ROMPETROL RAFINARE SA

STANDALONE FINANCIAL STATEMENTS

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

31 DECEMBER 2023

CONTENTS: **PAGE**

	Notes	December 31, 2023	December 31, 2022
Intangible assets	3	111,338,667	13,497,269
Goodwill	4	152,720	152,720
Property, plant and equipment	5	2,775,931,136	4,163,154,164
Rights of use assets	6	50,440,933	53,769,901
Investments in subsidiaries	7	3,531,898,492	3,170,968,557
Deferred tax asset	23	21,533,586	-
Long-term receivables		41,254,000	-
Total non current assets		**6,532,549,534**	**7,401,542,611**
Inventories, net	8	1,411,718,964	1,226,387,029
Receivables and prepayments, net	9	1,719,861,179	1,676,716,096
Derivative Financial Instruments	30	-	11,856,741
Cash and cash equivalents	10	613,521,713	23,243,490
Total current assets		**3,745,101,856**	**2,938,203,356**
TOTAL ASSETS		**10,277,651,390**	**10,339,745,967**
Subscribed share capital	11	2,655,920,573	2,655,920,573
Share premium	11	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	11	648,509,953	1,205,293,893
Other reserves	11	3,474,407,165	3,467,988,066
Accumulated losses		(4,498,505,945)	(5,308,123,759)
Current year result		(550,355,167)	666,277,159
Total equity		**1,962,613,686**	**2,919,993,039**
Long-term borrowings from banks	15	1,195,433,220	-
Provisions	17	499,613,187	518,326,405
Long-term lease debts	16	52,429,915	54,700,998
Deferred tax liability	23	-	214,628,629
Total non-current liabilities		**1,747,476,322**	**787,656,032**
Trade and other payables	12	5,956,570,269	5,648,166,879
Contract liabilities	13	274,823,341	98,232,193
Short-term lease debts	16	2,693,673	2,859,828
Derivatives	30	-	21,584,319
Short-term borrowings from banks	14	192,674,641	283,618,888
Profit tax payable	23	140,799,458	577,634,789
Total current liabilities		**6,567,561,382**	**6,632,096,896**
TOTAL LIABILITIES AND EQUITY		**10,277,651,390**	**10,339,745,967**

The standalone financial statements have been endorsed by the Board of Directors on 23 March 2024 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 26 April 2024 by:

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

ALEXANDRU STAVARACHE
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

	Notes	January - December 2023	January - December 2022
Net revenues from contracts with customers	18	17,120,703,327	23,026,777,606
Cost of sales	19	(16,688,163,711)	(21,069,220,156)
Gross profit		**432,539,616**	**1,957,557,450**
Selling, general and administrative expenses	20	(423,197,026)	(446,821,707)
Other operating expenses	21	(907,165,553)	(932,811,961)
Other operating income	21	238,335,007	748,204,378
Operating (loss) / profit		**(659,487,956)**	**1,326,128,160**
Financial expenses	22	(460,970,175)	(383,275,538)
Financial revenues	22	458,110,750	582,374,723
Foreign exchange gains / (loss), net	22	124,797,627	(323,129,338)
Profit / (Loss) before income tax		**(537,549,754)**	**1,202,098,007**
Income tax credit / (charge)	23	(12,805,413)	(535,820,848)
Net Profit / (Loss) for the period		**(550,355,167)**	**666,277,159**
Earnings per share *(RON bani/share)* **Basis**	26	**(2.07)**	**2.51**

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FLORIAN-DANIEL POP
General Manager

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Chief Accountant

	Notes	January - December 2023	January - December 2022
Net Profit / (Loss)		**(550,355,167)**	**666,277,159**
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	30	9,727,579	(112,915,474)
Total comprehensive income to be reclassified to income statement in subsequent periods (net of tax):		**9,727,579**	**(112,915,474)**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):			
Actuarial gain / (losses) relating on defined benefit plan		(3,308,480)	4,887,837
Revaluation of lands, buildings and equipment category in property plant and equipment		(519,497,369)	(25)
Deferred income tax related to revaluation, recognized in equity		83,119,579	-
Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):		**(439,686,270)**	**4,887,812**
Total other comprehensive result for the period, net of tax		**(429,958,691)**	**(108,027,662)**
Total comprehensive result for the period, net of tax		**(980,313,858)**	**558,249,497**

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Chief Accountant

	Notes	December 31, 2023	December 31, 2022
Net result before income tax		**(537,549,754)**	**1,202,098,007**
Adjustments for:			
Depreciation and amortisation	19, 20	454,610,061	498,122,670
Provisions for inventories		17,069,319	78,950,374
Allowance for trade and other receivables	21	2,404,896	1,934,172
Impairment for property, plant and equipment (incl write-off), net		(26,101,157)	37,500,431
Loss from revaluation of property, plant and equipment, net		686,558,889	-
Gains from financial investments held at fair value, net		(360,929,936)	(538,212,963)
Provision for environmental liabilities and litigations	17	(8,063,894)	154,461,102
Retirement benefit provisions	17	2,306,194	3,631,445
Late payment interest		11,970,573	15,654,933
Unwinding of discount - lease	16	1,824,610	1,866,194
Unwinding of discount - environmental provision	17	8,877,322	(5,109,913)
Interest expenses		442,598,197	344,461,454
Inrerest income		(89,510,769)	(43,338,640)
(Gain)/Loss on sale or disposal of assets		(504)	(798)
Unrealised foreign exchange (gain)/loss	22	(121,355,064)	(1,635,876)
Cash flowsfrom operations before working capital changes		**484,708,983**	**1,750,382,592**
Net working capital changes in:			
Receivables and prepayments		(250,638,400)	299,095,574
Inventories		(202,401,255)	(284,808,868)
Trade and other payables and contract liabilities		790,754,314	(894,184,405)
Changes in working capital		**337,714,659**	**(879,897,699)**
Income tax paid		(579,748,875)	-
Net cash inflow from operating activities		**242,674,767**	**870,484,893**
Cash flows from investing activities			
Purchase of property, plant and equipment		(237,520,169)	(267,443,983)
Purchase of intangible assets		(418,235)	(123,591)
Receipts from selling of assets		504	798
Net cash (outflow) from investing activities		**(237,937,900)**	**(267,566,776)**
Cash flows from financing activities			
Cash pooling movement		(91,740,420)	86,997,515
Short - term loans received from banks		1,392,037,370	749,895,679
Short - term loans paid to banks		(453,117,121)	(1,365,075,499)
Long - term loans received from banks		185,686,319	210,130,679
Lease repayments	16	(4,726,595)	(4,759,636)
Interest and bank charges paid, net		(442,598,197)	(344,461,453)
Net cash inflow / (outflow) from financing activities		**585,541,356**	**(667,272,715)**
Increase / (Decrease) in cash and cash equivalents		**590,278,223**	**(64,354,598)**
Cash and cash equivalents at the beginning of period		**23,243,490**	**87,598,088**
Cash and cash equivalents at the end of the period		**613,521,713**	**23,243,490**

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	Share capital	Share premium	Acumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
1st of January 2022	**2,655,920,573**	**232,637,107**	**(5,433,027,385)**	**1,621,972,935**	**(259,515,670)**	**3,513,820,106**	**2,331,807,666**
Net profit for 2022	**-**	**-**	**666,277,159**	**-**	**-**	**-**	**666,277,159**
Revaluation reserves	-	-	-	(25)	-	-	(25)
Actuarial gain/losses related on defined benefit plan	-	-	-	-	-	4,887,837	4,887,837
Net gain/(loss) on cash flow hedges	-	-	-	-	-	(112,915,474)	(112,915,474)
Total other comprehensive income for 2022	**-**	**-**	**-**	**(25)**	**-**	**(108,027,637)**	**(108,027,662)**
Total comprehensive income for 2022	**-**	**-**	**666,277,159**	**(25)**	**-**	**(108,027,637)**	**558,249,497**
Transfer of realized revaluation reserve to Retained earnings	-	-	187,099,223	(187,099,223)	-	-	-
Deferred tax on the realized revaluation reserve	-	-	-	-	29,935,876	-	29,935,876
Transfer to legal reserves	-	-	(62,195,597)	-	-	62,195,597	-
1st of January 2023	**2,655,920,573**	**232,637,107**	**(4,641,846,600)**	**1,434,873,687**	**(229,579,794)**	**3,467,988,066**	**2,919,993,039**
Net loss for 2023	**-**	**-**	**(550,355,167)**	**-**	**-**	**-**	**(550,355,167)**
Revaluation reserve	-	-	-	(519,497,369)	-	-	**(519,497,369)**
Deferred tax on the revaluation reserve	-	-	-	-	83,119,579	-	**83,119,579**
Actuarial gain/losses related on defined benefit plan	-	-	-	-	-	(3,308,480)	**(3,308,480)**
Net gain/(loss) on cash flow hedges	-	-	-	-	-	9,727,579	**9,727,579**
Total other comprehensive income for 2023	**-**	**-**	**-**	**(519,497,369)**	**83,119,579**	**6,419,099**	**(429,958,691)**
Total comprehensive income for 2023	**-**	**-**	**(550,355,167)**	**(519,497,369)**	**83,119,579**	**6,419,099**	**(980,313,858)**
Transfer of realized revaluation reserve to Retained earnings	-	-	143,340,655	(143,340,655)	-	-	**-**
Deferred tax on the realized revaluation reserve	-	-	-	-	22,934,505	-	**22,934,505**
31st of December 2023	**2,655,920,573**	**232,637,107**	**(5,048,861,112)**	**772,035,663**	**(123,525,710)**	**3,474,407,165**	**1,962,613,686**

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1. GENERAL

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

Rompetrol Rafinare SA production facilities are located in Romania. The number of employees of the Company as at 31 December 2023 is 1,176, respectively 1,154 as at 31 December 2022.

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of preparation and statement of compliance

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

b) The going concern

The financial statements of the Company are prepared on a going concern basis. As at 31 December 2023 and 31 December 2022, the Company's net assets amount to 1,963 million and RON 2,920 million, respectively. For the periods ending 31 December 2023 and 31 December 2022 the Company reported a loss of RON 550 million and a profit of RON 666 million, respectively. The loss incurred during 2023 was comprised of operational loss RON 659 million (2022: operational profit RON 1,326 million), out of which a significant negative impact on the Company's net result derived from the revaluation process of property, plant and equipment conducted in 2023, total loss incurred amounts to RON 687 million. The operatinglosses recorded during 2023 are triggerede to the fact that the Company was impacted by the refining activity specificity, characterized by a significant volatility and low level of refinery margins recorded in the current year. The revaluation losses resulted from the revaluation exercise were recorded as expense in the current year profit or loss as there was no respective previous revaluation reserve recorded for the respective assets or the revaluation reserve was lower.

The management analyzed the approved budgets for the next years, including the related cash flow projections that consider contracted bank loans and undrawn credit facilities, and concluded that the Company will have available resources to cover the liabilities as they will become due.

On 06 March 2024, the Company received a letter of support from its main shareholder, KMG International NV, valid for the next 12 months from date of approval of financial statements. Management believes that the support from KMG International NV and banks is sufficient to enable the Company to continue its operations and settle its obligations in the ordinary course of business without substantial disposal of assets, externally forced, reversing of its operations or similar actions.

For climate related matters and impact on Company's financial statements please refer to Note 29.

Considering the Company's budget for 2024, its medium term development strategy, which assumes that the Company will continue its activity in the predictable future by increased margins and operating profits, will pay all its liabilities in the normal course of business ,Company's Management considers that the preparation of the financial statements on a going concern basis is appropriate.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c) Changes in accounting policies

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

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

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

With regards the Company's operations, reasons for the voluntary change the accounting policy are as following:

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

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

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

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

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

2. SUMMARY OF MATERIALACCOUNTING POLICY INFORMATION (continued)

New and amended standards and interpretations

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

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

Management has assessed the impact from application of these amendments that did not have any effect at the level of Statement of Financial Position, Income Statement and Statement of Other Comprehensive Income.

- **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 assessed that amendments have no material impact on the Company's accounting estimates and related disclosures included in the consolidated financial statements.

- **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 company does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the company's financial performance, financial position or cash flows.

Management assessed that amendments have no material impact on the Company's accounting estimates and related disclosures included in the consolidated financial statements.

- **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. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. 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.

Management assessed the impact at Company level from application of these amendments that did not have any effect at the level of Statement of Financial Position, Income Statement and Statement of Other Comprehensive Income.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

The Pillar Two Global anti-Base Erosion rules (GloBE Rules) represent the first substantial overhaul of the international tax rules in almost a century. The GloBE Rules propose four new taxing mechanisms under which multinational enterprises (MNEs) would pay a minimum effective tax rate of 15% per jurisdiction if annual turnover exceeds 750 million euros for two consecutive years.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which KMGI Group, one of the major shareholders of Rompetrol Rafinare operates. The legislation will be effective for the KMGI Group's financial year beginning 1 January 2024 considering that Pillar Two is effective for Netherlands and Switzerland starting with 1st of January 2024. These are jurisdictions in which KMGI Group is established or has subsidiaries incorporated. The Dutch Minimum Taxation Act 2024 and Swiss BEPS 2.0 Pillar Two provide for a minimum effective tax rate of 15% per jurisdiction for large international enterprises (annual turnover exceeding 750 million euros).

KMGI Group is in process of assessing the potential exposure arising from Pillar Two legislation, however the quantitative information to indicate the potential exposure to Pillar Two income taxes is currently not known or reasonably estimable. KMGI Group continues to progress on the assessment and expects to complete the assessment in the first half of financial year 2024.

Given the current status of the assessment for the impact at KMGI Group level, Rompetrol Rafinare has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes as of 31 December 2023.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

d.1) Standards/amendments that are not yet effective, and they have been endorsed by the European Union.

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

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

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

e) Standards/amendments that are not yet effective and they have not yet been endorsed by the European Union

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. Management is in process of assessing the impact at Company level from application of these amendments.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. Management is in process of assessing the impact at Company level from application of these amendments.

e) Significant professional judgements, estimates and assumptions

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

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

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

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

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

The Company's carries its property, plant and equipment at fair value, with the reflection of the changes from this revaluation in the financial statements prepared for that year. The fair value is determined on the basis of revaluations usually carried by qualified evaluation professionals, members of a nationally and internationally recognized professional body in the valuation expertise field. The revaluations entail an economic obsolescence test for the revalued assets that is corroborate with the impairment test performed at CGU level to which the respective assets are allocated.

