COMMITMENTS

Environmental risks and obligation

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

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

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

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

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

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

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

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

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

Climate change and energy transition

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

31. COMMITMENTS (continued)

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

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

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

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

War and conflict risk

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

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

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

At present, the Group is monitoring very closely the current situation and developments of sanctions and related restrictions applied to Russia by international stakeholders and regularly conduct a risk assessment on this basis. The Group is in constant dialogue with customers and suppliers in the region and stays in connection with competent authorities in order to identify any potential impact of newly issued sanctions on business and supply chains at an early stage and act accordingly.

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

31.COMMITMENTS (continued)

Cyber risk

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

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

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

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

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

Work safety and safe operations

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

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1. Capital risk management

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

32.2. Gearing ratio

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

	June 30, 2023	December 31, 2022
Debt (excluding shareholder loans and related parties)	543,340,108	211,217,666
Cash and cash equivalents	(202,528,670)	(16,973,215)
Net debt	**340,811,438**	**194,244,450**
Equity (including shareholder loans and related parties)	504,954,211	536,784,519
Net debt to equity ratio	**0.67**	**0.36**

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

32.3. Categories of financial instruments and fair values

	June 30, 2023	December 31, 2022
Financial assets		
Trade and other receivables	639,248,846	562,176,266
Long-term receivables	6,159,307	3,811,865
Derivative financial instruments	444,123	2,612,061
Cash and cash equivalents	202,528,670	16,973,215
TOTAL FINANCIAL ASSETS	**848,380,946**	**585,573,407**
Financial liabilities		
Long-term borrowings	265,900,000	-
Derivative financial instruments	-	4,592,619
Other non-current liabilities	428,760	165,353
Trade and other payables	1,352,189,660	1,193,423,012
Short-term borrowings banks	45,294,370	86,210,918
TOTAL FINANCIAL LIABILITIES	**1,663,812,790**	**1,284,391,902**

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

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

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

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

32.4. Fair value hierarchy

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

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

	June 30, 2023	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	639,248,846	-	639,248,846	-
Long-term receivables	6,159,307	-	6,159,307	-
Derivative financial instruments	444,123	-	444,123	-
Cash and cash equivalents	202,528,670	202,528,670	-	-
TOTAL FINANCIAL ASSETS	**848,380,946**	**202,528,670**	**645,852,276**	**-**
Financial liabilities				
Long-term borrowings	265,900,000		265,900,000	
Other non-current liabilities	428,760	-	428,760	-
Trade and other payables	1,352,189,660	-	1,352,189,660	-
Short-term borrowings banks	45,294,370	-	45,294,370	-
TOTAL FINANCIAL LIABILITIES	**1,663,812,790**	**-**	**1,663,812,790**	**-**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

During the reporting period ending 30 June 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

32.5 Derivative financial instruments

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

Balance Sheet:

	June 30, 2023	December 31, 2022
Derivative financial asset	444,123	2,612,061
Derivative financial liability	-	(4,592,619)
Net position – asset / (liability)	**444,123**	**(1,980,558)**

Income Statement:

	June 30, 2023	June 30, 2022
Realised (gains)/losses - net	1,010,920	174,229,560
Total position - loss/(gain) - in Cost of sales	**1,010,920**	**174,229,560**

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

	June 30, 2023	December 31, 2022
Derivative asset/(liability) 2022	**(1,980,558)**	**20,479,964**
Cash payments	109,949	3,303,474
Reserves	2,314,732	(25,763,996)
Derivative asset/(liability) 2023	**444,123**	**(1,980,558)**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

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

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

As of 31 December 31, 2022 Rompetrol Rafinare SA had an open position for 770k EUA certificates which was concluded at the of March 2023, when the compliance for 2022 is expected.

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

32.6 Market risk

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

32.7. Foreign currency risk management

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

32.8. Interest rate risk management

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.9. Commodity price risk

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

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

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

The Refining activity of the Group is exposed to the increase of the EUA certificates prices. Rompetrol Refinery CO_2 emissions are offset with EUA certificates. As a mitigation measure, the Financial Risk Management Department is monitoring the EUA market in order to hedge EUA deficit of the Refinery for the first part of phase IV (2021-2025). When the market price will be within the target level of the Group, hedge operations will be carried on.

32.10. Credit risk

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

Trade receivables

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

Financial instruments and bank deposits

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

33. SUBSEQUENT EVENTS

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

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

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