The Company engaged an independent valuation specialist to assess fair value as at 31 December 2023 for the property, plant and equipment.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

In determining fair value measurement, the impact of potential climate-related matters, including legislation, which may affect the fair value measurement of assets and liabilities in the financial statements has been considered given the progress of the decarbonization strategy established at KMGI Group level.

The key assumptions used to determine the fair value are disclosed in Note 2 g), Note 5.

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

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

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

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

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

The energy transition is likely to impact future demand for certain refined products and prices of oil and crack level which may affect the recoverable amount of property plant and equipment.

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

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

- Fair value measurement of investments in subsidiaries

The company has investment in subsidiaries as of 31 December 2023 which are measured at fair value through profit or loss. The company assesses annually the fair value of the subsidiaries through external valuation.

Their measurement represents Level 3 fair value hierarchy, for which quoted prices in an active market are unavailable and whose value is determined by internal valuation techniques that generally use non-observable data.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Company bases its fair value calculation on detailed budgets and forecasts, which are prepared separately for each subsidiary. Budgets and forecasts used 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. When determining fair value measurement the Company considers also potential climate-related matters including legislation.

Further details on investment in subsidiaries are disclosed and further explained in Note 7.

- ***Provision for environmental liability***

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

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

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

- ***Deferred tax assets***

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

- ***Provision for litigations***

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

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

f) Financial instruments

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

a. Financial assets

Initial recognition and measurement

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Financial assets at fair value through OCI

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its financial instruments used to hedge the risk of price related to CO_2 allowances and base operating stock ("BOS") for crude oil, other feedstock, diesel, gasoline and jet under this category.

Derecognition

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

Impairment of financial assets

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

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

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

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

b. Financial liabilities

Initial recognition and measurement

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Subsequent measurement

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

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

Derecognition

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

c. Offsetting of financial instruments

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

d. Impairment of financial assets

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

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

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

g) Property plant and equipment

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

Following the change in the accounting policy regarding property, plant and equipment from historic cost model to revaluation method, also the economic useful remaining life of the property, plant and equipment was revised as at 31 December 2021. The depreciation of property, plant and equipment based on the revised remaining useful life applies starting 1 January 2022. The economic remaining useful life of property, plant and equipment as it was updated as at 31 December 2021 is still applicable as of 31 December 2023. The change from cost to revaluation provide a more transparent and up to date picture of the value of the Company's assets.
The Company reviews the estimated residual values and expected useful lives of assets with a certain regularity. In particular, the Company considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

h) Intangible assets

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

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

Development costs for specific projects which are reasonably anticipated to be recovered through commercial activity as well as r 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 necessaryExternal and internal costs specifically associated with the maintenance of already existing computer software programs are expensed as incurred.

Emission rights that are accounted for as intangible assets are unlikely to be amortized as their depreciable amount is usually nil. Their expected residual value at inception will be equal to their fair value. The economic benefits are realized by surrendering the rights to settle obligations under the scheme for emissions made, or by selling rights to another party. They are tested for impairment according to IAS 36 whenever there is an indication of impairment.

i) Investments in subsidiaries

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

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

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

j) Impairment of non-financial assets,

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

k) Provisions

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

Provisions are not recognized for future operating losses.

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

Additional comments on the following specific liabilities are:

Environmental provisions

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

Liabilities for environmental remediation costs are recognized when there is a past event, such environmental damage, for which an outflow of resources is probable and an estimate can be made 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

l) Leases

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

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

i. Right-of-use assets

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

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

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

ii. Lease liabilities

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

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

m) Inventories

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

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

n) Trade receivables

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

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

o) Cash and cash equivalents

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

p) Revenue from contracts with customers

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

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

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

(i) Variable consideration

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION(continued)

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

(ii) Volume rebates

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

(iii) Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

q) Interest bearing loans and borrowings

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION(continued)

r) Borrowings costs

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

s) Retirement benefit costs

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

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

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 6.9% (2022: 8.8%) with an expected rate of long-term salary increase 3.8% (2022: 4.4%). Also, attrition rate was considered as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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

t) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

- ***Sales 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

u) Dividends

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

v) Foreign Currency Transactions

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

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

Currency	31 December 2023	31 December 2022
RON / USD	4.4958	4.6346
RON / EUR	4.9746	4.9474

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

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

w) Derivative financial instruments

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

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

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

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

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

- the hedging relationship consists only of eligible hedging instruments and eligible hedge items;
- at the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. Documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements;
- the hedging relationship meets the following hedge effectiveness requirements:
  - ➢ existence of an economic relationship 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;

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge the quantity of hedged item.

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

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

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

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

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

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

Hedge effective is assessed based on:

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

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

Fair value hedge

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Cash Flow Hedge

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

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

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

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

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

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

x) Emission Rights

CO2 (allowances) emission rights quota are allocated to the Company's refining and petrochemicals operations. For the period 2021 - 2025 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. The Company accounts for the liability resulting from generating of these emissions using the net liability approach. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective companies and purchase rights are also initially recognized at cost, but the Company remeasures (to fair value) the emission rights that it holds and can use to settle the liability up the amount of emission made in the period; the liability component is measures at the best estimate of the cost to settle the liability taking into account the cost of any allowances currently held (and remeasured to fair value). Remeasurement to fair value is made using the latest available price for CO2 allowance at the end of the reporting period.

Income is recognized only when excess certificates are sold on the market, on the other hand in case the certificates surplus is kept for operations compliance of future periods. Emission rights acquired during the period to comply with the quota are accounted for as intangible assets, while the emission rights representing the deficit are accounted for as liability.
Emission rights that are accounted for as intangible assets are unlikely to be amortized as their depreciable amount is usually nil. Their expected residual value at inception will be equal to their fair value. The economic benefits are realized by surrendering the rights to settle obligations under the scheme for emissions made, or by selling rights to another party. They are tested for impairment according to IAS 36 whenever there is an indication of impairment.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

y) Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;

Or

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

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

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

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

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

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

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

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

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

z) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

aa) Contingencies

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

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

3. INTANGIBLE ASSETS

	Software / Licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**73,588,644**	**5,104,316**	**979,302**	**79,672,261**
Additions	92,025	-	19,688	111,713
Disposals	-	-	(760,444)	(760,444)
Transfers*	210,766	-	(198,887)	11,879
Closing balance as of December 31, 2022	**73,891,434**	**5,104,316**	**39,659**	**79,035,409**
Additions	-	103,731,426	418,235	104,149,661
Transfers, reclassifications and adjustments*	-	90,460	(90,460)	-
Closing balance as of December 31, 2023	**73,891,434**	**108,926,201**	**367,435**	**183,185,070**
Accumulated amortization				
Opening balance as of January 1, 2022	**(54,639,497)**	**(2,196,906)**	**-**	**(56,836,403)**
Charge for the year	(7,710,562)	(991,174)	-	(8,701,736)
Closing balance as of December 31, 2022	**(62,350,060)**	**(3,188,080)**	**-**	**(65,538,140)**
Charge for the year	(5,298,998)	(1,009,266)	-	(6,308,264)
Closing balance as of December 31, 2023	**(67,649,058)**	**(4,197,345)**	**-**	**(71,846,403)**
Net book value				
As of December 31, 2022	**11,541,374**	**1,916,236**	**39,659**	**13,497,269**
As of December 31, 2023	**6,242,376**	**104,728,856**	**367,435**	**111,338,667**

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

Rompetrol Rafinare acquired a number of 251,000 CO2 allowances amounting RON 103.7 million, representing the estimated quantity of CO2 allowances needed to comply with the quota for 2023 accounted for as intangible asset as of 31 December 2023. Following the incident that affected the MHC unit, CO2 emissions were lower considering new refinery flow without MHC unit in function, as a result the CO2 allowances deficit resulted based on actual emissions was of 97,438 CO2 allowances amounting RON 40.8 million was accounted for as liability, in line with the accounting policy detailed in Note 2 z).

4. GOODWILL

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
Cost or valuation						
As of January 1, 2022	**283,899,987**	**1,283,155,481**	**2,692,009,440**	**9,387,965**	**156,288,170**	**4,424,741,045**
Acquisitions	-	-	6,696,394	-	260,759,467	267,455,861
Transfers from CIP	-	106,038,690	109,391,929	311,839	(215,754,337)	(11,879)
Transfers and reclassifications*	-	792,263	(792,282)	-	-	(19)
As of December 31, 2022	**283,899,987**	**1,389,986,434**	**2,807,305,482**	**9,699,804**	**201,293,300**	**4,692,185,008**
Acquisitions	-	110,972	2,103,736	28,203	235,277,258	237,520,169
Revaluation	(63,193,237)	(255,306,907)	(884,863,820)	(2,692,293)	-	(1,206,056,258)
Transfers from CIP	-	34,910,729	103,778,108	-	(138,688,837)	-
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	(13,610,597)	(274,562,335)	(643,202,354)	(1,771,737)	-	(933,147,024)
As of December 31, 2023	**207,096,153**	**895,138,892**	**1,385,121,151**	**5,263,978**	**297,881,722**	**2,790,501,896**
Accumulated depreciation & Impairment						
As of January 1, 2022	**-**	**-**	**(2,461,464)**	**-**	**(3,171,485)**	**(5,632,949)**
Charge for the year	(8,265,581)	(152,344,001)	(324,364,842)	(923,034)	-	(485,897,457)
Impairment	-	(12,543,115)	(24,956,720)	(597)	-	(37,500,431)
Transfers and reclassifications*	-	(39,492)	39,485	-	-	(6)
As of December 31, 2022	**(8,265,581)**	**(164,926,607)**	**(351,743,540)**	**(923,632)**	**(3,171,485)**	**(529,030,844)**
Charge for the year	(5,345,016)	(122,178,843)	(316,415,534)	(848,703)	-	(444,788,096)
Impairment	-	12,543,115	24,956,720	597	(11,399,274)	26,101,157
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets*	13,610,597	274,562,335	643,202,354	1,771,737	-	933,147,024
As of December 31, 2023	**-**	**-**	**-**	**-**	**(14,570,759)**	**(14,570,760)**
Net book value as of December 31, 2022	**275,634,407**	**1,225,059,827**	**2,455,561,942**	**8,776,172**	**198,121,815**	**4,163,154,164**
Net book value as of December 31, 2023	**207,096,153**	**895,138,892**	**1,385,121,151**	**5,263,977**	**283,310,962**	**2,775,931,136**

*) *Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments between categories in 2022*

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- Construction in progress

In 2023, the significant contribution to the total acquisitions for construction in progress is represented by the projects of replacement catalysts (approximately RON 32.7 million), Tank rehabilitation projects (about RON 19.3 million), the ISCIR projects within the two refineries (about RON 26.7 million), the project Fire-fighting Water Main Replacement (about RON 4.8 million), Refinery MHC unit restart (approximately RON 88.5 million), the project of acquisition and Install of 2 new Reactors -125-DHT (about RON 17.8 million), the project of replace subassembly of reformer heater 352-H201 (about RON 15.2 million) and other projects totaling RON 30.3 million.

At the end of 2023, the main projects remaining in construction in progress refers to the following ISCIR projects within the two refineries (about RON 26.6 million), Refinery MHC unit restart (about RON 88.5 million), Replacement of PEM strategic equipment (rotors) (about RON 20.5 million RON), Mild Hydrocracking Unit Reliability (about RON 5.7 million) Tank rehabilitation projects (about RON 6.2 million), Preparing to 2024 general repair and 2020 HPP Unit (about RON 7.5 million), the projects of replacement catalysts (about RON 48.0 million), acquisition and Install of 2 new Reactors -125-DHT (about RON 17.8 million), replace subassembly of reformer heater 352-H201 (about RON 15.2 million) and other refinery ongoing project totaling RON 62.0 million.

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

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

- Disposal

No asset disposals were recorded in 2023 and 2022.

- *Capitalization of borrowing costs*

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

- Specific impairment

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Rompetrol Rafinare SA has certain items of plant and equipment related to production lines that were no longer used for which an impairment provision in amount of RON 37.5 million was recognized as of 31 December 2022. The amounts were reversed as of 31 December 2023 when the company reflected the results of the revaluation process (fair values incorporating also the effects of the impairment losses) .

At 31 December 2023 the Company recognized an impairment provision in amount of RON 11.4 million for construction in progress related to projects that are temporary put on hold following the current economic environment (of which RON 4.2 million refers to MHC capacity increase project, RON 3 million refers to Swing HDPE to PP project, RON 1.2 million referring to design costs for gasoline tanks increase capacity and RON 2.8 million referring to other smaller projects on hold.

The Company performs an annual assessment, based on specific asset considerations, as applicable, to identify carrying amounts for property, plan and equipment differ significantly as compared to their fair value as of reporting date taking into consideration expectations on future market conditions. . As differences were anticipated, the Company proceeded to perform a revaluation of property plan and equipment that also embedded an economic obsolescence test as detailed below in Note 5.

Subsequently impairment test have been performed by the Company for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2023 on the cash generating units ("CGUs") listed below in Note 5.1.

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

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

As at 31 December 2023, a new revaluation process was conducted, the properties fair values for property, plant and equipment 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 several assets like land and residential buildings. The valuation of equipment was performed by the appraiser based on net replacement cost method and subsequently the items were tested foreconomic obsolescence. A revaluation deficit forproperty was recognized in OCI (RON 519.5 million) and a net revaluation loss of RON 685.5 million was recognized in profit or loss (RON 686.5 millionas of 31 December 2023.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Rafinery	Valuation technique	Significant unobservable input	Range (weighted average)
Petromidia Equipment	Net replacement cost	Projected crude oil processing capacity of the refinery	5,320 K tons/year (110 K bbl/day)
		The unit cost of an atmospheric distillation for a heavy crude oil refinery, assuming "ISBL" costs - Inside Battery Limit and "overnight" costs (excluding off-site, financing or other costs);	35.7 USD/ton
Vega Equipment	Net replacement cost	Projected crude oil processing capacity of the refinery	500K tons/year (11K bbl/day)
		The unit cost of an atmospheric distillation for a heavy crude oil refinery, assuming "ISBL" costs - Inside Battery Limit and "overnight" costs (excluding off-site, financing or other costs);	70 USD / ton
		The Nelson complexity factor	Vacuum distillation plant 2,0 n-Hexan 1,5 Rectification 1,0

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

Description of valuation techniques used for valuation of Property, plant and equipment

The fair value of the Company's land was estimated using the market-based approach, the method of direct comparison. For the selection of comparable properties used in the application of the direct comparison method, the offers of similar properties were analyzed by in terms of differences and similarities compared to the lands subject to this valuation, such as category of land (i.e. industrial, agricultural, etc), location, size, surface.

The gross replacement cost for buildings and constructions was applied, depending on the type of building, technical characteristics and construction, surface, using catalogs for appropriate construction costs and adjustments.

The gross replacement cost for railways, ramps, cooling towers and tanks were estimated on the basis of unit costs and volumes. Gross replacement cost for refinery specialized assets resulted from updating the acquisition value / revalued value with specific indices or the consumer price index. In case of gas stations, the gross replacement cost for each asset category was estimated based on the Group's recent work statements for each type of station expressed in USD and current offers of specialized suppliers, for different elements of the stations.

Physical impairment was based on acquisition date and subsequent upgrades, the environment of use and the normal / technical operating times for each for the different category of assets. Physical impairment was applied to gross replacement cost leading to net replacement cost.

As part of the revaluation process carried out as of December 31, 2023 an economic obsolescencetest was performed for the revalued property, plant and equipment of Rompetrol Rafinare. The value in use was estimated based on the approved 5-year Business Plan (2024-2028) prepared by the Company's management. The results of the economic obsolescence test are incorporated in the revaluation exercise. The economic obsolescence test leading to recognition of revaluation deficit and revaluation loss.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Refining

Refining CGU includes the operations of Petromidia Refinery, Polypropylene Installations, Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 11.6% (2022: 12.1%) and cash flows beyond the 5-year period are extrapolated using a negative growth rate of 1.5% (2022: positive growth rate 2.1%). The capitalization rate used for residual values is 13.1% (2022: 10%).

Petrochemicals

Petrochemicals CGU includes the petrochemical business of the Company, mainly Low Density Polyethylene Unit, which is included within the Rompetrol Rafinare, legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Petrochemicals has been determined based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 11.6% (2022: 12.1%) and cash flows beyond the 5-year period are extrapolated using a negative growth rate of 1.5% (2022: positive growth rate 2.1%). The capitalization rate used for residual values is 13.1% (2022: 10%).

The key assumptions used in test of economic obsolescence for Rompetrol Rafinare, performed as part of the fair value assessment, are as following:

- Volumes;
- Contribution margin;
- Cost of capital;
- Perpetuity Growth rate
- New taxes.

Volumes

Over the projected period, the quantity of diesel is expected to weight on average 48% of total quantity of products sold by Petromidia Refinery, whereas the weight of gasoline is expected to remain constant at about 24% of total quantity of products sold. According to the new regulation, in 2024 diesel and gasoline products will incorporate biodiesel 6.8%, respectively 8% bioethanol for gasoline. Moreover, gasoline and diesel will contain a value of 0.2% starting with 2024 and will be increased to 1% starting with 2025 from the percentage of biocomponents. The decrease in production volume is determined by the general turnaround of Petromidia, planned for 2024 (approximately 55 days). The average full year crude run rate is envisaged at 15 k tons/day. The production yield of Petromidia Refinery is expected to reach 94.1% for 2024 and it is expected to remain relatively flat over the forecast period.

Contribution margin

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

The approved business plan used by Management for the explicit period projects lower EBIT for the forecasting period as compared with previous impairment tests, reflecting in this way the worsening market assumptions (decrease in market refining margins, decrease in market demand) as per international market agencies.

In 2023, Refinery's actual EBIT were below projected in the business plans designed in the last two years, due to the volatility of international quotations for crude oil and refined products as well as the operation of Petromidia refinery without the MHC, following the technical incident occurred in June 2023.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Cracks of key products gasoline and diesel were assumed at the average of all main external forecasters such as, Wood Mackenzie, Platts and Kpler. However, the cracks of diesel are expected to be above the base case scenario of Kpler forecast, whereas quotations for gasoline are below the Kpler and Platts forecasts.

Brent quotation used in the business plan are as average between Kpler base case, Wood Mackenzie and Platts forecasts for the period 2024 – 2028.

Perpetuity Growth rate

The perpetuity growth rate (the period after the explicit forecast period) was estimated as the annual growth rate during 2028-2051 for market refinery margins estimated by Platts-PIRA and Wood Mackenzie available as at valuation date 31 December 2023. Considering the long-term perspective of the oil & gas sector as per the market reports provided by well-known research agencies related to the market refining margins / oil products demand, the long term growth rate was estimated at an annual negative average of 1.5%.

Cost of capital

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the industry. The weighted average cost of capital of 11.6% used reflects the capital recovery rates expected of shareholders and creditors, weighted according to their contribution to invested capital.

New taxes

As per Law no 296/2023, the companies in the oil & gas sector with turnover of more than EUR 50m will have to pay an additional 0.5% turnover tax to the corporate income tax for 2024-2025 and the maximum value between 1% turnover tax and corporate income tax from 2026 onwards. The impact of the new revenue tax over the forecast period was considered in the analysis: the 5-year business plan cash-flows were adjusted considering the current fiscal environment. However, considering the early stage of the current legislation and the market uncertainty, Company's Management assumed in the impairment assessment that no recovery for the first two years, followed by partial recovery (50% of the tax) starting 2026 through prices from final clients, while in perpetuity 90% of the new tax would be recovered through prices from final clients in case of Refinery CGU and 100% recovery for the Downstream CGU. This is considered as a reasonable assumption, given the following factors:

- the new tax applies to the entire Romanian market without incremental price regulations, allowing for a self-correction mechanism in the free market, particularly given the essential nature of the taxed product;
- market macroeconomic analysts are expecting that the new turnover tax will be incorporated in the product price leading to an increase in inflation;
- the business model allows for improving the operational efficiency through a proper restructuring process which will also lead to a better management of the tax base to mitigate these risks;
- the direct impact on fuel prices is relatively minor compared to other market factors, with potential for cost recovery through renegotiated contracts.

Other key considerations

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The impact of decarbonization is reflected in the impairment test through the sensitivity analysis at the level of the worst-case scenario (potential higher impact due to decarbonization) where, it is considered a higher increase / decrease of the main factors which impact the fair value for Refinery through higher cost of capital and lower: volumes, contribution margin and perpetuity growth rate

Sensitivity analysis

As part of the economic obsolescence test, a sensitivity analysis was performed for the value in use of the property, plan and equipment held by Rompetrol Rafinare to ascertain the critical (most sensitive) drivers which influence the fair value. As a result, it was considered an increase / decrease for each key value driver as presented in the table below:

Key drivers	Scenario	Key drivers variance (%)	Key drivers value (%)	VIU (k USD)	VIU variation (%)
Volumes	**Base case**	**0%**	**100.0%**	**535,403**	-
	Worst case	(2%)	98%	439,171	(9.4%)
	Best case	2%	102%	630,970	9.4%
Contribution margin	**Base case**	**0%**	**100.0%**	**535,403**	-
	Worst case	(2%)	98.0%	471,976	(6.2%)
	Best case	2%	102.0%	598,830	6.2%
New taxes	**Base case**	**0%**	**0%**	**535,403**	-
	Worst case	1%	100.0%	411,697	(23.1%)
	Best case	(1%)	10.0%	556,595	4.0%
Cost of capital	**Base case**	**0%**	**11.6%**	**535,403**	-
	Worst case	1%	12.6%	431,864	(10.2%)
	Best case	(1%)	10.6%	535,403	0.0%
Perpetuity growth rate	**Base case**	**0%**	**(1.5) %**	**535,403**	-
	Worst case	(1.5%)	(3.0) %	485,140	(4.9%)
	Best case	1.5%	0.0%	625,014	8.8%

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying amount

					Million RON
	Land	**Buildings**	**Plant and equipment**	**Furniture and others**	**Total**
Carrying amount and fair value as at 31 December 2022	**276**	**1,225**	**2,456**	**9**	**3,965**
Gains from revaluation recognized as revaluation reserve	12	130	93	1	235
Loss from revaluation recognized in profit or loss, net	(2)	(258)	(424)	(3)	(687)
Decrease of previous values as a result of revaluation	(73)	(128)	(553)	(1)	(755)
Depreciation for the year	(5)	(122)	(316)	(1)	(445)
Additions / Disposals / Impairment / Transfers and reclassifications	-	48	131	0	178
Carrying amount and fair value as at 31 December 2023	**207**	**895**	**1,385**	**5**	**2,493**

** Carrying amount does not include Construction in progress in amount of RON 283.3 million (2022: RON 198.1 million).*

If property, plant and equipment would be measured using the cost model, carrying value would be higher as compared fair value measured through revaluation, therefore an impairment assessment would be required as of 31 December 2023.

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

The company pledged property, plant and equipment with a carrying value of of RON 980,878,704 (2022: RON 1,080,375,504). for securing banking facilities granted to the Company.

In 2010, for Rompetrol Rafinare SA 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) – see details under Note 27 Distress assets – Hybrid Conversion. On these titles there was set up a rank 2 guarantee in favor of KMG International N.V.

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

According with the Memorandum of Understanding signed with the Romanian State and approved by Government Decision no. 35/2014, ANAF should remove and revoke the asset freeze established on 10 September 2010.

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (see Note 28 - *Litigation with the State involving criminal charges - Case 225*) and at that date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to asset freeze.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

On 22 April 2019, DIICOT issued an ordinance whereby all participations held by the company to its subsidiaries, as well as part of the movable and immovable property of Rompetrol Rafinare S.A. were released from the criminal seizure. On 5 December 2019, DIICOT issued another Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. As result, the seizure is lifted entirely but to protect the civil parties, namely Faber and State Authority which manages the State assets, seizure on assets is kept up to USD 106 m over four Rompetrol Rafinare S.A.' installations.

On 10 July 2020, the Supreme Court issued the final decision according to which all the complaints formulated against the dismissal ordinance issued on 5 December 2019, issued in file no. 225 / D / P / 2006 by PICCJ-DIICOT were rejected as inadmissible.

Considering the final decision issued by the Supreme Court, in 2020, Rompetrol Rafinare filled in a complaint against ANAF to release all precautionary measures imposed back in 2010, including the partial seizure on assets decided in 2019.

On 20 December 2021, a decision was issued in favor of the company by releasing the seizure. The decision was appealed by ANAF to the Supreme Court and on 22 June 2023, the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal. The next hearing was scheduled on 5 February 2024, when the Court admitted the claim and lifted the seizure to which ANAF made another appeal and the Court has to communicate next hearing to all parties.

5.1 IMPAIRMENT TEST

The Company performed impairment test as of 31 December 2023 and 2022. Management assessed the financial performance of the Refining and Petrochemicals CGU and the future market conditions, including the acceleration of the pace of transition to a lower carbon economy and energy system, and concluded that indicators for impairment exist as of 31 December 2023.

Impairment tests have been performed by the Company for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2023 on the cash generating units ("CGUs") Refining, Petrochemicals. Based on the impairment tests performed, no impairment has been identified in addition to the effect of revaluation of property, plant and equipment already reflected in the carrying amounts as detailed above.

As of 31 December 2023, the Company reversed specific impairment of RON 37.5 million recorded in previous periods through profit or loss. The reversal of impairment was triggered by the revaluation of property, plant and equipment carried out as of 31 December 2023.

As of 31 December 2023, carrying amounts of assets tested for impairment including Goodwill for the cash generating units is the following: Refining USD 579.04 million (2022: USD 921.7 million), excluding COGEN, Petrochemicals USD 7.43 million (2022: USD 13.6 million).

6. RIGHTS OF USE ASSETS

	Land, building and special constructions	Plant and equipment	Vehicles and others	Total
Initial cost / revalued				
Opening balance at January 01, 2022	**60,534,029**	**1,839,076**	**2,524,362**	**64,897,467**
Additions	-	-	331,800	331,800
Re-measurement and other adjustments	445,545	891,130	-	1,336,675
Disposals	-	(176,224)	(15,458)	(191,681)
Closing balance at December 31, 2022	**60,979,574**	**2,553,982**	**2,840,704**	**66,374,260**
Re-measurement and other adjustments	-	106,795	77,939	184,734
Closing balance at December 31, 2023	**60,979,574**	**2,660,777**	**2,918,643**	**66,558,994**
Accumulated depreciation & Impairment				
Opening balance at January 01, 2022	**(6,978,096)**	**(1,575,365)**	**(719,102)**	**(9,272,563)**
Charge for the year	(2,398,189)	(549,638)	(575,651)	(3,523,478)
Accumulated depreciation of ceased rights of use assets	-	176,224	15,458	191,681
Closing balance at December 31, 2022	**(9,376,286)**	**(1,948,779)**	**(1,279,294)**	**(12,604,359)**
Charge for the year	(2,422,300)	(497,388)	(594,014)	(3,513,701)
Closing balance at December 31, 2023	**(11,798,585)**	**(2,446,167)**	**(1,873,308)**	**(16,118,060)**
Net book value as of December 31, 2022	**51,603,288**	**605,203**	**1,561,410**	**53,769,901**
Net book value as of December 31, 2023	**49,180,989**	**214,610**	**1,045,334**	**50,440,933**

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

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

Land, buildings and special construction category includes mainly:

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

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

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

7. INVESTMENT IN SUBSIDIARIES

	31 December 2023	31 December 2022
Investments in subsidiaries	3,531,898,492	3,170,968,557
Total	**3,531,898,492**	**3,170,968,557**

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

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

		Ownership at		Balance at	Balance at
	Range of activity	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Rompetrol Downstream SRL	Retail Trade of Fuels and Lubricants	99.99%	99.99%	2,636,679,161	2,319,469,799
Rompetrol Petrochemicals SRL	Petrochemicals	100.00%	100.00%	410,642,057	373,928,869
Rom Oil SA	Wholesale of Fuels; fuel storage	99.99%	99.99%	196,286,906	194,538,392
Rompetrol Logistics SRL	Fuels Transportation	66.19%	66.19%	263,789,344	271,459,390
Rompetrol Quality Control SRL	Quality Control Services	70.91%	70.91%	24,501,024	11,572,106
Total investments				**3,531,898,492**	**3,170,968,557**

**Note: all subsidiaries are Romanian companies*

As at the date of revaluation on 31 December 2023, the investments' fair values are based on valuations performed by PricewaterhouseCoopers Management Consultants SRL, an accredited independent valuer who has valuation experience for similar properties. The fair values of the non-listed equity investments have been estimated using a DCF model in case of Rompetrol Downstream SRL, Rom Oil SA and Rompetrol Quality Control SRL, while for Rompetrol Petrochemicals SRL and Rompetrol Logistics SRL the fair values were estimated using net asset approach. The valuation using DCF model requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments. Considering that techniques used for the fair value of investments in subsidiaries are not based on observable market data, the fair values are classified as Level 3.

7. INVESTMENT IN SUBSIDIARIES (continued)

Description of significant unobservable inputs to valuation:

Non-Listed equity investment	Valuation Technique	Significant unobservable inputs	Scenario	Key drivers variance (%)	Key drivers value (%)	Equity value (RON)	Equity value variation (%)
Rompetrol Downstream SRL	**DCF Method**	**Quantity sold**	**Base case**	**0%**	**100.0%**	**2,636,819**	-
			Worst case	(2%)	98%	2,491,222	(5.5%)
			Best case	2%	102%	2,782,417	5.5%
		Gross margin	**Base case**	**0%**	**100.0%**	**2,636,819**	-
			Worst case	(2%)	98.0%	2,435,862	(7.6%)
			Best case	2%	102.0%	2,837,776	(7.6%)
		New taxes	**Base case**	**0%**	**50.0%**	**2,636,819**	-
			Worst case	50%	100.0%	2,029,372	(23.6%)
			Best case	(50%)	0%	2,731,779	3.6%
		Cost of capital	**Base case**	**0%**	**11.6%**	**2,636,819**	-
			Worst case	1%	12.6%	2,453,749	(6.9)%
			Best case	(1%)	10.6%	2,853,464	8.2%
		Perpetuity growth rate	**Base case**	**0%**	**0.4 %**	**2,636,819**	-
			Worst case	(1.5%)	(1.1) %	2,440,278	(9.2%)
			Best case	1.5%	1.9%	2,883,707	10.9%
Rom Oil S.A.	**DCF Method**	**Gross margin**	**Base case**	**%**	**100.0%**	**196,287**	-
			Worst case	(7%)	93%	168,869	(14%)
			Best case	7%	107%	223,705	14%
		Operating expenses	**Base case**	**0%**	100%	**196,287**	-
			Worst case	5%	105%	193,557	(1.4%)
			Best case	(5%)	**95%**	199,017	(1.4)
		Yield real estate	**Base case**	**0%**	7.5%	**196,287**	-
			Worst case	1%	8%	187,928	(4.3%)
			Best case	**(1%)**	**7%**	**205,934**	8.2%
Rompetrol Quality Control	**DCF Method**	**Gross margin**	**Base case**	**0%**	**100.0%**	24,501	-
			Worst case	(1%)	99.0%	21,005	(14.3%)
			Best case	1%	101.0%	27,997	14.3%
		Operating expenses	**Base case**	**0%**	100%	**24,501**	-
			Worst case	1%	101%	21,412	(12.6%)
			Best case	(1%)	**99%**	27,590	12.6%
		Cost of capital	**Base case**	**0%**	**11.6%**	**24,501**	-
			Worst case	1%	12.6%	22,575	(7.9)%
			Best case	(1%)	10.6%	26,889	9.7%
		Perpetuity growth rate	**Base case**	**0%**	**(2.2) %**	**24,501**	-
			Worst case	(1%)	(1.2) %	23,564	(3.8%)
			Best case	1%	3.2%	25,653	4.7%

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

7. INVESTMENT IN SUBSIDIARIES (continued)

The main steps in this approach are:

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

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

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

As at 1 January 2022	**2,632,755,594**
Total unrealised gains or losses for the period recognised in profit or loss	538,212,963
As at 1 January 2023	**3,170,968,557**
Total unrealised gains or losses for the period recognised in profit or loss	360,929,936
As at 31 December 2023	**3,531,898,492**

Total unrealized gains for the period recognized in profit or loss in amount of 360,929,936 refers mainly to fair value gains related to the Company's investment in Rompetrol Downstream SRL, in amount of RON 317 million, Rompetrol Petrochemicals SRL in amount of RON 37 million and Rompetrol Quality Control SRL in amount of RON 13 million. The unrealized gains recognized in profit or loss related to the Company's investment in Rompetrol Downstream are generated by the increased gross profit margins according to the approved business plans incorporating the effect of the Advance Price Agreement agreed with Romanian Tax Authorities, while unrealized gains recognized in profit or loss related to the investments in Rompetrol Quality Control SRL is generated by increased profit margins according to the approved business plans The unrealized gains for the period recognized in profit or loss in amount of RON 37 million related to the investment in Rompetrol Petrochemicals SRL is generated by the participations held in other group companies, which were evalued using income approach.

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

8. INVENTORIES, NET

	December 31, 2023	**December 31, 2022**
Crude oil and other feedstock materials (at lower of cost and net realisable value)	817,257,429	693,636,165
Finished products (at lower of cost and net realisable value)	285,123,020	328,380,857
Work in progress (at cost)	262,405,751	156,235,749
Spare parts (at cost less inventories write-down)	16,143,084	15,821,004
Other consumables (at cost less inventories write-down)	24,958,884	24,684,177
Merchandises (at cost less inventories write-down)	79,630	153,826
Other inventories (at cost less inventories write-down)	5,751,166	7,475,251
Total	**1,411,718,964**	**1,226,387,029**

8. INVENTORIES, NET (continued)

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

The movement of the provision for inventories in 2023 and 2022 is presented below:

	December 31, 2023	December 31, 2022
Reserve at the beginning of the year	**(158,742,661)**	**(79,792,287)**
Accrued provision	(196,081,227)	(159,230,902)
Reversal provision inventories reserve	179,011,909	80,280,528
Reserve at the end of the period	**(175,811,979)**	**(158,742,661)**

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

In accordance with the decree no. 1132/25.11.2021 and the approval proposal no. 258237/08.12.2022 related to the Ordinance for the minimum mandatory crude oil and/or petroleum products stock of 519,860 TO was performed as of December 31, 2023.

9. RECEIVABLES AND PREPAYMENTS, NET

	December 31, 2023	December 31, 2022
Trade receivables	1,290,259,409	1,041,294,686
Advances to suppliers	65,183,063	97,978,601
Sundry debtors	60,363,794	54,625,814
VAT to be recovered	16,060,627	23,542,812
Other receivables	360,272,586	504,029,942
Reserve for bad and doubtful debts	(72,278,300)	(44,755,759)
Total	**1,719,861,179**	**1,676,716,096**

Included in Sundry debtors in 2023 is an amount of RON 25.1 million (2022: RON 25.1 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2011 - 2015 period; the amount is fully provisioned as at December 31, 2023. In 2023 the fiscal provision recognized in 2022 in amount of RON 25.1 million was reclassified to “Provision for sundry debtors and other receivables” from “Fiscal provision”, following the fact that the amount in substance refers to a receivable for which a recovery from the fiscal authority is expected.

At the end of 2022 another amount included in Sundry debtors refers to RON 12 million in respect of Omniasig Vienna Insurance for insurance claim following the 2nd of July 2021 incident. As December 31, 2023 the remaining amount to be collected is RON 0.27 million.

As of December 31, 2023, Rompetrol Rafinare SA offset an amount of RON 13.7 million owed by Navodari City Hall through sundry debtors, resulting from a fiscal audit on local taxes regarding the revaluation of buildings for the year 2012. The amounts resulted from applying a higher local tax rate of 10% to certain buildings, leading to an additional tax assessment and penalties total of RON 20.4 million. The Supreme Court ruled in July 2021 in favor of Rompetrol Rafinare SA, ordering Navodari City Hall to repay RON 13.7 million to the company. Rompetrol Rafinare SA executed the repayment through various set-off operations by the end of December 2023 (the balance as of December 2022 was RON 3.7 million).

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

Following the Supreme Court decision issued in June 2020, which admitted the Company's claim related to a number of 2,577,938 CO2 emission certificates for the entire period 2008 – 2012, this being part of the court case opened by the Company against the Romanian Government and the Ministry of Environment (Supreme Court decision 69/CA/2021 issued on 28 February 2011), the Company recorded as of 31 December 2020 a receivable in amount of EUR 36 million representing the countervalue of 2.577,938 CO2 emission rights. During December 2020 – May 2022 the Romanian Government and Ministry of Environment paid the entire amount as follows RON 30 million in 2020, RON 48.2 million in 2021 and RON 78.9 million in 2022. As of 31 December 2023 the entire amount was received.

At 31 December 2023, out of the total amount of RON 65.2 million (2022: RON 98 million) representing advances to suppliers, RON 64.4 million (2022: RON 46.6 million) are in respect of other raw materials, utilities, investment projects.

Out of the total balance for other receivables of RON 360.3 million (2022: RON 504 million), an amount of RON 206 million (2022: RON 392 million) relates to cash pooling receivables. Also, in other receivables an amount of RON 113.5 million (2022: RON 68.3 million) refers to excise receivables.

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

	December 31, 2023	December 31, 2022
Sundry debtors	60,363,794	54,625,814
Other receivables	360,272,586	504,029,942
Provision for expected credit losses related to sundry debtors and other receivables	(26,361,654)	(1,220,335)

Out of the total amount of other receivables and sundry debtors of RON 420.6 million (2022: RON 558.7 million) an amount of RON 26.4 million (2022: RON 1.2 million) is provisioned.

The movement in the provision for expected credit losses related to trade receivables and provision for sundry debtors and other receivables is as follows:

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	**(44,755,759)**	**(56,472,983)**
Charge for the year	(3,176,332)	(2,264,451)
Utilized	771,435	330,279
Reclassification between trade and other receivables and other provisions	(25,141,319)	13,654,238
Exchange rate differences	23,675	(2,841)
Balance at the end of the period	**(72,278,300)**	**(44,755,759)**

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

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

		Trade receivables					
			Days past due				
31 December 2023	**Total**	**Current**	**1 - 30 days**	**30 - 60 days**	**60 - 90 days**	**90 - 120 days**	**> 120 days**
Expected credit loss rate	**3.13%**	**0.00%**	**1.94%**	**8.79%**	**21.05%**	**30.00%**	**95.48%**
Estimated total gross carrying amount at default	**1,290,247,116**	1,181,235,887	62,996,860	1,567,717	2,474,438	2,413,908	39,558,306
Expected credit loss	**40,376,503**	-	1,224,375	137,870	520,782	724,172	37,769,304

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

			Past due but not impaired				
	Total	**Neither past due not impaired**	**1 – 30 days**	**30 – 60 days**	**60 – 90 days**	**90 - 120 days**	**>120 days**
31 December 2023	**1,249,870,613**	1,181,235,887	61,772,485	1,429,847	1,953,656	1,689,736	1,789,002
31 December 2022	**1,003,282,199**	889,797,851	49,055,808	44,667,670	17,047,290	240,762	2,472,818

At 31 December 2023, the trade receivables at the initial value of RON 40.4 million (2022: RON 38.0 milion) have been considered uncertain and provisioned.

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

	Collectively impaired
At January 1, 2022	**(36,058,356)**
Value adjustments for impairment of receivables	(2,264,363)
Reversed provisions	330,279
Exchange rate difference	(2,841)
At December 31, 2022	**(37,995,282)**
Value adjustments for impairment of receivables	(3,176,332)
Reversed provisions	771,435
Exchange rate difference	23,675
At December 31, 2023	**(40,376,503)**

10. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash at bank	612,681,924	22,597,466
Cash on hand	9,227	3,585
Transitory amounts	213,335	5,100
Other cash equivalents	617,227	637,339
Total	**613,521,713**	**23,243,490**

Other cash equivalents represent in the greatest part cheques and promissory notes in course of being settled.

11. EQUITY

11.1 SHARE CAPITAL

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

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

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

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

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

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

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

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

11. EQUITY (continued)

11.2 SHARE PREMIUM

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

11.3 REVALUATION RESERVES

At 31 December 2023, the Revaluation reserves balance (presented in net amount of RON 648.5 million) is affected by the decrease in revaluation reserves of RON 519.5 Million related to the revaluation performed for property, plant and equipment at 31 December 2023. The above impact is partially offset by the transfer to retained earnings of the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the assets.

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

Thus, as of 31 December 2023 the realized revaluation reserve is in 2023 in amount of RON 143.3 million, for which a reduction of previously recognized deferred tax liability in amount of RON 22.9 million was recorded.

Also the Company recognized in 2023 a deferred tax on the decrease in revaluation reserves in amount of RON 83.2 million.

11.4 OTHER RESERVES

Hybrid Loan

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

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

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

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

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

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

11. EQUITY (continued)

The addendums have retroactive effects.

During 2023 unrealized derivative gains / (losses) was recorded and also gains / (losses) related to retirement benefits were booked in Other Reserves as follows:

	2023	2022
Actuarial gain / (losses) related to retirement benefits	(3,308,480)	4,887,837
Gains / (losses) related to derivative financial instruments	9,727,579	(112,915,474)
Total	**6,419,099**	**(108,027,637)**

12. TRADE AND OTHER PAYABLES

	December 31, 2023	December 31, 2022
Trade payables	4,294,946,460	3,492,866,976
VAT payable	166,636,930	374,084,032
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	(88,023)	(1,180)
Employees and social obligations	33,733,551	45,277,389
Other liabilities	1,433,780,719	1,708,379,030
Total	**5,956,570,269**	**5,648,166,879**

The increase in trade payables is mainly related to the increase in debts in relation to KMG Trading for crude oil purchases.
The Company has a cash pooling agreement in place in order to implement a cash balance optimization system, where KMG Rompetrol SRL is "Coordinating Company", and the group companies are participating companies.

The cash pooling debt amounts to RON 1,413.25 million (2022: RON 1,693.27 million) and is recognised in "Other liabilities".

Trade payables line include payable in relation to KazMunayGas Trading AG in amount of RON 3,804.1 million as of 31 December 2023 (2022: RON 2,658.9 million) which represents the liability for the acquisition of crude oil. Acquisitions of crude oil are financed through a series of credit facilities obtained by KazMunayGas Trading AG from different financial institutions. According to the agreements, the liability is due in a period up to 720 days from withdrawn date and different interest rates are applied.. Further, according to the agreement concluded between Rompetrol Rafinare SA and KazMunayGas Trading AG, interest rate is calculated differently depending on the financing institution, as well as penalties in case payments are not made by Rompetrol Rafinare according to the agreed payments terms (Note 22).

13. CONTRACT LIABILITIES

	December 31, 2023	December 31, 2022
Short-term advances from other customers	274,823,341	98,232,193
Total short-term advances	**274,823,341**	**98,232,193**

Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) the Company performs under the contract.
The disclosed amounts refer to advances from customers is in respect of petroleum products sales and excises. As of December 31, 2023 the main increase of Short-term advances from other customers as compared with last year refers to advances for petroleum products in relation to KazMunayGas Trading AG by RON 107.4 million and Rompetrol Moldova by RON 66.1 million.

14. SHORT-TERM BORROWINGS

Short-term loan from banks

	31 December 2023	31 December 2022
Banca Transilvania	**112,131,624**	**99,581,428**
Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 28, 2024; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.		
Banca Transilvania	**43,242,307**	**68,103,551**
Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on July 28, 2024; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS =EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.		
Interest due	1,345,850	68,909
	136,128,976	**167,753,888**
Syndicated loan – through Unicredit Bank as payer agent (current portion)	-	115,865,000
Syndicated loan – auxiliary component representing overdraft loan granted by Garanti Bank	13,434,880	-
Syndicated loan – auxiliary component representing overdraft loan granted by Alpha Bank Romania	18,048,944	-
Syndicated loan – auxiliary component representing overdraft loan granted by OTP Bank Romania	4,471,035	-
TOTAL	**192,674,641**	**283,618,888**

At the level of KMG International NV, loan covenants are tested every 6 months, at half-year and at year end. For 2023, the loan covenants are respected.

15. LONG-TERM BORROWINGS

Long-term loan from banks

	31 December 2023	31 December 2022
Loan facility – through BCR (Banca Comerciala Romana) as payer agent General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. Facility granted by a consortium of banks, namely Banca Comerciala Romana S.A. (BCR), ING Bank N.V Amsterdam – Bucharest Branch, Raiffeisen Bank S.A., UniCredit Bank S.A., Alpha Bank Romania S.A., Garanti Bank S.A. and OTP Bank Romania S.A.The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 13, 2026 with an option of adding another 2 years until 2028 and (II) USD 265,9 million uncommitted line for a period of 1 year, with yearly possibility of prolongation. The facility is secured by: inventories, receivables, depots, gas stations and current accounts.	1,195,433,220	-
TOTAL	**1,195,433,220**	**-**

In April 2023 KMG International Group finalized the negotiation for refinancing the previous syndicated loan in total amount of USD 405 million. As a result of the negotiations, a new senior facilities agreement was signed with a total amount of USD 600 million. The facility consists of two parts out of which: USD 265.9 million are committed over 3 years period with an option of adding another 2 years period, and USD 265.9 million as overdraft over one-year period, being an uncommitted facility.
In addition, the senior facilities agreement includes an accordition clause of USD 68 million which, provided certain conditions are met such as pro forma compliance with a leverage test, lenders under the facilities agreement who wish to do so can lend additional debt. As of December 31, 2023, the accordition clause is not used.

15. LONG-TERM BORROWINGS (continued)

The movement of loans in 2023 is presented below:

	At January 01, 2023	Drawings	Repayments	Interest accrual	Reclass between short-term and long-term	Exchange rate impact	At December 31, 2023
Long-term borrowings from banks	-	185.686.319	-	-	858.203.386	151.543.515	1.195.433.220
Short-term borrowings from banks	283.549.979	1.392.037.370	(453.117.121)	-	(858.203.386)	(172.938.051)	191.328.791
Interest Short-term borrowings from banks	68.909	-	(83.542.997)	84.819.937	-	-	1.345.850
Total	**283.618.888**	**1.577.723.689**	**(536.660.118)**	**84.819.937**	**-**	**(21.394.536)**	**1.388.107.861**

The movement of loans in 2022 is presented below:

	At 1 January 2022	Drawings	Repayments	Interest accrual	Reclass between short-term and long-term	Exchange rate impact	At 31 December 2022
Long-term borrowings from banks	418,023,119	210,130,679	-	-	(628,153,798)	-	-
Short-term borrowings from banks	185,197,628	749,895,679	(1,365,075,498)	-	628,153,798	85,378,373	283,549,979
Interest Short-term borrowings from banks	99,346	-	(33,753,824)	33,723,324	-	64	68,909
Total	**603,320,093**	**960,026,357**	**(1,398,829,322)**	**33,723,324**	**-**	**85,378,437**	**283,618,888**

During 2023, the Company reimbursed in full the previous syndicated loan and entered into a new senior facilities agreement obtained at KMG International Group level. Under the terms of the new contract, the KMG International Group secured up USD 600 million revolving facility, comprising two components out of which: USD 265.9 million are committed over 3 years period with an option of adding another 2 years period (extended maturity by April 2028), and USD 265.9 million as overdraft over one-year period, being an uncommitted facility (maturity by April 2024).

At the level of KMG International NV, loan covenants are tested every 6 months, at half-year and at year end. For 2023, the loan covenants are respected.

The loans are secured with pledges on inventories of RON 1,437.4 million (2022: RON 967 million) and trade receivables of RON 168.7 million (2022: RON 282.7 million).

16. OBLIGATION UNDER LEASE AGREEMENTS

	2023	2022
Opening balance at 01 January	**57,560,826**	**58,761,696**
Additions	-	331,800
Re-measurement	184,734	1,336,675
Payments	(4,726,595)	(4,759,636)
Interest accrued	1,824,610	1,866,193
Exchange rate impact	280,013	24,099
As at 31 December	**55,123,588**	**57,560,826**
Non-current	52,429,915	54,700,998
Current	2,693,673	2,859,828

As of 31 December 2023 there are no sale and leaseback agreements and no lease agreements signed and not commenced yet.

The amount related to re-measurement of RON 0.2 million (2022: RON 1.3 million) refers to extension of lease agreements for cars and equipments.

17. PROVISIONS

The movement of the provisions is presented below:

	As at 1 January 2023	Other comprehensive income	Arising during the year	Unwinding of discount	Reclassification between balance sheet items	As at 31 December 2023
Provision for litigations	3,600,000	-	-	-	-	3,600,000
Retirement benefit provision	41,006,111	3,308,480	2,306,194	-	-	46,620,785
Fiscal provision	25,141,319	-	-	-	(25,141,319)	-
Environmental provision	448,578,974	-	(8,063,894)	8,877,322	-	449,392,402
Total	**518,326,405**	**3,308,480**	**(5,757,700)**	**8,877,322**	**(25,141,319)**	**499,613,187**

Environmental provision

Vega lagoons

As of 31 December 2023, the Company recognized an environmental provision of RON 424.0 million (2022: RON 426.9 million) based on reassessment of the site restoration provision. Reassessment was performed considering the following change in assumptions as compared with previous period:

- ➢ updated prices for rehabilitation work related to lagoons 16, 19 - 20, 7 - 12, 13 - 15 considering the evolution of prices for additives and fuel, also the increase of the minimum gross salary. The updated prices use as reference basis last offers available aligned with a benchmark review from an independent specialist. Moreover, tariffs are indexed on an annual basis with a market factor increase, representing the forecasted inflation rate as per Romanian National Statistics Institute for the period 2024 – 2027;
- ➢ Quantities of acid tars and contaminated soil used for the estimation of costs are the quantities as per Environmental Permit issued on 14 Jan 2021 to which an increase of 30% was considered given that according to the Environmental Permit, volumes after treatment can be higher with 30%
- ➢ Updated contingency considering an additional increase in quantities of contaminated soil, from 40% as per previous assessment to 50% and in addition, potential effect of the recent developments of the infringement procedure against Romania in respect of non-compliance with European environmental obligations for deposit of waste.
- ➢ updated variable indicators over the project timeline (i.e. exchange rate, discount rate, inflation rate) as following: exchange rate changed from 4.6346 RON/USD to 4.4958 RON/USD, decreased discount rate from 7.17% used for the provision assessment as of 31 December 2022 to 6.19% as of 31 December 2023 and updated inflation rate forecast as per Romanian National Institute of Statistics;
- ➢ extended timeline for the rehabilitation plan until the end of 2027.

The results of the reassessment lead to a net decrease of provision by RON 2.85 million (2022: RON 136.0 million increase), mainly triggered by updated computation due to change in assumptions and foreign exchange effect of RON 13.3 million, offset by an unwinding of discount effect of RON 10.5 million (2022: RON 5.1 million).

Vadu cassettes

In 2023, testing of the technical solution was conducted to facilitate the preparation of documentation required for environmental compliance. Subsequently, the initiation of contracting and development of the technical project commenced. The deadline set by the competent authority for the submission of the technical project is by the end of May 2024.

During the previous period, the Company conducted due diligence procedures according to Law 74/2019 for the biological waste storage area resulting from IAZ no.1 ("Vadu cassettes"), a process ongoing in compliance with EPA Constanta. A detailed investigation report was submitted to environmental authorities, and a feasibility study completed, paving the way for forthcoming remedial actions.

17. PROVISIONS (continued)

Management determined a constructive obligation for parent company rehabilitation of the cassettes, prompting an assessment as of December 31, 2021, resulting in a provision computation.

As at 31 December 2023, considering the information available, the provision was updated to RON 25.4 million (2022: RON 21.7 million).

Retirement benefit provision

Under the collective labor agreement in force, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with the entity at the date of their retirement. The level of benefits provided depends on the member's length of service, the employees is entitled to a fix amount per each year of service. A corresponding provision has been recognized based on: the specific benefits provided in the updated Collective Labour Agreement signed in 2022; the number of employees working within the entity; and actuarial assumptions on future liabilities.. For the computation an actuarial valuation is involved making various assumptions that may differ from actual developments in the future. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 6.90% in 2022 (2022: 8.8%), with an expected rate of long-term salary increase of 3.80% in 2023 (4.4% in 2022). Also, attrition rate was considered as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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

	December 31, 2023	**December 31, 2022**
Interest on obligation	3,529,965	2,160,524
Service cost	3,599,217	3,806,171
Benefits paid	(4,822,988)	(2,335,250)
Total	**2,306,194**	**3,631,445**

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

	31 December 2023	**31 December 2022**
Opening balance	**41,006,111**	**42,262,503**
Interest on obligation	3,529,965	2,160,524
Service cost	3,599,217	3,806,171
Curtailment due to restructuration/retirement	(4,822,988)	(2,335,250)
Changes in assumptions (tax rate, salary increase, turnover)	3,308,480	(4,887,837)
Closing balance	**46,620,785**	**41,006,111**

Actuarial losses refer to change in assumption in amount of RON 3.3 million (2022: gain of RON 4.9 million) (using a discount rate of 6.9% (2022: 8.8%), with an expected rate of long-term salary increase of 3.8% (2022: 4.4%), the charge for the year is included in the staff costs in the income statement for 2023, amounting to RON 2.3 million (2022: RON 3.6 million).

It is estimated that there are no significant liabilities relating to the provisions that will arise in the next 12 months to 31 December 2024.

17. PROVISIONS (continued)

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

The other variables (exchange rate, mortality rate and turnover) had no significant impact in 2023.

	Impact on defined benefit obligation 2023	Impact on defined benefit obligation 2022
	RON million	RON million
Discount rate assumptions:		
1% increase	(7.79)	(3.44)
1% decrease	(0.21)	3.88

	2023	2022
	RON million	RON million
Salary sensitivity assumption:		
1% increase	0.03	4.13
1% decrease	(8.04)	(3.69)

	2023	2022
	RON million	RON million
Longevity sensitivity assumption:		
1% increase	(3.92)	0.32

Fiscal provision

Fiscal provision recorded as of 31 December 2022 in amount of RON 25.1 million refers to the provision recorded in relation to the litigation with the National Agency for Tax Administration ("ANAF") (Note 28). In 2023 the ANAF provision was reclassified to "Provision for expected credit losses for trade receivables and sundry debtors and other receivables".

18. NET REVENUES FROM CONTRACT WITH CUSTOMERS

	January - December 2023		TOTAL 2023	January - December 2022		TOTAL 2022
	Refining	Petrochemicals		Refining	Petrochemicals	
Gross revenues from the sale of finished oil products	20,663,388,999	568,628,846	21,232,017,845	26,323,918,807	938,765,579	27,262,684,386
Revenues from petrochemicals trading	-	46,173	46,173	-	1,885,128	1,885,128
Revenues from other merchandise sales	2,001,024	-	2,001,024	41,930,380	-	41,930,380
Revenues from utilities sold	25,794,883	1,650,434	27,445,317	17,256,728	-	17,256,728
Revenues from the sale other products	392,531	-	392,531	492,997	-	492,997
Revenues from other services	17,482,320	-	17,482,320	17,272,901	-	17,272,901
Gross Revenues	**20,709,059,757**	**570,325,453**	**21,279,385,210**	**26,400,871,815**	**940,650,706**	**27,341,522,521**
Less sales taxes	(4,158,681,883)	-	(4,158,681,883)	(4,314,744,915)	-	(4,314,744,915)
Total	**16,550,377,874**	**570,325,453**	**17,120,703,327**	**22,086,126,900**	**940,650,706**	**23,026,777,606**

In 2023 the decrease of revenues compared with 2022 was triggered by the decrease with 18% 2023 vs 2022 in international market quotations of crude oil (Dated Brent) and refined products (Gasoline decreased by 14% and Diesel decreased by 21% in 2023 vs 2022).

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

19. COST OF SALES

	January - December 2023	January - December 2022
Crude oil and other raw materials	14,940,352,794	18,050,794,740
Consumables and other materials	70,249,647	74,474,521
Utilities	919,008,059	1,003,551,251
Staff costs	183,155,202	148,799,445
Transportation	214,995	235,611
Maintenance	147,122,019	139,710,046
Insurance	12,376,081	9,908,808
Environmental expenses	51,034,577	109,903,913
Other	76,959,289	65,612,853
Cash production cost	**16,400,472,663**	**19,602,991,187**
Depreciation and amortization	383,491,043	429,403,301
Production costs	**16,783,963,706**	**20,032,394,489**
Less: Change in inventories	(119,242,210)	(124,813,082)
Less: Own production of property, plant & equipment	(3,210,876)	(14,304,059)
Cost of petrochemicals trading	45,469	1,828,708
Cost of other merchandise sales	1,954,790	43,874,568
Cost of utilities sold	24,652,831	15,775,553
Realised (gains)/losses on derivatives	-	1,114,463,981
Total	**16,688,163,711**	**21,069,220,156**

In 2023 crude oil costs are lower compared with prior year given the following:

- decrease of crude oil quotations by 18% for Brent and 15% for CP, decrease which was attributed to the correction in the oil market from the peak reached in March 2022, a level not seen since 2008.
- total throughput for Petromidia refinery was 5.012 million tons lower by 5% as compared with same period from last year. The decrease was affected by operation of Petromidia refinery without the Mild Hydrocraking unit (MHC), due to a technical incident that occurred on 21st of June 2023. The new production flow led also to lower costs with utilities and chemicals.

In terms of staff costs the main deviation in 2023 against 2022 was impacted by collective salary increase as per union negotiation starting with the second quarter of 2023.

The decrease in depreciation compared to the prior year can be attributed to certain portions of our property, plant, and equipment reaching the end of their useful lives. Following the revaluation process conducted in 2023, the useful life of assets was revised, particularly in cases where technological equipment will be further utilized.

19. COST OF SALES (continued)

The variance as compared with similar period from last year is triggered by the following:

- negative result of RON 156.2 million generated by hedging activities recorded during 2022 which were primarily focused on mitigating risks associated with Base Operating Stocks (BOS) on the ICE Exchange Market using Futures contracts, alongside hedging Refinery margins and Urals-Dated Brent differentials through Over-the-Counter (OTC) swap instruments. Despite the intended protection against declining prices, the increase in Dated Brent by 74% from USD 79 to USD 137.6 per bbl. Resulted in a loss on hedging instruments. This negative impact, totaling USD -31.9 million, with USD -35.2 million recorded in the Profit and Loss (P&L), contrasted with the demand recovery witnessed in 2021, exacerbated by geopolitical tensions arising from the Russian invasion of Ukraine. Additionally, swap transactions executed by Rompetrol Rafinare during Oct'21 – Feb'22 to hedge the Urals-Dated Brent differential resulted in significant losses due to unforeseen fluctuations in refinery margins and the Urals-Dated Brent differential, exacerbated by the drop in demand for Russian crude oil. The volumes remained unhedged (85% refinery margins and 50% Urals differential), helped the Company to benefit on the physical side from higher margins and a cheaper Urals compared to Dated Brent. This impact is recorded as FV through PL.

- losses of RON 958.3 million recorded in 2022 from swap instruments for refinery margin and BOS ("Base operating stock") to protect against price increase, triggered by the high refinery margins and the drop in demand for Russian crude oil. These are measured at fair value through profit or loss.

Rompetrol Rafinare has the obligation to comply with the CO2 emission rights quota. Thus, Refinery CO2 emissions are offset with EUA certificates. The actual emissions have exceeded the certificates and in this respect the difference is recognized by Rompetrol Rafinare as environmental expenses, the amount recorded for 2023 is RON 40.1 million (2022: RON 114 million). As presented in Notes 3 and 30.D, in 2023, following MHC unit incident, Petromidia refinery CO2 emissions were lower due to the new refinery flow without MHC unit in function, thus leading to lower CO2 emissions and implicitly, lower environmental costs as compared to prior year.

In 2023, in other expenses are included costs for: inspections and quality control in amount of RON 39.3 million (2022: RON 32.4 million), IT and communications in amount of RON 12.1 million (2022: RON 12.4 million), local taxes in amount of RON 1.4 million (2022: RON 1.4 million), security, fire protection and other services in amount of RON 24.2 million (2022: RON 19.4 million).

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

	January - December 2023	**January - December 2022**
Staff costs	51,516,760	51,898,874
Utilities	25,353,777	24,493,609
Transportation	67,693,591	61,676,730
Professional and consulting fees	55,682,563	59,911,152
Consumables	923,898	1,706,978
Marketing	246,877	137,292
Taxes	4,600,686	4,298,662
Communications	35,852	30,111
Insurance	3,418,282	3,032,747
IT services	7,583,386	6,210,102
Environmental expenses	6,561,431	71,131,191
Maintenance	26,504,445	19,968,940
Fees and penalties	33,197,185	36,106,591
Other expenses	68,759,275	37,499,359
Costs before depreciation	**352,078,008**	**378,102,339**
Depreciation and amortisation	71,119,018	68,719,369
Total	**423,197,026**	**446,821,707**

21. OTHER OPERATING (INCOME) / EXPENSES, NET

	January - December 2023	**January - December 2022**
Gain / (loss) from impairment of property, plant and equipment, net	(26,101,157)	37,500,431
Provision for receivables, net and write-off, net	2,404,896	1,934,172
Provision for inventories, net and write-off net	17,250,702	78,950,374
Other provisions, net	(8,063,894)	113,226,419
Loss from revaluation of property, plant and equipment	686,558,889	-
Other, net	(3,218,890)	(47,003,813)
Total	**668,830,546**	**184,607,583**

In respect of tangible assets provision, in 2022, an additional RON 37.5 million were recorded. Mainly for the assets not in use in amount of RON 34.8 million for Petromidia Refinery (of which HDPE unit amounts RON 23.5 million and the Aromatic complex amounts RON 6.6 million) and RON 2.7 million for Vega Refinery. Due to the revalution of property, plant and equipment performed at 31 December 2023 the provision was reversed in 2023 generating a gain of RON 37.5 RON offset by an impairment loss in amount of RON 11.4 million booked for construction in progress related to projects that are temporary put on hold.

Other provisions, net in amount of minus RON 8 million (2022: RON 113.2 million) mainly refers to the decrease of the environmental provision in respect of Vega lagoons in amount of RON 13.3 million (2022: 99.8 million) offset by the increase in environmental provision in respect of Vadu cassettes in amount of RON 5.2 million.

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

In 2023, following the voluntary change of accounting policy, adopted in the previous periods (2017 and 2021), a revaluation exercise was carried out for property, plant and equipment. Considering this, a net loss from revaluation was recorded in amount of RON 687 million, being related to items for which the revalued amount was lower than the carrying amount and no previous revaluation reserve recorded or revaluation reserve previously recorded was lower.

In 2022, Other, net in amount of RON 47 million refer to revenue from claim to be received from the insurance company in relation to Petromidia incident occurred in 2 July 2021 (2021: RON 34.5 million partially offset by RON 21.8 million representing reversal of accrual recorded for CO2 allowances related to 2020 quota).

The movement in provisions is presented in Notes 5, 8, 9 and 17.

22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January - December 2023	January - December 2022
Finance cost		
Losses related to financial investments recognised at fair value	7,670,046	823,121
Interest expense	88,349,902	47,639,706
Interest expense shareholders and related parties	154,714,039	165,592,402
Unwinding of discount - lease	1,824,610	1,866,194
Unwinding of discount - environmental provision	8,877,322	36,124,770
Other financial expense	199,534,256	131,229,346
	460,970,175	**383,275,538**
Finance income		
Gains related to financial investments recognised at fair value	(368,599,981)	(539,036,084)
Interest income	(83,581,936)	(32,473,062)
Other financial income	(5,928,832)	(10,865,577)
	(458,110,750)	**(582,374,723)**
Finance cost / (income), net	**2,859,425**	**(199,099,185)**
Unrealized net foreign exchange losses/(gains)	(121,355,064)	(1,635,876)
Realized net foreign exchange losses/(gains)	(3,442,562)	324,765,214
Foreign exchange (gain)/loss, net	**(124,797,627)**	**323,129,338**
Total	**(121,938,202)**	**124,030,153**

In 2023 out of the total of RON 199.5 million (2022: RON 131.2 million) representing other financial expenses an amount of approximately RON 199.0 million (2022: RON 122.9 million) represents other financial expenses owed to KMG Trading for financing activities.

In 2023 a gain related to financial investments recognised at fair value in amount of RON 368.6 million (2022: RON 539 million) was recorded and at the same time a loss related to financial investments of RON 7.7 million (2022: RON 0.8 million) was recorded as a result of the fair value assessment (Note 7).

23. INCOME TAX

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

	December 31, 2023 RON	December 31, 2022 RON
Tax expense comprises:		
Current expense with income tax, out of which	**142,913,544**	**577,634,789**
Current income tax	-	-
*Solidarity contribution**	*142,913,544*	*577,634,789*
Deferred tax expense / (income)	**(130,108,131)**	**(41,813,941)**
Total tax expense / (income)	**12,805,413**	**535,820,848**

**In 2023 the Company submitted a rectifying Corporate income tax statement for 2022, adjusting the fiscal result for 2022 by RON 3.5 million increase, representing the amount of accounting depreciation of right of use assets considered non-deductible expense. Futher the Company calculated and paid an additional solidarity contribution of RON 2.1 million related to the difference of fiscal result for 2022. Thus of out RON 142.9 million solidarity contribution recognized in 2023, RON 140.8 million is related to fiscal result for 2023 and RON 2.1 million is related to fiscal result for 2022.*

As of 31 December 2023, the Company had the following total unused fiscal losses:

Entity	Fiscal loss 2023 Million RON	Fiscal loss 2022* Million RON
Rompetrol Rafinare SA	**(474.1)**	**(708.8)**

**In 2023 the Company submitted a rectifying Corporate income tax statement for 2022, adjusting the fiscal result for 2022 by RON 3.5 million increase, representing the amount of accounting depreciation of right of use assets considered non-deductible expense. Thus, the fiscal loss for 2022 to be recovered in the following years was adjusted with RON 3.5 million decrease from RON 712.3 million to RON 708.8 million.*

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

Entity Rompetrol Rafinare SA		Fiscal loss Million	Fiscal loss Expires in
	2021	(474.1)	2028
		(474.1)	

23. INCOME TAX (continued)

Reconciliation of comprehensive income with tax result

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

	31 December 2023 RON	31 December 2022 RON
Result before tax	**(550,355,167)**	**666,277,159**
Tax at prevailing tax rate (16%)	-	-
Effect of losses carried forward	(708,767,159)	(1,675,015,284)
Effect of statutory items non deductible / (not taxable) for tax purposes	785,020,931	299,970,966
Non-deductible expenses	*2,339,209,355*	*1,952,822,583*
Not - taxable income	*(720,307,127)*	*(672,418,216)*
Other items equivalent to expense/(revenues)	*(505,074,739)*	*(545,482,776)*
Non-fiscal depreciation	*(328,806,558)*	*(372,755,027)*
Legal Reserve	-	*(62,195,597)*
Deferred tax income / (expense)	130,108,131	41,813,941
Solidarity contribution	(142,913,544)	(577,634,789)
Income tax expense recognized in profit or loss	**(12,805,413)**	**(535,820,848)**

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022, adopted by Law no. 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for 2023 of RON 141 million (2022: RON 578 million).

The actual level of the contribution is to be determined by June 25th, 2024, the legal deadline for the payment of the contribution, in accordance with the applicable law.

In 2023 the following income was considered non-taxable when calculating tax loss:
- Tax provisions (income from reversal of provisions for which no deduction was allowed) in amount of RON 220.7 million;
- Non-taxable income from revaluations (RON 369.5 million).
- Revenues from deferred tax (RON 130.1 million)

The following were considered non-deductible expenses when determining tax loss:
- Expenses with accounting depreciation, amounting RON 454.6 million;
- Expense with solidarity contribution, amounting RON 142.9 million;
- Expenses with provisions amounting RON 214.8 million;
- Interests amounting RON 824.5 million;
- Losses from revaluations RON 695.2 milion;
- Expenses with non-deductible penalties in the amount of 5.2 million RON;
- Other non-deductible expenses amounting to RON 2 million.

b. The deferred tax assets and liabilities

	Balance at 1 January 2023	Charged to Profit & loss	Charged to Equity	Balance at 31 December 2023
Temporary differences				
Asset/Liability				
Property, plant and equipment	1,915,375,550	(686,558,889)	(662,838,023)	565,978,638
Provisions	(573,946,617)	(126,616,931)	-	(700,563,549)
Total temporary differences (Asset)/Liability	**1,341,428,933**	**(813,175,820)**	**(662,838,023)**	**(134,584,911)**
Property, plant and equipment	306,460,088	(109,849,422)	(106,054,084)	90,556,582
Provisions	(91,831,459)	(20,258,709)	-	(112,090,168)
Differed tax (assets)/liability recognised	**214,628,629**	**(130,108,131)**	**(106,054,084)**	**(21,533,586)**

23. INCOME TAX (continued)

As of 31 December 2023, the Company recognized deferred tax asset for the provision related to Vega and Vadu Environmental projects. The reassessment of the provisions as of 31 December 2023 (Note 17), lead to an increase of RON 0.1 million (2022 RON 21.8 million) in the related deferred tax asset. Also, an increase of RON 110 million of deferred tax asset was recognized for revaluation losses charged to P&L and an increase of RON 106 million RON of deferred tax asset was recognized for revaluation losses charged to Equity, following the revaluation process concluded at the end of the year.

The related deferred tax asset was recorded considering Management's assessment on the ability of the Company to generate taxable profits in the future.

The ability of the Company to obtain recovery of its deferred tax asset depends on the Company's ability, arisen to generate sufficient taxable income to cover the applicable tax losses available.

The Company has RON 474.1 million (2022: RON 708.8 million) of tax losses carried forward, for which no deferred tax asset was recognized as of 31 December 2023 (2022: nil). Based on the available evidence, on the volatility of the market in which the Company operates and the current climate change, Company's Management believes that a valuation allowance for deferred tax assets for fiscal losses carried forward is not necessary, because it is more likely that the deferred tax assets will be fully utilized against future taxable profits.

As of 31 December 2023, the Company has made an assessment of unrecognized deferred tax assets and such items are related to deductible temporary differences generated by retirement benefits and inventories allowance (NRV assessment) amounting RON 35.6 million (2022: RON 32 million).

24. OPERATING SEGMENT INFORMATION

A. Operating segments

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

2023 Income statement

	Refining	Petrochemicals	Unallocated amounts between the segments	Total
Net turnover	16,550,377,874	570,325,453	-	**17,120,703,327**
Cost of sales	(15,793,012,508)	(895,151,203)	-	**(16,688,163,711)**
Gross profit / (loss)	**757,365,366**	**(324,825,750)**	**-**	**432,539,616**
Selling, general and administrative expenses	(363,783,817)	(59,413,209)	-	**(423,197,026)**
Other operating revenues / expenses, net	(568,243,420)	(100,587,126)	-	**(668,830,546)**
Operating loss	**(174,661,871)**	**(484,826,085))**	**-**	**(659,487,956)**
Financial expenses	-	-	(460,970,175)	**(460,970,175)**
Financial revenues	-	-	458,110,750	**458,110,750**
Net foreign exchange gains / (losses)	-	-	124,797,627	**124,797,627**
Profit / (loss) before income tax	**(174,661,871)**	**(484,826,085))**	**121,938,202**	**(537,549,754)**
Income tax	-	-	(12,805,413)	(12,805,413)
Net Loss	**(174,661,871)**	**(484,826,085)**	**109,132,789**	**(550,355,167)**
Depreciation and amortization	**(398,016,428)**	**(56,593,633)**	**-**	**(454,610,061)**
Revaluation losses	**(585,971,763)**	**(100,587,126)**		**(668,558,889)**

24. OPERATING SEGMENT INFORMATION (continued)

2022 Income statement

	Refining	Petrochemicals	Unallocated amounts between the segments	Total
Net turnover	22,086,126,900	940,650,706	-	**23,026,777,606**
Cost of sales	(19,924,971,675)	(1,144,248,481)	-	**(21,069,220,156)**
Gross profit / (loss)	**2,161,155,225**	**(203,597,775)**	**-**	**1,957,557,450**
Selling, general and administrative expenses	(395,510,771)	(51,310,936)	-	**(446,821,707)**
Other operating revenues / expenses, net	(184,607,583)	-	-	**(184,607,583)**
Operating profit / (loss)	**1,581,036,871**	**(254,908,711)**	**-**	**1,326,128,160**
Financial expenses	-	-	(383,275,538)	**(383,275,538)**
Financial revenues	-	-	582,374,723	**582,374,723**
Net foreign exchange gains / (losses)	-	-	(323,129,338)	**(323,129,338)**
Profit / (loss) before income tax	**1,581,036,871**	**(254,908,711)**	**(124,030,153)**	**1,202,098,007**
Income tax	-	-	(535,820,848)	(535,820,848)
Net (Loss)/Profit	**1,581,036,871**	**(254,908,711)**	**(659,851,001)**	**666,277,159**
out of which Depreciation and amortization	**(435,049,899)**	**(63,072,771)**	**-**	**(498,122,670)**

In 2023 turnover of the Company are included the clients KazMunayGas Trading AG and Rompetrol Downstream SRL, that generate more than 10% of the total sales, their value amounting to RON 11,283.1 million (2022: RON 14,537.9 million).

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

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

B. Geographical segments

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

	December 31, 2023	December 31, 2022
Romania	11,450,710,515	14,886,917,877
Europe	5,467,280,589	7,905,910,352
Asia	202,712,223	231,855,485
America	-	2,093,892
Total	**17,120,703,327**	**23,026,777,606**

25. RELATED PARTIES

The ultimate parents of the Company are the company National Welfare Fund "Samruk-Kazyna" Joint Stock Company (87.42%) and National Bank of Republic of Kazakhstan (9.58%), companies with its headquarters in Kazakhstan, entirely owned by the Kazakh State plus Other shareholders (3%). The related parties and the nature of relationship is presented below:

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

25. RELATED PARTIES (continued)

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

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

	Receivables and other assets	
	December 31, 2023	**December 31, 2022**
KazMunayGas Trading AG	230,506,456	235,100,198
Rompetrol Downstream S.R.L	749,865,007	393,764,336
Rompetrol Petrochemicals S.R.L.	481	481
Rompetrol Gas SRL	27,008,023	50,798,926
KMG International N.V.	545,327	-
Rompetrol Moldova ICS	28,148,161	-
Rompetrol Bulgaria JSC	1,832,551	1,014,345
Rominserv S.R.L.	47,196,399	15,859,443
Rompetrol Quality Control S.R.L.	165,739	191,532
Rompetrol Logistics S.R.L	2,071	1,780
Midia Marine Terminal S.R.L.	1,195,121	1,024,824
Midia Green Energy SA (former Uzina Termoelectrica Midia SA)	274,985	274,985
KMG Rompetrol SRL	210,411,841	398,201,670
Global Security Systems S.A.	608,033	606,080
Rompetrol Energy S.A.	80,788,696	87,258,432
Byron Shipping Ltd.	2,695	2,806
Oilfield Exploration Business Solutions S.A.	2,964,917	2,980,529
Rom Oil S.A.	-	88,313
Rompetrol Financial Group SRL	11,194	11,207
KMG Rompetrol Services Center SRL	44,916	46,238
Total	**1,381,572,613**	**1,187,226,127**

25. RELATED PARTIES (continued)

	Payables, loans and other liabilities	
	December 31, 2023	**December 31, 2022**
KazMunayGas Trading AG	3,911,405,971	2,684,890,824
Rompetrol Downstream S.R.L	72,264,156	37,960,211
Rompetrol Petrochemicals S.R.L.	8,315,590	8,315,590
KMG International N.V.	-	1,152,218
Rompetrol Gas SRL	3,248,392	2,879,235
Rompetrol Moldova ICS	66,076,957	14,729,346
Rominserv S.R.L.	150,601,133	86,404,563
Rompetrol Quality Control S.R.L.	23,672,159	13,528,786
Midia Marine Terminal S.R.L.	12,340,927	19,293,936
Midia Green Energy SA (former Uzina Termoelectrica Midia SA)	415	415
KMG Rompetrol SRL- debt cash pooling	1,404,248,845	1,681,424,077
KMG Rompetrol SRL-interest cash pooling	9,038,687	11,847,300
KMG Rompetrol SRL-trade debts	27,424,489	22,235,373
Global Security Systems S.A.	1,357,022	-
Global Security Systems Fire Services S.R.L.	2,637,941	1,473,150
KMG Rompetrol Development	7,425,858	10,014,759
Rompetrol Energy S.A.	37,594,909	30,529,883
KMG Rompetrol Services Center SRL	1,612,763	5,053,254
TRG Petrol Ticaret Anonim Sirketi	10,346	10,346
Total	**5,739,276,560**	**4,631,743,267**

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

25. RELATED PARTIES (continued)

In 2023, respectively 2022, Rompetrol Rafinare had the following transactions with the related parties:

Name of related party	Nature of transaction , sales / purchases	Sales		Purchases	
		January - December 2023	January - December 2022	January - December 2023	January - December 2022
KazMunayGas Trading AG	Raw materials / Petroleum products	3,048,306,733	4,743,789,344	14,792,835,024	18,049,078,858
Rompetrol Downstream S.R.L	Petroleum products, rent, utilities and other	8,237,243,878	10,078,921,367	2,782,488	2,763,942
Rompetrol Petrochemicals S.R.L.	Other	-	-	821	-
KMG International N.V.	Loan interest, management services	-	-	6,825,307	9,245,259
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	459,647,078	695,546,695	800,365	745,597
Rompetrol Moldova ICS	Sales intermediary services	1,460,806,858	1,828,409,252	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	32,587,744	74,632,467	-	-
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	3,220,154	3,232,801	366,722,497	354,776,471
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services	1,803,877	1,794,505	49,147,685	42,386,730
Rompetrol Logistics S.R.L	Transport, rent/Rent, utilities	14,783	14,867	164,324	164,324
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, reinvoicing ,others	2,432,331	2,719,800	78,673,951	76,490,513
Rompetrol Well Services S.A.	Other	-	-	488	232
Midia Green Energy SA (fosta Uzina Termoelectrica Midia SA)	Acquistion of utilities	-	-	-	21,189,697
Rompetrol Energy S.A.	Acquistion of utilities	329,585,687	203,639,373	237,160,763	257,463,558
KMG Rompetrol S.R.L.	Loan interest, management services	43,593,321	27,177,218	216,584,865	224,453,081
Global Security Systems S.A.	Security and protection services	1,641	1,686	11,216,924	11,697,395
Global Security Systems Fire Services SRL	Security and protection services	-	-	10,209,734	7,396,118
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	23,395	26,282	-	-
Romoil S.A.	Reinvoicing bank loan fees	-	-	651,530	-
KMG Rompetrol Services Center SRL	Shared services	458,769	470,759	12,349,777	13,900,284
		13,619,726,247	**17,660,376,415**	**15,786,126,542**	**19,071,752,058**

25. RELATED PARTIES (continued)

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

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

The salaries paid to the Company directors in 2023 were RON 1,606,840 (RON 769,242 in 2022). The salaries and bonuses paid to the Company management in 2023 (in average 16 persons) was RON 10,422,331 (RON 8,167,991 in 2022, in average 18 persons).

26. EARNINGS PER SHARE

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

	December 31, 2023	**December 31, 2022**
Net profit (+), loss (-)	(550,355,167)	666,277,159
Average number of shares	26,559,205,726	26,559,205,726
Result per share - base (RON bani/share)	(2.07)	2.51

27. CONTINGENT LIABILITIES

Rompetrol Rafinare SA - Distressed Assets - Hybrid Conversion

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

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.

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.

Following conclusion of MOU, Rompetrol Rafinare submitted to the Romanian authorities a requirement for the annulment of the seizure. On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (see Note 28 - *Litigation with the State involving criminal charges - Case 225*) and at that date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to asset freeze.

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 MOU and given the final decision issued in 2020 by the Supreme Court in file no. 225 / D / P / 2006, Rompetrol Rafinare submitted to the Romanian authorities a request for the annulment of the precautionary seizure.

On 20 December 2021, a decision was issued in favor of the company by releasing the seizure. The decision was appealed by ANAF to the Supreme Court and on 22 June 2023, the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal. The next hearing was scheduled on 5 February 2024, when the Court admitted the claim and lifted the seizure to which ANAF made another appeal in front of the High Court of Justice and the communication of next hearing is expected.

27. CONTINGENT LIABILITIES (continued)

Risk management and internal control

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

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

The Rompetrol's Code of Ethics and Conduct is approved by the Board of Directors and applies to all directors, executives and employees, whatever the nature of their contractual relationship with the Company. The Code creates a frame of reference for understanding and putting into practice the Company's expectations as to each person's behavior, in light of the Companys principles of action. Company's employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct. The Code of Ethics and Conduct explicitly prohibits engaging in bribery or corruption in any form. Anti bribery and corruption policies and procedures in place at Group level include measures and guidance to assess risks, understand relevant laws and report concerns.

Whistleblowing incidents are taken very seriously by the Company and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Company has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. In line with Irregularity Reporting Policy, the internal investigations conducted during 2023 and up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations. The results of all internal investigations were discussed with the Company's statutory bodies, which concluded that the warnings were not confirmed.

28. LEGAL MATTERS

Litigation with the State involving criminal charges

I. Criminal case

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

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

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

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

II. Civil files

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

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

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

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).

28. LEGAL MATTERS (continued)

At this moment for a couple of case files second appeals can be submitted in front of the High Court of Cassation and Justice by Faber, the decisions not being yet definitive.

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

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

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

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

In the file registered for this purpose at the Constitutional Court under no. 1639D/2019, the Court issued its decision on 30 January 2024, rejecting the exception of unconstitutionality raised by Rompetrol Rafinare.

Following this solution, it is expected that The High Court of Cassation and Justice will reopen its recourse file and a hearing date will be fixed and announced to the parties, when the recourse will have to be solved.

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

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

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

The next hearing is scheduled for March 26, 2024 when the witnesses will provide again their statement.

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

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of RON 3.6 million.

28. LEGAL MATTERS (continued)

Litigation on Tax Assessments received by Rompetrol Rafinare SA in 2017

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

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 SA was challenged on 26 February 2018. The contestation received a partial negative answer and the Company 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 December 7, 2023 and on February 22, 2024, the Court admitted partially the challenge of Rompetrol The court canceled mainly the fiscal authority decision regarding the amount of RON 6.47 million (referring to withholding tax for non-residents and related penalties) and sets that the amount of RON 80.5 million should be included in the fiscal loss.

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

Criminal case concerning Petromidia Refinery incident on July 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 and the company's specialists, objections and point of view of the party expert being submitted as well as requests for clarifications issued by the case prosecutor; the company has the quality of a civilly responsible party, hearings of the employees involved in the incident were performed. At the same time, the collective work accident is being investigated by the Territorial Labour Inspectorate according to the incident legislation, who submitted in front of the criminal investigators their Work Accident Investigation Report.

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

28. LEGAL MATTERS (continued)

DIICOT Criminal Investigation File in connection with Vega lagoons greening Project

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

The trial was sent to the regular panel and is expected a first hearing to be established. On March 2 2023, the court kept the judicial control over the Company's employees but lifting the interdiction for leaving the country. On March 9, 2023, the court finally lifted also the judicial control. Next hearing is set on April 21, 2024.

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

Following a control performed by the Environmental National Guard within the location of Vega refinery Ploiesti on early April 2023, it sent further a notice to the local Agency for Environmental Protection to notify Rompetrol Rafinare (the owner of Vega refinery) to remedy within 60 days the deficiencies allegedly stated by the National Guard otherwise to suspend the activity of the Vega Refinery.

The local Agency for environmental protection issued on April 25, 2023 therefore a preliminary Notice to Rompetrol Rafinare to remedy the said allegedly deficiencies.

On May 4, 2023 according to the applicable legislation, the Company started the administrative conflict and submitted a complaint against National Guard to revoke its deed otherwise the company will challenge it in front of the court.
Consequently, the company challenged also the Notice issued by local Agency for Environmental Protection via administrative procedure submitting the claim on May 23, 2023 and filled the application for suspension in front of the court to get, if successfully, an order to suspend its effects until the court will issue a final settlement on merits. The first hearing was scheduled on June 16, 2023, when the Court rejected the company's application. The decision is subject of appeal.

Besides the legal steps the Company continued the dialogue with environmental authorities as regards the Vega refinery remediation project and on June 20, 2023 the National Guard issued a Finding Note by which they confirmed that all 3 (three) measures imposed by the National Guard on the report issued on April 3, 2023 have been accomplished by the company.

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

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

28. LEGAL MATTERS (continued)

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

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

Windfall tax litigation

Following the enactment of Emergency Ordinance No. 186/2022 regarding the emergency intervention to address the high energy prices, Rompetrol Rafinare paid on June 2023 the amount of RON 578 million.

After fulfilling the mandatory administrative procedure for challenging this tax which was rejected by the fiscal authorities, the Company filed in on March 8, 2024, the challenge in front of the court. No hearing is yet established.

29. COMMITMENTS

Environmental risks and obligation

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

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

As of 31 December 2023, the Company reassessed environmental provision considering changes in assumptions as compared with previous period as mentioned in Note 17.

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

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

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.

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

29. COMMITMENTS (continued)

The Company is focused on increasing resilience and profitability by diversification and further transition from diversified downstream player to energy provider. To address these objectives, projects have been defined, corresponding to different time horizons, with highest priority on the short to mid-term projects implemented in the existing markets with the production and distribution capacity already planned.

However, meeting the goals of the low-carbon economy is a global aspiration that must be cemented in reality. This requires the world economy to transform in complex and connected ways and Company's standalone Financial Statements for the year ended 31 December 2023 reflect the actual situation as it currently exists and what Management reasonably expects in the foreseeable future based on current facts and evidence.

Group strategy is focused on decarbonization measures and transition of the Group from being a traditional oil and gas downstream company into a diversified downstream player. This option has been chosen out of four strategic after the assessment of several criteria such as KMGI strategic targets, decarbonization targets, its capabilities, the long-term business model sustainability or the value creation potential. This option sets forth pursuit of gradual diversification, including into new biofuels (bioethanol and biodiesel), renewable electricity production, expanding EV charging network. A portfolio of 6 projects has been shortlisted following the assessment of more than 40 decarbonization solutions which can be implemented in the medium and long-term. Decarbonization projects lead to improved profitability and capability to offer low-carbon products and services, thus improving KMGI's brand image & long-term company resilience.

In 2023 KMGI Group focused on implementation of the projects from the approved list of priority projects. Completed feasibility studies in line with the GD 907/2016 on the Framework content of Technical Documentation for three projects: installation of solar panels at the Petromidia refinery, construction of the advanced generation bioethanol plant (based on second generation cellulosic feedstock (cereal straw, such as wheat, barley), co-processing of advanced biodiesel.

Transposition of RED II regulation in Romania and upcoming RED III regulation, imposes legislative requirements on Group for minimum content of new generation biofuels starting 2023. Production of new generation biofuels for own use is a low hanging fruit that would allow to reduce costs and secure supply. First project co-funded by the European Union, through Connecting Europe Facility was launched, for installation of 11 charging stations of 300kW and upgrading the grid connection for 11 locations to 600kW each on Rompetrol's highway stations. It is worth to mention, that development of vertical integration through extensive development of controllable channels in Romania and near abroad remains an important development direction, aiming to mitigate exposure to volatility of the market refining margin. The Group is working on the project for gradual substitution of gray hydrogen in the production processes of Petromidia refinery with green hydrogen, this could allow to reduce CO2 emissions by approximately 24% by 2030.

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

The new unit will comply with the highest technological standards of energy efficiency and environmental protection and is being built in partnership with the Midia Thermal Power Plant - currently owned by the Ministry of Energy (56.58%) and KMG International (43.42%). Rompetrol Energy, the operator of the future cogeneration plant, is majority owned by the Kazakh-Romanian Energy Investment Fund (KREIF), along with Rominserv and the Midia Thermal Power Plant. The project, worth over 164 million USD, is financed by the Kazakh-Romanian Energy Investment Fund (KRIEF). The project is a brownfield investment and will integrate the assets of the Midia Thermal Power Plant, as well as its staff, for the operation of the new plant's equipment. Construction began in May 2021 and expected to be completed in second quarter of 2024.

29. COMMITMENTS (continued)

Major investment projects of the KMGI Group in Romania will be implemented through Kazakh-Romanian Investment Fund in the Energy sector established in November 2018 together with the Romanian State, represented by the Management Company of the Shares Owned within Energy Sector (S.A.P.E.), which holds 20% in the equity of the Fund, 80% belonging to KMGI.

War and conflict riks

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

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

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

At present, we are monitoring very closely the current situation and developments of sanctions and related restrictions applied to Russian environment by relevant international stakeholders and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region and try to stay in connection with competent authorities in order to identify any potential impact of newly issued sanctions on our business and supply chains at an early stage and act accordingly.

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

Cyber risk

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

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

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

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

29. COMMITMENTS (continued)

Work safety and safe operations

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

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

Other commitments

As of 31 December 2023, Rompetrol Rafinare SA contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards at the Petromidia refinery in amount of USD 82.2 million, RON equivalent 369.6 million. (2022: USD 50.9 million, RON equivalent 234.1 million) and Vega refinery of USD 4.6 million, RON equivalent 20.7 million (2022: USD 0.88 million, RON equivalent 4.0 million).

Sale and purchase commitments

As of 31 December 2023, Rompetrol Rafinare SA contracted purchase contracts for raw materials and utilities estimated to USD 3,716.63 million, RON equivalent 16,709 million (2022: USD 4,243.18 million, RON equivalent 19,518 million) and has commitments for sales of petroleum, petrochemicals products and utilities sales estimated to USD 1,904.99 million, RON equivalent 8,564 million (2022: USD 4,952.07 million, RON equivalent 22,779 million).

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

A. CAPITAL RISK

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

B. GEARING RATIO

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

	December 31, 2023	**December 31, 2022**
Debt (excluding shareholder and related parties loans)	1,388,107,861	283,618,888
Cash and cash equivalents	(613,521,713)	(23,243,490)
Net Borrowings	**774,586,148**	**260,375,398**
Equity (including shareholder and related parties loans)	1,962,613,686	2,919,993,039
Gearing ratio	**39.5%**	**8.9%**

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

	December 31, 2023	December 31, 2022
Long-term borrowings	1,195,433,220	-
Total equity	1,962,613,686	2,919,993,039
Gearing ratio	**60.91%**	**0.00%**

C. FINANCIAL INSTRUMENTS

	31 December 2023	31 December 2022
Financial assets		
Investments in subsidiaries	3,531,898,492	3,170,968,557
Trade receivables and other receivables	1,278,344,903	1,051,164,741
Long-term receivables	41,254,000	-
Derivatives	-	11,856,741
Cash and bank accounts	613,521,713	23,243,490
TOTAL FINANCIAL ASSETS	**5,465,019,108**	**4,257,233,529**

Financial liabilities	31 December 2023	31 December 2022
Derivatives	-	21,584,319
Commercial liabilities and other liabilities	5,752,887,700	5,235,846,953
Short term loans	192,674,641	283,618,888
Long term borrowings from banks	1,195,433,220	-
Lease debts	55,123,588	57,560,826
Profit tax payable	140,799,458	577,634,789
TOTAL FINANCIAL LIABILITIES	**7,336,918,607**	**6,176,245,776**

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

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

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

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

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Company enters into derivative financial instruments with various counterparties. As at 31 December 2023, the marked to market value of derivative position is for financial instruments recognised at fair value.

Fair value hierarchy

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

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

	31 December 2023	Level 1	Level 2	Level 3
Financial assets				
Investments in subsidiaries	3,531,898,492	-	-	3,531,898,492
Trade receivables and other receivables	1,278,344,903	-	1,278,344,903	-
Long-term receivables	41,254,000	-	41,254,000	-
Cash and bank accounts	613,521,713	613,521,713	-	-
TOTAL FINANCIAL ASSETS	**5,465,019,108**	**613,521,713**	**1,319,598,903**	**3,531,898,492**
Financial liabilities				
Commercial liabilities and other liabilities	5,752,887,700	-	5,752,887,700	-
Short term loans	192,674,641	-	192,674,641	-
Long term borrowings from banks	1,195,433,220	-	1,195,433,220	-
Lease debts	55,123,588	-	55,123,588	-
Profit tax payable	140,799,458	-	140,799,458	-
TOTAL FINANCIAL LIABILITIES	**7,336,918,607**	**-**	**7,336,918,607**	**-**

	31 December 2022	Level 1	Level 2	Level 3
Financial assets				
Investments in subsidiaries	3,170,968,557	-	-	3,170,968,557
Trade receivables and other receivables	1,051,164,741	-	1,051,164,741	-
Derivatives	11,856,741	-	11,856,741	-
Cash and bank accounts	23,243,490	23,243,490	-	-
TOTAL FINANCIAL ASSETS	**4,257,233,529**	**23,243,490**	**1,063,021,482**	**3,170,968,557**
Financial liabilities				
Derivatives	21,584,319	-	21,584,319	-
Commercial liabilities and other liabilities	5,235,846,953	-	5,235,846,953	-
Short term loans	283,618,888	-	283,618,888	-
Lease debts	57,560,826	-	57,560,826	-
Profit tax payable	577,634,789	-	577,634,789	
TOTAL FINANCIAL LIABILITIES	**6,176,245,776**	**-**	**6,176,245,776**	**-**

At 31 December 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

D. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Balance sheet

	31 December 2023	31 December 2022
Derivative financial assets	-	11,856,741
Derivative financial liabilities	-	(21,584,319)
Net position – asset / (liability)	**-**	**(9,727,578)**

Income Statement

	31 December 2023	31 December 2022
Realised losses – net	-	1,114,463,981
Total position - loss - in Cost of sales	**-**	**1,114,463,981**

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

	31 December 2023	31 December 2022
Derivative asset / (liability) 2022	**(9,727,578)**	**88,779,274**
Cash received / (payments)	-	14,408,621
Cash flow hedge reserve	9,727,578	(112,915,474)
Derivative asset / (liability) 2023	**-**	**(9,727,578)**

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

The income statement results recorded in 2023 and 2022 are presented in Cost of sales, detailed in Note 19.

In the first quarter of 2023 Rompetrol Rafinare SA bought the entire deficit of EUA certificates for 2022 compliance in amount of EUR 23 million and also closed the Long Futures position of 770k EUA (the last futures position that was still opened at the end of 2022).

In respect of 2023 compliance, a total of 251k EUA were brought spot from the market, during March – May following the assessment made on CO_2 emissions estimates for 2023. In June 2023 following MHC unit incident the entire production flow was changed for the rest of the period in which MHC unit remained shut down for repairs, thus leading to lower CO_2 emissions for 2023 against initial estimates. For details regarding the EUA certificates surplus as of December 31, 2023 see Note 3.

The negative result recorded in 2022 presented in Cost of sales is detailed in Note 19.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

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

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

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

E. MARKET RISK

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

F. FOREIGN CURRENCY RISK MANAGEMENT

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

G. FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

	USD		**EUR**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
RON				
5%	(260,092,755)	(124,845,115)	10,827,187	(7,952,013)
(5%)	260,092,755	124,845,115	(10,827,187)	7,952,013

H. INTEREST RATE RISK MANAGEMENT

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

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

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 31 December 2023 would decrease / increase by RON 27.0 million (2022: decrease / increase by RON 26.0 million).

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

I. Liquidity risk

The tables below summarize the maturity profile of the Company's financial liabilities at 31 December 2023 and 31 December 2022 based on contractual outdated payments, including interest payable until the end of the contracts for finance leasing and loans.

Balance as at 31 December 2023	Less than 1 month or current	<3 months	3 – 12 months	1 - 5 years	>5 years	Total
Trade and other payables	5,399,978,901	352,573,903	334,896	-	-	**5,752,887,700**
Short term borrowings from banks	2,598,140	3,756,885	195,396,591	-	-	**201,751,616**
Long term borrowings from banks	-	24,221,629	72,664,886	1,324,615,240	-	**1,421,501,755**
Lease debts	369,039	738,079	3,321,355	14,518,714	57,083,731	**76,030,919**
	5,402,946,080	**381,290,496**	**271,717,728**	**1,339,133,954**	**57,083,731**	**7,452,171,990**

Balance as at 31 December 2022	Less than 1 month or current	<3 months	3 – 12 months	1 - 5 years	>5 years	Total
Trade and other payables	4,998,564,147	237,031,117	251,690	-	-	**5,235,846,953**
Derivatives	-	21,584,319	-	-	-	**21,584,319**
Short term borrowings from banks	1,781,039	5,136,406	288,332,073	-	-	**295,249,518**
Lease debts	389,672	779,344	3,507,049	15,297,853	60,212,902	**80,186,821**
	5,000,734,858	**264,531,186**	**292,090,812**	**15,297,853**	**60,212,902**	**5,632,867,612**

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

J. OIL PRODUCTS and RAW MATERIAL PRICE RISK

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

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

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

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

The Refining activity of the Company is exposed to the increase of the EUA certificates prices. Rompetrol Refinery CO2 emissions are offset with EUA certificates. For the current year, the Company has covered the need for 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 remaining years of first part of phase IV (2024-2025) as well as the following years. When the market price will be within the target level of the Company, hedge operations will be carried on.

K. CREDIT RISK

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

Trade receivables

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

Financial instruments and bank deposits

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

31 AUDIT EXPENSES

In 2023, the statutory auditor was Ernst & Young Assurance Services SRL. The auditor had a contractual fee of EUR 317,358 for the statutory audit of the individual and consolidated annual financial statements of the company, including its subsidiaries, for the year ending 31 December 2023, and EUR 16,855 for other reports required by the regulations in place.

32.SUBSEQUENT EVENTS

Banca Comercială Intessa Sanpaolo Romania SA joins the USD 600 million syndicated facility with a USD 20 million loan that will be divided into two parts Facility A and Facility B, each worth USD 10 million. The new agreement was signed on March 14, 2024.

The standalone financial statements have been endorsed by the Board of Directors on 23 March 2024 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 26 April 2024 by:

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

ALEXANDRU STAVARACHE
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant